

Report and Consolidated Financial Statements 2009



PRESIDENT PETROLEUM COMPANY PLC

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PRESIDENT PETROLEUM COMPANY PLC

Corporate Information

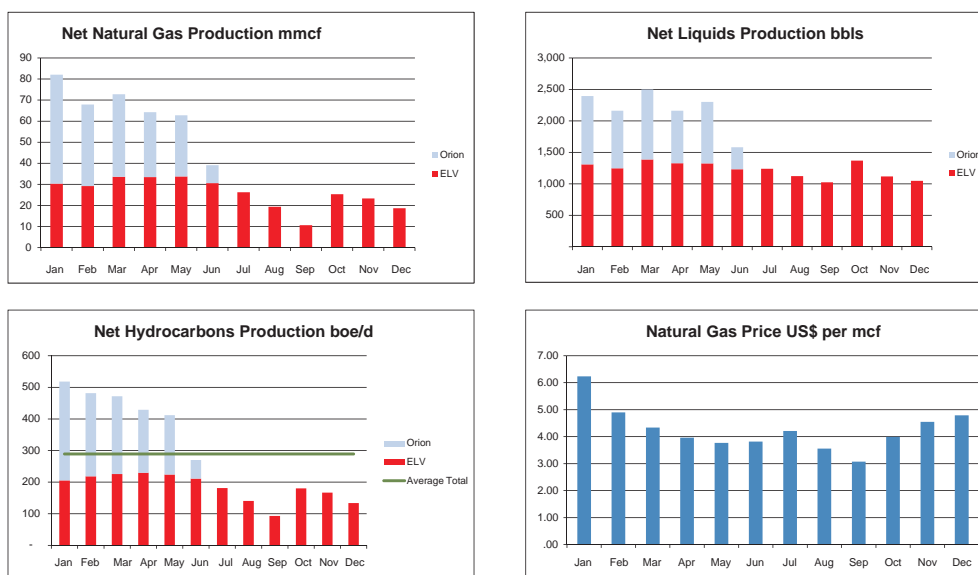
Directors	Stephen Gutteridge Angelo Baskaran Mike Cochran John Hamilton Chris Hopkinson David Wake-Walker	– Chairman – Finance Director – Exploration Director – Non-Executive Director – Non-Executive Director – Non-Executive Director
Secretary	David Wake-Walker	
Registered Office	13 Regent Street London SW1Y 4LR	
Website	www.presidentpc.com	
Nominated Advisor and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN	
Auditor	Grant Thornton UK LLP Melton Street Euston Square London NW1 2EP	
Legal Advisers	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 6AE	
Corporate Bankers	Macquarie Bank Limited 1 Ropemaker Street London EC2Y 9HD	
UK Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH	
US Bankers	Frost National Bank 100 West Houston Street San Antonio Texas 78296	Comerica Bank 910 Louisiana Street Houston Texas 77002
Australian Bankers	Australia and New Zealand Banking Group Limited (ANZ) 11-29 Waymouth Street Adelaide South Australia 5000	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6ZL	
Registered number	5104249	

Chairman's Statement

On 30 November 2009 shareholders of Meridian Petroleum plc voted overwhelmingly in favour of a fundamental transformation of the Group including a change of name to President Petroleum Company PLC.

President Petroleum is now a very different company from its predecessor. It has substantial institutional investor support led by its largest shareholder, Levine Capital Management; a significantly enhanced financial position; a strengthened Board and ambitious growth plans underpinned by access to the financial, technical and commercial capabilities needed to deliver sizeable acquisitions and exploit asset development opportunities. The Board's target is to achieve the scale of a mid-cap exploration and production company with a main market listing.

Financial Summary



2009 was a very active year for the Group against the background of lower energy prices compared to 2008, and a challenging economic environment. US\$4.8 million was invested in exploration and development, more than double the amount spent in 2008. Continued robust cash generation of US\$3.0 million, helped by hedging gains, supported this investment, which added substantial value to the Australian PEL 82 licence and enabled the continued development of the East Lake Verret field in Louisiana, USA.

In November, as part of the transformational restructuring, the Group raised £6.9 million which was quickly converted into US Dollars to mitigate exchange rate risk. As a result the Group had US\$10 million of cash at year end and had reduced its debt to US\$4.1 million.

In 2009 the Group reported a small operating profit before the non-cash costs of depreciation, impairment and a loss on the sale of non-current assets. This was down from 2008 due to lower production and prices. The Group has continued to review asset valuations on a prudent basis and consequently both the Pontiac well and the Calvin Deep leases have been fully impaired in these accounts. As part of the transformation of the Group in November, the existing debt facility was restructured with a substantial repayment of US\$2.5 million and the removal of the associated warrants and net profit interests. The cost of this restructuring together with the impairment and depreciation charges resulted in the group reporting a loss before tax of US\$4.2 million.

**Chairman's
Statement**

Australia Operations

In March, the 88 square kilometre 3D seismic survey on the PEL 82 licence in South Australia was completed. Two independent evaluations of the survey data were undertaken which confirmed the presence of ten prospective hydrocarbon reservoirs in the Waare and Flaxman sands. In addition, the information from the 3D survey provided a new perspective on the reprocessed 2D seismic data, and identified a further larger prospect in the north of the licence. Total best estimate prospectivity on PEL 82 is assessed as 430 million barrels of oil or 630 bcf of natural gas.

As a result of the work done on PEL 82 during the year, the licence was renewed for a further 5 year period, with the compulsory relinquishment of 50% of the licence area. Drilling locations have been identified for a drilling programme of up to three wells.

US Operations

In the US, President Petroleum drilled an exploration well in Michigan and completed a drilling and work-over programme at the East Lake Verret Field in Louisiana.

The East Lake Verret field, acquired in 2008, continued to perform steadily throughout the year. The field offers upside on both production and reserves which the Group will continue to appraise and develop. A successful work-over programme at the field was completed in the summer and ensured continued production from 6 wells. The McKerall 3 well, drilled in summer 2009, encountered gas shows at target depth and has been suspended in preparation for re-entry once unitisation issues have been resolved. President Petroleum is also currently evaluating the deeper prospects in the area and is likely to increase the leased acreage position properly to explore these prospects.

The Orion field in Michigan has been a major success for the Group, having produced over 2 bcf of natural gas from start-up in August 2007 to the end of March 2009. At that point with production declining sharply, the Pontiac well was drilled at low cost to explore for new reserves that might be produced through the existing processing facilities. No additional reserves were found and President Petroleum subsequently sold its interest in Orion and the facilities to its partner, Wellmaster.

In January 2010 President Petroleum acquired additional production and reserves through the purchase of a 25% working interest in the East White Lake field, also in Louisiana. This acquisition added proved reserves of 472,000 barrels of oil equivalent at a purchase cost of US\$8.26 per boe. A drilling programme at East White Lake, completed in March 2010, added material new reserves and will contribute to the Company's total production target for 2010 of some 280 boe per day, similar to the average level achieved in 2009.

**Chairman's
Statement**

Reserves and Production

With the acquisition of East White Lake effective from 1 January 2010 the Group's US reserves have been significantly enhanced. Compared to 1 January 2009, 1P reserves have increased by 48% to 1.25 million boe. 3P reserves have more than doubled to 2.32 million boe.

Net production of natural gas in 2009 fell to 513 mmcf (2008 : 1.27 bcf). This was due to lower first half production at Orion and the sale of the field in June. Production of oil and natural gas liquids in 2009 was 20,020 bbls (2008 : 26,900 bbls). Steady oil production from East Lake Verret helped offset the impact of lower natural gas liquids production at Orion.

Prospects

The restructuring of the Group has put President Petroleum in a strong position for future growth. The focus for 2010 is on both the development of existing assets and acquisitions.

The reserve potential in the Group's two Louisiana fields will be developed through drilling and the acquisition of further acreage and prospects. A drilling programme of up to three wells on the PEL 82 licence in South Australia is planned for later in 2010 and an airborne survey of prospective acreage on the PEL 132 licence will also be carried out.

On acquisitions, President Petroleum has the objective of delivering a major transformational deal in 2010 and will also look for further attractive bolt-on opportunities in the US to build on the Group's existing portfolio of producing assets.

Finally, I would like to thank our shareholders, customers, partners, advisers and my colleagues for their support and contribution. In particular, I would like to welcome John Hamilton, Mike Cochran and Chris Hopkinson who joined the Board in December 2009, and to thank Peter Clutterbuck, who stepped down from the Board, for his contribution as a Director over the past five years.

Stephen Gutteridge

Chairman

14 April 2010

*Reserves and
Resources
Report*

Net US Commercial Reserves as at 31 December 2009

East Lake Verret

	<i>Natural Gas mmcf</i>	<i>Oil mbbls</i>	<i>Total Hydrocarbons '000 boe</i>
1P Proved	2,571.0	350.8	779.3
2P Probable	362.8	148.3	208.8
3P Possible	-	-	-
Total	<u>2,933.8</u>	<u>499.1</u>	<u>988.1</u>

The acquisition of a 25% working interest in the East White Lake field with effect from 1 January 2010 materially increased the Group's net commercial reserves as follows:

Net US Commercial Reserves as at 1 January 2010

	<i>Natural Gas mmcf</i>	<i>Oil mbbls</i>	<i>Total Hydrocarbons '000 boe</i>
1P Proved			
East Lake Verret	2,571.0	350.8	779.3
East White Lake	<u>1,113.5</u>	<u>286.2</u>	<u>471.8</u>
	<u>3,684.5</u>	<u>637.0</u>	<u>1,251.1</u>
2P Probable			
East Lake Verret	362.8	148.3	208.8
3P Possible			
East White Lake	4,352.7	132.5	858.0
	<u>8,400.0</u>	<u>917.8</u>	<u>2,317.9</u>

East Lake Verret reserves are from the reserves report prepared by D-O-R Engineering as at 1 November 2009, adjusted for production since that date. East White Lake reserves are from the independent evaluations provided to President Petroleum at the time of the acquisition of the East White Lake assets in January 2010.

Net Australian Prospective Resources as at 31 December 2009

PEL 82

Best estimate of Prospective Resources of 430 million barrels of oil or 630 bcf of Natural Gas. The prospects for PEL82 are taken from the reports independently prepared for President Petroleum based upon the 3D seismic data obtained in 2009.

PEL 132

The last report on PEL 132 was prepared by RPS Scott Pickford in February 2007 and indicated best estimate Prospective Resources of 432 bcf of Natural Gas. Further work will be carried out on the PEL 132 licence in 2010 and prospectivity for the licence will then be reassessed.

**Reserves and
Resources
Report**

The Competent Person Reports on reserves and resources referred to above have been produced in accordance with the requirements of the AIM Guidance Note for mining, oil and gas companies dated March 2006 and prepared in accordance with the standards adopted by the Society of Petroleum Engineers.

GLOSSARY

mbbls	Thousands Barrels (of oil/liquids)
b/d	Barrels per day
mboe	Thousand Barrels of oil equivalent. Natural gas volume converted as 1 mboe = 6 mmcf
Boe/d	Barrels of oil equivalent per day
cf	Cubic feet (of natural gas)
mmcf	Million cubic feet (of natural gas)
mmcf/d	Million cubic feet per day
bcf	Billion cubic feet (of natural gas)
mmbtu	Million British Thermal Units = Approximately one thousand cubic feet
Proved Reserves/1P	Quantities of hydrocarbons anticipated to have a 90% chance of being commercially recoverable
Probable Reserves/2P	Quantities of hydrocarbons anticipated to have a 50% chance of being commercially recoverable
Possible Reserves/3P	Quantities of hydrocarbons anticipated to have a 10% chance of being commercially recoverable
Contingent Resources	Quantities of hydrocarbons estimated to be potentially recoverable from known accumulations
Prospective Resources	Quantities of hydrocarbons estimated to be potentially recoverable from undiscovered accumulations
AIM	Alternative Investment Market of the London Stock Exchange
D-O-R Engineering	D-O-R Engineering, Inc. an independent company fulfilling the requirement of the AIM Guidance Note for mining, oil and gas companies

Stephen Gutteridge

Chairman

14 April 2010

**Directors'
Report**

The Directors present their report and the audited financial statements of President Petroleum Company PLC ("President Petroleum" or "the Company"), formerly known as Meridian Petroleum plc, for the year ended 31 December 2009.

Financial Review

The results for 2009 have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS). The Group adopts the US Dollar as its presentation currency. This is to reflect the fact that most of the Group's activities are denominated in that currency. The balance sheet of the Parent Company is prepared under UK Generally Accepted Accounting Policies (GAAP). Proved and probable oil and gas reserves have been independently assessed. These assets are not recognised in the balance sheet, with the exception of costs incurred to evaluate their prospectivity. Further details are set out in the Reserves and Resources Report on pages 6 to 7.

Principal Activities

The Group conducts an international business whose principal activities are the exploration for and the evaluation and production of oil and gas. A detailed review of the development of the business of the Group is contained in the Chairman's Statement on pages 3 to 5.

Results and Dividends

The loss for the year after taxation amounted to US\$4.4 million (2008 profit: US\$2.4 million). The Directors do not recommend a dividend.

Directors

The Directors of the Company who served during the year were as follows:

Stephen Gutteridge

Angelo Baskaran

Mike Cochran (appointed 1 December 2009)

John Hamilton (appointed 1 December 2009)

Chris Hopkinson (appointed 1 December 2009)

David Wake-Walker

Peter Clutterbuck (resigned 1 December 2009)

None of the Directors has a service agreement of more than one year's duration. Save as disclosed in note 31 no Director has had a material interest in any contract of significance with the Company or its subsidiaries during the year. Details of the Directors' interests in the shares of the Company are set out on page 15.

**Directors'
Report****Placing and Open Offer, Change of Name and Cancellation of Share Options and Warrants**

On 30 November 2009 the Company raised approximately US\$11.6 million by the issue of 27,614,498 Ordinary Shares. At the same time the Company changed its name from Meridian Petroleum plc to President Petroleum Company PLC and all share options and warrants were cancelled. Further details of these arrangements are set out in note 24.

Subsequent Events

In January 2010 the Group acquired a 25% interest in another producing field, East White Lake, in Louisiana to add to its existing production at East Lake Verret. Further development of the behind pipe and additional proved undeveloped reserves will follow. There is also a 13.6 bcf exploration target on which further work will be carried out. The initial cash consideration of US\$2.5 million was funded from existing resources with an additional sum of up to US\$1.4 million payable from cash-flow generated by successful development of the proved undeveloped reserves.

Substantial Shareholders

As at 7 April 2010, the latest practicable date prior to the publication of this report, the following interests appeared in the register.

Lynchwood Nominees Limited	13,689,824	30.12%
TD Waterhouse Nominees (Europe) Limited	4,005,248	8.81%
Barclayshare Nominees Limited	2,558,933	5.63%
Nortrust Nominees Limited	2,495,353	5.49%
HSDL Nominees Limited	2,092,204	4.60%
Chase Nominees Limited	1,730,000	3.81%
Mineworkers Pension Scheme /Chase GIS/ Nominees Limited	1,600,000	3.52%
L R Nominees Limited	1,442,933	3.18%
British Coal Staff Superannuation Scheme /Chase GIS/ Nominees Limited	1,440,000	3.17%

Included in the above, the Company has been advised of the following beneficial holdings.

Levine Capital Management Limited	13,633,947	29.99%
Schroders plc	4,560,000	10.03%
Jupiter Asset Management Limited	2,948,026	6.49%
Barclays PLC	2,741,257	6.03%

**Directors'
Report****Key Performance Indicators**

Key Performance Indicators are used to measure the extent to which Directors and management are reaching key objectives. The principal method by which the Directors monitor the Group's performance is volumes of net production reviewed against prior year. The Directors also carry out a regular review of cash available for exploration and development and review actual capital expenditure and operating expenses against forecasts and budgets.

	2009	2008	<i>Increase/ (Decrease)</i>
Net gas production mmcf	513	1,270	(59.6)%
Net oil and natural gas liquid production mbbls	20.0	26.9	(25.7)%
Total net hydrocarbons mboe	105.5	238.1	(55.7)%
Well operating costs US\$000	1,186	2,686	(55.8)%
Well operating costs per boe US\$	11.24	11.28	(0.3)%
Cash balances US\$000	10,089	3,875	160.4%

The decline in production volumes principally arose from the depletion of the reserves in Michigan. This was in line with management expectations.

Environment

President Petroleum ensures that it understands and effectively manages the actual and potential environmental impact of its current and future activities. All local and national environmental regulations are observed in the countries in which the Group operates.

Principal Risks and Uncertainty Facing the Company

The principal risks and uncertainty arise first from unsuccessful drilling. The risk falls into three main areas:

- Although seismic data may indicate a reserve, a test drilling may reveal that there is no significant oil or gas.
- Detailed evaluation after the test drilling may demonstrate that, after production costs, the well is not commercially viable.
- Before production commences unforeseen technical problems may result in cost overruns that make the well uneconomic.

These risks are mitigated by geological analysis prior to significant expenditure being incurred.

Once a well is in production the principal risks and uncertainty from operating the well are:

- Environmental objections causing the well to be shut in.
- Technical failure of the plant causing significant down time when the well is not producing.

Key financial risks that face the Company and the management policy to deal with those risks are described in detail in note 28 to the accounts.

**Directors'
Report**

Payment Policy and Practice

It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. The Company had no trade creditors overdue at 31 December 2009.

Financial Risk Management Objectives and Policies

Exchange rate risk

The Group has principally financed its operations from equity issues raised in pounds sterling.

Prior to 2008 £9.9 million was raised in this way and was used for exploration and development costs in US Dollars. In 2008 the Group arranged a US\$50 million loan facility and utilised US\$8.75 million to finance the acquisition of assets in Louisiana at a cost of US\$9.84 million. During the year the Group commenced seismic work in Australia at a budgeted cost of A\$2.7 million, financed from the profits of its US operations. Australian Dollars to the value of this commitment were purchased in 2008 to minimise exchange risk. In 2009 the Group raised a further £6.9million and the excess cash remaining from this financing after partial repayment of the loan debt and other costs, has been converted to US dollars and Australian dollars to match expected expenditure plans.

The Group has significant oil and gas production in the US and receives revenue in US Dollars. Currently planned Group expenditures are largely in US Dollars or Australian Dollars and the Group mitigates currency risk by holding cash reserves in those two currencies.

Price risk

The Group's financial performance is related to oil and gas prices. During 2008 the Group benefited from record prices and in July 2008, near the peak of these prices, the Directors took out a cap and floor hedge based upon 45% of the estimated future production volumes from existing producing wells. Subsequent falls in oil and gas prices have resulted in a significant profit on these contracts. The Group reviews its financing requirements and its hedging policies when required. More detail is provided in note 28 to the accounts.

Third Party Indemnities

The Group has taken out Directors and Officers liability insurance.

Related parties

The Group has entered into related party transactions, the details of which are outlined in note 31.

Annual General Meeting

Attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

The Annual General Meeting will be held on 15 June 2010 at 11:00 a.m.

ON BEHALF OF THE BOARD

Stephen Gutteridge

Chairman

14 April 2010

**Directors'
Remuneration
Report**

Whilst the Company is not required to present a Directors' remuneration report, as it is not subject to the Listing Rules of the Financial Services Authority nor the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, it has disclosed here certain information about Directors' remuneration policies and emoluments. The Directors' Remuneration Report is not audited.

The current Directors are:

Stephen Gutteridge - Executive Chairman

Stephen Gutteridge has 30 years' experience of the energy sector with Shell, Amerada Hess, Seaboard and the International Petroleum Exchange. He has held Board positions as Chairman, Executive Director and Non-Executive Director in a number of companies. He is currently a Director of TQ Group Ltd.

Angelo Baskaran - Finance Director

Angelo Baskaran is a Chartered Accountant in England and Wales and was formerly an investment banker with MBF Group out of Hong Kong and The Chart Group out of New York. He has broad experience in oil and gas and private equity as well as trading derivative hedge funds in the commodities markets globally.

Dr Michael Cochran - Exploration Director

Mike Cochran is Senior Technical Adviser to LCM UK, and has over 40 years' experience of the oil and gas business. Previously he was Senior Vice-President Strategy and Planning, and Head of Worldwide Exploration for Anadarko Petroleum Corporation. Prior to his time at Anadarko, Mike was with Gulf Oil Company in Africa, South America and the US.

John Hamilton - Non-Executive Director and Chairman of Remuneration Committee

John Hamilton is Managing Director of LCM UK and was previously Group Finance Director of Imperial Energy Corporation PLC. Prior to joining Imperial Energy, John held senior positions at ABN AMRO.

Christopher Hopkinson - Non-Executive Director

Chris Hopkinson is Vice President of Western Siberian Division of TNK-BP. After 13 years with Shell, Chris held senior appointments in Yukos and Lukoil, and, prior to his current role, was Chief Executive Officer of Imperial Energy.

David Wake-Walker - Non-Executive Director and Chairman of Audit Committee

David Wake-Walker spent over 25 years in financial services management, principally in corporate banking, prior to taking on a number of private equity, trading and corporate advisory roles. He has served as a non-executive Director for numerous companies, both in the UK and overseas, including as Chairman.

Remuneration Committee

The Remuneration Committee's primary objective is to provide recommendations to the Board on the Group's remuneration policies and to determine the remuneration of the Executive Directors and other key employees. The Remuneration Committee comprises John Hamilton (Chairman), David Wake-Walker and Stephen Gutteridge. Mr Gutteridge does not participate in any decision affecting his own remuneration. Other Directors may be invited to attend meetings of the Remuneration Committee but do not participate in any decision affecting their own remuneration. The Remuneration Committee, meets as necessary, and during the year met formally five times. All committee members were present at these meetings.

Remuneration Policy

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors and other key employees of the highest calibre who can contribute their experience and views to the Group's strategy and operations.

Directors' Terms, Conditions and Remuneration

The Directors have been engaged under the terms of letters of appointment. With the exception of Stephen Gutteridge, their engagements can be terminated upon three months' notice by either party. Mr Gutteridge's engagement can be terminated upon six months' notice by either party, except in the event of a change of control when the Group is required to give twelve months' notice. Re-appointment is subject to the Company's Articles of Association, which provide for retirement by rotation every three years. For the year ended 31 December 2009, the Directors' remuneration comprised a basic salary, discretionary bonus payments and a payment in compensation for the cancellation of share options. Discretionary bonuses were determined by the Remuneration Committee. There were no taxable benefits or payments to pension schemes other than BUPA payments of US\$14,880 in respect of two years of private health cover for the benefit of Stephen Gutteridge.

For 2009, a bonus structure for Executive Directors and key employees was introduced, the details of which are given below.

Salary

The following remuneration includes payments to companies connected with the individuals concerned and includes remuneration up to date of resignation. Cash compensation paid for the cancellation of Share Options is set out separately below.

	<i>2009</i>	<i>2008</i>
	<i>US\$000</i>	<i>US\$000</i>
Stephen Gutteridge	283	190
Angelo Baskaran	165	159
Dr. Michael Cochran (appointed 1 December 2009)	10	-
John Hamilton (appointed 1 December 2009)	4	-
Christopher Hopkinson (appointed 1 December 2009)	3	-
David Wake-Walker	59	68
Peter Clutterbuck (resigned 1 December 2009)	59	74
	<u>583</u>	<u>491</u>

Executive Bonus Scheme

An executive bonus scheme ("EBS") was introduced for 2009.

The participants in the EBS are Stephen Gutteridge, Angelo Baskaran, Edward Childers (Chief Operating Officer) and Ray Shilling (Group Financial Controller). The EBS provided for awards of a bonus of up to 100% of salary. 75% of this potential award was determined by reference to performance against a series of operational and financial targets which were deemed critical to the medium-term growth and viability of the Group's business. 25% of the potential award was at the discretion of the Committee based on individual performance and contribution to Group success.

For 2009 the Remuneration Committee decided that no bonuses should be paid in relation to the operational and financial targets. A discretionary bonus award of US\$35,000 was proposed for the Chairman in respect of the November restructuring and was paid in 2010. This bonus has been included in the figures in this report.

At the time of writing this report, and in the light of the substantial change in the Group's strategy and prospects, the Remuneration Committee is considering the design of the bonus plan for the 2010 financial year and has commissioned external consultants to support this process. The bonus plan is likely to be based on Group and individual performance against a series of operational and strategic targets to be recommended by the Remuneration Committee for 2010 in relation to President Petroleum achieving its growth objectives. The Committee will be considering both share and cash based elements as part of the proposal.

Compensation for Share Options granted to Directors

As part of the Open Offer and Placing described in Note 24, Share Options granted to Directors in earlier periods were cancelled in return for the right to subscribe for Ordinary Shares in the Company. The Directors were compensated by cash consideration which was paid by way of remuneration. This was in addition to the remuneration set out above. The cost of this was taken direct to profit and loss reserve. The amount of compensation that was applied to the subscription to new shares was as follows:

	<i>2009</i>	<i>2008</i>
	<i>US\$000</i>	<i>US\$000</i>
Stephen Gutteridge	102	-
Angelo Baskaran	52	-
David Wake-Walker	51	-
Peter Clutterbuck (resigned 1 December 2009)	51	-
	<u>256</u>	<u>-</u>

**Directors'
Remuneration
Report**

Directors' interests in the Share Capital of the Company

The beneficial interests of the Directors who held office at 31 December 2009 in the Ordinary Shares of the Company were:

	<i>31 December 2009</i>	<i>1 January 2009</i>
	<i>1p shares</i>	<i>30p shares</i>
Stephen Gutteridge	498,392	261,669
Angelo Baskaran	106,250	22,500
Dr. Michael Cochran	100,000	-
John Hamilton	200,000	-
Christopher Hopkinson	400,000	-
David Wake-Walker	128,804	41,667

There has been no change in the interest of any Director between 1 January 2010 and the date of this report. During 2009, the highest mid-market price of the Company's shares was 65p and the lowest was 20.25p. The year-end price was 51p.

This report was approved by the Board on 14 April 2010 and was signed on its behalf by:

John Hamilton

Chairman of the Remuneration Committee

14 April 2010

**Corporate
Governance
Statement**

It is the objective of the Board to maintain a high standard of Corporate Governance. As an AIM listed company, full compliance with the Combined Code is not a formal obligation. The Group has, however, sought to adopt the provisions of the code that are appropriate to its size and organisation and to establish frameworks for the achievement of this objective.

The Board

President Petroleum's business is international in scope and carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which President Petroleum operates and appropriate financial and risk management skills. In each Board appointment, whether executive or non-executive, the Board considers that objectivity and integrity, as well as skills, experience and ability which will assist the Board in its key functions, are pre-requisites for appointment. The Board currently comprises the Chairman, two other executive Directors and three non-executive Directors.

Board Committees

The Audit Committee comprises David Wake-Walker (Chairman) John Hamilton and Chris Hopkinson. The Remuneration Committee comprises John Hamilton (Chairman), David Wake-Walker and Stephen Gutteridge.

The role of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgments contained in them
- reviewing accounting policies, accounting treatments and disclosures in financial reports
- reviewing the Group's internal financial controls and internal control and risk management systems
- overseeing the Group's relationship with the external auditor, including making recommendations to the Board as to the appointment or reappointment of the external auditor, reviewing their terms of engagement and monitoring the external auditor's independence, objectivity and effectiveness, and
- reviewing the Group's whistle blowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow up action.

Board Committees (continued)

The role of the Remuneration Committee includes:

- determining and recommending to the Board the remuneration policy for the executive Directors and other senior employees; the non-executive Directors' remuneration is set by the Board upon the recommendation of the Remuneration Committee.
- within the terms of the agreed policy, determining the total individual remuneration package for each executive Director
- determining the level of awards made under the Company's share option plans and any long-term incentive plan and the performance conditions which are to apply
- determining bonuses payable under any cash or share bonus scheme adopted by the Group
- determining the vesting awards under any long term incentive plan put in place by the Group and the exercise of share options, and
- determining the policy for pension arrangements, service agreements and termination payments for executive Directors.

Relations with Shareholders

Communications with shareholders are given high priority by the Board. President Petroleum sends its annual report and accounts to all shareholders. The Company also sends its June interim statement to all shareholders. The Group endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. The Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Group. The Company maintains an up-to-date web site.

Going Concern

The Directors have considered the factors relevant to support a statement on going concern. The Group has sufficient cash resources to continue in operational existence for the foreseeable future and they have therefore used the going concern basis in preparing the financial statements.

Internal Control

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

As an oil and gas exploration and production company with current operations concentrated in the US and Australia, President Petroleum is, by virtue of the nature of its business and the countries in which it operates, subject to a variety of business risks.

The Group's system of internal control plays a critical role in managing the risks towards the achievement of President Petroleum's corporate vision and objectives and is also central to safeguarding President Petroleum's shareholders' interests and the Group's assets. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group.

**Statement
of Directors'
Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare consolidated Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and those of the Company in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware;
- and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing these financial statements.

Stephen Gutteridge

Chairman

14 April 2010

*Independent
Auditor's
Report*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESIDENT PETROLEUM COMPANY PLC

We have audited the financial statements of President Petroleum Company PLC for the year ended 31 December 2009 which comprise the Group statement of financial position and Parent Company balance sheet, the Group statement of comprehensive income, the Group statement of cash flows, the Group statement of changes in equity, the Parent Company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

**Independent
Auditor's
Report**

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

GLYN WILLIAMS

SENIOR STATUTORY AUDITOR

FOR AND ON BEHALF OF GRANT THORNTON UK LLP

STATUTORY AUDITOR, CHARTERED ACCOUNTANTS,

LONDON

14 April 2010

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement of
Comprehensive
Income
Year ended
31 December
2009**

		2009	2008
	Note	US\$000	US\$000
Continuing operations			
Revenue	4	3,931	18,066
Cost of sales	5	<u>(4,137)</u>	<u>(13,364)</u>
Gross (loss)/profit		(206)	4,702
Administrative expenses	6	<u>(1,826)</u>	<u>(2,797)</u>
Operating (loss)/profit before impairment charge		(2,032)	1,905
Impairment charge	7	(1,220)	(1,131)
Loss on sale of non-current assets		<u>(180)</u>	<u>-</u>
Operating (loss)/profit		(3,432)	774
Investment income –			
Gain on derivative financial instruments	8	168	652
Fair value through profit and loss	8	353	1,771
Interest on bank deposits		18	36
Finance costs – interest payable on loan	21	(751)	(449)
– release of unamortised costs following renegotiation of loan	21	<u>(546)</u>	<u>-</u>
(Loss)/profit before tax	9	(4,190)	2,784
Income tax	11	<u>(181)</u>	<u>(385)</u>
(Loss)/profit for the period from continuing operations		(4,371)	2,399
Other comprehensive income, net of tax			
Exchange differences on translating foreign operations		<u>711</u>	<u>35</u>
Total comprehensive (loss)/income for the period attributable to the equity holders of the Parent Company		<u>(3,660)</u>	<u>2,434</u>
(Loss)/profit per share			
	12	<i>US cents</i>	<i>US cents</i>
Basic earnings per share from continuing operations		<u>(23.5)</u>	<u>14.9</u>
Diluted earnings per share from continuing operations		<u>(23.5)</u>	<u>13.1</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

PRESIDENT PETROLEUM COMPANY PLC

*Consolidated
Statement of
Financial
Position
31 December
2009*

		2009	2008
	Note	US\$000	US\$000
ASSETS			
Non-current assets			
Intangible assets	13	6,157	2,593
Property, plant and equipment	14	3,740	6,229
		<u>9,897</u>	<u>8,822</u>
Deferred tax asset	15	100	114
Financial assets	16	207	549
		<u>10,204</u>	<u>9,485</u>
Current assets			
Trade and other receivables	17	1,749	4,028
Current tax	18	300	762
Cash and cash equivalents	19	10,058	3,875
		<u>12,107</u>	<u>8,665</u>
TOTAL ASSETS		<u>22,311</u>	<u>18,150</u>
LIABILITIES			
Current liabilities			
Trade and other payables	20	1,685	2,246
Long-term borrowings	21	2,413	2,320
		<u>4,098</u>	<u>4,566</u>
Non-current liabilities			
Long-term borrowings	21	1,694	4,175
Long-term provisions	22	221	316
		<u>1,915</u>	<u>4,491</u>
TOTAL LIABILITIES		<u>6,013</u>	<u>9,057</u>
EQUITY			
Share capital	23	9,508	9,026
Share premium		19,577	8,372
Translation reserve		906	195
Profit and loss account		(13,693)	(10,256)
Reserve for share-based payments		-	1,756
TOTAL EQUITY		<u>16,298</u>	<u>9,093</u>
TOTAL EQUITY AND LIABILITIES		<u>22,311</u>	<u>18,150</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2010. They were signed on their behalf by:

Stephen Gutteridge

Chairman
14 April 2010

The accompanying accounting policies and notes form an integral part of these financial statements.

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement
of Changes in
Equity
Year ended
31 December
2009**

	Share capital US\$000	Share premium US\$000	Translation reserve US\$000	Profit and loss account US\$000	Reserve for share- based payments US\$000	Total US\$000
Balance at 1 January 2008	9,026	8,372	160	(12,655)	387	5,290
Share-based payments	-	-	-	-	1,369	1,369
Transactions with the owners	-	-	-	-	1,369	1,369
Profit for the year	-	-	-	2,399	-	2,399
Other comprehensive income exchange differences on translation	-	-	35	-	-	35
Total comprehensive income for the year	-	-	35	2,399	-	2,434
Balance at 1 January 2009	<u>9,026</u>	<u>8,372</u>	<u>195</u>	<u>(10,256)</u>	<u>1,756</u>	<u>9,093</u>
Share-based payments	-	-	-	-	55	55
Shares issued on placing and open offer	482	11,561	-	-	-	12,043
Costs of issue	-	(356)	-	-	-	(356)
Compensation for cancellation of share options and warrants						
Paid to Macquarie Bank	-	-	-	-	(492)	(492)
Paid to Directors	-	-	-	-	(256)	(256)
Paid to staff	-	-	-	-	(112)	(112)
National Insurance costs	-	-	-	-	(17)	(17)
Transfer following cancellation of share options and warrants	-	-	-	934	(934)	-
Transactions with the owners	<u>482</u>	<u>11,205</u>	<u>-</u>	<u>934</u>	<u>(1,756)</u>	<u>10,865</u>
Loss for the year	-	-	-	(4,371)	-	(4,371)
Other comprehensive income exchange differences on translation	-	-	711	-	-	711
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>711</u>	<u>(4,371)</u>	<u>-</u>	<u>(3,660)</u>
Balance at 31 December 2009	<u>9,508</u>	<u>19,577</u>	<u>906</u>	<u>(13,693)</u>	<u>-</u>	<u>16,298</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement
of Cash Flows
Year ended
31 December
2009**

	2009	2008
	US\$000	US\$000
Cash flows from operating activities - (Note 25)		
Cash generated by operations	2,994	7,225
Interest received	18	36
Taxes refunded	472	-
Taxes paid	<u>(177)</u>	<u>(1,261)</u>
	<u>3,307</u>	<u>6,000</u>
Cash flows from investing activities		
Expenditure on exploration and evaluation assets	(4,784)	(2,004)
Expenditure on development and production assets	(15)	(7,067)
Deposits with state authorities	<u>(12)</u>	<u>(161)</u>
	<u>(4,811)</u>	<u>(9,232)</u>
Cash flows from financing activities		
Proceeds from issue of shares (net of expenses)	11,687	-
Compensation for cancellation of share options and warrants	(877)	-
Proceeds from sale of non-current assets	223	-
Drawdown of bank loan	1,118	8,750
Repayment of bank loan capital	(4,460)	(1,301)
Payment of bank loan interest	(343)	(347)
Debt arrangement fees	<u>-</u>	<u>(232)</u>
	<u>7,348</u>	<u>6,870</u>
Net increase in cash and cash equivalents	5,844	3,638
Opening cash and cash equivalents at beginning of year	3,875	295
Exchange gains/(loss) on cash and cash equivalents	<u>339</u>	<u>(58)</u>
Closing cash and cash equivalents	<u>10,058</u>	<u>3,875</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

1. **General information**

Corporate status

President Petroleum Company PLC is a company incorporated in England under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in note 4 and in the Directors' Report on pages 8 to 11. The Company is quoted on the AIM market of the London Stock Exchange (ticker: PPC), and is headquartered in London, UK, with offices in Clarkston, Michigan, US.

Presentation currency

The presentation currency of the Group is United States (US) Dollars. The US Dollar has been adopted as the Group's presentation currency as the trading and the majority of the Group's other transactions and assets are in US Dollars. The Group's policy on foreign currencies is detailed in note 2 i).

2. **Significant accounting policies**

a) Basis of preparation

The Group financial statements have been prepared in accordance with European Union (EU) endorsed IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. All accounting standards and interpretations issued by the International Accounting Standards Board and the IFRIC effective at the time of preparing these financial statements have been applied. The Group financial statements have been prepared under the historical cost convention except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in accordance with IAS1: *Presentation of financial statements* (Revised 2007).

In accordance with IAS 1 the Group is required to produce a third consolidated statement of financial position relating to the year ended 31 December 2007. However, considering that the financial statements from prior years are readily available for financial analysis, and the consolidated statement of financial position remains unchanged from previously published financial statements, the Board has not deemed it necessary to present this extra statement.

A summary of the significant Group accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

The following Standards and Interpretations have been issued, but are not yet effective and have not been early adopted by the Group:

Pronouncement	Year beginning 1 January 2010	Effective date
Improvements (Issued April 2009)	IASB Improvements Project	Financial year commencing on/after 1 July 2009 for some amendments but 1 January 2010 for most (EU not yet endorsed)
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	Financial year commencing on/after 1 January 2010 (EU not yet endorsed)
IAS 39 (Amendment)	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items	Financial year commencing on/after 1 July 2009
IFRS 3 (Revised)	Business Combinations	Financial year commencing on/after 1 July 2009
IAS 27 (Revised)	Amendment to IAS 27 'Consolidated and Separate Financial Statements'	Financial year commencing on/after 1 July 2009

The above Standards and Interpretations are not expected to have any material impact on the Group's financial statements.

IFRS 8, IAS1 (Revised) and IFRS 7 (amendment) have been adopted during the year.

b) Basis of accounting

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The accounting policies set out below have been applied to all periods presented.

2. **Significant accounting policies (continued)**

c) Basis of consolidation

The Group financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

There are no unrealised gains and losses or income and expenses arising from intragroup transactions. Intra-group balances are eliminated in preparing the consolidated financial statements.

The Group's exploration, development and production activities may be conducted as co-licensee, in jointly controlled operations with other companies. Where this is the case, the financial statements reflect the relevant proportions of production, capital expenditure and operating costs applicable to the Group's interest. Where the Group is party to a jointly controlled operation, which is not an entity, the Group accounts directly for its part of the income and expenditure, assets, liabilities and cash flows.

d) Going Concern

The accounts have been prepared under the going concern basis.

e) Revenue recognition

Revenue represents sales of oil and gas during the year, and is recognised when title passes to the customer, being the date it leaves the well site. Royalty payments are recognised as a cost of sale when the related production revenue is recognised. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

f) Oil and natural gas exploration and development expenditure

The Group adopts the successful efforts method of accounting for exploration, evaluation and development costs.

2. **Significant accounting policies (continued)**

f) Oil and natural gas exploration and development expenditure (continued)

Exploration and evaluation expenditure – intangible assets

All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable expenditure is capitalised insofar as it relates to specific exploration and evaluation activities. Preliminary costs are expensed in the year in which they are incurred. Exploration and evaluation costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Exploration and evaluation expenditure is not amortised. If the criteria for recognition of an exploration and evaluation asset are met, it is classified as either a tangible or intangible asset, depending on the nature of the asset. Cost pools are established on the basis of specific fields. When it is determined that such cost will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to Production Assets.

Development and production assets – property, plant and equipment

All field development costs and transferred exploration and evaluation costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's Depletion and Amortisation accounting policy. The Directors carry out regular reviews of development and production assets and assess the need for provisions for impairment.

Depreciation, depletion and amortisation

All capitalised expenditure carried within each field is depleted from the commencement of production on a unit of production basis, over the proved reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Impairment

Exploration and evaluation assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value may not be recoverable. Any such impairment is recognised in the statement of comprehensive income for the year. Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed.

2. **Significant accounting policies (continued)**

f) Oil and natural gas exploration and development expenditure (continued)

Impairment (continued)

At each reporting date, the Group assesses whether there is any indication that its development and production assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss is recognised in the statement of comprehensive income.

g) Decommissioning

Where a material liability exists for the removal of production facilities and site restoration at the end of the productive life of a field, a provision for decommissioning is recognised. The amount recognised is the present value of future expenditure determined in accordance with local conditions and requirements. Property, plant and equipment in an amount equivalent to the provision are created and depreciated on a unit of production basis.

2. **Significant accounting policies (continued)**

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. The Group recognises in the carrying amount of property, plant and equipment the subsequent costs of replacing part of such items when they are expected to generate future economic benefits and such costs can be reliably determined. The carrying value of a part is derecognised when it is replaced. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment (other than development and production assets) over their estimated useful lives. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Development and production assets are depreciated in accordance with the accounting policy detailed in note 2 f).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or loss on sale.

i) Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which an entity primarily generates and expends cash. The Parent Company's functional and presentation currency is pounds sterling. The Group has chosen the US Dollar as its presentation currency based on the fact that the Group's primary transactions originate in US Dollars, these being amongst others gas and oil sales and the procurement of the majority of the Group's plant and drilling services.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. All exchange differences on transactions in currencies other than the individual entity's functional currency are recognised as profit or loss in the year in which they are incurred.

Monetary assets and liabilities that are denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the statement of comprehensive income. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences are included in other comprehensive income.

2. **Significant accounting policies (continued)**

i) Foreign currencies (continued)

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

j) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Trade payables and other creditors

Trade payables and other creditors are non-interest bearing and are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost under the effective interest method.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in oil and gas prices. Derivative financial instruments are stated at fair value. The Group does not use hedge accounting. Gains or losses on derivatives are taken directly to the statement of comprehensive income in the period.

2. **Significant accounting policies (continued)**

j) Financial instruments (continued)

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Accounting for financial assets

Financial assets are divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenditure are recognised in the statement of comprehensive income or directly in equity. See note 28 h) for a summary of the Group's financial assets by category. An assessment of whether indications of impairment exist for a financial asset is made at least at each reporting date. If there is indication of impairment, an impairment review is undertaken. All income and expense relating to financial assets are recognised in the statement of comprehensive income line item "finance costs" or "investment income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these are measured at fair value plus transaction costs, less provision for impairment, and thereafter at amortised cost under the effective interest rate method. All finance costs under the effective interest rate method are recognised in the statement of comprehensive income. The Group's trade and other receivables fall into this category of financial instruments.

Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region or counterparty and other available features of shared credit risk characteristics, if any.

2. **Significant accounting policies (continued)**

k) Income taxes

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

2. **Significant accounting policies (continued)**

l) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the provisions of that Standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included. All share-based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award. This fair value, adjusted annually by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period. The fair values are calculated using a Black Scholes option pricing model.

m) Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the terms of the relevant lease.

n) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Chief Operating Decision Maker. The Group operates in one product segment which is the exploration and production of hydrocarbons. Segment information is presented in accordance with IFRS 8 for all periods presented.

3. **Critical accounting judgments and key sources of estimation uncertainty**

In order to prepare the consolidated financial statements in conformity with IFRS, management of the Group have to make estimates and judgments. The matters described below are considered to be the most important in understanding the judgments that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. Group accounting policies are described in Note 2.

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Company's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and gas reserves will also affect the standardised measure of discounted cash flows and changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation charges against income.

3. **Critical accounting judgments and key sources of estimation uncertainty (continued)**
Estimation of oil and gas reserves (continued)

Proved oil and gas reserves are the quantities of oil and natural gas estimated by management and verified by industry experts that demonstrate with reasonable certainty that they are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges and decommissioning provisions) that are based on proved reserves are also subject to change. Also future gas and oil prices affect the point at which the well becomes uneconomic and the value of the future cash flows.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

The prospective value of the above assets is not carried in the statement of financial position but is detailed in the reserves and resources report on pages 6 to 7.

Impairment Review

When assessing the carrying value of oil and gas producing wells included in tangible assets the Company estimates future production levels and prices against predicted production costs to assess the continuing economic viability of the well. For non-producing assets included in intangible assets the cost of bringing the resource into production needs to be assessed against the volumes, prices and operating costs anticipated from estimated future production. The carrying value of assets subject to impairment review is US\$10 million at the balance sheet date.

3. **Critical accounting judgments and key sources of estimation uncertainty (continued)**

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. As at the balance sheet date the value of this asset was US\$100,000.

Provisions for decommissioning

The Group provides for the costs that will be incurred when the well reaches the end of its economic life. In addition to the costs of physically removing plant and equipment there are costs associated with returning the area to an environmentally sound condition. This could include removal of roads, replacement of subsoil, planting of trees etc. to meet local and national requirements at that time. As these costs will be incurred at some considerable time in the future, the estimation of these costs is subjective. As at the balance sheet date the value of this liability was US\$221,000.

Analysis of borrowing between due in one year and due in more than one year

The Group debt with Macquarie Bank is normally repaid by way of a monthly sweep of operating income from the East Lake Verret field plus hedging income less operating costs, payments to participants, severance tax and loan interest. The amount that is estimated to be repayable in the 12 months after the balance sheet date is based upon management's projected cash flows.

IFRIC 8

Under IFRIC 8 the International Financial Reporting Interpretations Committee states that where the consideration received by an entity (including cash and the fair value of identifiable non-cash consideration) is less than the fair value of the equity instruments granted IFRS 2 applies. A placing and open offer took place on 30 November 2009 which is described in Note 24. The placing and open offer were priced at 25p. The Board, having taken all pricing matters into account, believe that 25p represented the fair value of the equity instruments granted and therefore IFRS 2 does not apply.

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4. **Segment reporting**

In the opinion of the Directors the operations of President Petroleum comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Chief Operating Decision Maker. The Chief Operating Decision Maker reviews operating results by reference to the core principle of geographic location. The Group currently operates in one geographical market, the US, and has a head office and associated corporate expenses in the UK. The Group has exploration assets in the US and Australia.

Segmental analysis

	<i>US</i>	<i>Australia</i>	<i>UK</i>	<i>Total</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Revenue	<u>3,931</u>	<u>-</u>	<u>-</u>	<u>3,931</u>
Cost of Sales				
Royalties, overrides and other interests	850	-	-	850
Depreciation	2,101	-	-	2,101
Well operating costs	1,186	-	-	1,186
Administrative expenses				
Directors and staff costs	452	-	498	950
Share incentive costs	24	-	31	55
Other	312	51	458	821
Impairment	1,220	-	-	1,220
Loss on sale of non-current assets	<u>180</u>	<u>-</u>	<u>-</u>	<u>180</u>
Segment costs	<u>6,325</u>	<u>51</u>	<u>987</u>	<u>7,363</u>
Segment operating loss	<u>(2,394)</u>	<u>(51)</u>	<u>(987)</u>	<u>(3,432)</u>

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4. Segment reporting (continued)
Segmental analysis (continued)

	US	Australia	UK	Total
	2008	2008	2008	2008
	US\$000	US\$000	US\$000	US\$000
Revenue	18,066	-	-	18,066
Cost of Sales				
Royalties, overrides and other interests	6,604	-	-	6,604
Depreciation	4,074	-	-	4,074
Well operating costs	2,686	-	-	2,686
Administrative expenses				
Directors and staff costs	390	-	564	954
Share incentive costs	204	-	341	545
Other	377	51	870	1,298
Impairment	1,131	-	-	1,131
Loss on sale of non-current assets		-	-	-
Segment costs	15,466	51	1,775	17,292
Segment operating (loss)/profit	2,600	(51)	(1,775)	774

Segment Assets

	US	Australia	UK	Total
	2009	2009	2009	2009
	US\$000	US\$000	US\$000	US\$000
Intangible assets	2,930	3,227	-	6,157
Property, plant and equipment	3,740	-	-	3,740
	6,670	3,227	-	9,897
Other assets	2,186	59	111	2,356
	8,856	3,286	111	12,253

	US	Australia	UK	Total
	2008	2008	2008	2008
	US\$000	US\$000	US\$000	US\$000
Intangible assets	2,433	160	-	2,593
Property, plant and equipment	6,229	-	-	6,229
	8,662	160	-	8,822
Other assets	4,910	471	72	5,453
	13,572	631	72	14,275

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4. **Segment reporting (continued)**

Segment Assets can be reconciled to the Group as follows

	2009	2008
	<i>US\$000</i>	<i>US\$000</i>
Segment assets	12,253	14,275
Group cash	<u>10,058</u>	<u>3,875</u>
Group assets	<u>22,311</u>	<u>18,150</u>

5. **Cost of sales**

Royalties, overrides and other interests	850	6,604
Depreciation	2,101	4,074
Well operating costs	<u>1,186</u>	<u>2,686</u>
	<u>4,137</u>	<u>13,364</u>

6. **Administrative expenses**

Directors and staff costs	950	954
Share-based payments	55	545
Other	<u>821</u>	<u>1,298</u>
	<u>1,826</u>	<u>2,797</u>

7. **Impairment charge**

Calvin Deep - Louisiana	665	-
Pontiac - Michigan	555	-
West Sipsey CBM - Alabama	-	489
Milford 36 - Michigan	-	371
Mississippi leases	<u>-</u>	<u>271</u>
	<u>1,220</u>	<u>1,131</u>

Further details are provided in note 13.

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8. Gain on derivatives

	2009	2008
	US\$000	US\$000
Fair value movement on derivatives matured in year	168	652
Fair value movement on derivatives yet to mature		
Due in less than one year	319	1,383
Due in more than one year	34	388
	<u>353</u>	<u>1,771</u>
Total recognised in statement of comprehensive income	<u>521</u>	<u>2,423</u>

In July 2008 the Group took out hedging contracts covering 45% of projected output from the then existing, producing Orion and East Lake Verret wells. The Group's hedge position as at 31 December 2009 can be summarised as follows:

		2010	2011
Gas	Volume	56,000 mmbtu	
	Put	US\$10/mmbtu	
	Call	US\$12.20/mmbtu	
Oil	Volume	3,821 bbl	1,649 bbl
	Put	US\$100/bbl	US\$100/bbl
	Call	US\$200/bbl	US\$200/bbl

Derivatives are valued at fair value by reference to the Mark to Market valuation of the forward contracts. This valuation is provided by the Group's banker Macquarie Bank.

Amendment to IFRS 7 Improving disclosures about financial instruments has been adopted by the group effective from 1 January 2009. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

All of the Group's assets valued at fair value fall under Level 2.

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9.	(Loss)/profit before tax		
	(Loss)/profit before tax has been arrived at after charging:		
		2009	2008
		<i>US\$000</i>	<i>US\$000</i>
	Depreciation of property, plant and equipment	2,101	4,074
	Impairment of intangible assets	1,220	1,131
	Staff costs (see note 10)	950	1,206
	Auditor's remuneration for audit services (see below)	69	68
	Rentals payable in respect of land and buildings	68	81
	Foreign exchange differences	<u>120</u>	<u>-</u>
	Auditor's remuneration		
	Services to the Company		
	Fees payable to the Company's auditor for the		
	audit of the annual financial statements	69	68
	Fees payable to the Company's auditor and its		
	associates for other services		
	Audit of the financial statements of the Company's		
	subsidiaries pursuant to legislation	5	5
	Other services relating to taxation	<u>9</u>	<u>29</u>

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10. Staff costs

	2009	2008
	<i>Number</i>	<i>Number</i>
Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)	<u>4</u>	<u>4</u>

	2009	2008
	<i>US\$000</i>	<i>US\$000</i>
Wages, salaries and Directors' fees (including Chairman and excluding non-executive Directors)	846	779
Expense in respect of share-based payments	55	399
Social security costs	<u>49</u>	<u>28</u>
	<u>950</u>	<u>1,206</u>

Other than the three executive Directors there are two full time employees of the Group who are also considered to be key management. The above staff costs are therefore those for key management.

	2009	2008
	<i>US\$000</i>	<i>US\$000</i>
Emoluments paid in respect of the highest paid Director in the year (excluding share-based payment charge)	<u>283</u>	<u>190</u>

There are no Directors or staff who are members of a Company pension scheme. Further details of Directors' remuneration are included in the Directors' Remuneration Report on pages 12 to 15.

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11. Income tax	2009 US\$000	2008 US\$000
Current tax	167	499
Deferred tax		
origination and reversal of temporary differences	14	(114)
tax liability recognised on temporary differences	385	
tax asset recognised from unutilised tax losses	(385)	
	-	-
	181	385

The tax charge for the year can be reconciled to
the statement of comprehensive income as follows:

(Loss)/profit on ordinary activities before taxation	(4,190)	2,784
Tax at 28%	(1,173)	793
Utilisation of tax losses	-	(1,342)
Losses carried forward for offset against taxable profits	833	401
Expenses not deductible for tax purposes	219	239
Capital allowances in excess of depreciation	342	-
State taxes	167	-
Difference between US and UK tax rates	(207)	294
	181	385

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12. (Loss)/profit per share	<i>2009</i>	<i>2008</i>
	<i>US\$000</i>	<i>US\$000</i>
Net (loss)/profit for the period attributable to the equity holders of the Parent Company	<u>(4,371)</u>	<u>2,399</u>
	<i>Number</i>	<i>Number</i>
	<i>'000</i>	<i>'000</i>
Weighted average number of shares in issue	18,586	16,093
Dilutive effect of share options	-	1,359
Dilutive effect of share warrants	<u>-</u>	<u>830</u>
	<u>18,586</u>	<u>18,282</u>
	<i>US cents</i>	<i>US cents</i>
(Loss)/profit per share		
Basic	<u>(23.5)</u>	<u>14.9</u>
Diluted	<u>(23.5)</u>	<u>13.1</u>

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13. Intangible assets - exploration and evaluation assets	US\$000
Cost	
At 1 January 2008	1,720
Additions	<u>2,004</u>
At 1 January 2009	3,724
Additions	4,784
Disposals	<u>(2,351)</u>
At 31 December 2009	<u>6,157</u>
Impairment	
At 1 January 2008	-
Impaired in year	<u>1,131</u>
At 1 January 2009	1,131
Impaired in year	1,220
Disposals	<u>(2,351)</u>
At 31 December 2009	<u>-</u>
Net Book Value	
At 31 December 2009	<u><u>6,157</u></u>
At 31 December 2008	<u><u>2,593</u></u>

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the statement of comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Impairment relates to the full write-off of assets relating to Calvin Deep in Louisiana and Pontiac in Michigan. This impairment was made following a review of available data and in light of test results during the year. The review concluded that the assets impaired were not commercially viable. As a result all capitalised costs in relation to these assets have been fully written off. Details are set out in note 7.

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14. Property, plant and equipment - development and production assets	
	<i>US\$000</i>
Cost	
At 1 January 2008	10,046
Additions	<u>7,067</u>
At 1 January 2009	17,113
Additions	15
Disposals	<u>(10,297)</u>
At 31 December 2009	<u>6,831</u>
Depreciation	
At 1 January 2008	6,714
Charge for the year	<u>4,170</u>
At 1 January 2009	10,884
Charge for the year	2,101
Disposals	<u>(9,894)</u>
At 31 December 2009	<u>3,091</u>
Net Book Value	
At 31 December 2009	<u>3,740</u>
At 31 December 2008	<u>6,229</u>
15. Deferred Tax	
At 1 January 2008	-
Origination of temporary differences in respect of derivatives	<u>114</u>
At 1 January 2009	114
Temporary differences in respect of intangible assets	385
Losses recognised in the year	(385)
Reversal of temporary differences in respect of derivatives	<u>(14)</u>
At 31 December 2009	<u>100</u>

The temporary differences arise from transactions being treated in a different tax period from that dealt with in the statement of comprehensive income.

The Group has tax losses in the US of \$1,860,000 available for offset against future profits.

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16. Financial assets

	2009	2008
	US\$000	US\$000
Fair value of derivatives due in more than one year (note 8)	34	388
Deposits with state authorities	<u>173</u>	<u>161</u>
	<u>207</u>	<u>549</u>

Deposits will be refunded from the state authorities when the oil and gas wells have been satisfactorily decommissioned.

17. Trade and other receivables

	2009	2008
	US\$000	US\$000
Trade receivables	1,248	1,903
Fair value of derivatives due in less than one year (note 8)	319	1,383
Other receivables	65	212
Prepayments	<u>117</u>	<u>530</u>
	<u>1,749</u>	<u>4,028</u>

All of the Group's trade and other receivables have been considered for indicators of impairment. None of the trade and other receivables was found to be impaired. None of the trade or other receivables is past due as at the reporting date.

Credit risk

None of the unimpaired trade receivables was past due at the reporting date. There are no material receivables that are aged more than three months or are past due.

The Company has no material credit risk in respect of receivables.

18. Current tax

	2009	2008
	US\$000	US\$000
Federal tax recoverable	<u>300</u>	<u>762</u>

19. Cash and cash equivalents

Cash at bank and in hand	<u>10,058</u>	<u>3,875</u>
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20. Trade and other payables

Trade payables	1,521	2,196
Other payables	<u>164</u>	<u>50</u>
	<u>1,685</u>	<u>2,246</u>

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21. Long-term borrowings

	2009	2008
	US\$000	US\$000
Balance at beginning of year	6,495	-
Loan finance provided by Macquarie Bank	1,118	8,750
Repaid in period		
Capital repayments	1,960	1,301
Payment on renegotiation of loan	2,500	-
Interest paid	343	347
	(4,803)	(1,648)
IFRS 2 charge in respect of grant of warrants	-	824
Other costs connected with loan	-	232
Release of unamortised costs to statement of comprehensive income following renegotiation of loan	(546)	-
	546	(1,056)
Interest paid in period	343	347
Adjustment to increase cost to effective interest rate	408	102
Interest payable in statement of comprehensive income in period	751	449
	<u>4,107</u>	<u>6,495</u>
Due in less than one year	2,413	2,320
Due in more than one year	1,694	4,175
	<u>4,107</u>	<u>6,495</u>

On 30 June 2008 the Group drew down a loan from Macquarie Bank to finance the acquisition of East Lake Verret assets. The loan was recognised net of loan issue costs and the fair value of warrants issued to Macquarie Bank as part of the financing arrangement.

In November 2009 the Group reached agreement with Macquarie Bank to restructure the Loan Facility. The Group made an early repayment of US\$2.5 million and Macquarie Bank agreed to amend the terms of the Facility Agreement, such that:

- a) the financial covenants given by the Group in relation to the adjusted present value ratio to net debt of the Group and minimum production levels no longer apply;
- b) the Company is no longer under an obligation to issue any further warrants under the terms of the Facility Agreement or otherwise;

21. Long-term borrowings (continued)

- c) the obligation on the Group to apply certain monies paid into a proceeds account under the Facility Agreement towards general and administrative expenses no longer applies; and
- d) the general undertakings to deliver net profit overriding royalty interest conveyances granted in favour of Macquarie Bank no longer apply.

In addition, Macquarie Bank also agreed to cancel all of the outstanding warrants it held over ordinary shares in the Company in consideration for the payment by the Company to Macquarie Bank of the sum of £300,000 (US\$492,000). Macquarie Bank also agreed to subscribe in cash for 1,200,000 1p ordinary shares at 25p at the time of the placing and open offer.

As a result of this restructuring the Company has released the amounts that were previously debited to the loan in order to recognise the above additional finance costs. This has resulted in a non-cash charge to the statement of comprehensive income of US\$546,000.

The loan is secured on the Group's properties, cash balances and other assets. The loan is repayable in full by 30 June 2011.

22. Provisions

	<i>US\$000</i>
Decommissioning	
At 1 January 2008	95
Increase of provision	<u>221</u>
At 1 January 2009	316
Disposal	<u>(95)</u>
At 31 December 2009	<u><u>221</u></u>

Provisions for decommissioning relate to the restoration of a well site to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where available, operator's estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

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23. Share capital

Equity share capital

	2009	2008
	'000s	'000s
Issued - allotted, called up and fully paid		
Ordinary shares of par value £0.30 (US\$0.43)	-	16,093
Deferred shares of par value £0.29 (US\$0.54)	16,093	-
Ordinary shares of par value £0.01 (US\$0.02)	45,446	-
	<i>US\$000</i>	<i>US\$000</i>
Ordinary shares of par value £0.30 (US\$0.43)	-	9,026
Deferred shares of par value £0.29 (US\$0.54)	8,725	-
Ordinary shares of par value £0.01 (US\$0.02)	783	-
	<u>9,508</u>	<u>9,026</u>

The issued share capital is reconciled as follows

Balance at beginning of year	9,026	9,026
Shares issued	482	-
Balance at end of year	<u>9,508</u>	<u>9,026</u>

At the time of the placing and open offer described in note 24 the 30p ordinary shares of the Company were reorganised on 30 November 2009 into 1p ordinary shares (that were admitted to trading on the London Stock Exchange) and 29p deferred shares that have no voting rights, no rights to dividends and no rights to capital distributions.

Following the adoption of new Articles of Association by the Company the concept of Authorised Share Capital no longer applies to the Company.

24. Placing and open offer

On 30 November 2009 the Company raised US\$11.6 million by the issue of 27,614,498 Ordinary Shares by way of a placing and open offer. As part of the arrangements for the placing and open offer all share options and warrants were cancelled.

Share options

Share options granted to Directors and staff in earlier periods were cancelled in return for the right to subscribe for ordinary shares in the Company. The option holders agreed to cancel all of their outstanding options over a total of 1,579,997 ordinary shares. Cash consideration was paid to the option holders in respect the cancellation. The option holders separately agreed to subscribe in cash for 538,500 1p ordinary shares at the time of the placing and open offer at 25p per share.

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24. **Placing and open offer (continued)**

Warrants

Warrants were granted to Macquarie Bank in June 2008 as part of loan arrangements as set out in note 21. In return for the cancellation of these warrants in November 2009 and the removal of certain bank covenants the loan was reduced by US\$2 million raised from the placing and by US\$500,000 from the Company's own resources.

25. **Notes to the consolidated statement of cash flows**

	2009	2008
	US\$000	US\$000
(Loss)/profit from operations before taxation	(4,190)	2,784
Interest on bank deposits	(18)	(36)
Interest payable on loan	751	449
Release of unamortised costs following renegotiation of loan	546	-
Depreciation of property, plant and equipment	2,101	4,170
Impairment	1,220	1,131
Loss on sale of non-current assets	180	-
Provision for decommissioning	(95)	221
Share-based payments	55	545
Fair value through profit and loss on derivative financial instruments	(353)	(1,771)
Foreign exchange difference	<u>415</u>	<u>85</u>
Operating cash flows before movements in working capital	612	7,578
Decrease/(increase) in receivables	2,943	(2,130)
(Decrease)/increase in payables	<u>(561)</u>	<u>1,777</u>
Net cash generated by operating activities	<u>2,994</u>	<u>7,225</u>

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

26. **Contingent liabilities**

There are no contingent liabilities.

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27. **Operating leases**

The Company has leases in respect of its London and Michigan office premises. Minimum lease payments are as follows:

	2009	2008
	US\$000	US\$000
Due within one year	68	65
One to five years	<u>72</u>	<u>132</u>
	<u>140</u>	<u>197</u>

28. **Risk management objectives and policies**

a) Overview

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is co-ordinated at its London headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. To date, the Group has financed its operations from equity issues and a loan from Macquarie Bank denominated in US Dollars. The Group uses financial instruments (other than derivatives) comprising cash, liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. Other than hedging contracts referred to below the Group has not entered into any derivative transactions. In the normal course of its operations the Group is exposed to foreign currency, commodity price and interest rate risks, which are currently not significant.

b) Hedging of oil and gas prices

During 2008 the Group benefited from record prices and in July 2008, near the peak of these prices, the Directors took out a cap and floor hedge based upon estimated 45% of the future production volumes from existing producing wells. The Group keeps its production profile and gas and oil prices under review and may take out future hedging contracts when deemed appropriate.

c) Foreign currency sensitivity

With the exception of Group overheads arising in London most of the Group's transactions are carried out in US Dollars. The financial statements are produced in US Dollars as much of its business is conducted in US Dollars. In 2009 the Group commenced seismic work in Australia at a budgeted cost of A\$2.7 million. Australian Dollars to the value of this commitment were purchased in 2008 to minimise exchange risk.

28. Risk management objectives and policies (continued)

c) Foreign currency sensitivity (continued)

Surplus cash from the operation of the East Lake Verret field is applied to reducing the loan. Cash raised from the placing and open offer (after repaying US\$2 million of the loan), is to be applied to overheads and to the acquisition of further assets.

At the year end the Group held the following cash balances.

	2009	2008
	US\$000	US\$000
Australian Dollars	57	1,423
US Dollars	7,483	2,387
Sterling	<u>2,518</u>	<u>65</u>
	<u>10,058</u>	<u>3,875</u>

d) Interest rate sensitivity

The interest rate on the loan (note 21) is at between 3.5% and 5.5% per annum over US Dollar LIBOR. A 1% per annum change in LIBOR increases or decreases interest cost by approximately US\$30,000 per annum. The Group places surplus cash on deposits. A 1% change in bank rates increases or decreases interest received by approximately US\$100,000 per annum.

e) Credit risk

The Group's principal customers are oil and gas utility companies and as such credit risk is considered to be low. The credit risk for liquid funds is considered to be negligible as the counterparties are banks with good external credit ratings.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2009	2008
	US\$000	US\$000
Trade receivables	1,403	1,903
Other receivables	65	212
Cash and cash equivalents	10,058	3,875
Derivatives due	<u>353</u>	<u>1,771</u>
	<u>11,879</u>	<u>7,761</u>

28. Risk management objectives and policies (continued)

f) Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring its cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a week-to-week basis, as well as on the basis of a rolling monthly projection. Long-term liquidity needs for a half year and an annual lookout period are identified monthly. The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

Medium and long-term growth is being financed with a loan facility provided by Macquarie Bank. The loan is repayable by 30 June 2011.

As at 31 December 2009 the Group's financial liabilities have contractual maturities which are summarised as follows:-

	Current		Non-Current	
	<i><6 months</i>	<i>7-12 months</i>	<i>1-5 years</i>	<i>over 5 years</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Loan	1,207	1,207	1,694	-
Trade payables	1,521	-	-	-
Others	164	-	-	-

This compares with the maturities of the Group's financial liabilities at the end of the previous reporting period as follows.

	Current		Non-Current	
	<i><6 months</i>	<i>7-12 months</i>	<i>1-5 years</i>	<i>over 5 years</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Loan	1,160	1,160	4,175	-
Trade payables	2,196	-	-	-
Others	50	-	-	-

g) Market risk

Although the Group operates in the oil and gas sector, oil and gas prices do not generally affect the accounting risk of the Group as changes in oil and gas prices do not affect the fair value of balance sheet items after initial recognition. An exception to this is derivatives valued at fair value. As described in note 8 in June 2008 the Group took out hedging contracts covering 45% of projected output at that time. These derivatives which are valued at fair value increase in value when there is a fall in oil and gas prices.

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28. Risk management objectives and policies (continued)

h) Summary of financial assets and liabilities by category

	2009	2008
	US\$000	US\$000
Current assets		
Loans and receivables	1,313	2,115
Cash and cash equivalents	<u>10,058</u>	<u>3,875</u>
	<u>11,371</u>	<u>5,990</u>
Current liabilities – Financial liabilities measured at amortised cost		
Trade payables	1,521	2,196
Other payables	<u>164</u>	<u>50</u>
	<u>1,685</u>	<u>2,246</u>
Loan		
Balance with Macquarie Bank (note 21)	<u>4,107</u>	<u>7,449</u>
Other financial assets – carried at fair value through profit or loss		
Fair value of derivatives (note 8)	<u>353</u>	<u>1,771</u>

29. Managing capital

The Group's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk and its plans for growth. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

29. Managing capital (continued)

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium and retained earnings).

	2009	2008
	US\$000	US\$000
Total debt	4,107	7,449
Less: Cash and cash equivalents	<u>10,058</u>	<u>3,875</u>
Net debt	<u>nil</u>	<u>3,574</u>
Equity	16,298	9,093
Less: Amounts accumulated in equity relating to derivatives	<u>353</u>	<u>1,771</u>
Adjusted capital	<u>15,945</u>	<u>7,322</u>
Debt-to-adjusted-capital ratio	<u>n/a</u>	<u>0.49:1</u>

30. Subsequent events

In January 2010 the Group acquired a 25% interest in another producing field, East White Lake, in Louisiana, to add to its existing production at East Lake Verret. Further development of the behind pipe and additional proved undeveloped reserves will follow. There is also a 13.6 bcf exploration target on which further work will be carried out. The initial cash consideration of US\$2.5 million was funded from existing resources with an additional sum of up to US\$1.4 million potentially payable from future cash flows.

31. Transactions with Directors and other related parties

Angelo Baskaran

A wholly-owned subsidiary (Meridian Resources (USA) Inc.) has a consulting agreement with LCL Merchant Partners Inc. which was paid US\$123,480 (2008 US\$100,755). Angelo Baskaran is a shareholder and President of LCL Merchant Partners Inc. There was no balance with that company as at the beginning or end of the year.

31. Transactions with Directors and other related parties (continued)

Peter Clutterbuck (resigned 1 December 2009)

The Company had a consulting agreement with Global Energy Consultants Limited which was paid US\$107,518 (2008: US\$73,888) during the year. Peter Clutterbuck is a shareholder and director of Global Energy Consultants. There was no balance with that company as at the beginning or end of the year.

David Wake-Walker

The Company has a consulting agreement with David Wake-Walker Limited which was paid US\$98,569 (2008: US\$59,037) during the year. David Wake-Walker is a shareholder and Director of David Wake-Walker Limited. There was no balance with that company as at the beginning or end of the year.

The above transactions are included as part of Directors' remuneration.

PRESIDENT PETROLEUM COMPANY PLC

**Company
Balance Sheet
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	Note	2009 £000	2008 £000
Fixed assets			
Investment in subsidiaries	3	<u>2,250</u>	<u>2,250</u>
Current assets			
Debtors – falling due within one year	4	66	49
Debtors – falling due after one year	4	10,048	6,366
Cash at bank and in hand		<u>5,275</u>	<u>45</u>
		<u>15,389</u>	<u>6,460</u>
Current liabilities			
Creditors: Amounts falling due within one year	5	<u>1,264</u>	<u>46</u>
Net current assets		<u>14,125</u>	<u>6,414</u>
Net assets		<u>16,376</u>	<u>8,664</u>
Equity			
Called up share capital	6	5,122	4,828
Share premium	7	11,291	4,463
Retained earnings and other reserves	7	<u>(37)</u>	<u>(627)</u>
Total equity attributable to the equity holders		<u>16,376</u>	<u>8,664</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2010. They were signed on their behalf by:

Stephen Gutteridge

Chairman

14 April 2010

The accompanying accounting policies and notes form an integral part of these financial statements.

1. **Significant accounting policies**

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Foreign exchange

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Related party transactions

The Company has taken advantage of the exemption available under FRS 8 with regard to the non-disclosure of transactions between Group companies.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. **Significant accounting policies (continued)**

Foreign Currencies

Foreign exchange differences on Group balances, where the loan is long-term, that are denominated in currencies other than the US Dollar at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account.

2. **Profit/(loss) for the year**

As permitted by Section 408(1b) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. President Petroleum Company PLC reported a profit for the year ended 31 December 2009 of £1,089,000 (2008: £684,000).

The auditor's remuneration for audit services to the company was £20,000 (2008: £20,000).

3. **Investment in subsidiaries**

	<i>Place of Incorporation</i>	<i>Class of Share Capital</i>	<i>Percentage Held</i>	<i>Business</i>
Held Directly				
President Petroleum (UK) Limited (previously Meridian Resources Ltd)	England	Ordinary	100%	Non trading
Held Indirectly				
Meridian Resources (USA) Inc.	US	Ordinary	100%	Oil and Gas
President Petroleum Pty Limited (previously Meridian Resources Pty Ltd)	Australia	Ordinary	100%	Oil and Gas

4. **Debtors**

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Debtors – falling due within one year		
Prepayments and accrued income	<u>66</u>	<u>49</u>
Debtors – falling due after one year		
Amounts owed by Group undertakings	<u>10,048</u>	<u>6,366</u>

PRESIDENT PETROLEUM COMPANY PLC

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4. Debtors (continued)

The amounts owed by Group undertakings are repayable on demand. However the Directors consider that they will not be repaid within one year and have presented them accordingly in the Company balance sheet.

5. Creditors: Amounts falling due within one year

	2009	2008
	£000	£000
Social Security and other taxes	7	3
Amounts owed to Group undertakings	1,157	-
Other creditors	<u>100</u>	<u>43</u>
	<u>1,264</u>	<u>46</u>

6. Share capital

	2009	2008
	'000s	'000s
Equity share capital		
Allotted, called up and fully paid		
Ordinary shares of par value 30p each	-	16,093
Deferred shares of par value 29p each	16,093	-
Ordinary shares of par value 1p each	<u>45,446</u>	<u>-</u>
	<u>61,539</u>	<u>16,093</u>
	2009	2008
	£000	£000
Ordinary shares of par value 30p each	-	4,828
Deferred shares of par value 29p each	4,667	-
Ordinary shares of par value 1p each	<u>455</u>	<u>-</u>
	<u>5,122</u>	<u>4,828</u>

At the time of the placing and open offer described in note 24 on page 50 the 30p ordinary shares of the Company were reorganised on 30 November 2009 into 1p ordinary shares (that were admitted to trading on the London Stock Exchange) and 29p deferred shares that have no voting rights, no rights to dividends and no rights to capital distributions. Following the adoption of new Articles of Association by the Company the concept of Authorised Share Capital no longer applies to the Company.

PRESIDENT PETROLEUM COMPANY PLC

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7. Share Premium account and profit and loss account		<i>Share</i>	<i>Profit and</i>
		<i>premium</i>	<i>loss</i>
		<i>£000</i>	<i>account</i>
		<i>£000</i>	<i>£000</i>
Balance at 1 January 2009		4,463	(1,537)
Profit for the year		-	1,089
Transfer following cancellation of options and warrants		-	411
Premium on allotment in the year		7,045	-
Costs of issue		<u>(217)</u>	-
Balance at 31 December 2009		<u>11,291</u>	<u>(37)</u>
8. Reconciliation of movement in shareholders' funds		<i>2009</i>	<i>2008</i>
		<i>£000</i>	<i>£000</i>
Profit/(loss) for the year		1,089	(684)
Shares issued		7,339	-
Costs of issue		(217)	-
Compensation for cancellation of share options and warrants		(534)	-
Share-based payments		<u>35</u>	<u>711</u>
Net additions to shareholders' funds		7,712	27
Shareholders' funds at 1 January 2009		<u>8,664</u>	<u>8,637</u>
Shareholders' funds at 31 December 2009		<u>16,376</u>	<u>8,664</u>

**Notice of
Annual General
Meeting**

Notice is hereby given that the Annual General Meeting of the Company will be held on 15 June 2010 at 11:00 a.m. at 30 Finsbury Square London EC2A 1AG for the following purposes, namely:

Ordinary Business

As Ordinary Business, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

- 1 To receive and adopt the Company's Financial Statements for the year ended 31 December 2009, together with the reports of the auditor and directors of the Company ("Directors") thereon.
- 2 To re-appoint Grant Thornton UK LLP as auditor of the Company until the conclusion of the next Annual General Meeting at which accounts for the Company are presented and to authorise the Directors to fix their remuneration.
- 3 To re-elect Angelo Baskaran as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 4 To re-elect David Wake-Walker as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-election.
- 5 To elect Dr. Michael Cochran as a Director of the Company who has been appointed since the last Annual General Meeting and who offers himself for election in accordance with the Company's Articles of Association.
- 6 To elect John Hamilton as a Director of the Company who has been appointed since the last Annual General Meeting and who offers himself for election in accordance with the Company's Articles of Association.
- 7 To elect Christopher Hopkinson as a Director of the Company who has been appointed since the last Annual General Meeting and who offers himself for election in accordance with the Company's Articles of Association.

Special Business

As Special Business to consider and if thought fit to pass the following resolutions of which the resolution numbered 8 will be proposed as an ordinary resolution and the resolution numbered 9 will be proposed as a special resolution:

- 8 That authority be and is hereby granted to the Directors generally and unconditionally to allot shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company ("Rights") pursuant to section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal amount of £454,464.92 (such amount equating to the aggregate nominal value of the voting issued share capital of the Company as at the date of this Notice) provided that this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2011, save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to

**Notice of
Annual General
Meeting**

be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 551 of the Act.

- 9 That authority be and is hereby granted to the Directors generally pursuant to section 570 of the Act to disapply the statutory pre-emption rights contained in section 561(1) of the Act in respect of the allotment of equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £136,339.48 (such amount equating to 30 per cent. of the aggregate nominal value of the voting issued share capital of the Company as at the date of this Notice), provided that this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2011, save that the Company may make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the authority conferred hereby had not expired.

BY ORDER OF THE BOARD

David Wake-Walker

Company Secretary

14 April 2010

Registered Office:

13 Regent Street

London

SW1Y 4LR

Notes

1. Copies or particulars of contracts of service between Directors and the Company or any of its subsidiary undertakings will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice until 14 June 2010 and at the place of the Annual General Meeting for fifteen minutes prior to and until the conclusion of that meeting.
2. Every member has the right to appoint some other person(s) of their choice, who need not be a member, as his proxy to exercise all or any of his rights to attend, speak and vote on their behalf at the meeting. If a member wishes to appoint a person other than the Chairman, he should insert the name of his chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than the member's full voting entitlement, he should enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as proxy. If left blank the proxy will be deemed to be authorised in respect of the member's full voting entitlement (or if this proxy form has been issued in respect of a designated account for a member, the full voting entitlement for that designated account).
3. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Company's registered office or this form may be photocopied. A member should indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as his proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. To be valid, forms of proxy must be lodged at the office of the Company's registrars, Freepost SEA 10846, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, not less than 48 hours before the meeting or any adjournment.
5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members at 6:00 p.m. on 11 June 2010.

PRESIDENT PETROLEUM COMPANY PLC

Form of Proxy
For Annual
General
Meeting

**PLEASE COMPLETE IF YOU DO NOT INTEND TO ATTEND IN PERSON
(Company No: 5104249)**

I (Name(s) in full in block capitals)
of (address)

being a member of the above named Company hereby appoint

Name of proxy	No. of shares

or, failing him/her the Chairman of the Meeting, as my proxy to vote for me on my behalf in accordance with the instructions set out below at the Annual General Meeting of the Company to be held on 15 June 2010 and at any adjournment thereof.

Please tick this box if this form is one of multiple instructions being given

Please delete "Either" or "Or" below and mark "For", "Against" or "Vote Withheld" as appropriate and return this form to the Company Secretary/Company's registrars, Freepost SEA 10846, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. To be valid this form must be lodged with the Company's registrars not less than 48 hours before the Meeting.

Either	To vote as my Proxy or failing him/her as the Chairman thinks fit.			
Or		For	Against	Vote Withheld
	Resolution 1			
	Resolution 2			
	Resolution 3			
	Resolution 4			
	Resolution 5			
	Resolution 6			
	Resolution 7			
	Resolution 8			
	Resolution 9			

Signed

Name

Date

