PRESIDENT ENERGY

President Energy PLC

Interim Report and Financial Statements 2014

Chairman's Statement

Summary

The first half of 2014 was principally focused on the execution of our drilling campaign in Paraguay and the maturation of our inventory of prospects and leads. 2D and 3D seismic data were interpreted in late 2013 and into 2014, and the first set of prospects was analysed by the independent consultancy RPS. The Company performed in full its earn-in obligations in the Pirity Concession earning a 59% interest. President's acreage position in the Pirity basin was increased through two transactions. First, a farm-in option was agreed on the Hernandarias Concession (completed and enacted into law in August). Secondly, in June, President Energy PLC (President) acquired the share capital of LCH SA, a single asset company holding a 5% carried interest in the Pirity Concession.

In Argentina, given the economic and political background, activities were limited to running Puesto Guardian as efficiently as possible. In July, President announced the acquisition of the remaining 50% of the Puesto Guardian Concession, which doubles reserves and production in Argentina, and gives the Company control to unlock the potential of the concession.

Louisiana continues to provide the Company with valuable cash flow, production figures being consistent with 2013 and oil prices remaining robust. Post period, production at East Lake Verret has been enhanced through the Eagle Crest well coming on stream.

Group net production (including the additional 50% of Puesto Guardian) is currently approximately 530 boepd, with production in the first half of the year averaging 389 boepd (a 7% increase from the previous period). In Paraguay, the Company has an exploration asset of material critical mass and upscale potential, underpinned by existing reserves and production in its other assets.

Paraguay

Paraguay is the core focus for the Company, and, in management's view, the three concessions acquired in 2012/2014 continue to demonstrate significant potential for the future. In January and in June 2014, President announced the results of independent audits of its Prospective Resources carried out by the international consultancy RPS over three prospect areas in Paraguay. The RPS audit is based on the results of the extensive 2013 3D and 2D seismic campaign conducted by President which identified two structural play fairways each containing two petroleum systems. The first is the Cretaceous petroleum system, known from old 2D data and an extension of the Palmar Largo trend in Argentina. The second is a newly confirmed underlying Palaeozoic petroleum system, successfully identified by the recent Jacaranda drilling that has charged the large producing fields in neighbouring southern Bolivia and north-western Argentina.

With this improved understanding of the prospect areas, President entered into an eighteen month contract with Schlumberger for the provision of project management and integrated drilling and completion services, including well site supervision and engineering, for its Paraguay drilling programme. President also contracted a rig from Queiroz Galvão Óleo e Gás S.A to drill the 2014 exploration programme.

The Jacaranda well results, announced post period, have confirmed the presence of a thick live source rock of Devonian age, and this de-risks the 32 large Devonian structural leads identified to date across all three of President's concessions. In addition, the discovery of the Devonian source rock highlights a possible unconventional resource potential, which supports the conclusions of the recent U.S. Energy Information Administration and Advanced Resources, Inc. report on international shale formations (World Shale Gas and Shale Oil Resource Assessment dated 17 May 2013) which quotes technically recoverable resources for just the unstructured Palaeozoic areas of the Paraguayan Chaco as 67 Tcf of gas and 3.2 billion barrels of oil.

Post period, President made three major announcements on Paraguay. The first was the announcement that the PE-PY-J x1 (Jacaranda) well had been successfully drilled and confirmed that the prolific Devonian petroleum system of SE Bolivia and NW Argentina extends into the Pirity Basin of Paraguay. The Jacaranda well has proved the first live Devonian source rock to be discovered in the Pirity Basin, and significantly de-risks President's acreage position. Management's proof of concept for this well has been validated. The second was the announcement that the Hernandarias Concession has successfully passed through both the Senate and House of Deputies and has been signed into law No. 5259/14, by the President of Paraguay, Horacio Cartes. As a consequence of the concession passing into law, President has exercised its option under the Conditional Farm-in Agreement to farm in up to a maximum of 80% participating interest and to become the operator of the concession. As a result, President controls as operator the entire Pirity Rift Basin. The third announcement was the spudding of the Lapacho well and an update on the resource potential for the Devonian shales. The approximately 200 km^2 area presently proved by Jacaranda is estimated by President's management to hold 20-28 Tcf gas in place in shale and shale associated formations, on the basis of analogues from the US of the Mancos Formation part of/related to the commercially successful Niobrara Formation. Furthermore, the Devonian Formation is expected to be present in significant thickness throughout much of President's acreage. Mapping suggests that the formation shallows to the north and is therefore expected to be in the oil window.

Argentina

Given the economic and political backdrop in Argentina, the operator at Puesto Guardian has sought to focus on cost efficiencies, and together with President, prepare the technical work for a reserves audit and future work programme. Post period, President now owns 100% of Puesto Guardian and has become the operator. Proved and Probable reserves have doubled to 13 mmboe (management estimates) as a result of the acquisition, providing a solid foundation to our operations. Since taking over operatorship, positive cash flow contribution to President has increased and is currently running at US$150,000 per month.

President continues to do the sub-surface work at Puesto Guardian required for a reserves audit, with a focus on the results of its 2013 well stimulation campaign. President expects to update the market on reserves in Q4 2014. At President's two other concessions (Mattoras and El Ocultar) outcrop studies, lab work and reprocessing of historical data are all underway. President's discovery of a Devonian source rock at the Jacaranda well in Paraguay is encouraging for the Palaeozoic potential in all three of President's Argentine concessions.

Average net production for the period was 171 bopd (H1 2013: 153 bopd). Current net production, post acquisition, is approximately 300 bopd. Average realised prices in the period were US$74 per barrel (H1 2013: US$71 per barrel).

Louisiana

Louisiana continues to provide the Group with solid production and cash flow. Average production remained consistent from the previous period at 218 boepd (H1 2013: 212 boepd). Average realised oil prices were US$102 per barrel (H1 2013: US$108 per barrel).

Post period end, a successful new discovery well drilled at East Lake Verret, the Eagle Crest well, established gross initial production in August of 492 bopd and 2,312 mcf of gas per day (total of approximately 875 boepd). President was fully carried for the cost of the well.

President has a gross overriding 3% royalty at Eagle Crest from start of production, and also a 12% Working Interest coming into effect following well pay out, which is expected to be mid-2015. President also manages the production handling from Eagle Crest through its controlled field facilities, generating additional income. It is expected that the well will be brought on normalized production in the near future. Additional exploration prospects at both East Lake Verret and East White Lake are being evaluated. Current production from Louisiana is averaging approximately 230 boepd, prior to the inclusion of the new Eagle Crest well.

Australia

President's PEL 82 block is continuing to be evaluated technically and is currently the subject of farm-out discussions which may or may not reach a successful conclusion.

Financials

- Revenue increased marginally to US$5.8 million (H1 2013: US$5.7 million) reflecting an increase in group average production for the period to 389 boepd (H1 2013: 365 boepd) and a slight decrease in oil prices in Louisiana.
- Gross profit was maintained at US$1.9 million (H1 2013: US$1.9 million).
- Administrative expenses have reduced to US$2.7 million (H1 2013 US$4.2 million) reflecting the capitalisation of US$1.8 million of costs related to the Paraguay drilling campaign. As a consequence of the reduction in administrative expenses and lack of impairment charge, operating loss reduced by 70% to US$0.8 million (H1 2013: US$2.8 million).
- Group cash balances as at 30 June 2014 were US$23.0 million (December 2013: US$10.0 million).
- The Company continues to have an unused US$15 million revolving loan facility available until 31 December 2014 from IYA Global Limited, a company within the PLLG Investments Limited group, which is beneficially owned by Peter Levine. The Company's independent directors, having consulted with its nominated adviser, RBC Europe Limited, consider that the terms of the transaction are fair and reasonable in so far as the Company's shareholders are concerned.
- Exploration and Evaluation expenditure on Paraguayan licences amounted to US$35.4 million including US$13.9m of advance payments in escrow.
- Trade receivables increased substantially to US$19.7 million (December 2013: US$5.4 million) as a result of prepayment and escrow structures that have been put in place for the Paraguayan drilling programme. These balances will unwind as the programme progresses.
- In February, the Company successfully raised US$51 million of equity finance before fees and expenses. The proceeds are being used to fund the Paraguay drilling campaign. New and existing shareholders participated in the raise including the International Finance Corporation (part of the World Bank Group) as a major shareholder.

Outlook

The encouraging preliminary results received from the seismic in Paraguay and drilling results at Jacaranda have underlined the potential of President's Paraguayan asset. The Lapacho well, the second in the drilling campaign, spudded on 3rd September and is targeting a discrete, well-defined fault block trap within the greater prospect area, which management estimates could contain gross mean unrisked prospective resources of 1 Tcf gas and 30 mmb condensate.

Louisiana together with increased 2P reserves in Argentina provides a solid foundation on which the Company can pursue its exploration programme in Paraguay.

Peter Levine
Chairman
11th September 2014

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2014

	Note	6 months to 30 June 2014 (Unaudited) US$000	6 months to 30 June 2013 (Unaudited) US$000	Year to 31 Dec 2013 (Audited) US$000
Continuing Operations				
Revenue		5,839	5,725	13,408
Cost of sales	3	(3,929)	(3,868)	(8,131)
Gross profit		1,910	1,857	5,277
Administrative expenses	4	(2,734)	(4,187)	(7,620)
Operating loss before impairment charge		(824)	(2,330)	(2,343)
Impairment charge	5	–	(460)	(447)
Operating loss		(824)	(2,790)	(2,790)
Investment income – Interest on bank deposits		16	34	80
Realised gains/(losses) on translation of foreign currencies		(724)	230	(997)
Loan fees and interest		(402)	(377)	(825)
Loss before tax		(1,934)	(2,903)	(4,532)
Income tax (charge)/credit		(221)	278	2,849
Loss for the period from continuing operations		(2,155)	(2,625)	(1,683)
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(2,352)	(4,133)	(5,892)
Total comprehensive loss for the period attributable to the equity holders of the Parent Company		(4,507)	(6,758)	(7,575)
		US cents	US cents	US cents
Loss per share				
Basic and diluted earnings per share from continuing operations	6	(0.6)	(1.0)	(0.6)

Condensed Consolidated Statement of Financial Position As at 30 June 2014

ASSETS	Note	30 June 2014 (Unaudited) US$000	30 June 2013 (Unaudited) US$000	31 Dec 2013 (Audited) US$000
Non-current assets				
Intangible exploration and evaluation assets	7	86,903	40,076	58,650
Property, plant and equipment	7	31,169	37,749	34,666
		118,072	77,825	93,316
Deferred tax		1,806	–	2,255
Other non-current assets		329	591	326
		120,207	78,416	95,897
Current assets				
Trade and other receivables	8	19,710	6,086	5,406
Cash and cash equivalents		23,005	6,829	10,009
		42,715	12,915	15,415
TOTAL ASSETS		162,922	91,331	111,312
LIABILITIES				
Current liabilities				
Trade and other payables		8,057	2,573	7,479
		8,057	2,573	7,479
Non-current liabilities				
Long-term provisions		1,517	1,470	1,590
Deferred tax		6,597	6,706	6,567
		8,114	8,176	8,157
TOTAL LIABILITIES		16,171	10,749	15,636
EQUITY				
Share capital		14,928	12,862	13,471
Share premium		186,566	118,658	133,061
Translation reserve		(7,230)	(3,119)	(4,878)
Profit and loss account		(51,080)	(49,867)	(48,925)
Reserve for share-based payments		3,567	2,048	2,947
TOTAL EQUITY		146,751	80,582	95,676
TOTAL EQUITY AND LIABILITIES		162,922	91,331	111,312

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2014

	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 2013	12,862	118,658	1,014	(47,242)	1,576	86,868
Loss for the period	–	–	–	(2,625)	–	(2,625)
Exchange differences on translation	–	–	(4,133)	–	–	(4,133)
Total comprehensive income/(loss)	–	–	(4,133)	(2,625)	–	(6,758)
Share-based payments	–	–	–	–	472	472
Balance at 30 June 2013	12,862	118,658	(3,119)	(49,867)	2,048	80,582
Shares issued less costs	603	14,236	–	–	–	14,839
Share-based payments	–	–	–	–	899	899
Option exercised	6	167	–	–	–	173
Transactions with owners	609	14,403	–	–	899	15,911
Loss for the period	–	–	–	942	–	942
Exchange differences on translation	–	–	(1,759)	–	–	(1,759)
Total comprehensive income/(loss)	–	–	(1,759)	942	–	(817)
Balance at 1 January 2014	13,471	133,061	(4,878)	(48,925)	2,947	95,676
Placing of ordinary shares*	1,267	50,114				51,381
Cost of issue	–	(3,330)				(3,330)
Options exercised	16	490				506
Acquisition of Paraguay asset	174	6,231				6,405
Share-based payments	–	–	–	–	620	620
Transactions with owners	1,457	53,505	–	–	620	55,582
Loss for the period	–	–	–	(2,155)	–	(2,155)
Exchange differences on translation	–	–	(2,352)	–	–	(2,352)
Total comprehensive income/(loss)	–	–	(2,352)	(2,155)	–	(4,507)
Balance at 30 June 2014	14,928	186,566	(7,230)	(51,080)	3,567	146,751

* Share placing in period was used principally to fund the drilling campaign in Paraguay.

Condensed Consolidated Statement of Cash Flows
Six months ended 30 June 2014

	6 months to 30 June 2014 (Unaudited) US$000	6 months to 30 June 2013 (Unaudited) US$000	Year to 31 Dec 2013 (Audited) US$000
Cash flows from operating activities – (Note 9)			
Cash generated/(consumed) by operations	1,235	(601)	6,320
Interest received	16	34	80
Taxes paid	(33)	(15)	(298)
	1,218	(582)	6,102
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(35,669)	(5,539)	(24,669)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	(573)	(2,484)	(3,302)
Expenditure on abandonment	–	–	(83)
	(36,242)	(8,023)	(28,054)
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	48,051	–	14,839
Proceeds from options exercised	506	–	173
Related party loan	2,000	–	5,750
Repayment of loan capital	(2,000)	–	(5,750)
Payment of loan interest and fees	(402)	(377)	(825)
	48,155	(377)	14,187
Net increase/(decrease) in cash and cash equivalents	13,131	(8,982)	(7,765)
Opening cash and cash equivalents at beginning of year	10,009	17,517	17,517
Exchange (losses)/gains on cash and cash equivalents	(135)	(1,706)	257
Closing cash and cash equivalents	23,005	6,829	10,009

Notes to the half-yearly financial statements
Six months ended 30 June 2014

1 Nature of operations and general information

President Energy PLC and its subsidiaries (together 'the Group') principal activities are the exploration for and the evaluation and production of oil and gas.

President Energy PLC is the Group's ultimate parent company. It is incorporated and domiciled in England. The Group has onshore oil and gas production and reserves in Argentina and the USA. The Group also has onshore exploration assets in Paraguay, Argentina, the USA and Australia. The address of President Energy PLC's registered office is 11 Hill Street, London, United Kingdom. President Energy PLC's shares are listed on the Alternative Investment Market of the London Stock Exchange.

These condensed consolidated interim financial statements (the interim financial statements) have been approved for issue by the Board of Directors on 11th September 2014. The financial information for the year ended 31 December 2013 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2014 and 30 June 2013 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2013 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2 Basis of preparation

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013, which have been prepared under IFRS as adopted by the European Union.

These financial statements have been prepared under the historical cost convention, except for any derivative financial instruments which have been measured at fair value. The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2013.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

	6 months to 30 June 2014 (Unaudited) US$000	6 months to 30 June 2013 (Unaudited) US$000	Year to 31 Dec 2013 (Audited) US$000
3 Cost of Sales			
Depreciation	1,234	1,269	2,769
Well operating costs	2,695	2,599	5,362
	3,929	3,868	8,131
4 Administrative expenses			
Salaries	2,082	1,851	4,406
Share-based payments	620	472	1,250
Depreciation	30	62	83
Other	2	1,802	1,881
	2,734	4,187	7,620
5 Impairment charge			
Relinquishment of PEL 132 licence in Australia	–	460	447
6 Loss per share			
Net loss for the period attributable to the equity holders of the Parent Company	(2,155)	(2,625)	(1,683)
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	368,466	268,700	269,997
Loss per share	US cents	US cents	US cents
Basic and diluted	(0.6)	(1.0)	(0.6)

7 Non-current assets

	Intangible US$000	Property Plant and Equipment US$000	Total US$000
Cost			
At 1 January 2013	70,087	34,861	104,948
Additions	5,539	2,484	8,023
Disposal	–	(83)	(83)
Transfer	(14,102)	14,102	–
Exchange difference	(2,202)	(1,186)	(3,388)
At 30 June 2013	59,322	50,178	109,500
Additions	19,130	1,102	20,232
Disposal	–	(84)	(84)
Exchange difference	(570)	(2,684)	(3,254)
Transfer	1	(1)	–
At 1 January 2014	77,883	48,511	126,394
Additions	21,668	573	22,241
Acquisition	6,505	–	6,505
Exchange difference	80	(2,806)	(2,726)
At 30 June 2014	106,136	46,278	152,414
Depreciation/Impairment			
At 1 January 2013	18,786	11,098	29,884
Disposal	–	–	–
Charge for the period	460	1,331	1,791
At 30 June 2013	19,246	12,429	31,675
Disposal	–	(105)	(105)
Charge for the period	(13)	1,521	1,508
At 1 January 2014	19,233	13,845	33,078
Charge for the period	–	1,264	1,264
At 30 June 2014	19,233	15,109	34,342
Net Book Value 30 June 2014	86,903	31,169	118,072
Net Book Value 30 June 2013	40,076	37,749	77,825
Net Book Value 31 December 2013	58,650	34,666	93,316

	6 months to 30 June 2014 (Unaudited) US$000	6 months to 30 June 2013 (Unaudited) US$000	Year to 31 Dec 2013 (Audited) US$000
8 Trade and other receivables			
Trade and other receivables	5,809	6,086	5,406
Prepaid exploration expenditure	13,901	–	–
	19,710	6,086	5,406

	6 months to 30 June 2014 (Unaudited) US$000	6 months to 30 June 2013 (Unaudited) US$000	Year to 31 Dec 2013 (Audited) US$000
9 Reconciliation of operating profit to net cash outflow from operating activities			
Loss from operations before taxation	(1,934)	(2,903)	(4,532)
Finance costs	386	343	745
Depreciation and impairment of property, plant and equipment	1,264	1,331	2,852
Impairment charge	–	460	447
Loss on disposal of assets	–	–	62
Share-based payments	620	472	1,250
Foreign exchange difference	724	1,185	997
Operating cash flows before movements in working capital	1,060	888	1,821
(Increase)/decrease in receivables	(403)	(251)	1,033
(Decrease)/increase in payables	578	(1,238)	3,466
Net cash generated by/(used in) operating activities	1,235	(601)	6,320

PRESIDENT ENERGY

Merrill Corporation Ltd, London
14ZCO47601