



President Energy PLC

Interim Report and Financial Statements 2015

Chairman's Statement

Summary

The reporting period saw solid progress towards achieving President's key objectives for 2015, both in operational success in the period and laying much of the groundwork for the progress we are now seeing in the second half of 2015. Therefore it is important to view the results not in isolation, but in the context of the achievements that continue to be made.

Whilst President is operating in challenging market conditions which are reflected in these financial results, we have continued to grow the core value of the Company, with both reserves and production increasing.

With a focus on cost discipline, we still have significant potential to grow production from our expanded base of oil reserves to achieve significant growth in shareholder value by progressing our efforts to unlock our exploration assets.

Although it is a challenging time for our industry and we cannot rely on the macro environment improving in the near term, President has a strong underlying asset base which offers compelling upside potential and we therefore remain focussed on exploiting this future growth potential.

Argentina

- Average net production for period, pre-workovers 231 bopd (H1 2014: 342 bopd adjusted)
- First phase of workovers of shut-in wells completed on time and budget at end of reporting period
- Current average production some 315 bopd with one producing wells temporarily in maintenance
- Realisation prices averaging US\$70 per barrel throughout the year with additional US\$3 per barrel increase for new 2015 production
- Post-period new Concession term granted over all producing fields expiring 2050 with successive 10 year extensions thereafter
- Post-period Independently audited 2P Reserves increased by 28% to 18.1 MMbbls with an NPV 10 before tax and royalties of US\$329.4 million
- Analysis of Prospective Resources shows significant potential in the deep gas prospect within the Puesto Guardian Concession and the Matorras licence areas
- Next phase of workovers being targeted towards end 2015 with long-lead items now being ordered
- Essential maintenance and upgrading of facilities completed

Paraguay

- Acquisition of 603 km of 2D Seismic completed on time and budget, awaiting final analysis
- Clear from excellent quality seismic data that several drillable Paleozoic prospects, in line with the Company's pre-acquisition expectations, at 2,500-3,000m depth being some 1,000m shallower depth than the Lapacho and Jacaranda wells drilled last year

Louisiana

- Production increased by purchasing minority interests in operated assets and carried wells working interest coming on stream
- Current production of 270 boepd representing a 29% increase from the reporting period average of 209 boepd (H1 2014: 218 boepd)
- Operational cost savings and an extra US\$140,000 contribution to facility overheads achieved
- Realisation prices for oil at WTI price without discount
- New well A55 drilled with movable hydrocarbons identified. Well suspended due to unexpected high pressure. Re-entry currently being discussed to be actioned in the medium term

Australia

- PEL 82 Block is still being retained by the Company and remains under review with actions suspended due to the current market conditions

Financials

- Revenues of US\$4.5 million (H1 2014: US\$5.8 million), impacted by declining global oil prices. Average realised prices US\$52 per barrel in USA (H1 2014: US\$102 per barrel) and US\$70 per barrel in Argentina (H1 2014: US\$74 per barrel)
- Cost of Sales of US\$5.2 million (H1 2014: US\$3.9 million) demonstrates a higher depreciation charge of US\$1.8 million (H1 2014: US\$1.2 million) which is driven by the increased asset base of the Group with Property Plant & Equipment of US\$81.4 million (H1 2014: US\$31.2 million)
- Well operating costs of US\$3.5 million (H1 2014: US\$2.7 million) make up the remaining component of Cost of Sales. The increase against H1 2014 reflects the 100% ownership of Puesto Guardian from July 2014. On a like for like basis the well operating costs in H1 2015 are down 9% against US\$3.8 million in H2 2014
- Gross loss of US\$0.7 million (H1 2014: US\$1.9 million profit)
- Administrative expenses of US\$2.7 million (H1 2014: US\$2.7 million) reflect falling staff costs to US\$1.9 million (H1 2014: US\$2.3 million) and non-cash share based payments of US\$0.7

million (H1 2014: US\$0.6 million). The full benefit of cost reductions made in H1 2015 are anticipated to be reflected in the full year 2015 results

- Total assets of US\$202.7 million (H1 2014: US\$162.9 million) reflect the growing South American asset base of the Group
- March 2015 the Company completed a fundraise of US\$13.4 million net of expenses (gross US\$14.0 million)
- Cash of US\$1.8 million (H1 2014: US\$23.0 million) reflects US\$10.7 million of investment in the Group assets in the period on Hernandarias seismic, remaining Pirity drilling costs and Argentina workovers. Year-end 2014 cash of US\$1.5 million
- US\$15.0 million revolving loan facility extended until 31 December 2016. Drawn US\$8.1 million at period end

Outlook

Like any business we have now to sweat and develop our core producing assets in Argentina and Louisiana and be ever vigilant on cost savings. We are very fortunate to have these valuable and solid assets. However, there is no denying that the material upside offering to shareholders in the Company are the tangible and exciting exploration prospects the Company has in Argentina and Paraguay. These contain real blue sky potential and in parallel with the necessary running of the business to balance the books and generate profits for shareholders, the Company will make every effort to generate real value appreciation even in this difficult time. In light of the current oil market conditions, we believe our assets are in the best possible geographies, Paraguay with no domestic production and an excellent motivating fiscal policy and Argentina where material incentives are offered to create new production and reserves which is reflected in the oil prices currently being obtained. In this context President is indeed living in interesting times and interesting areas and we remain optimistic as to the future.

Peter Levine

Chairman

30th September 2015

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2015

	Note	6 months to 30 June 2015 (Unaudited) US\$000	6 months to 30 June 2014 (Unaudited) US\$000	Year to 31 Dec 2014 (Audited) US\$000
Continuing Operations				
Revenue		4,516	5,839	12,588
Cost of sales	3	(5,222)	(3,929)	(9,532)
Gross (loss)/profit		(706)	1,910	3,056
Administrative expenses	4	(2,670)	(2,734)	(5,404)
Operating loss before impairment charge and non-operating gains		(3,376)	(824)	(2,348)
Impairment charge	5	-	-	(11,891)
Non-operating gains	6	31	-	29,434
Profit/(loss) after impairment and non-operating gains		(3,345)	(824)	15,195
Investment income – Interest on bank deposits		2	16	23
Realised gains/(losses) on translation of foreign currencies		403	(724)	847
Loan fees and interest		(1,140)	(402)	(1,739)
Profit / (loss) before tax		(4,080)	(1,934)	14,326
Income tax (charge)/credit		228	(221)	207
Profit/(loss) for the period from continuing operations		(3,852)	(2,155)	14,533
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(3,637)	(2,352)	(6,437)
Total comprehensive profit/(loss) for the period attributable to the equity holders of the Parent Company		(7,489)	(4,507)	8,096
		US cents	US cents	US cents
Earnings/ (loss) per share from continuing operations				
Basic earnings/ (loss) per share	7	(0.9)	(0.6)	3.7
Diluted earnings / (loss) per share	7	(0.9)	(0.6)	3.5

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 (Unaudited) US\$000	30 June 2014 (Unaudited) US\$000	31 Dec 2014 (Audited) US\$000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	8	112,242	86,903	102,879
Property, plant and equipment	8	81,429	31,169	87,144
		<u>193,671</u>	<u>118,072</u>	<u>190,023</u>
Deferred tax		726	1,806	747
Other non-current assets		320	329	323
		<u>194,717</u>	<u>120,207</u>	<u>191,093</u>
Current assets				
Trade and other receivables	9	6,037	19,710	14,302
Stock		105	-	-
Cash and cash equivalents		1,825	23,005	1,527
		<u>7,967</u>	<u>42,715</u>	<u>15,829</u>
TOTAL ASSETS		<u><u>202,684</u></u>	<u><u>162,922</u></u>	<u><u>206,922</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables		4,441	8,057	11,903
Borrowings		8,100	-	9,650
		<u>12,541</u>	<u>8,057</u>	<u>21,553</u>
Non-current liabilities				
Long-term provisions		2,771	1,517	2,834
Deferred tax		20,351	6,597	22,146
		<u>23,122</u>	<u>8,114</u>	<u>24,980</u>
TOTAL LIABILITIES		<u><u>35,663</u></u>	<u><u>16,171</u></u>	<u><u>46,533</u></u>
EQUITY				
Share capital		16,048	14,928	14,928
Share premium		197,676	186,566	186,566
Translation reserve		(14,952)	(7,230)	(11,315)
Profit and loss account		(37,784)	(51,080)	(33,932)
Reserve for share-based payments		6,033	3,567	4,142
TOTAL EQUITY		<u><u>167,021</u></u>	<u><u>146,751</u></u>	<u><u>160,389</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>202,684</u></u>	<u><u>162,922</u></u>	<u><u>206,922</u></u>

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2015

	Share capital	Share premium	Translation reserve	Profit and loss account	Reserve for share-based payments	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
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)
Option/warrant 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-based payments	-	-	-	-	551	551
Acquisition of Paraguay asset	-	-	-	-	484	484
Transfer to P&L account	-	-	-	460	(460)	-
Transactions with owners	-	-	-	460	575	1,035
Loss for the period	-	-	-	16,688	-	16,688
Exchange differences on translation	-	-	(4,085)	-	-	(4,085)
Total comprehensive income/(loss)	-	-	(4,085)	16,688	-	12,603
Balance at 1 January 2015	14,928	186,566	(11,315)	(33,932)	4,142	160,389
Placing of ordinary shares*	1,120	12,883	-	-	-	14,003
Cost of issue	-	(589)	-	-	-	(589)
Warrants issued on placing	-	(1,184)	-	-	1,184	-
Share-based payments	-	-	-	-	707	707
Transactions with owners	1,120	11,110	-	-	1,891	14,121
Loss for the period	-	-	-	(3,852)	-	(3,852)
Exchange differences on translation	-	-	(3,637)	-	-	(3,637)
Total comprehensive income/(loss)	-	-	(3,637)	(3,852)	-	(7,489)
Balance at 30 June 2015	16,048	197,676	(14,952)	(37,784)	6,033	167,021

* Share placing was used to fund the Hernandarias seismic acquisition and Argentine workover programme

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2015

	6 months to 30 June 2015 (Unaudited) US\$000	6 months to 30 June 2014 (Unaudited) US\$000	Year to 31 Dec 2014 (Audited) US\$000
Cash flows from operating activities - (Note 10)			
Cash generated/(consumed) by operations	(346)	1,235	(707)
Interest received	2	16	23
Taxes paid	(104)	(33)	-
Taxes refunded	4	-	10
	<u>(444)</u>	<u>1,218</u>	<u>(674)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(9,491)	(35,669)	(47,987)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	(1,407)	(573)	(1,305)
Payments in advance of drilling operations	-	-	(9,161)
Proceeds from asset sales	128	-	104
Argentine acquisition	-	-	(5,459)
LCH SA acquisition	-	-	(250)
Expenditure on abandonment	-	-	(29)
	<u>(10,770)</u>	<u>(36,242)</u>	<u>(64,087)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	13,414	48,051	48,051
Proceeds from options exercised	-	506	506
Related party loan	750	2,000	9,650
Loans capitalised on placing	(1,800)	-	-
Repayment of loan capital	(500)	(2,000)	-
Payment of loan interest and fees	(910)	(402)	(1,327)
	<u>10,954</u>	<u>48,155</u>	<u>56,880</u>
Net increase/(decrease) in cash and cash equivalents	(260)	13,131	(7,881)
Opening cash and cash equivalents at beginning of year	1,527	10,009	10,009
Exchange (losses)/gains on cash and cash equivalents	558	(135)	(601)
Closing cash and cash equivalents	<u>1,825</u>	<u>23,005</u>	<u>1,527</u>

Notes to the half-yearly financial statements

Six months ended 30 June 2015

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 1200 Century Way, Thorpe Park Business Park, Leeds LS15 8ZA. 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 29th September 2015. The financial information for the year ended 31 December 2014 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 2015 and 30 June 2014 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2014 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 2014, 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 2014.

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

Notes to the half-yearly financial statements

Six months ended 30 June 2015

Continued

	6 months to 30 June 2015 (Unaudited) US\$000	6 months to 30 June 2014 (Unaudited) US\$000	Year to 31 Dec 2014 (Audited) US\$000
3 Cost of Sales			
Depreciation	1,767	1,234	3,055
Well operating costs	3,455	2,695	6,477
	<u>5,222</u>	<u>3,929</u>	<u>9,532</u>

4 Administrative expenses

Salaries*	1,943	2,335	4,690
Share-based payments	707	620	1,171
Depreciation	15	30	111
Other	5	(251)	(568)
	<u>2,670</u>	<u>2,734</u>	<u>5,404</u>

* Salaries for the six months to 30 June 2014 include social security costs of US\$253,000 previously classified under Other.

5 Impairment charge

Dry hole White Heirs 1 well in USA	-	-	356
PEL 82 licence in Australia	-	-	11,535
	<u>-</u>	<u>-</u>	<u>11,891</u>

6 Non-operating gains

Arising on Argentine acquisition	-	-	29,330
Other gains	31	-	104
	<u>31</u>	<u>-</u>	<u>29,434</u>

7 Earnings / (loss) per share

Net profit / (loss) for the period attributable to the equity holders of the Parent Company	<u>(3,852)</u>	<u>(2,155)</u>	<u>14,533</u>
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	<u>439,696</u>	<u>368,466</u>	<u>387,746</u>
Earnings /(loss) per share	US cents	US cents	US cents
Basic	(0.9)	(0.6)	3.7
Diluted	<u>(0.9)</u>	<u>(0.6)</u>	<u>3.5</u>

Notes to the half-yearly financial statements
Six months ended 30 June 2015
Continued

8 Non-current assets

	Intangible	Property Plant and Equipment	Total
	US\$000	US\$000	US\$000
Cost			
At 1 January 2014	77,883	48,511	126,394
Additions	21,668	573	22,241
Acquisition LCH SA	6,505	-	6,505
Exchange difference	80	(2,806)	(2,726)
At 30 June 2014	106,136	46,278	152,414
Additions	33,394	732	34,126
Acquisition LCH SA	634	-	634
Argentine acquisition: revaluation of pre-existing	-	12,951	12,951
Argentine acquisition: 50% acquired	-	43,262	43,262
Exchange difference	(1,160)	(4,342)	(5,502)
Transfer	(5,001)	5,001	-
At 1 January 2015	134,003	103,882	237,885
Additions	9,491	1,407	10,898
Disposals	(86)	(6)	(92)
Exchange difference	(42)	(5,464)	(5,506)
At 30 June 2015	143,366	99,819	243,185
Depreciation/Impairment			
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
Exchange difference	-	(273)	(273)
Charge for the period	11,891	1,902	13,793
At 1 January 2015	31,124	16,738	47,862
Charge for the period	-	1,782	1,782
Disposals	-	36	36
Exchange difference	-	(166)	(166)
At 30 June 2014	31,124	18,390	49,514
Net Book Value 30 June 2015	112,242	81,429	193,671
Net Book Value 30 June 2014	86,903	31,169	118,072
Net Book Value 31 December 2014	102,879	87,144	190,023

9 Trade and other receivables

	30 June 2015	30 June 2014	31 Dec 2014
Trade and other receivables	6,037	5,809	4,678
Prepaid exploration expenditure	-	13,901	9,624
	6,037	19,710	14,302

Notes to the half-yearly financial statements
Six months ended 30 June 2015
Continued

10 Reconciliation of operating profit to net cash outflow from operating activities

	6 months to 30 June 2015 (Unaudited) US\$000	6 months to 30 June 2014 (Unaudited) US\$000	Year to 31 Dec 2014 (Audited) US\$000
Loss from operations before taxation	(4,080)	(1,934)	14,326
Finance costs	1,138	386	1,716
Depreciation and impairment of property, plant and equipment	1,782	1,264	3,166
Impairment charge	-	-	11,891
Gain on non-operating transaction	-	-	(29,434)
Share-based payments	707	620	1,171
Foreign exchange difference	(403)	724	(847)
Operating cash flows before movements in working capital	(856)	1,060	1,989
(Increase)/decrease in receivables	7,972	(403)	(1,705)
(Decrease)/increase in payables	(7,462)	578	(991)
Net cash generated by/(used in) operating activities	<u>(346)</u>	<u>1,235</u>	<u>(707)</u>