President Energy PLC

Interim Report and Financial Statements 2016

Chairman's Statement

Summary

We remain firmly focused on our target of achieving Group production of 1,200 boepd by the year end. Accordingly the figures for the reporting period belie the material progress made in the year to date and, are now historic when taking into account the developments post-period. Such targeted increases in production will significantly improve the Group's net backs due to the coverage of fixed costs by the existing levels of production.

The results for H1 2016 reflect the significant work streams and associated costs preparing for the H2 Operational Campaign in Argentina. Focus has continued on reducing Group administrative costs in favour of building in-country expertise in Argentina.

Group production for September 2016* is approximately 670 boepd, a year on year increase of 23% over same period in 2015 with the benefit of the current Drilling, Coiled Tubing Campaign and Louisiana production still to come on stream.

Taking into account the investments made to date at Puesto Guardian since the grant of the new Concession, the Company has now invested the level of the mandatory financial commitment required under the relevant Pilot Plan, meaning that there are no further mandatory investment requirements under the Concession until its expiry in 2050.

The macro investment climate in Argentina is also improving and President is located in an area of increasing interest from both international investors and oil companies. President has a strong underlying asset base and core experience and we remain focused on pursuing future growth potential.

Louisiana continues to provide net cash flow albeit at significantly reduced levels due to the oil price decline and shut-in wells. Current progress suggests that production will recover moving towards the end of the year.

Finally, whilst the Group's exploration assets have not been forgotten in any way, the focus in the present year has been to build up production in Argentina and increase cash flows from those assets.

Argentina

- Argentine production in period increased by 39% over H1 2015
- Argentine average production for September 2016* of approximately 500 bopd, a YOY increase of some 66%
- Extensive workover campaign of existing wells in H1 2016 now starting to bear fruit in H2
- Coiled Tubing intervention and stimulation campaign now commenced on old shut in wells
- Strong and expanded Management team now in place to support expanded H2 operations

- Average realised price of US$58 per barrel in Argentina (H1 2015: US$70 per barrel) the profit effect of which was offset by the Peso devaluation of 64% compared to the value at June 2015. Current realised price US$56
- Trend of materially reducing administrative cost base and focusing on building up operational management and expertise in country
- President has now invested the level of financial commitment required under the Puesto Guardian Concession, Argentina, Pilot Plan with no further mandatory investments required until the expiry of the Concession in 2050

Paraguay

- The Group remains committed to its Paraguay exploration assets and will revisit plans in H1 2017 after the current Argentine work programme
- The Group has received environmental license on the Putamayo Block, adjacent to President's Pirity Concession and has made an application for prospection, exploration and exploitation of that area
- Geological and Geophysical studies continue
- Taking into account market conditions and pending results of the current Argentine work programme, consideration of possible farm-outs deferred

Louisiana

- Current Level of Louisiana production approximately 170 boepd and projected to increase in October to over 200 boepd, recovering from a low H1 2016 average production of 179 boepd (H1 2015: 209 boepd) due to well shut-ins and natural declines
- Average realised oil price of US$35 per barrel (H1 2015: US$52 per barrel), currently above US$42 per barrel

Australia

- PEL 82 Block is still retained by the Company and continues to remain under review with actions suspended due to the current market conditions. This Block is written down to zero value in the books of the Company.

Financials

- Revenues of US$4.6 million slightly increased versus the same period in 2015 (H1 2015: US$4.5 million), notwithstanding lower dollar oil per barrel realisations in both producing areas and disruption due to work-overs and key wells shut in
- Average realised prices US$35 per barrel in USA (H1 2015: US$52 per barrel) and US$58 per barrel in Argentina (H1 2015: US$70 per barrel) the profit effect of which was offset by the Peso devaluation of 64% compared to the value at June 2015.
- Cost of Sales of US$6.9 million (H1 2015: US$5.2 million), which includes US$1.5 million (H1 2015: US$ nil) on expensed Argentine well workovers designed to increase flow rates, the benefit of which is being seen in the second half of 2016
- Well operating costs, excluding workovers, of US$4.0 million (H1 2015: US$3.5 million) and DD&A of US$1.4 million (H1 2015: US$1.8 million) make up the remaining component of Cost of Sales. On a like for like basis, the well operating costs before DD&A in H1 2016 are US$43.54 per boe (H1 2015: US$43.44 per boe) but these will come down as production rises as there is a large component of fixed costs particularly in Argentina
- Gross loss of US$2.3 million (H1 2015: US$0.7 million loss) after taking into account US$1.5 million spent on workovers, the benefit of which will be recorded in H2 2016, as well as US$ 1.4 million of depreciation
- Administrative expenses of US$2.0 million, or US$22.41 per boe, (H1 2015: US$2.7 million, or US$33.57 per boe) reflecting effects of the Group cost reduction plan lowering staff costs to US$1.2 million (H1 2015: US$1.9 million), and non-cash share based payments of US$0.1 million (H1 2015: US$0.7 million).

- Total assets of US$161.3 million (H1 2015: US$202.7 million) principally reflecting exchange rate losses on translating foreign operations arising from 64% devaluation of the Argentine Peso from H1 2015 and not being indicative of any significant impairment in value
- Cash balance at period end of US$1.1 million (H1 2015: US$1.8 million) after cash out flow from operating activities of US$1.9 million (H1 2015: US$0.3m outflow) and investments of US$2.1 million (H1 2015: US$10.8 million)
- US$15.0 million revolving loan facility extended until 30 June 2019 together with US$5 million Convertible Loan. US$9.2 million of revolving credit facility drawn at period end

Outlook

- Group focused on target of achieving production of 1,200 boepd by the year end
- Drilling of DP1002 S/T and Coiled Tubing Campaign ongoing

Peter Levine
Chairman
30th September 2016

Glossary of terms

*	To 25 September 2016
Bcf.	Billion cubic feet (gas)
Boepd	Barrels of oil equivalent per day
Bopd	Barrels of oil per day
MMbbls	Million barrels of oil
MMBtu	Million British Thermal Units (gas)
Tcf.	Trillion cubic feet (gas)
YOY	Year on Year

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2016

	Note	6 months to 30 June 2016 (Unaudited) US$000	6 months to 30 June 2015 (Unaudited) US$000	Year to 31 Dec 2015 (Audited) US$000
Continuing Operations				
Revenue		4,552	4,516	10,092
Cost of sales	3	(6,854)	(5,222)	(10,254)
Gross (loss)/profit		(2,302)	(706)	(162)
Administrative expenses	4	(2,034)	(2,670)	(6,398)
Operating loss before impairment charge and non-operating gains		(4,336)	(3,376)	(6,560)
Impairment charge	5	-	-	(11,394)
Non-operating gains	6	-	31	150
Profit/(loss) after impairment and non-operating gains		(4,336)	(3,345)	(17,804)
Investment income – Interest on bank deposits		-	2	2
Realised gains/(losses) on translation of foreign currencies		45	403	1,346
Loan fees and interest		(953)	(1,140)	(2,241)
Profit / (loss) before tax		(5,244)	(4,080)	(18,697)
Income tax (charge)/credit		540	228	155
Profit/(loss) for the period from continuing operations		(4,704)	(3,852)	(18,542)
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(5,988)	(3,637)	(22,896)
Total comprehensive profit/(loss) for the period attributable to the equity holders of the Parent Company		(10,692)	(7,489)	(41,438)
		US cents	US cents	US cents
Earnings/ (loss)per share from continuing operations				
Basic earnings/ (loss) per share	7	(1.0)	(0.9)	(3.9)
Diluted earnings / (loss) per share	7	(1.0)	(0.9)	(3.9)

Condensed Consolidated Statement of Financial Position
As at 30 June 2016

	Note	30 June 2016 (Unaudited) US$000	30 June 2015 (Unaudited) US$000	31 Dec 2015 (Audited) US$000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	8	103,292	112,242	103,151
Property, plant and equipment	8	52,246	81,429	59,534
		155,538	193,671	162,685
Deferred tax		334	726	260
Other non-current assets		320	320	319
		156,192	194,717	163,264
Current assets				
Trade and other receivables	9	3,972	6,037	3,554
Stock		58	105	86
Cash and cash equivalents		1,125	1,825	217
		5,155	7,967	3,857
TOTAL ASSETS		161,347	202,684	167,121
LIABILITIES				
Current liabilities				
Trade and other payables		4,468	4,441	3,127
Borrowings	10	-	8,100	8,358
		4,468	12,541	11,485
Non-current liabilities				
Long-term provisions		3,119	2,771	3,292
Borrowings	10	13,910	-	-
Deferred tax		11,706	20,351	14,023
		28,735	23,122	17,315
TOTAL LIABILITIES		33,203	35,663	28,800
EQUITY				
Share capital		16,754	16,048	16,754
Share premium		201,646	197,676	201,646
Translation reserve		(40,199)	(14,952)	(34,211)
Profit and loss account		(57,102)	(37,784)	(52,462)
Other reserve		7,045	6,033	6,594
TOTAL EQUITY		128,144	167,021	138,321
TOTAL EQUITY AND LIABILITIES		161,347	202,684	167,121

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2016

	Share capital	Share premium	Translation reserve	Profit and loss account	Other reserve	Total
	US$000	US$000	US$000	US$000	US$000	US$000
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-based payments	-	-	-	-	469	469
Placing of ordinary shares*	706	4,280	-	-	-	4,986
Cost of issue	-	(368)	-	-	-	(368)
Warrants issued on placing		58			(58)	-
Convertible loan equity	-	-	-	-	162	162
Transfer to P&L account	-	-	-	12	(12)	-
Transactions with owners	706	3,970	-	12	561	5,249
Loss for the period	-	-	-	(14,690)	-	(14,690)
Exchange differences on translation	-	-	(19,259)	-	-	(19,259)
Total comprehensive income/(loss)	-	-	(19,259)	(14,690)	-	(33,949)
Balance at 1 January 2016	16,754	201,646	(34,211)	(52,462)	6,594	138,321
Convertible loan equity	-	-	-	-	415	415
Transfer to P&L account	-	-	-	64	(64)	-
Share-based payments	-	-	-	-	100	100
Transactions with owners	-	-	-	64	451	515
Loss for the period	-	-	-	(4,704)	-	(4,704)
Exchange differences on translation	-	-	(5,988)	-	-	(5,988)
Total comprehensive income/(loss)	-	-	(5,988)	(4,704)	-	(10,692)
Balance at 30 June 2016	16,754	201,646	(40,199)	(57,102)	7,045	128,144

* 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 2016

	6 months to 30 June 2016 (Unaudited) US$000	6 months to 30 June 2015 (Unaudited) US$000	Year to 31 Dec 2015 (Audited) US$000
Cash flows from operating activities - (Note 11)			
Cash generated/(consumed) by operations	(1,879)	(346)	(1,002)
Interest received	-	2	2
Taxes paid	-	(104)	-
Taxes refunded	-	4	4
	(1,879)	(444)	(996)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(411)	(9,491)	(11,206)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	(1,697)	(1,407)	(3,196)
Proceeds from asset sales	-	128	199
Pirity acquisition	-	-	(756)
USA acquisition	-	-	(121)
	(2,108)	(10,770)	(15,080)
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	-	13,414	18,032
Loan converted to equity	-	(1,800)	(4,470)
Related party loan	5,967	750	3,895
Repayment of loan capital	-	(500)	(555)
Payment of loan interest and fees	(835)	(910)	(1,722)
	5,132	10,954	15,180
Net increase/(decrease) in cash and cash equivalents	1,145	(260)	(896)
Opening cash and cash equivalents at beginning of year	217	1,527	1,527
Exchange (losses)/gains on cash and cash equivalents	(237)	558	(414)
Closing cash and cash equivalents	1,125	1,825	217

Notes to the half-yearly financial statements
Six months ended 30 June 2016

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 2016. The financial information for the year ended 31 December 2015 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 2016 and 30 June 2015 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2015 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 2015, 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 2015.

	6 months to 30 June 2016 (Unaudited) US$000	6 months to 30 June 2015 (Unaudited) US$000	Year to 31 Dec 2015 (Audited) US$000
3 Cost of Sales			
Depreciation	1,394	1,767	2,742
Well operating costs	5,460	3,455	7,512
	6,854	5,222	10,254
4 Administrative expenses			
Directors and staff cost	1,240	1,943	3,746
Share-based payments	100	707	1,176
Depreciation	13	15	88
Other	681	5	1,388
	2,034	2,670	6,398
5 Impairment charge			
Dematteі licence Paraguay (intangible)	-	-	10,876
Prospects East Lake Verret USA (intangible)	-	-	74
East White Lake (PP&E)	-	-	444
	-	-	11,394
6 Non-operating gains			
Arising on Argentine acquisition	-	-	66
Other gains	-	31	84
	-	31	150
7 Earnings / (loss) per share			
Net profit / (loss) for the period attributable to the equity holders of the Parent Company	(4,704)	(3,852)	(18,542)
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	471,697	439,696	471,697
Earnings /(loss) per share	US cents	US cents	US cents
Basic	(1.0)	(0.9)	(3.9)
Diluted	(1.0)	(0.9)	(3.9)

8 Non-current assets

	Intangible	Property Plant and Equipment	Total
	US$000	US$000	US$000
Cost			
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
Additions	1,892	2,561	4,453
Acquisition Paraguay licence	903	-	903
Acquisition USA	-	121	121
Disposals	-	(245)	(245)
Exchange difference	(936)	(23,631)	(24,567)
At 1 January 2016	145,225	78,625	223,850
Additions	411	1,697	2,108
Exchange difference	(270)	(8,024)	(8,294)
At 30 June 2016	145,366	72,298	217,664
Depreciation/Impairment			
At 1 January 2015	31,124	16,738	47,862
Disposal		36	36
Exchange difference		(166)	(166)
Charge for the period	-	1,782	1,782
At 30 June 2015	31,124	18,390	49,514
Exchange difference	-	(710)	(710)
Disposals	-	(80)	(80)
Impairment		443	443
Charge for the period	10,950	1,048	11,998
At 1 January 2016	42,074	19,091	61,165
Charge for the period	-	1,407	1,407
Exchange difference	-	(446)	(446)
At 30 June 2016	42,074	20,052	62,126
Net Book Value 30 June 2016	103,292	52,246	155,538
Net Book Value 30 June 2015	112,242	81,429	193,671
Net Book Value 31 December 2015	103,151	59,534	162,685

9 Trade and other receivables

	30 June 2016	30 June 2015	31 Dec 2015
Trade and other receivables	3,928	6,037	3,481
Prepayments	44	-	73
	3,972	6,037	3,554

10 Borrowings

	30 June 2016	30 June 2015	31 Dec 2015
IYA Loan	9,166	8,100	4,473
IYA Convertible Loan	4,744	-	3,885
	13,910	8,100	8,358

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

	6 months to 30 June 2016 (Unaudited) US$000	6 months to 30 June 2015 (Unaudited) US$000	Year to 31 Dec 2015 (Audited) US$000
Loss from operations before taxation	(5,244)	(4,080)	(18,697)
Interest on bank deposits	-	(2)	(2)
Interest payable and loan fees	953	1,140	2,241
Depreciation and impairment of property, plant and equipment	1,407	1,782	2,830
Impairment charge	-	-	11,394
Gain on non-operating transaction	-	-	(150)
Share-based payments	100	707	1,176
Foreign exchange difference	(45)	(403)	(1,346)
Operating cash flows before movements in working capital	(2,829)	(856)	(2,554)
(Increase)/decrease in receivables	(391)	7,972	10,376
(Decrease)/increase in payables	1,341	(7,462)	(8,824)
Net cash generated by/(used in) operating activities	(1,879)	(346)	(1,002)