



President Petroleum Company PLC

Interim Report and Financial Statements 2011

**Chairman's
Statement**

The emphasis in H1 2011 was to successfully move from an exploration to a production focussed model. The group moved on from the disappointment of the unsuccessful exploration well at Kafoury 3 to a major new acquisition which sets President on a path to material production growth. Following its stated strategy of growth through acquisition, in June the group announced entry into Argentina through the acquisition of a prospective onshore licence block with existing oil production, and material upside potential through both exploitation of the reserve base and further exploration.

Argentina

In June, the Company announced the acquisition of a 50% interest in the Puesto Guardian concession in the Noroeste basin in Argentina. The acquisition provides existing production, immediate development opportunities, and further reserve exploitation potential. PPC estimates net 2P reserves of 6.6 mln barrels of oil, assuming a pending licence extension is granted. A five well, jointly operated drilling programme has been agreed with an anticipated spud date of the first well by the end of October. The five well programme consists of four wells developing Proved Undeveloped Reserves and one targeting Probable Reserves. The aim is to access by passed reserves up-dip of existing wells based upon revised maps from a 3D survey. The wells will be designed for high quality completions utilising modern mud systems and fracture stimulation, which is expected to enable production rates to exceed those of older wells. President is targeting net production to rise significantly in Argentina from 200 to 1,200 barrels of oil per day by the middle of 2012.

Louisiana

While smaller scale work-overs were performed in the period, a series of new wells and recompletions commenced in June which have already contributed to materially higher production rates. Average daily production in the first half of 2011 was 137 barrels of oil equivalent. Although below 2010 levels of 185 barrels equivalent per day, oil accounted for 51% of production (41% in H1 2010) and higher hydrocarbons prices were realised. As a result, revenue was flat at US\$1.74 mln in H1 2011 (H1 2010: US\$1.77 mln).

Australia

In April, the Company announced the drilling results of its Northumberland 2 well on PEL 82 licence, in the Otway basin, South Australia. While no commercial discovery was made, President has been encouraged by

**Chairman's
Statement**

hydrocarbon fluorescence and gas shows. A thicker than expected primary hydrocarbon reservoir was found to be present, extending to over 650 metres thick and still continuing at the time drilling ceased. The presence of a top seal was confirmed but at this location the seal was thinner than forecast relative to the throw of the bounding fault of this particular structure. President is now carrying out work on the many other structures in PEL 82 to identify where fault throw is less or the seal is thicker. President's licence commitments on PEL 82 have now been satisfied.

Financials

Gross profit improved to US\$0.5 mln (H1 2010: US\$0.35 mln) on the back of lower operating costs. Operating loss prior to impairments increased to US\$2.5 mln (H1 2010: US\$0.9 mln), principally through business development, restructuring and deal related costs, and the hiring of new staff critical to the growth of the business. The Group has recognised an impairment on the unsuccessful well at Kafoury 3 of US\$12.9 mln, which results in an operating loss of US\$15.5 mln. This impairment has created a favourable tax position which benefits our production net backs.

Outlook

President looks forward with confidence to the exciting second half of 2011 and further into 2012. In Australia, we continue to study the results of the Northumberland 2 well to assist decisions on future activity on the block. Building on recent successes, lower risk production drilling in Louisiana continues, with a goal of continuing to increase oil production while making use of low operating costs and the benefits of low tax. In Argentina, President is embarking on a 5 well drilling programme targeting a large increase in production to 1,200 barrels of oil per day by the middle of 2012. The macro economic climate in Argentina continues to improve for hydrocarbon producers, and President looks forward to growing a scalable business in country. The remainder of 2011 will see President moving towards material production growth and advancing its very promising position in Argentina.

John Hamilton
Chairman
29 September 2011

PRESIDENT PETROLEUM COMPANY PLC

**Statement of
Comprehensive
Income for the
6 months ended
30 June 2011**

	Note	6 months to 30 June 2011 (Unaudited) US\$000	6 months to 30 June 2010 (Unaudited) US\$000	Year to 31 Dec 2010 (Audited) US\$000
Continuing Operations				
Revenue		1,744	1,770	3,439
Cost of sales	3	<u>(1,229)</u>	<u>(1,417)</u>	<u>(5,320)</u>
Gross profit/(loss)		515	353	(1,881)
Administrative expenses	4	<u>(3,048)</u>	<u>(1,239)</u>	<u>(2,416)</u>
Operating loss before impairment charge		(2,533)	(886)	(4,297)
Impairment charge	5	<u>(12,990)</u>	-	<u>(2,949)</u>
Operating loss		(15,523)	(886)	(7,246)
Investment income –				
Gain/(loss) on derivative financial instruments		-	25	(23)
Fair value through profit and loss		-	26	-
Interest on bank deposits		182	12	86
Realised (losses)/gains on translation of foreign currencies		(374)	-	691
Finance costs				
Interest payable on loan		<u>(2)</u>	<u>(86)</u>	<u>(141)</u>
Loss before tax		(15,717)	(909)	(6,633)
Income tax credit/(expense)		<u>57</u>	<u>31</u>	<u>(101)</u>
Loss for the period from continuing operations		(15,660)	(878)	(6,734)
Other comprehensive income				
Exchange differences on translating foreign currency		<u>1,773</u>	<u>(160)</u>	<u>(3)</u>
Total comprehensive income for the period attributable to the equity holders of the Parent Company		<u>(13,887)</u>	<u>(1,038)</u>	<u>(6,737)</u>
Loss per share	6			
Basic and diluted earnings per share from continuing operations		<u>(14.4)</u>	<u>(1.9)</u>	<u>(11.6)</u>

PRESIDENT PETROLEUM COMPANY PLC

*Consolidated
Statement
of Financial
Position*

	30 June 2011 (Unaudited) Note US\$000	30 June 2010 (Unaudited) US\$000	31 Dec 2010 (Audited) US\$000
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	7 20,384	10,112	14,371
Property, plant and equipment	7 <u>1,148</u>	<u>4,414</u>	<u>1,877</u>
	21,532	14,526	16,248
Deferred tax asset	-	131	-
Other non-current assets	<u>333</u>	<u>170</u>	<u>330</u>
	<u>21,865</u>	<u>14,827</u>	<u>16,578</u>
Current assets			
Trade and other receivables	3,929	1,713	1,877
Current tax	100	300	100
Cash and cash equivalents	<u>23,200</u>	<u>4,876</u>	<u>45,690</u>
	<u>27,229</u>	<u>6,889</u>	<u>47,667</u>
TOTAL ASSETS	<u>49,094</u>	<u>21,716</u>	<u>64,245</u>
LIABILITIES			
Current liabilities			
Trade and other payables	4,205	3,050	4,408
Current portion of borrowings	<u>-</u>	<u>3,010</u>	<u>450</u>
	<u>4,205</u>	<u>6,060</u>	<u>4,858</u>
Non-current liabilities			
Borrowings	-	-	889
Long-term provisions	<u>996</u>	<u>396</u>	<u>996</u>
	<u>996</u>	<u>396</u>	<u>1,885</u>
TOTAL LIABILITIES	<u>5,201</u>	<u>6,456</u>	<u>6,743</u>
EQUITY			
Share capital	10,514	9,508	10,514
Share premium	66,478	19,577	66,478
Translation reserve	2,676	746	903
Profit and loss account	(36,087)	(14,571)	(20,427)
Reserve for share-based payments	<u>312</u>	<u>-</u>	<u>34</u>
TOTAL EQUITY	<u>43,893</u>	<u>15,260</u>	<u>57,502</u>
TOTAL EQUITY AND LIABILITIES	<u>49,094</u>	<u>21,716</u>	<u>64,245</u>

PRESIDENT PETROLEUM COMPANY PLC

*Consolidated
Statement of
Changes in
Equity*

	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 2010	9,508	19,577	906	(13,693)	-	16,298
Loss for the period	-	-	-	(878)	-	(878)
Other comprehensive income						
Exchange differences on translation	-	-	(160)	-	-	(160)
Total comprehensive income	-	-	(160)	(878)	-	(1,038)
Balance at 30 June 2010	9,508	19,577	746	(14,571)	-	15,260
Share-based payments	-	-	-	-	34	34
Shares issued on placing and open offer	1,006	49,310	-	-	-	50,316
Costs of issue	-	(2,409)	-	-	-	(2,409)
Transactions with the owners	1,006	46,901	-	-	34	47,941
Loss for the period	-	-	-	(5,856)	-	(5,856)
Other comprehensive income						
Exchange differences on translation	-	-	157	-	-	157
Total comprehensive income	-	-	157	(5,856)	-	(5,699)
Balance at 1 January 2011	10,514	66,478	903	(20,427)	34	57,502
Transactions with the owners						
Share-based payments	-	-	-	-	278	278
Loss for the period	-	-	-	(15,660)	-	(15,660)
Other comprehensive income						
Exchange differences on translation	-	-	1,773	-	-	1,773
Total comprehensive income	-	-	1,773	(15,660)	-	(13,887)
Balance at 30 June 2011	10,514	66,478	2,676	(36,087)	312	43,893

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement of
Cash Flows**

	<i>6 months to 30 June 2011 (Unaudited) US\$000</i>	<i>6 months to 30 June 2010 (Unaudited) US\$000</i>	<i>Year to 31 Dec 2010 (Audited) US\$000</i>
Cash flows from operating activities - (Note 8)			
Cash (consumed)/generated by operations	(5,042)	1,595	3,305
Interest received	182	12	86
Taxes refunded	-	-	200
	<u>(4,860)</u>	<u>1,607</u>	<u>3,591</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(18,418)	(5,355)	(10,710)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	-	(1,402)	(1,261)
Deferred consideration in respect of East White Lake assets	-	1,400	1,400
Deposits with state authorities	-	-	(157)
	<u>(18,418)</u>	<u>(5,357)</u>	<u>(10,728)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	-	-	47,907
Repayment of bank loan capital	(150)	(1,097)	(4,027)
Payment of bank loan interest	(2)	(86)	(141)
	<u>(152)</u>	<u>(1,183)</u>	<u>43,739</u>
Net (decrease)/increase in cash and cash equivalents	(23,430)	(4,933)	36,602
Opening cash and cash equivalents at beginning of year	45,690	10,058	10,058
Exchange gains/(losses) on cash and cash equivalents	940	(249)	(970)
Closing cash and cash equivalents	<u>23,200</u>	<u>4,876</u>	<u>45,690</u>

*Notes to the
Consolidated
Accounts*

1. Nature of operations and general information

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

President Petroleum Company 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 the USA and Argentina. The Group also has onshore exploration assets in the USA and Australia. The address of President Petroleum Company PLC's registered office is 13 Regent Street, London, United Kingdom. President Petroleum Company 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 21 September 2011. The financial information for the year ended 31 December 2010 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 2011 and 30 June 2010 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

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 2010, 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 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 2010.

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

PRESIDENT PETROLEUM COMPANY PLC

Notes to the Consolidated Accounts

3. Cost of Sales

	<i>6 months to 30 June 2011 (Unaudited) US\$000</i>	<i>6 months to 30 June 2010 (Unaudited) US\$000</i>	<i>Year to 31 Dec 2010 (Audited) US\$000</i>
Depreciation	729	728	3,899
Well operating costs	<u>500</u>	<u>689</u>	<u>1,421</u>
	<u><u>1,229</u></u>	<u><u>1,417</u></u>	<u><u>5,320</u></u>

4. Administrative expenses

Share-based payments	278	-	34
Other	<u>2,770</u>	<u>1,239</u>	<u>2,382</u>
	<u><u>3,048</u></u>	<u><u>1,239</u></u>	<u><u>2,416</u></u>

5. Impairment charge

The impairment in the 6 months to June 2011 relates entirely to the unsuccessful drilling of the Kafoury 3 well in Louisiana.

6. Loss per share

Net loss for the period attributable to the equity holders of the Parent Company	<u>(15,660)</u>	<u>(878)</u>	<u>(6,734)</u>
	<i>Number '000</i>	<i>Number '000</i>	<i>Number '000</i>
Weighted average number of shares in issue	<u>108,738</u>	<u>45,446</u>	<u>58,278</u>
Loss per share	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Basic and diluted	<u>(14.4)</u>	<u>(1.9)</u>	<u>(11.6)</u>

PRESIDENT PETROLEUM COMPANY PLC

Notes to the
Consolidated
Accounts

7. Non-current assets

	<i>Intangible Exploration and Evaluation US\$000</i>	<i>Property Plant and Equipment US\$000</i>	<i>Total US\$000</i>
Cost			
At 1 January 2010	6,157	6,831	12,988
Additions	<u>3,955</u>	<u>1,402</u>	<u>5,357</u>
At 30 June 2010	10,112	8,233	18,345
Additions	6,755	634	7,389
Exchange difference	<u>453</u>	-	<u>453</u>
At 1 January 2011	17,320	8,867	26,187
Additions	18,418	-	18,418
Exchange difference	<u>585</u>	-	<u>585</u>
At 30 June 2011	<u>36,323</u>	<u>8,867</u>	<u>45,190</u>
Depreciation/Impairment			
At 1 January 2010	-	3,091	3,091
Charge for the period	<u>-</u>	<u>728</u>	<u>728</u>
At 30 June 2010	-	3,819	3,819
Charge for the period	<u>2,949</u>	<u>3,171</u>	<u>6,120</u>
At 1 January 2011	2,949	6,990	9,939
Charge for the period	<u>12,990</u>	<u>729</u>	<u>13,719</u>
At 30 June 2011	<u>15,939</u>	<u>7,719</u>	<u>23,658</u>
Net Book Value			
30 June 2011	<u>20,384</u>	<u>1,148</u>	<u>21,532</u>
Net Book Value			
30 June 2010	<u>10,112</u>	<u>4,414</u>	<u>14,526</u>
Net Book Value			
31 December 2010	<u>14,371</u>	<u>1,877</u>	<u>16,248</u>

PRESIDENT PETROLEUM COMPANY PLC

Notes to the
Consolidated
Accounts

8. Reconciliation of operating profit to net cash outflow from operating activities

	6 months to 30 June 2011 (Unaudited) US\$000	6 months to 30 June 2010 (Unaudited) US\$000	Year to 31 Dec 2010 (Audited) US\$000
Loss from operations			
before taxation	(15,717)	(909)	(6,633)
Finance costs	(180)	74	55
Depreciation and impairment of property, plant and equipment	729	728	3,899
Impairment of intangible assets	12,990	-	2,949
Share-based payments	278	-	34
Provision for decommissioning	-	175	-
Fair value through profit and loss on derivative financial instruments	-	(26)	-
Foreign exchange difference	<u>298</u>	<u>337</u>	<u>392</u>
Operating cash flows before movements in working capital	(1,602)	379	696
(Increase)/decrease in receivables	(2,088)	(153)	(144)
(Decrease)/increase in payables	<u>(1,352)</u>	<u>1,369</u>	<u>2,753</u>
Net cash generated by operating activities	<u>(5,042)</u>	<u>1,595</u>	<u>3,305</u>