President Energy

President Energy PLC

Interim Report and Financial Statements 2013

Chairman's Statement

Summary

The first half of 2013 demonstrated significant progress in the Company's business and was focused on execution of work programmes on our key projects. In Paraguay, we completed the envisaged acquisition of 2D and 3D seismic, and built up our in-country presence. The seismic acquisition was completed ahead of time and within budget. In Argentina, we successfully completed the three well stimulation programme at our Puesto Guardian concession, the results of which are set to provide a substantial uplift in production and cash flow with initial results, excluding PE-8, showing a 100% increase in total field production post stimulation. These initial results provide encouragement for the potential further development of the carbonate reservoirs and increase in total reserves for the concession. Louisiana continues to provide the Company with valuable cash flow, with the highest production figures for several years, combined with high oil prices. Group net production is currently approximately 575 boepd, an increase of 40% compared to the same period last year and the highest evel of oil production President Energy has ever achieved. Following the acquisition in Paraguay, the Company has a world-class 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 of the Company, and, in management's view, the two concessions acquired in 2012 continue to demonstrate significant potential for the future. The original seismic acquisition programme was successfully completed one month ahead of schedule (793 square kilometres of 3D seismic and 100 kilometres of 2D seismic), with initial results appearing to be very encouraging. In addition to the original programme, the Company also decided to acquire a further 700 kilometres of 2D seismic to detail additional follow-on potential throughout the basin of which approximately 90% has now been completed. More than 20 potential material drilling targets have already been identified. The target high-graded areas identified to date lie within the Cretaceous interval; however, based on the new seismic, the basin also shows a large Paleozoic play system not previously identified. Technical work will seek to quantify this enlarged view of basin potential. In total therefore, the Company will have acquired 793 km^2 of 3D and 800 km of 2D during the 2013 seismic season. We expect to report the results of our seismic programme in Q4 2013 together with the issue of an updated CPR at the end of the year. Preparations for drilling remain on course for the first well of a three well programme to be spudded in Q2 2014.

The 3D programme is the first to have ever been conducted in Paraguay. Paraguay recently held its Presidential elections, with Horacio Cartes elected in April and inaugurated in August 2013. The election result was a clear victory, and President Cartes has outlined at his inauguration his determination to attract inward foreign investment.

Argentina

President has sought to prioritise its work programme to focus on value creation through seismic reprocessing and a proof of concept well stimulation programme. President and its partner successfully completed the three well stimulation campaign on wells PE7 and PE8 at the Pozo Escondido Field and well DP1001 at the Dos Puntitas Field. Wells PE7 and PE8 had both been shut in for some 20 years and previously successfully produced from the A6 sands whilst showing unrecovered oil from the Carbonates above. Both showed original pressure and are not near water. The preliminary results of the two Pozo Escondido stimulations are providing strong encouragement for the establishment of new reserves in the carbonate reservoir, and for considering further stimulation across the large portfolio of old wells in the Concession. Initial production from two of the three recently stimulated wells has increased total pre-work concession production by 100% with the net production attributable to President currently running at approximately 300 bopd and expected to further increase with the contribution from PE-8. The stimulation program remains within the original budget.

The recent well stimulation results suggest there will be an increase in our Argentina reserves once a new CPR is issued, expected in H1 2014. As previously announced, a comprehensive independent reprocessing and remapping exercise was undertaken on the 2006 3D data on two of the five fields within the Puesto Guardian Concession. The reprocessing and interpretation of the data on the Pozo Escondido and Dos Puntitas fields has now been completed, showing significant undrilled highs within the proven field areas.

At Pozo Escondido, management estimate an increase in stock tank oil initially in place ("STOIIP") of 215% from 20 MMB to 63 MMB. At the Dos Puntitas field, the reprocessing has validated the existing STOIIP of 15 MMB and six undrilled highs have been identified.

These results, when combined with the low oil recovery to date, 1% and 11% for Pozo Escondido and Dos Puntitas, respectively, confirm management's view of further development potential in these fields through fracs, sidetracks and further drilling.

Average net production for the period was 153 bopd (H1 2012: 155 bopd). Current net production, with the contribution from two of the three recently stimulated wells, is approximately 300 bopd . Average realised prices in the period were US$71 per barrel, and are currently over US$74 per barrel.

Louisiana

Louisiana continues to provide the Group with solid production and cash flow. Average production in the period was up by 36% at 212 boepd (1H 2012: 157 boepd). Average realised oil prices were US$108 per barrel, and total realised price including the gas sales was US$97 per barrel of oil equivalent. Current production is averaging approximately 275 boepd.

Australia

President's two blocks in Australia are considered legacy assets. PEL 82 which the company is continuing to evaluate technically is currently the subject of farm-out discussions which may or may not reach a successful conclusion. A further announcement will be made in due course. Following technical review, PEL 132 has been relinquished with a consequent impairment taken of US$0.46 mln.

Financials

- Revenue increased by 14% to US$5.73 mln (H1 2012: US$5.03 mln) reflecting an increase in group average production for the period to 365 boepd (H1 2012: 312 boepd)
- Gross Profit increased by 519% to US$1.86 mln (H1 2012: Profit of US$0.30 mln) on the back of increased Louisiana production and an improved cost of sales position in Argentina. Delays to the well stimulation campaign in Argentina resulted in an equivalent production of 153 bopd to H1 2012 (155 bopd); despite this, the Argentine concession achieved a breakeven position and the post period end production increases will lead to further profitability
- Operating loss prior to impairments reduced to US$2.33 mln (H1 2012: US$3.98 mln), reflecting equivalent administrative expenses to the prior year despite the addition of Paraguay to the portfolio
- Operating loss reduced to US$2.79 mln (H1 2012: US$3.98 mln) after taking into account the impairment of US$0.46 mln on the relinquished PEL-132 licence
- Cash balance as at 30 June 2013 of US$ 6.8 mln (2012 H1: US$ 2.1 mln).The Group has a US$15 mln revolving loan facility in place from IYA Global Limited, a company within the Levine Capital group of companies.

Outlook

The very encouraging preliminary results received from the seismic so far acquired in Paraguay have reinforced and underlined the original decision to enter into this world-class exploration asset. President is vigorously pursuing the exploration programme through the second half of the year in the lead up to drilling three new wells due to commence in Q2 2014.

The record production levels, following the success in Argentina together with the strong contribution of Louisiana, provides a solid foundation on which the company can go forward to focus on Paraguay.

Peter Levine
Chairman
23 September 2013

Statement of Comprehensive Income
Six months ended 30 June 2013

	Note	6 months to 30 June 2013 (Unaudited) US$000	6 months to 30 June 2012 (Unaudited) US$000	Year to 31 Dec 2012 (Audited) US$000
Continuing Operations				
Revenue		5,725	5,033	11,288
Cost of sales	3	(3,868)	(4,733)	(8,056)
Gross profit		1,857	300	3,232
Administrative expenses	4	(4,187)	(4,282)	(8,543)
Operating loss before impairment charge		(2,330)	(3,982)	(5,311)
Impairment charge	5	(460)	–	–
Operating loss		(2,790)	(3,982)	(5,311)
Investment income – Interest on bank deposits		34	4	9
Realised gains/(losses) on translation of foreign currencies		230	(2)	540
Loan fees and interest		(377)	(21)	(1,579)
Loss before tax		(2,903)	(4,001)	(6,341)
Income tax credit		278	2,256	886
Loss for the period from continuing operations		(2,625)	(1,745)	(5,455)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(4,133)	(1,608)	1,024
Total comprehensive income for the period attributable to the equity holders of the Parent Company		(6,758)	(3,353)	(4,431)
		US cents	US cents	US cents
Loss per share				
Basic and diluted earnings per share from continuing operations	6	(1.0)	(1.4)	(3.4)

Consolidated Statement of Financial Position 30 June 2013

ASSETS	Note	30 June 2013 (Unaudited) US$000	30 June 2012 (Unaudited) US$000	31 Dec 2012 (Audited) US$000
Non-current assets				
Intangible exploration and evaluation assets	7	40,076	37,059	51,301
Property, plant and equipment	7	37,749	21,410	23,763
		77,825	58,469	75,064
Other non-current assets		591	330	591
		78,416	58,799	75,655
Current assets				
Trade and other receivables		6,086	10,901	6,178
Cash and cash equivalents		6,829	2,134	17,517
		12,915	13,035	23,695
TOTAL ASSETS		91,331	71,834	99,350
LIABILITIES				
Current liabilities				
Trade and other payables		2,573	10,287	4,013
Loan		–	4,600	–
Deferred consideration		–	2,902	–
		2,573	17,789	4,013
Non-current liabilities				
Long-term provisions		1,470	2,691	1,470
Deferred tax		6,706	6,558	6,999
		8,176	9,249	8,469
TOTAL LIABILITIES		10,749	27,038	12,482
EQUITY				
Share capital		12,862	10,829	12,862
Share premium		118,658	77,991	118,658
Translation reserve		(3,119)	(1,618)	1,014
Profit and loss account		(49,867)	(43,532)	(47,242)
Reserve for share-based payments		2,048	1,126	1,576
TOTAL EQUITY		80,582	44,796	86,868
TOTAL EQUITY AND LIABILITIES		91,331	71,834	99,350

Consolidated Statement of Changes in Equity
Six months ended 30 June 2013

	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 2012	10,611	68,788	(10)	(41,787)	937	38,539
Loss for the period	–	–	–	(1,745)	–	(1,745)
Other comprehensive income						
Exchange differences on translation	–	–	(1,608)	–	–	(1,608)
Total comprehensive income	–	–	(1,608)	(1,745)	–	(3,353)
Shares issued less costs	218	9,203	–	–	–	9,421
Share-based payments	–	–	–	–	189	189
Balance at 30 June 2012	10,829	77,991	(1,618)	(43,532)	1,126	44,796
Loss for the period	–	–	–	(3,710)	–	(3,710)
Other comprehensive income						
Exchange differences on translation	–	–	2,632	–	–	2,632
Total comprehensive income	–	–	2,632	(3,710)	–	(1,078)
Shares issued less costs	1,731	34,934	–	–	–	36,665
Share-based payments	–	–	–	–	450	450
Shares issued on acquisition of Paraguay assets	302	5,733	–	–	–	6,035
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)
Other comprehensive income						
Exchange differences on translation	–	–	(4,133)	–	–	(4,133)
Total comprehensive income	–	–	(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

Consolidated Statement of Cash Flows
Six months ended 30 June 2013

	6 months to 30 June 2013 (Unaudited) US$000	6 months to 30 June 2012 (Unaudited) US$000	Year to 31 Dec 2012 (Audited) US$000
Cash flows from operating activities - (Note 8)			
Cash consumed by operations	(601)	(3,722)	(4,491)
Interest received	34	4	9
Taxes paid	(15)	–	(356)
Taxes refunded	–	–	104
	(582)	(3,718)	(4,734)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(5,539)	(4,036)	(12,301)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	(2,484)	(2,547)	(5,811)
Cash paid for acquisition of Argentine asset	–	(7,848)	(10,750)
	(8,023)	(14,431)	(28,862)
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	–	9,421	46,086
Related party loan	–	4,600	9,000
Repayment of loan capital	–	–	(9,000)
Payment of loan interest and fees	(377)	–	(1,579)
	(377)	14,021	44,507
Net (decrease)/increase in cash and cash equivalents	(8,982)	(4,128)	10,911
Opening cash and cash equivalents at beginning of year	17,517	6,293	6,293
Exchange (losses)/gains on cash and cash equivalents	(1,706)	(31)	313
Closing cash and cash equivalents	6,829	2,134	17,517

1 Nature of operations and general information

The principle activities of President Energy PLC and its subsidiaries (together 'the Group') 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 23 September 2013. The financial information for the year ended 31 December 2012 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 2013 and 30 June 2012 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2012 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 2012, 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 2012 with the exception that capitalised expenditure carried within each producing field is now depleted on a unit of production basis over the relevant proved and probable oil and gas reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. This is considered to be a change in accounting estimate under IAS 8 and accordingly the effect of the change is recognised prospectively and no prior period balance has been restated.

2 Basis of preparation (continued)

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 2013 (Unaudited) US$000	6 months to 30 June 2012 (Unaudited) US$000	Year to 31 Dec 2012 (Audited) US$000
3 Cost of Sales			
Depreciation	1,269	990	2,247
Well operating costs	2,599	3,743	5,809
	3,868	4,733	8,056
4 Administrative expenses			
Salaries	1,851	1,470	3,623
Share-based payments	472	189	639
Depreciation	62	–	115
Other	1,802	2,623	4,166
	4,187	4,282	8,543
5 Impairment charge			
Relinquishment of PEL 132 licence	460	–	–
6 Loss per share			
Net loss for the period attributable to the equity holders of the Parent Company	(2,625)	(1,745)	(5,455)
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	268,700	120,378	161,128
Loss per share	US cents	US cents	US cents
Basic and diluted	(1.0)	(1.4)	(3.4)

7 Non-current assets

	Intangible US$000	Property Plant and Equipment US$000	Total US$000
Cost			
At 1 January 2012	53,353	28,669	82,022
Additions	4,036	2,547	6,583
Transfer	(1,544)	1,544	–
Exchange difference	–	(1,624)	(1,624)
At 30 June 2012	55,845	31,136	86,981
Additions	14,300	2,043	16,343
Exchange difference	–	1,624	1,624
Transfer	(58)	58	–
At 1 January 2013	70,087	34,861	104,948
Additions	5,539	2,484	8,023
Disposal	(18,609)	(83)	(18,692)
Transfer	(14,102)	14,102	–
Exchange difference	(2,202)	(1,186)	(3,388)
At 30 June 2013	40,713	50,178	90,891
Depreciation/Impairment			
At 1 January 2012	18,786	8,736	27,522
Charge for the period	–	990	990
At 30 June 2012	18,786	9,726	28,512
Charge for the period	–	1,372	1,372
At 1 January 2013	18,786	11,098	29,884
Charge for the period	–	1,331	1,331
Impairment charge	460	–	460
Disposal	(18,609)	–	(18,609)
At 30 June 2013	637	12,429	13,066
Net Book Value 30 June 2013	40,076	37,749	77,825
Net Book Value 30 June 2012	37,059	21,410	58,469
Net Book Value 31 December 2012	51,301	23,763	75,064

Following seismic reprocessing certain intangible exploration costs in Argentina have been reclassified as tangible Property Plant and Equipment. A number of USA intangible assets that have previously been provided against have now been eliminated as disposals.

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

	6 months to 30 June 2013 (Unaudited) US$000	6 months to 30 June 2012 (Unaudited) US$000	Year to 31 Dec 2012 (Audited) US$000
Loss from operations before taxation	(2,903)	(4,001)	(6,341)
Finance costs	343	17	1,570
Depreciation and impairment of property, plant and equipment	1,331	990	2,362
Impairment charge	460	–	–
Share-based payments	472	189	639
Foreign exchange difference	1,185	731	556
Operating cash flows before movements in working capital	888	(2,074)	(1,214)
(Increase)/decrease in receivables	(251)	(7,575)	(2,992)
(Decrease)/increase in payables	(1,238)	5,927	(285)
Net cash generated by operating activities	(601)	(3,722)	(4,491)