President Energy PLC

Interim Report and Financial Statements 2018

Chairman's Statement

Summary

The first half of 2018 saw a dramatic improvement in all key performance indicators of the Group and points the way to an even better second half of the year.

It was a productive six-month period with a successful 12 well workover programme completed at the Puesto Flores field, Argentina combining with infrastructure work to provide a significant uplift in both production and margins for the Group.

Current Group production is approximately 2,700 boepd with all of President's fields in Argentina and Louisiana contributing profitably. The rapid growth has seen turnover in the first six months increase over the same period last year by over 275% to US$21.9 million, an adjusted EBITDA of over US$6million with Group G&A only increasing by 19% at the same time as bringing the average opex per barrel down by 14%.

In addition, successful testing of shut in gas wells at the Estancia Vieja field was completed, planning took place for the now ongoing three well drilling programme at Puesto Flores and infrastructure work was carried out at all our fields to support production. In respect of exploration, the farm-out process continued in relation to our exploration projects in Argentina and Paraguay with further supporting geoscience work being carried out for both areas.

Accordingly, the results for the first six months speak for themselves and half way into the second period of 2018, the material improvement continues with turnover, operating profit and Adjusted EBITDA all substantially higher as the benefits from higher average production, improving operational efficiencies and economies of scale come through.

As said above a fully funded three well drilling programme is underway the results of which are expected by year end. In addition, two new Concessions are slated to be added to the portfolio before the end of the year bringing added production, sub-surface upside and a significant gas pipeline network connected to the regional pipeline system, providing the route to market for excess gas that can be produced from President's currently shut-in Estancia Vieja gas field.

Quite understandably there has in the recent past been media attention surrounding Argentina's current macro-economic issues. With President's emphasis on Argentina it is important to note that to date there is no material adverse cash effect and President is carefully monitoring its cash management as the Company receives pesos at the dollar equivalent rate in pesos on the date payment for its production is made. We remain robustly supportive of this G20 Western facing country.

It remains to extend my appreciation to our management and staff, our shareholders, our partners, Edhipsa and all the Government, Provincial and Regulatory authorities wherever we conduct business for their support.

Financials

- Group turnover in H1 2018 increased by over 275% to US$21.9 million over the same period in 2017 and exceeding by some 20% the Group turnover for the entire 12 months of 2017
- Adjusted EBITDA for the period (after Group G&A) increased by US$7.5 million to a positive US$6.1 million moving from a H1 2017 loss of US$1.4 million
- With three months of H2 already gone, turnover, operating profit and EBITDA for the full year are all projected to increase significantly over H1 as President benefits from higher average production, improving operational efficiencies and economies of scale
- Group operating profit of US$5.3 million after all administration expenses and workovers but before depreciation, depletion and amortisation
- Strong financial and trading position, all fields making profitable contributions to Group, sales prices stable and no material negative cash impact from currency fluctuations
- Average Group production in period increased by 199% over same period last year to 2,064 boepd (H1 2017: 691 boepd) notwithstanding disruption to production throughout the period caused by the extensive workover programme and also prolonged flooding in Louisiana at the start of the year
- Current Group production approximately 2,700 boepd
- USA average realised oil prices materially increased in period to US$65 per barrel (H1 2017: US$47) and having increased further to currently US$71 per barrel
- Argentina average realised oil prices in the period increased to US$65 per barrel in respect of Puesto Flores and US$56 in respect of Puesto Guardian (H1 2017 US$50 for the latter) with current prices being achieved of the equivalent of US$65 and US$56 respectively
- Group well operating costs in period reduced by 14% over same period last year to US$33.50 boe (H1 2017: US$39.10), continuing to reduce in H2 2018 with the Group average for the first two months being US$24.66 and expected to lower further as production from new wells and the synergy benefits from the forthcoming expected acquisitions come on line through 2019
- Notwithstanding the over 275% turnover jump in H1 2018, G&A costs only increased by 19% and Group administration costs per barrel reduced by in excess of 50% over the same period for the previous year, illustrating the Group's continued focus on margins at both administrative as well as operative levels with the benefits expected to continue to be enhanced as production rises and costs kept under control

Argentina

- The successful 12 well workover programme boosted gross production in June from the Company's Rio Negro assets to over 2,000 boepd and, in Management's estimation, increased the already substantial Group 2P (proven and probable) hydrocarbon reserves of 27 MMboe by an additional 1 million barrels of oil
- Three fully funded well drilling programme underway at the Puesto Flores field aimed at increasing field production by a further 600 bopd

- Production at Puesto Guardian Concession, Argentina stable at approximately 500 bopd, successfully contributing to Group with margin improvements
- Successful testing of four existing gas wells at Estancia Vieja demonstrated commercial gas production from the field
- The expected acquisitions before year end of the Puesto Prado and Las Bases Concessions in Rio Negro Province, Argentina (subject to Provincial approval) should provide early incremental production of both oil and gas commencing from around January 2019, exploration upside and an extensive established and owned gas pipeline network of over 60km in aggregate length permitting an outlet from early 2019 to the national Argentine gas market, thereby unlocking all existing shut in gas wells in President's Neuquen Basin assets, as well as acting as a catalyst for the development of additional gas potential gas
- Extensive 2019 drilling programme now in planning stages, comprising new production and exploration wells, workovers, re-activations, facilities and infrastructure work in each of the present and soon to be acquired Argentine fields in addition to an exploration well in Paraguay
- Negotiations underway to contract a drilling rig and workover rig for the full six month period of H2 2019
- The Farmout process in relation to President's exploration areas is continuing. Moyes & Co, the international advisory and consultancy are handling the process for President

Paraguay

- The farm-out process in Paraguay also continues, now led by Moyes & Co as it was deemed more efficient to have one entity handling both the processes underway
- President is in any event commencing the preparatory work to be able to drill a well in 2019 to explore the potentially oil-bearing Cretaceous targets in the Pirity Blocks
- At this stage it is anticipated that the well will address a prospect in the Imperial Complex of prospect and leads, some 30km across the border from the prolific Palmar Largo oilfield in Argentina, as further studies of the 3D seismic have demonstrated clear and directly defined analogues to the anomalies shown in Palmar Largo. The Complex is estimated by management to contain nearly 200 MMBO of prospective resources. If no farm out on terms satisfactory to President is achieved, President intends to drill the well in H2 2019, the cost of which it is currently anticipated will be met out of its own financial resources and facilities, with planning commencing in the latter part of 2018 so as to ensure this timeline is met. Costs of the well are estimated to be very substantially lower than the previously drilled wells in Paraguay, benefiting from learnings from those wells, President's experienced management resources, service provider relationships and in country operational expertise from across the border in Argentina
- The Pirity Block licence has been continued for another two years now expiring September 2020

Louisiana

- Louisiana continues to contribute solid and stable production, profits and cash to President, returning between US$200-250k cash per month to Group
- USA average realised oil prices increased in period by 38% to US$65 per barrel (H1 2017: US$47) and currently US$71 per barrel
- The Pacific Enterprise non-core well, previously a producer that had watered out and been shut-in, was re-opened and worked over as a future water disposal well to support President's producing wells. The costs of the work were paid in full by Alpha Imperial Corp., who in consideration thereof acquired a 75% stake in the well leaving President with 24% with a non-related party holding the balance minority interest. Alpha Imperial Corp. is a company whose ultimate beneficial owner is Peter Levine
- Prior to conversion, a zone higher up in the well was perforated as a last opportunity to identify any moveable hydrocarbons. A short test gave a positive result which may lead to gas production. It is too early to identify what sustained production may be generated but this is a cost and risk-free option for President as it was in the Company's books at zero value

Outlook

- The prospects for President bode well with the Group continuing the mantra of marrying profitable barrels, margin focus and cash generation with strategic acquisitions of the right fit and accretive value
- After the productive activity this year with 12 workovers, three new wells now being drilled and with the contemplated acquisition of the two Concessions on the cards between now and December, the period H1 2019 will see reduction in major capital spend in order to build up cash strength in anticipation of a concentrated wide scale drilling and infrastructure development programme in the second half of the year
- We look forward to continuing to deliver real shareholder value during this very dynamic period for the Group

"The successful results for H1 2018 clearly demonstrate major advances in all key performance indicators, emphasising the substantial and rapid progress being made by President.

The first three months of H2 2018 already demonstrate a substantial improvement on H1 with turnover, operating profit as well as EBITDA all showing material increases from the first six months as we incrementally benefit from consistently higher average production levels, improving operational efficiencies and economies of scale.

We further look forward to the completion of our acquisition of the Puesto Prado and Las Bases Concessions in Rio Negro Province, Argentina which is projected to take place before the year end. These would provide President not only with additional production from the start of 2019 together with sub-surface potential upside but also and importantly over 60km of gas pipeline infrastructure to deliver gas direct to market from those Concessions from the new year as well as commencing to unlock the gas potential of our Estancia Vieja field from that time.

Whilst there has been recent turbulence in the macro-economic environment in Argentina, President is not experiencing any material adverse cash impact as a dollar denominated business and as a strong producing strongly supported player in the Argentine market is alert to any opportunities that may arise in our sector.

Accordingly, we view the future with growing confidence focusing on an aggressive growth model, expanding organically and by way of the right accretive acquisitions founded on the key tenets of profitable production barrels, cash flow and concentration on margins whilst at the same time progressing our high impact exploration prospects."

Peter Levine

Chairman

26th September 2018

Glossary of terms

MMboe	Million barrels of oil equivalent
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

*Production means the production that a Concession owner has the legal and contractual right to retain

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2018

	Note	6 months to 30 June 2018 (Unaudited) US$000	6 months to 30 June 2017 (Unaudited) US$000	Year to 31 Dec 2017 (Audited) US$000
Continuing Operations				
Revenue		21,907	5,626	17,945
Cost of sales				
Depletion, depreciation & amortisation		(3,511)	(1,470)	(4,495)
Other cost of sales		(13,821)	(6,035)	(16,907)
Total cost of sales	3	(17,332)	(7,505)	(21,402)
Gross profit/(loss)		4,575	(1,879)	(3,457)
Administrative expenses	4	(2,752)	(2,319)	(5,295)
Operating profit / (loss) before impairment charge and non-operating gains / (losses)		1,823	(4,198)	(8,752)
Presented as:				
Adjusted EBITDA		6,128	(1,413)	(1,439)
Non-recurring items		(634)	(1,147)	(2,566)
EBITDA excluding share options		5,494	(2,560)	(4,005)
Depreciation, depletion & amortisation		(3,526)	(1,483)	(4,491)
Share based payment expense		(145)	(155)	(256)
Operating profit / (loss)		1,823	(4,198)	(8,752)
Impairment charge	5	-	-	(1,337)
Non-operating gains /(losses)	6	(79)	3	1
Profit/(loss) after impairment and non-operating gains and (losses)		1,744	(4,195)	(10,088)
Finance income	7	215	229	251
Finance costs	7	(2,386)	(635)	(3,405)
Profit / (loss) before tax		(427)	(4,601)	(13,242)
Income tax (charge)/credit				
Current tax income tax (charge)/credit		-	-	(62)
Deferred tax being a provision for future taxes		(4,164)	(136)	4,506
Total income tax (charge)/credit		(4,164)	(136)	4,444
Profit/(loss) for the period from continuing operations		(4,591)	(4,737)	(8,798)
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		-	(2,592)	(8,495)
Total comprehensive profit/(loss) for the period attributable to the equity holders of the Parent Company		(4,591)	(7,329)	(17,293)
Earnings/ (loss)per share from continuing operations		US cents	US cents	US cents
Basic earnings/ (loss) per share	8	(0.5)	(0.9)	(0.9)
Diluted earnings / (loss) per share	8	(0.5)	(0.9)	(0.9)

Condensed Consolidated Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 (Unaudited) US$000	30 June 2017 (Unaudited) US$000	31 Dec 2017 (Audited) US$000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	9	103,470	103,466	103,299
Goodwill		705	-	705
Property, plant and equipment	9	72,197	57,251	72,016
		176,372	160,717	176,020
Deferred tax		950	727	1,190
Other non-current assets		351	502	352
		177,673	161,946	177,562
Current assets				
Trade and other receivables	10	10,643	6,502	8,310
Asset held for resale		-	-	1,313
Stock		82	87	77
Cash and cash equivalents		2,054	4,687	4,026
		12,779	11,276	13,726
TOTAL ASSETS		190,452	173,222	191,288
LIABILITIES				
Current liabilities				
Trade and other payables		18,294	11,507	18,043
Asset held for resale		-	-	788
Borrowings	11	2,460	10,753	1,846
		20,754	22,260	20,677
Non-current liabilities				
Long-term provisions		5,239	4,791	5,015
Borrowings	11	18,698	-	19,313
Deferred tax		4,230	5,384	306
		28,167	10,175	24,634
TOTAL LIABILITIES		48,921	32,435	45,311
EQUITY				
Share capital		23,642	22,086	23,642
Share premium		240,822	227,325	240,822
Translation reserve		(5,624)	(44,337)	(50,240)
Profit and loss account		(124,396)	(71,128)	(75,189)
Other reserve		7,087	6,841	6,942
TOTAL EQUITY		141,531	140,787	145,977
TOTAL EQUITY AND LIABILITIES		190,452	173,222	191,288

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2018

	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 2017	22,086	227,325	(41,745)	(66,391)	6,686	147,961
Convertible loan equity	-	-	-	-	-	-
Transfer to P&L account	-	-	-	-	-	-
Share-based payments	-	-	-	-	155	155
Transactions with owners	-	-	-	-	155	155
Loss for the period	-	-	-	(4,737)	-	(4,737)
Exchange differences on translation	-	-	(2,592)	-	-	(2,592)
Total comprehensive income/(loss)	-	-	(2,592)	(4,737)	-	(7,329)
Balance at 30 June 2017	22,086	227,325	(44,337)	(71,128)	6,841	140,787
Share-based payments	-	-	-	-	101	101
Issue of ordinary shares	1,534	13,809	-	-	-	15,343
Cost of issue	-	(507)	-	-	-	(507)
Convertible loan equity	-	-	-	-	-	-
Issue to service provider	22	195	-	-	-	217
Transactions with owners	1,556	13,497	-	-	101	15,154
Loss for the period	-	-	-	(4,061)	-	(4,061)
Exchange differences on translation	-	-	(5,903)	-	-	(5,903)
Total comprehensive income/(loss)	-	-	(5,903)	(4,061)	-	(9,964)
Balance at 1 January 2018	23,642	240,822	(50,240)	(75,189)	6,942	145,977
Convertible loan equity	-	-	-	-	-	-
Transfer to P&L account	-	-	44,616	(44,616)	-	-
Share-based payments	-	-	-	-	145	145
Transactions with owners	-	-	44,616	(44,616)	145	145
Loss for the period	-	-	-	(4,591)	-	(4,591)
Exchange differences on translation	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(4,591)	-	(4,591)
Balance at 30 June 2018	23,642	240,822	(5,624)	(124,396)	7,087	141,531

Condensed Consolidated Statement of Cash Flows
Six months ended 30 June 2018

	6 months to 30 June 2018 (Unaudited) US$000	6 months to 30 June 2017 (Unaudited) US$000	Year to 31 Dec 2017 (Audited) US$000
Cash flows from operating activities - (Note 12)			
Cash generated/(consumed) by operations	2,639	(4,019)	(7,438)
Interest received	215	229	251
Taxes paid	-	-	(82)
	2,854	(3,790)	(7,269)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(171)	(183)	(655)
Expenditure on development and production assets (excluding increase in provision for decommissioning)	(4,359)	(9,846)	(11,746)
Payments in advance of future decommissioning costs	1	(184)	(184)
Proceeds from asset sales	1,098	-	475
Acquisition & licence extension in Argentina	-	-	(15,618)
USA acquisition	-	-	(2,218)
	(3,431)	(10,213)	(29,946)
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	-	-	14,836
Loan converted to equity	-	-	(2,205)
Shares issued to service provider	-	-	217
Loan drawdown	615	1,677	15,495
Repayment of loan capital	(616)	-	(1,207)
Payment of loan interest and fees	(1,195)	(457)	(1,971)
	(1,196)	1,220	25,165
Net increase/(decrease) in cash and cash equivalents	(1,773)	(12,783)	(12,050)
Opening cash and cash equivalents at beginning of year	4,026	17,586	17,586
Exchange (losses)/gains on cash and cash equivalents	(199)	(116)	(1,510)
Closing cash and cash equivalents	2,054	4,687	4,026

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 and Argentina. 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 26th September 2018. The financial information for the year ended 31 December 2017 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 2018 and 30 June 2017 was neither audited nor reviewed by the auditor. The Group's statutory financial statements for the year ended 31 December 2017 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 2017, which have been prepared under IFRS as adopted by the European Union. The Group implemented IFRS 15 on Revenue recognition and IFRS 9 financial Instruments effective 1 January 2018. The adoption of these standards did not have any material impact upon the financial statements of the Group.

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 2017.

While reviewing the potential impact of IFRS15 the Group changed its revenue recognition approach for certain royalty interests in the USA. This has resulted in additional revenue being recognised with a corresponding increase in cost of sales in 2018 of US$0.7 million. There is no impact on the reported gross profit/ (loss) but aligns the presentation with similar royalty interest in Argentina and USA. The comparatives for 30 June 2017 and 31 December have not been adjusted as the change constitutes a non-material adjustment. Had the comparatives for 30 June 2017 and 31 December 2017 been adjusted the change would be to increase revenue and cost of sales by US$0.3 million and US$0.9 million respectively in those periods.

	6 months to 30 June 2018 (Unaudited) US$000	6 months to 30 June 2017 (Unaudited) US$000	Year to 31 Dec 2017 (Audited) US$000
3 Cost of Sales			
Depreciation	3,511	1,470	4,495
Well operating costs	13,821	6,035	16,907
	17,332	7,505	21,402
4 Administrative expenses			
Directors and staff cost	1,904	1,739	4,048
Share-based payments	145	155	256
Depreciation	15	13	(4)
Other	688	412	995
	2,752	2,319	5,295
5 Impairment charge			
East White Lake (PP&E)	-	-	1,337
	-	-	1,337
6 Non-operating gains			
Insurance proceeds	-	-	-
Other gains / (losses)	(79)	3	1
	(79)	3	1
7 Finance income & costs			
Interest income	215	61	251
Exchange gains	-	168	-
Finance income	215	229	251
Interest & similar charges	1,419	635	2,326
Exchange losses	967	-	1,079
Finance costs	2,386	635	3,405
8 Earnings / (loss) per share			
Net profit / (loss) for the period attributable to the equity holders of the Parent Company	(4,591)	(4,737)	(8,798)
	Number '000	Number '000	Number '000
Weighted average number of shares in issue	971,173	554,655	971,173
Earnings /(loss) per share	US cents	US cents	US cents
Basic	(0.5)	(0.9)	(0.9)
Diluted	(0.5)	(0.9)	(0.9)

9 Non-current assets

	Intangible US$000	Property Plant and Equipment US$000	Total US$000
Cost			
At 1 January 2017	145,446	83,277	233,596
Additions	183	9,846	2,108
Exchange difference	(89)	(3,429)	(8,294)
At 30 June 2017	145,540	89,694	227,410
Additions	472	467	939
Acquisition & licence extension in Argentina	-	24,263	24,263
Acquisition USA	-	2,328	2,328
Disposals	(469)	(5)	(474)
Asset held for resale		(11,132)	(11,132)
Exchange difference	(170)	(8,351)	(8,521)
At 1 January 2018	145,373	97,264	242,637
Additions	171	4,359	4,530
Disposals	-	(662)	(662)
Exchange difference	-	-	-
At 30 June 2018	145,544	100,961	246,505
Depreciation/Impairment			
At 1 January 2017	42,074	31,785	73,859
Exchange difference	-	(825)	(825)
Charge for the period	-	1,483	1,483
At 30 June 2017	42,074	32,443	74,517
Exchange difference	-	(1,571)	(1,571)
Disposals	-	-	-
Impairment	-	1,337	1,337
Asset held for resale	-	(9,969)	(9,969)
Charge for the period	-	3,008	3,008
At 1 January 2018	42,074	25,248	67,322
Charge for the period	-	3,526	3,526
Disposals	-	(10)	(10)
Exchange difference	-	-	-
At 30 June 2018	42,074	28,764	70,838
Net Book Value 30 June 2018	103,470	72,197	175,667
Net Book Value 30 June 2017	103,466	57,251	152,893
Net Book Value 31 December 2017	103,299	72,016	175,315

10 Trade and other receivables

	30 June 2018	30 June 2017	31 Dec 2017
Trade and other receivables	10,594	6,385	8,265
Prepayments	49	117	45
	10,643	6,502	8,310

11 Borrowings

	30 June 2018	30 June 2017	31 Dec 2017
Current			
IYA Loan	-	10,753	-
Bank loan	2,460	-	1,846
	2,460	10,753	1,846
Non-Current			
IYA Loan	13,735	-	13,120
Bank loan	4,963	-	6,193
	18,698	-	19,313
Total carrying value of borrowings	21,158	10,753	21,159

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

	6 months to 30 June 2017 (Unaudited) US$000	6 months to 30 June 2016 (Unaudited) US$000	Year to 31 Dec 2016 (Audited) US$000
Loss from operations before taxation	(427)	(4,601)	(13,242)
Interest on bank deposits	(215)	(229)	(251)
Interest payable and loan fees	1,419	635	2,326
Depreciation and impairment of property, plant and equipment	3,526	1,483	4,491
Impairment charge	-	-	1,337
Gain on non-operating transaction	79	(3)	(1)
Share-based payments	145	155	256
Foreign exchange difference	967	(168)	1,079
Operating cash flows before movements in working capital	5,494	(2,728)	(4,005)
(Increase)/decrease in receivables	(4,070)	(2,005)	(3,677)
(Increase)/decrease in stock	(5)	-	-
(Decrease)/increase in payables	1,220	714	244
Net cash generated by/(used in) operating activities	2,639	(4,019)	(7,438)