



1 January 2020

Dear Shareholders

I write to you informally at the start of the year and the new decade. For the avoidance of doubt, there is nothing I say below which is not in the public domain or not already been stated by ourselves to the market.

May I firstly wish you all a healthy, happy and prosperous 2020.

In reviewing 2019 let me get the bad news out of the way first. We suffered during the year from some things, both operationally and financially which were unforeseen at the start of 2019:

- Key wells in Argentina going down
- a reducing oil price during the year only recently picking up
- Louisiana flooded out and then out of commission for some 6 months in total
- The knee jerk draconian Decree 566 implemented by the previous Argentine government
- All in all the confluence of all these stalled our new drilling plans with the knock on effect to production and all that brings causing a revisiting and re-evaluation of the years performance and projections
- On the macro level, a new government came to power in Argentina which sent the market and some analysts in a tail-spin, scurrying to slash their views on the basis of crystal ball gazing

So let's move on to the positive news from 2019:

- As I've said to the market, there are no trading, operational or macro issues affecting the Company which merits such a precipitous decline in our shares to the current level of 3p

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- The Puesto Flores/Estancia Vieja Concession was enlarged and made contiguous
- We now produce oil from four of our five Concessions in Rio Negro Province, Argentina
- Oil production from Estancia Vieja, Rio Negro, commenced for the first time in many years as a result of successful workovers
- We are now a recognised gas producer in Argentina
- Gas is now flowing to market from Estancia Vieja field through our 66 km pipeline
- The Angostura block was acquired, integrated swiftly into our Group and its gas and oil is being sold to market, the former again through our pipeline network
- The oil processing facility in Puesto Prado, Rio Negro was repaired, recommissioned and now serves both Puesto Prado and the Estancia Vieja field
- We are some half way to completing the new enlarged gas pipeline from Estancia Vieja field which can increase the volume transported from there by a factor in excess of 10 from current levels. By end of February this should be operational
- Behind the scenes in Argentina, we have tested and started up the Las Bases gas plant, completed the necessary infrastructure to deliver gas and oil from our various fields and installed heavy equipment such as compressors
- We have entered into a positive a mutually beneficial commercial relationship with Trafigura, one of our important offtakers, and a leading multi-national commodity trader
- The Louisiana wells have been placed back into production after a lengthy but successful workover and are now making worthwhile profitable contributions again
- The recent beneficial increase in oil prices has a welcome positive effect on our financials
- We are a full service operator of all our fields with a raft of in house in country expertise including sub-surface, engineering, procurement, construction, drilling, field management, health and safety, finance and treasury, legal and regulatory
- We end the year with resilience, a more balanced group than at the start, with a growing footprint and critical mass in Rio Negro, profitable production in all our areas and significant exploration upside including in Paraguay which is very much still on our radar

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- We published projections for average Group production in 2019 of 2,600 boepd (barrels of oil and gas equivalent) increasing in 2020 in the range 4,000-5,000 barrels boepd
- On a macro level the worst fears of the market doomsters and slashing analysts regarding Argentina's new Government and its position on the oil industry have not been realised. To date all is sensible, measured and to the contrary of past concerns, much has been said in the local media attributed to those close to the new government about the need to stimulate our industry and for private investment. We are cautiously optimistic in this regard and will keep shareholders posted

Building on those positives, focusing on increasing production, a focus on cost management, an objective to reducing debt levels materially in 2020 and strategic actions to grow our Group, we look forward to this year.

With best wishes

Peter Levine
Chairman

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