



Q and A on the Trafigura Subscription and collateral arrangements announced on 3 June to be voted on by shareholders on 22 June 2020

The views expressed are those of the Company and are not intended as any inducement, warranty or representation to invest in or in relation to the Company

Q: Why is the Board recommending this deal to shareholders?

A: It is difficult in a number of ways to overstate the importance of what has been announced in the current environment. The benefits of having one of the largest hydrocarbon traders in the world as well as the operator of the Bahia Blanco refinery in Argentina as a major holder of some 18% of the Company are clear and obvious. It is a major step forwards in pursuit of expeditious and substantial growth for President. In becoming the Company's second largest and a major shareholder, Trafigura are clearly signalling that they see material upside in their investment.

In this regard, it's important to note that, Trafigura, as offtaker of President, know our management and are aware, in real time, of the Company's production and operational performance. Their representatives have paid a visit to our Rio Negro assets.

Q: In January it was announced that Trafigura had the option to subscribe for US\$6m at 4.65p per share. The subscription price is now 1.85 per share. Why the dramatic reduction?

A: The 4.65p was reflective of the share price then. World events have moved on since then in a manner that nobody could have foreseen. The subscription price now reflects the current market pricing.

Q: How does the subscription and intended conversion by IYA benefit the Company and why now?

A: In several ways and for several reasons each equally important:

- (i) combined with the intended conversion of part of Peter Levine's related IYA Loan, debt levels will be reduced by some US\$10m resulting in a total reduction of over US\$16 million this year alone. Upon approval of this transaction by shareholders, there will

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only be US\$3.7m of third party financial debt left outstanding (excluding IYA) which will be approximately US\$2m by year end. The IYA debt will, after the intended conversion, amount to between US\$12 and 13m, having been reduced pursuant to conversion into equity by some US\$5m this calendar year. In addition, IYA has signalled its willingness to extend the maturity of its 'covenant light' shareholder loan to the end of 2024 with no capital repayments required until then and the ability without penalty for the Company to repay at any time before then.

- (ii) the material reduction in debt will reduce interest servicing costs this year by some US\$2m, which directly benefits both cash and the bottom line by that amount.
- (iii) with a stronger cash balance sheet, minimal third party financial debt and a committed industry strategic shareholder holding some 18% of the Company, it places President at this critical time in an excellent position not only to navigate the turbulence in our industry but to take advantage of opportunities that this throws up. Timing is everything and we and Trafigura consider the time is appropriate.

Q: Can retail investors benefit from the same price as Trafigura and why would you allow that?

A: Yes they can. With fairly lumpy and relatively static shareholdings of the major shareholders, President values the retail investors and their contribution to the liquidity to trading and investments they bring which is of benefit to all. As we announced today, the platform PrimaryBid is being utilised to permit retail investors to participate in what we consider to be one of the most important events in the history of President. It's for a limited time today so those interested should visit the PrimaryBid site at the earliest opportunity this evening as availability is restricted and the offer will terminate not later than 9pm tonight.

Q: Is the Company concerned about default in Argentina affecting its business?

A: No. Whilst we have to remain cognisant of events, it doesn't directly affect us. The devaluation of the peso (10% in the last two three months) benefits us in relation to the many payments we make in pesos. We are a dollar based business. We receive pesos in Argentina based on the exchange rate that is prevalent at the time of payment. We aim not to hold large peso balances at any given time although for obvious reasons this cannot always be completely avoided.

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Q: How is the Argentine domestic fixed rate for oil of US\$45 affecting you?

A: Firstly, the Argentine market is unusual. It's a protected domestic market now. Imports are not allowed where domestic hydrocarbons are available. It's of some benefit but currently fairly limited as demand is still low. We believe the real beneficial effects will be felt in August/ September when it is expected to see more of a balance in supply and demand. In any event as we write this Brent is nearly US\$40, albeit we caution the price is still volatile and there are many variables.

Q: Is Trafigura still your main offtaker of oil in Argentina?

A: Yes, we supply their Bahia Blanco refinery from our core Rio Negro assets.

Q: There have been many peer producers of yours in Argentina and elsewhere that, during the crisis, have had to shut in fields or wells due to offtakers refusing, or unable, to take their oil. Has President been similarly affected?

A: No. We have not shut in any field nor any well nor have we had to reduce production. Of course the price we get for our oil has been affected but the important thing is production is continuing as normal.

Q: Are you working with Trafigura on gas and are you seeing gas prices increase in Argentina?

A: Yes, we participated with Trafigura in the June auction for gas for Camesa, the national power company. Prices are increasing. By way of example the price achieved was over US\$2.5 per MMBtu compared with our average sales in Q1 2020 at US\$1.6 per MMBtu.

Q: The Company has flagged non-cash impairments being taken in respect of non-core assets in the accounts for 2019. Why?

A: Conservative, prudent good housekeeping in this environment. Does not affect the trading, cash flow nor underlying financial position or prospects of the business in any way. Those impaired assets are part of the Group and values can be written back as may be appropriate in due course. The impairments will materially reduce and therefore beneficially affect the levels of depreciation and future impairments in 2020 and beyond.

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Q: So what's next for President?

A: In no particular order:

- (i) new compressors and infrastructure for gas in Rio Negro in operation at or around the end of Q3, slightly delayed as a result of the dislocation of supply chains included in importation of parts as a result of Covid-19.
- (ii) we have identified and prioritised two potential wells we would like to be drilled later this year. One gas one oil. Whilst aspirational at this stage with various moving parts, we have realistic expectations to drill these starting Q3 to take advantage of low prices from service company's who have seen their work evaporate but have still got high fixed costs to pay.
- (iii) continued work in Paraguay. This is very much not forgotten and continues to be work in progress. When or if there is something concrete we will say something with an update anticipated in Q3.
- (iv) expansion strategy. Together with our major shareholder Trafigura, we will forthwith after passing of the resolutions at the forthcoming General Meeting be formulating a concrete plan to develop our business by way of acquisition. We do not rule out that this plan would include diversification outside of Argentina.

Q: What do you consider the plus points of President's business model?

A: Critical mass, low cost on-shore conventional producer with significant assets in a protected domestic market, owning our pipeline infrastructure to transport to market and having our major offtaker and refiner of our product as a major shareholder and significant upside in our asset portfolio. Then there is a definite intention to grow inorganically by pursuing acquisitions as and when the right opportunities arise. There is more but that will do for now.

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