PRESIDENT ENERGY

# REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2019

# President Energy is an independent, international oil and gas exploration and production company focused on South America

**The Company is committed to substantial growth through a twin track strategy of acquisition of new oil and gas assets and the organic development of the Group's existing assets.**

# Chairman's Statement

## Summary

It is hard not to describe the results for 2019 as a footnote in the context of the post Coronavirus world. Suffice to say, the Company has delivered a solid performance in the face of a series of one-off unexpected challenges.

Clearly 2020 represents an entirely different and a once in a century scenario for everyone and the Company is no exception. Things are radically changing in our industry. The shale boom is over for the moment and President, with its concentration only on conventional resources, is in my view on the right side of the fence.

The continued driving down of operating and administration costs, significant reduction of debt, improved liquidity and Trafigura becoming a major shareholder holding now over 16% provides President with a firm foundation to develop and succeed in the post coronavirus world where we still see a challenging demand side and surplus of supply build up over the last few months, the result of which provides continued pressure on pricing. In light of the prevailing circumstances and in common with many in our industry we have given careful thought to, and applied non-cash impairments to certain of our non-core producing and exploration assets.

We expect 2020 to be a year of positive cash flow, EBITDA and operational profitability with our balance sheet much healthier reflecting borrowings as at 30 June 2020 projected to be US$14.6 million (almost halved since year end 2018), of which only US$3.7 million is a third party financial debt with theUS$10.9 million balance from IYA Global Ltd ("IYA"), an associated entity of mine.

With the World starting to unlock, we have cautious optimism that the worst, as far as President is concerned, is behind us and we look forward to rising to the challenges ahead and taking the opportunities that this year may bring.

## Financial

- Group turnover US$40.8 million (2018: US$47.2 million) in spite of Group wide operational shutdowns and issues as well as the 19% reduction in average realised sales prices in Argentina to US$49.9 per boe (2018: US$61.5 per boe)
- Net cash generated by operating activities US$21.5 million (2018: US$14.7 million) enhanced by US$10.0 million advance under the offtake agreement with Trafigura S.A., all of which has subsequently been converted into equity and therefore effectively repaid
- Adjusted EBITDA* of US$11.6 million (2018: US$16.7 million) with no material contribution from gas sales which only began to show in Q1 2020 as gas started to flow through the newly built pipeline from Estancia Vieja field in Argentina
- Free cash generation from core operations* (excluding workovers) US$15.1 million (2018: US$ 21.7 million)
- Borrowings at year end reduced year on year by 25% to US$22.6 million (2018 borrowings: US$30.1 million), intended to be further materially reduced by 35% to US$14.6 million as a result of the resolutions passed at the General Meeting on 22 June 2020. Of this US$14.56 million only US$3.7 million is third party financial debt with the balance being a shareholder related loan to IYA
- Reflecting a careful and thoughtful approach in changing market circumstances, non-cash impairments have been taken in relation to the non-core producing Puesto Guardian Concession, Argentina and the Paraguay exploration blocks totalling US$88 million which will, inter alia, materially mitigate the level of any future possible non-cash impairments of those assets as well as their depreciation
- No benefit taken in the accounts in relation to the acquisition of the profitable producing Angostura Block (see below)
- Reflecting these impairments, a retained loss of US$88.3 million (2018 profit of US$0.1 million) arose in the year to December 2019

## Corporate

- Angostura, a producing exploration block in Rio Negro, Argentina was acquired in late 2019 for no consideration payable to the seller. Whilst the purchase due to timing had no significant impact in the year, the Block is already contributing profitably to the current year and has proven and probable independently assessed reserves with an interesting prospective resource upside

## Operations

- An increase of 6% in Group net average production to 2,415 boepd (2018: 2,279 boepd) notwithstanding all the production challenges encountered during the year
- All operating fields in Argentina and Louisiana generated positive operating profits notwithstanding operational challenges of field shut-down in Louisiana for 5 months, power issues and intermittent shut-downs in Argentina as well as key producing wells requiring lengthy remedial workovers in both Rio Negro and Louisiana

## Operations (continued)

- Further improvement in Argentina core operating performance with well operating costs per boe in 2019, excluding royalties and workovers*, reduced by 7% to US$21.1 per barrel (2018: US$22.7)
- Group-wide administrative costs per barrel* reduced by 25% over previous year to US$4.8 per boe (2018: US$6.4 per boe)

## Production and reserves

- Net 2P (proven and probable) reserves in Argentina at year end, as confirmed by an independent reserves audit, increased to 25.9 mmboe (2018: 24.9 mmboe) with the higher value core Rio Negro assets increasing by over 20% to 13.8 mmboe (2018: 11.4 mmboe)
- Louisiana 1P proven producing reserves estimated at 540 mboe

### Production

| | Oil (bbls) | | Natural Gas (mmcf) | | Total (mmboe) | |
|---|---|---|---|---|---|---|
| Country | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Argentina | **768,594** | 709,498 | **334.1** | 73.6 | **824.3** | 721.8 |
| USA | **32,798** | 61,909 | **145.7** | 288.5 | **57.1** | 110.0 |
| | **801,392** | 771,407 | **479.8** | 362.0 | **881.4** | 831.8 |

| Net Reserves (mboe) | Argentina | USA | Total |
|---|---|---|---|
| As at 31 December 2018 | 24,862.4 | 571.0 | 25,433.4 |
| Revisions in reserves | 1,093.7 | 25.8 | 1,119.5 |
| Acquisition Argentina | 797.3 | – | 797.3 |
| Production | (824.3) | (57.1) | (881.4) |
| As at 31 December 2019 | 25,929.1 | 539.7 | 26,468.8 |

Reserve movements in Argentina reflect the results of production performance and workovers in the year and the subsequent independent auditor's reserve report by Mfryziak Vgoroslto & Asociados.

* calculation of all quoted metrics not directly corresponding to GAAP measures are detailed in the Alternative Performance Measure glossary and cross referenced to the Notes where applicable.

## Impact of COVID-19 on our operations

The first priority is the welfare and health of our employees and families as well as our contractors working in the field. President monitors and checks on the health of all its employees and follows strict guidelines. Measures include restricting numbers travelling to fields in vehicles, monitoring health of operatives daily and social distancing. These necessary extra precautions have had no impact on production levels.

The Company has successfully transitioned to 100% home working for all of our administration and office staff in Argentina, with everyone equipped with all necessary IT infrastructure. Moral is excellent with a strong sense of togetherness throughout. There has been no decrease in efficiency and we are working as normal and this is something we are considering extending in some form in the new normal environment in due course. President has no UK or Louisiana offices so the Company is well used to working remotely and economically.

While production from operations has not been affected and there have been no shut-in wells or choke back of our wells, we have experienced some volatility in prices and sales volumes through the peak of the lockdown caused by Covid-19.

### Impact of COVID-19 on our operations
(continued)
On 18 May 2020, a Government decree (the "Decree") was issued inter alia setting a fixed reference price for Argentina standard Medanito crude at US$45 per barrel subject to local usual quality discounts. President's core production from its Neuquen basin assets fall under the Medanito category. Whilst the impact of the fixed price regime has yet to be felt due to decreased demand, the Decree has been issued against the backdrop of a phased and orderly exit from the lockdown in the country with many industries now back at work in many provinces, road traffic materially increasing and demand for hydrocarbons showing growth. It is currently considered that the impact of the fixed price Decree will only be really felt once a full exit of lockdown has been achieved currently projected in September/October.

### Climate Change
President, acknowledges and takes due regard to the increasing emphasis on climate change around the world. As we move towards a lower carbon future, President intends to explore ways of encouraging and supporting initiatives in this important area and will consider developing into a broader energy business taking into account the future needs of the planet. We have acknowledged climate change as a risk facing President that will continue to be considered regularly by the Board.

### Outlook
- Since February, the Covid-19 pandemic has seized the world in a manner few could have anticipated. The effect on demand for oil and gas industry combined with the already present pressure on prices due to the Saudi Arabia and Russian standoff has been unprecedented with potentially uncertainty to continue in the coming few months until the demand and supply side become more balanced
- Notwithstanding this, President has not had to shut-in producing wells in any of its locations and its business model, concentrating on margins and positive cash flow is helping us weather the current market challenge
- The changes in share capital, inter alia seeing Trafigura extend its holding in the Company to 16.7%, combined with the material reduction on balance sheet debt, as well as the President's strategic focus on low cost conventional hydrocarbons, stand us in good stead
- Unlike many of the Company's peers, President is planning to return to drilling in late Q3 or early Q4 with at least 2 wells being planned in the Rio Negro province: one development and one exploration
- With demand slowly picking up, there is optimism that the steps taken so far this year have placed President in a robust position to grow in the medium term if not before and to be able to take advantage of opportunities that arise

**Peter Levine**
**Executive Chairman**
22nd June 2020

# Strategic Report

## Principal Activities

The Group conducts an international business whose principal activities are the exploration for and the evaluation and production of oil and gas. A comprehensive review of the development of the business of the Group is contained in the Chairman's Statement on pages 02 to 04.

## Financial Review

In 2019, the Group recognized a gross profit of US$3.5 million (2018: profit US$14.7 million) under challenging conditions in both Argentina and the USA. A turbulent economic environment in Argentina saw the re-imposition of price controls for a period while a production outage caused by flooding led to an unplanned workover in Louisiana. Despite these challenges, further progress has been made in establishing Rio Negro in Argentina as a core regional asset with the development of our gas assets and infrastructure to better balance our revenue exposure in the uncertain times ahead. While in the USA, production has now fully recovered and our cost base rationalised. While we face unprecedented challenges in the current market, the experience gained through 2019 allows us to remain focused on financial discipline throughout the business.

After administrative expenses of US$4.4 million (2018: US$6.1 million) are taken into account, this led to an operating loss before impairment and non-operating gains / (losses) of US$0.9 million (2018: profit US$8.7 million). The loss for the year before tax of US$93.6 million (2018: profit US$6.1 million) was after an impairment of US$88.2 million (2018: US$2.6 million credit) related principally to intangible exploration assets in Paraguay (US$48.5 million) and the Puesto Guardian production concession in Argentina (US$39.9 million). After considering the accounting provision for future taxes and minor current tax charges, a loss of US$88.3 million was recognized in the year (2018: US$0.1 million profit).

Revenue fell by 14% to US$40.8 million (2018: US$47.2 million), despite higher overall sales volume, lower realised prices in both Argentina and the USA depressed sales revenues. Overall Group production rose by 6% reaching 2,415 boepd (2018: 2,279 boepd). Lower average product prices for the year of US$49.6/boe (2018: US$59.6/boe) resulted in the lower reported sales. Cost of sales of US$37.3 million (2018: US$32.5 million) increased due to higher depreciation charges while total operating costs on a per boe basis fell reflecting the higher production volumes achieved.

### Argentine operating performance

Production in Argentina increased by 14% to 824,272 boe (2018: 721,764 boe) or 2,258 boepd (2018: 1,977 boepd). Oil production rose by 8% while a fourfold increase in gas production generated additional sales revenue and was used for power generation. Average realised sales prices in Argentina fell 19% to US$49.9 per boe (2018: US$61.5 per boe) as regulated oil price controls imposed from August to November 2019 reduced prices below export parity levels and as gas sales become a small but growing source of income.

Well operating costs in Argentina before non-recurring items* fell by 7% to US$21.1/boe (2018: US$22.7/boe) as the focus remained on cost control. Depreciation rose during the year to US$12.3/boe (2018: US$9.6/boe)* due to increased estimates for future development costs and the depreciation of Right of Use assets following the adoption of IFRS16 on leasing.

Overall, independently assessed proved and probable reserves in Argentina rose by 7% due to additional reserves attributed to Puesto Flores Concession and through the acquisition of the Angostura Concession at the end of the year. Reserves in the Salta Province were reduced by 9% as the Group focused on the higher value added Rio Negro fields. This together with the prevailing market environment triggered an impairment review and the careful and thoughtful decision to impair US$39.9 million of the net book value in 2019.

### USA operating performance

Production from the Group's working interest in US operations fell by 48% to 156 boepd (2018: 301 boepd). Extensive flooding in Louisiana which resulted in the shutdown of the wells and facilities was followed by a workover of the Triche well leading to a four month outage before production rates had fully recovered.

Average realised prices in the US fell 4% on the prior year to US$45.6/boe (2018: US$47.7/boe). Well operating costs excluding royalty related expenses and non-recurring workovers* rose by over 26% to US$9.8 /boe (2018: US$7.8 /boe). Despite mitigation measures, fixed costs of operations were incurred during the extended outage leading to a higher annual cost per barrel. Depreciation rose during the year to US$4.9/boe (2018: US$3.1/boe)* due to depreciation of Right of Use assets following the adoption of IFRS16 on leasing. The USA continued to make a contribution to the business despite the challenges in the year.

**Corporate**
Group administrative expense fell by over 25% to US$4.4 million (2018: US$6.1 million) largely due to 2018 including non-recurring legal expenses. While operations in Argentina progressed and the growth in the reserves base provided encouragement the price environment and outages in the USA proved challenging generating an operating loss of US$0.9m (2018 profit US$8.7 million).

In recognition of the challenging environment, although the Pirity license in Paraguay has now been extended until the first quarter of 2022 and the Group remains committed to future drilling, a careful and thoughtful approach has been taken with respect to the book value carried forward for the licence. A partial impairment of US$48.5 million has been made on the licence reflecting indications arising during the farm out process.

When considering the valuation of the Paraguay asset, the Directors have taken into account both the output of discussions from the farm down process over the past 12 months and internal assessments. The activity supporting any opportunity for a farm down is currently on hold given the Covid 19 pandemic and the associated impact on oil pricing. Management will continue to review opportunities for encouraging other parties to take a share in the ongoing costs of the licence when the macroeconomic conditions become more stable. The planned drilling in Paraguay scheduled for 2020 has been deferred into 2021.

Following a reduction in reserves and changes to the timing of future development plans, an impairment review was triggered on the Puesto Guardian field in Argentina. The strategic decision has been made to focus on developing the higher margin Rio Negro concessions as the Puesto Guardian concession extends through to August 2050. An impairment of US$39.9 million was made to leave the remaining recoverable value of US$5.2 million. While the conditions that have given rise to these impairments will be reviewed in the future, there is a risk of future impairments if oil prices continue to fall.

The Group's primary investment focus during 2019 was on growth in core areas, increasing production in Argentina whist continuing to evaluate farm out opportunities in Paraguay and Argentina. To this end, the Group successfully raised net proceeds of US$4.1 million through an equity raise in order to accelerate the expansion programme in Rio Negro through the fast track development of its gas assets.

An offtake agreement with Trafigura SA was signed in July advancing oil sales allowing the financial flexibility to reduce existing debt and develop a strategic relationship. Concurrent with the acquisition of the Angostura concession in Argentina in November 2019 at minimal cost, Compañia General De Combustibles S.A agreed to subscribe for US$1.8 million in shares over the next two years, further developing a long term relationship. The acquisition continues the strategy of leveraging on our critical mass in Rio Negro and in particular, our strategic gas pipeline.

Investment in Property, Plant and Equipment in the year included US$10.3 million (2018: US$ 16.4 million) to develop the gas infrastructure, reactivate the Estancia Vieja wells and prepare for future drilling together with US$0.1 million on acquisition of the Angostura licence in Rio Negro. While the adoption of IFRS16 on lease accounting saw the recognition of US$2.0 million of leased assets primarily on drilling equipment in Argentina. Intangible Fixed Asset additions amounted to US$0.3 million (2018: US$0.7 million) comprising expenditure on evaluation of the concessions in Paraguay, Matorras/Ocultar and Puesto Flores licences in Argentina and Jefferson Island in the USA.

Overall, Trade and Other Payables increased to US$26.5 million (2018: US$23.7 million) largely due to inclusion of US$10.2 million of deferred income under the offtake arrangement and US$1.5 million of lease liabilities offset by lower operating accruals and trade creditors due to settlements during the year. Trade and Other Receivables decreased to US$6.5 million (2018: US$10.7 million) in connection with the settlements made. While the Group's net current liability of US$19.8 million (2018: US$14.8 million) has increased during the year, this is entirely due to the advance under the offtake arrangement with Trafigura S.A. Settlement was linked to future oil deliveries until events in 2020 have seen this converted in to an equity investment. Furthermore, stripping out the liabilities on drilling and acquisition investment activity, as detailed in Note 19, which are periodic in nature shows that the underlying net current liability from ongoing operations is significantly lower at US$3.2 million (2018: US$2.3 million). Year-end cash balances were US$0.9 million (2018: US$2.0 million).

## Key Performance Indicators

Key Performance Indicators are used to measure the extent to which Directors and management are reaching key objectives. The principal methods by which the Directors monitor the Group's performance are volumes of net production, well operating costs and the extent of exploration success. The Directors also carry out a regular review of cash available for exploration and development and review actual capital expenditure and operating expenses against forecasts and budgets.

In order to have more visibility on the controllable element of operating costs royalty and production related taxes have been excluded from our key performance measures. Underlying operating costs excluding non-recurring items have been calculated and detailed in the Alternative Performance Measure section of this report.

| | 2019 | 2018 | Increase/ (Decrease) |
|---|---|---|---|
| **Production mboe** | | | |
| USA | 57.1 | 110.0 | -48.1% |
| Argentina | 824.3 | 721.8 | 14.2% |
| Total net hydrocarbons | 881.4 | 831.8 | 6.0% |
| **Well operating costs US$000*** | | | |
| USA | 982 | 855 | 14.9% |
| Argentina | 18,429 | 17,904 | 2.9% |
| Total operating costs | 19,411 | 18,759 | 3.5% |
| **Well operating costs per boe US$*** | | | |
| USA | 17.2 | 7.8 | 121.3% |
| Argentina | 22.4 | 24.8 | -9.9% |
| Total well operating costs per boe US$ | 22.0 | 22.6 | -2.3% |

Production in Argentina increased by 14% to 824,272 boe (2018: 721,764 boe) or 2,258 boepd (2018: 1,977 boepd). Oil production rose by 8% while a fourfold increase in gas production generated additional sales revenue and was used for power generation. Well operating costs in Argentina before non-recurring items fell by 7% to US$21.1/boe (2018: US$22.7/boe) as the focus remained on cost control.

Production from the Group's working interest in US operations fell by 48% to 156 boepd (2018: 301 boepd). Extensive flooding in Louisiana which resulted in the shutdown of the wells and facilities was followed by a workover of the Triche well leading to a four month outage before production rates had fully recovered. Well operating costs excluding royalty related expenses rose by over 26% to US$9.8 /boe (2018: US$7.8 /boe). Despite mitigation measures, fixed costs of operations were incurred during the extended outage leading to a higher annual cost per barrel.

* calculation of all quoted metrics not directly corresponding to GAAP measures are detailed in the Alternative Performance Measure glossary and cross referenced to the Notes where applicable

ON BEHALF OF THE BOARD
**Robert Shepherd**
**Group Finance Director**
22nd June 2020

# Directors' Report

## The Directors present their report and the audited financial statements of President Energy PLC for the year ended 31 December 2019.

### Directors

The Directors of the Company and those who served during the year, except as noted, were as follows:

*Principal*
Peter Levine
Robert Shepherd
Alex Moody-Stuart
Jorge Bongiovanni

None of the Directors have a service agreement of more than one year's duration. Aside from those disclosed in the Directors' Remuneration Report starting on page 12, no Director has had a material interest in any contract of significance with the Company or its subsidiaries during the year. Details of the Directors' interests in the shares of the Company are also set out in the Directors' Remuneration Report.

### Results and Dividends

The loss for the year after taxation amounted to US$88.3 million (2018: profit US$0.1 million). The Directors do not recommend a dividend. (2016: nil).

### Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 24. Each ordinary share carries the right to one vote at general meetings of the Company.

### Subsequent Events

The impact of Covid-19 and oil price volatility in 2020 are detailed in the Chairman's Statement and in Note 31.

In the first six months of 2020, the international commodity trading and logistics group Trafigura agreed to subscribe for new ordinary shares in the Company for a total sum of US$10 million at an average share price of 2.5 pence per share, thereby becoming a 16.7 per cent shareholder in President. During the same period, IYA, a Peter Levine group company, converted US$7.2 million of debt owed to it from the Company into new ordinary shares at the same average price. In aggregate, this will result in Peter Levine holding through his investment fund PLLG Investments 29.95% of the Company. The net effect of the above has reduced liabilities by US$17.1 million.

On 3rd March 2020, President announced that the gas pipeline in Rio Negro was built and commissioned and new compression added to the gas infrastructure thereby enabling the start of material gas sales to market to the benefit of both the Estancia Vieja and the recently acquired Angostura field.

During the first six months of 2020, US$0.5 million was received from Compañia General De Combustibles S.A under a subscription agreement. The company issued 17,942,752 new shares at an average price of 2.175 pence per share.

On 4 June 2020, the Company announced that it had raised £4.73 million before expenses by way of placing ordinary shares at a price of 1.85 pence per share.

### Substantial Shareholders

As at 1st May 2020, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

| | |
|---|---|
| PLLG Investments Limited | 29.57% |
| Schroders Investment Management | 14.69% |
| International Finance Corporation | 8.83% |
| Michinoko Limited | 7.80% |
| Urion Holdings (Malta) Limited | 6.06% |

Percentages are based on the issued share capital at the date of notification. Following the General Meeting held on 22nd June 2020 to approve the placing of new shares, the above percentages have changed and an update will be published on the website in due course.

Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report.

Further details of PLLG Investments Limited are set out in Note 32.

## Going Concern

The Group is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Group consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively including consideration of the impact of Covid-19 as outlined in the Chairman's Statement. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, reasonable downside sensitivities are considered for example a forecast Brent oil price of US$40 per barrel in 2021 after the expiry of the oil price Decree in Argentina which currently fixes prices at US$45 per barrel and in addition more challenging scenarios have also been considered. Under such a scenario the Group can elect not to proceed with discretionary capital expenditure that would lead to a reduction in the forecast production, consider further cost reductions or sell non-core assets to mitigate risks accordingly.

The cash position at the year-end was US$0.9 million (2018: US$2.0 million). To support its operations the Group is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2024 provided by IYA Global Limited (Note 32). At the year-end there was US$18.1 million (2018: US$19.9 million) drawn under the loan facility. The balance of the IYA loan as at 22 June 2020 was US$10.9 million leaving ca. US$10 million of the facility currently undrawn.

Based on their review of cash forecasts and related sensitivity analysis, and supported by the undrawn available commitment under the existing loan facility provided by IYA Global Limited, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in Note 28. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Environment

President Energy ensures that it understands and effectively manages the actual and potential environmental impact of its current and future activities. All local and national environmental regulations are observed in the countries in which the Group operates and the Company has agreed to follow the International Finance Corporation's performance standards.

## Principal Risks and Uncertainties Facing the Company

The principal risks and uncertainties arise first from unsuccessful drilling. The risks fall into three main areas:

- Although seismic data may indicate the possibility of a resource, a test drilling may reveal that there is no significant oil or gas.
- Detailed evaluation after the test drilling may demonstrate that, after production costs, the well is not commercially viable.
- Before production commences, unforeseen technical problems may result in cost overruns that make the well uneconomic.

These risks are potentially mitigated by geological analysis prior to significant expenditure being incurred. Once a well is in production the principal risks and uncertainties from operating the well are:

- Environmental objections causing the well to be shut in.
- Technical failure of the plant causing significant down time when the well is not producing.
- Production performance may not be in line with initial expectations.

These risks are mitigated by managing our responsibilities as operator, and working closely with our partners on the fields that we do not operate.

## Principal Risks and Uncertainties Facing the Company (continued)

The Group is also exposed to non-operational risks such as oil price, geopolitical risk and economic risk as evidenced by the emerging Covid-19 risk which is considered in the Chairman's Statement. These risks are mitigated by maintaining a strong business model with the focus on cost control and quick decision-making. The Group have acknowledged climate change as a risk facing President that will continue to be considered regularly by the Board.

A key focus of the Company's strategy is to pursue acquisition opportunities. There is a potential risk of executing an acquisition which subsequently fails to meet the Company's value criteria. To mitigate this risk, the Company has assembled a management team with appropriate skills and experience in identifying and executing value enhancing transactions. Financial risks and their mitigation are summarised below.

It is the view of the Board that, given the Group's focus on South America and the United States, President's business, assets and operations will not be materially affected by Brexit. The Company also derives its income from crude oil, a globally traded commodity which is priced in US dollars.

## Financial Risk Management Objectives and Policies

### Exchange rate risk

The Group has principally financed its operations from equity issues raised in pounds sterling. Pounds sterling have been converted to US Dollars and Argentine Pesos to match expected expenditure plans. These principally consist of exploration expenditure on the Pirity and Hernandarias concessions in Paraguay and ongoing capital investment in the Puesto Guardian and Puesto Flores concessions in Argentina.

The Group has oil and gas production in both Argentina and the US and receives revenue in Argentine Pesos and US Dollars. Currently planned Group expenditure is across the three main currencies of US Dollars, Paraguayan Guarani and Argentine Pesos. The Group mitigates currency risk by holding cash reserves in the currencies it requires for expenditure and also takes out currency options from time to time to hedge significant currency exposure. Sterling is retained for central corporate costs. Further details are provided in Note 29.

### Price risk

The Group's financial performance is related to oil and gas prices. The Group reviews its financing requirements and its hedging policies when required. At present the Directors believe there is no requirement to enter into hedging contracts for current production.

### Payment Policy and Practice

It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. Normal payment terms are about 30 days or less. The Group had no trade creditors overdue at 31 December 2019 beyond agreed tended credit terms.

The average creditor days were 28 (2018: 32). Average creditor days are calculated on year-end creditors against purchases in the year.

### Third Party Indemnities

The Group has taken out Directors and Officers liability insurance and Third Party liability insurance.

### Related Parties

Details of the Group's related party transactions are outlined in Note 32.

### Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Reflecting Deloitte LLP's tenure of 10 years there is an auditor tender planned in the coming months which has been delayed reflecting COVID-19 developments. This will be kept under review in the light of Covid 19 related developments to ensure that an effective process can be performed. Pending this Deloitte LLP have expressed their willingness to continue in office as auditor.

## Annual General Meeting

Attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

The Annual General Meeting will be held on 22 July 2020 at 11:00 a.m at FieldFisher LLP, Riverbank House, 2 Swan Lane, London EC4R 3TT. Shareholders are reminded that due to the government's ongoing response, and public health advice, to the COVID-19 outbreak, Shareholders will be requested to submit their Form of Proxy and not attend the meeting in person.

ON BEHALF OF THE BOARD
**Peter Levine**
**Executive Chairman**
22nd June 2020

# Directors' Remuneration Report (unaudited)

Whilst the Company is not required to present a Directors' Remuneration Report, as it is not subject to the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, AIM notice 36 states that the annual accounts must provide disclosure of Directors' remuneration for the year by each Director. The Company has chosen to present this information in this separate Directors' Remuneration Report.

The current Directors are:

**Peter Levine – Executive Chairman**
Mr. Levine is a graduate and Honorary Fellow of Trinity College, Oxford. He founded the former FTSE 250 company Imperial Energy Corporation PLC, where he was Executive Chairman until its sale in 2009. Previously he was also Chairman of Severfield-Rowan PLC.

**Robert Shepherd –Group Finance Director**
Rob is a former Vice President for Emerging Markets Oil & Gas at ABN-Amro, a former Non-Executive Director of Imperial Energy Plc and a former CFO of Dominion Petroleum and former CEO of Azonto Petroleum. Rob is a qualified Facilities Engineer, having trained with Shell. Rob served as a senior independent non-executive director for the Company from October 2015 until his appointment as an executive director.

**Jorge Dario Bongiovanni –Independent Non-Executive Director**
Jorge, an Argentine citizen, has some 39 years' experience in the oil and gas industry. After University in both Argentina and the United States of America, Jorge commenced work as a Production Engineer in Argentina, rising up the ranks to lead the initial upstream exploration and production operations for Repsol in South America, before going on to work for Petrobras in senior positions. Jorge joined IFC in 2007, part of the World Bank Group, and was Principal Petroleum Engineer from 2010-14 based out of IFC's headquarters in Washington DC. After retirement from full-time employment in 2014, Jorge continued to provide consultancy services to IFC for a further two years until recently.

**Alexander Charles Moody-Stuart –Independent Non-Executive Director**
Alex left Schlumberger in 2018 after a career spanning 29 years. A graduate of Imperial College, London, he started as a field engineer before spending subsequent years in senior managerial roles in South America and latterly as VP Business Development and New Ventures managing Business Development for Production Management worldwide.

**Remuneration Committee**
The Remuneration Committee's primary objective is to provide recommendations to the Board on the Group's remuneration policies and to determine the remuneration of the Executive Directors and other key employees. The Remuneration Committee comprised Jorge Bongiovanni (Chairman) and Alex Moody-Stuart. Other directors may be invited to attend meetings of the Remuneration Committee but no director participates in any decision affecting his own remuneration. The Remuneration Committee meets as necessary, and during the year met formally five times.

**Remuneration Policy**
The Group's policy is to maintain levels of remuneration so as to attract motivate and retain Directors and other key employees of the highest calibre who can contribute their experience and views to the Group's strategy and operations. Individual remuneration packages are structured to align rewards with the performance of the Group and the interests of shareholders.

**Directors' Terms, Conditions and Remuneration**
The Directors have been engaged under the terms of executive service agreements and letters of appointment. Their engagements can be terminated upon six months' notice in the case of Executive Directors, and upon three months' notice in the case of Non-Executive Directors, by either party. Re-appointment is subject to the Company's Articles of Association, which provide for retirement by rotation of one third of the board at each Annual General Meeting. For the year ended 31 December 2019, the Directors' remuneration comprised a basic salary, discretionary annual bonus and the granting of share options. There were no taxable benefits or payments to pension schemes.

**Salary**

The remuneration of Directors, which includes salary and bonus, for the year ended 31 December 2019 is set out below.

| | Note | 2019 US$000 | 2018 US$000 |
|---|---|---|---|
| Peter Levine | a,e | **670** | 586 |
| Miles Biggins (stepped down 29 June 2018) | b | **0** | 181 |
| Jorge Bongiovanni | | **48** | 47 |
| Robert Shepherd | c,d,e | **400** | 248 |
| Alex Moody-Stuart (appointed 14th March 2018) | | **54** | 45 |
| | | **1,172** | 1,107 |

Note:

Further details on share options can be found in Note 25. Other than amounts paid directly to the individual, amounts were also paid to related parties as follows.

a) Further details are set out in Note 32 Transactions with Directors and other related parties. Under an agreement, US$80,076 of the 2019 salary included above was deferred. As at 31 December 2019, US$849,576 remains outstanding under the agreement (2018: US$741,414).

b) Remuneration until he stepped down from the Board on 29 June 2018 a further US$102,301 was paid to him after stepping down from office until his employment ceased in October 2018.

c) No salary arising in 2019 has been deferred under an agreement (2018: US$3,969). Under the arrangement US$ 21,798 remained outstanding at the year-end.

d) Includes remuneration of US$346,541 (2018: US$127,129) was due to Utas Petroleum Services Limited, a company of which Robert Shepherd is a shareholder and director. As at 31 December 2019, US$ 295,864 (2018: US$73,997) remained outstanding.

e) Exceptional bonus awards of US$111,611 and US$49,332 were made in 2019 to Peter Levine and Robert Shepherd respectively. This was settled by the issue of shares as part of the equity raise in the year.

## Directors' Interests in the Share Capital of the Company

The beneficial interests of the current Directors in the Ordinary Shares of the Company are:

| | 01 May 2020 1p shares | 01 May 2020 % interest | 01 May 2019 1p shares | 01 May 2019 % interest |
|---|---|---|---|---|
| Peter Levine | 337,404,547 | 29.57% | 337,404,547 | 29.90% |
| Rob Shepherd | 1,062,394 | 0.10% | 1,062,394 | 0.10% |
| Jorge Bongiovanni | 157,179 | 0.01% | 157,179 | 0.01% |
| Alexander Moody-Stuart | 100,000 | 0.01% | 100,000 | 0.01% |

Peter Levine holds his shares through PLLG Investments Limited ("PLLGI"). Further details of that company are set out in Note 32. Following the General Meeting held on 22nd June 2020 to approve the placing of new shares, the above percentages have changed and an update will be published on the website in due course.

## Executive Bonus Scheme

The Remuneration Committee sets targets for Directors and staff which contain both operational and strategic targets.

# Directors' Remuneration Report (unaudited)

continued

## Share Options Granted to Directors

With the assistance of independent remuneration consultants, a Global Incentive Plan was adopted during 2010 to provide the framework to provide a long-term incentive plan for existing and new members of staff. Details of options granted and held during the year are set out in Note 25.

This report was approved by the Board on 22nd June 2020 and was signed on its behalf by:

**Peter Levine**
**Company Secretary**
22nd June 2020

# Corporate Governance Statement

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Directors anticipate that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code, please refer to the section on corporate governance on our website.

## The Board

President Energy's business is international in scope and carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which President Energy operates and appropriate financial and risk management skills. In each Board appointment, whether executive or non-executive, the Board considers that objectivity and integrity, as well as skills, experience and ability which will assist the Board in its key functions, are pre-requisites for appointment. The Board currently comprises the Executive Chairman, an executive Director and two non-executive Directors.

## Board Committees

The audit committee and remuneration committee comprised non-executive Directors, Jorge Bongiovanni and Alex Moody-Stuart.

**The role of the Audit Committee includes:**

- monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgements contained in them - reviewing accounting policies, accounting treatments and disclosures in financial reports;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- overseeing the Group's relationship with the external auditor, including making recommendations to the Board as to the appointment or reappointment of the external auditor, reviewing their terms of engagement and monitoring the external auditor's independence, objectivity and effectiveness; and
- reviewing the Group's whistle blowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow up action.

**The role of the Remuneration Committee includes:**

- determining and recommending to the Board the remuneration policy for the executive Directors and other senior employees, the non-executive Directors' remuneration being set by the Board upon the recommendation of the Remuneration Committee;
- within the terms of the agreed policy, determining the total individual remuneration package for each executive Director;
- determining the level of awards made under the Company's share option plans and any long-term incentive plan and the performance conditions which are to apply;
- determining bonuses payable under any cash or share bonus scheme adopted by the Group;
- determining the vesting awards under any long-term incentive plan put in place by the Group and the exercise of share options; and
- determining the policy for pension arrangements, service agreements and termination payments for executive Directors.

## Relations with Shareholders

Communications with shareholders are given high priority by the Board. The Companies Act 2006 (the "Act") allows the Company to use its website to communicate with shareholders and so the Company makes documents and information available electronically on its website, including the following: Annual Report and Accounts, Interim Report and

Notices of shareholders' meetings. Using electronic communications deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits. Having said that, such information is sent in hard copy to those shareholders that request it. The Group endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. Subject to Government guidance in relation to health and safety, the Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Group. The Company maintains an up-to-date website, which complies with AIM Rule 26.

## Internal Controls

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

As an oil and gas exploration and production company with current operations concentrated in Paraguay, Argentina and the US, President Energy is, by virtue of the nature of its business and the countries in which it operates, subject to a variety of business risks.

The Group's system of internal control plays a critical role in managing the risks towards the achievement of President Energy's corporate vision and objectives and is also central to safeguarding President Energy's shareholders' interests and the Group's assets. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. The Board has not identified nor been advised of any failings or weaknesses of the risk management or internal control systems which it has determined to be significant.

## Health, Safety and Environmental (HSE)

President has an HSE policy through which the Company is committed to maintaining high standards of health, safety and environmental performance across all its oil and gas exploration operations. President is committed to the goals of:

- avoiding harm to all personnel involved in, or affected by, its operations;
- minimising the impact of its operations on the environment;
- complying with all the applicable legal and other requirements where it operates; and
- having a positive impact on people or communities directly affected by its activities and achieving continual improvement in its HSE performance.

## Bribery Act

The Board is committed to compliance with the provisions of the Bribery Act 2010, and has adopted a formal policy statement which is reviewed annually.

## Market Abuse Regulation

The Board is committed to compliance with the Market Abuse Regulation which came in to being during 2016, and has adopted formal policies and procedures during the year which will be reviewed annually.

## Modern Slavery Act

The Board is committed to recognising personal freedom as a fundamental human right. The UK Modern Slavery Act was brought into law in 2015 and President Energy fully supports the principles it promotes and the personal rights and freedoms it protects. We have zero tolerance for any form of slavery or any practices that could constitute or be perceived as slavery, whether they be in our own business or those of our suppliers, partners or consultants.

# Statement of Directors' Responsibilities

## The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 22nd June 2020 and is signed on its behalf by:

**Peter Levine**
**Executive Chairman**
22nd June 2020

# Independent Auditor's Report to the members of President Energy PLC

## Report on the audit of the financial statements

### 1. Opinion

- the financial statements of President Energy plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the consolidated statement of comprehensive income;

- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 34; and
- the related parent company notes 1 to 9.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Going concern assumption<br>• Impairment of development and production assets<br>• Impairment of exploration and evaluation assets<br>• Oil and gas reserves estimates and accounting for depletion, depreciation and amortisation ("DD&A") of development and production assets<br><br>Within this report, key audit matters are identified as follows:<br>Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |

| | |
|---|---|
| **Materiality** | The materiality that we used for the group financial statements was $1 million (2018: $1.4 million) which was determined on the basis of 2% (2018: 1%) of net assets. |
| **Scoping** | We performed a full scope audit on all three key business units, being USA and Paraguay, which are accounted for locally and in London, and Argentina which is accounted for locally, together with the parent company based in London. This resulted in a coverage of 100% of the group's net assets and loss before tax. |
| **Significant changes in our approach** | The economic volatility in Argentina, the impact of the global pandemic and the significant decline in oil price in 2020 have heightened the risk associated with going concern in the current year and we have disclosed our work on the going concern assumption as a key audit matter in the current year. With the exception of going concern assumption our disclosure of key audit matters has remained unchanged. |

## 4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**We have nothing to report in respect of these matters.**

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Going concern assumption

| | |
|---|---|
| **Key audit matter description** | The economic volatility in Argentina, the impact of the global pandemic and the significant decline in oil price in 2020 have heightened the risk associated with going concern in the current year.<br><br>Management's base case forecasts include the cash flows associated with President's existing assets and current funding arrangements and sensitivity analysis of the key assumptions used in modelling these base case forecasts. Under management's base case assumption, no breach of covenants for the Group's borrowings is forecasted throughout the going concern period. However, to support continuing operations the Group is dependent on ongoing finance available from IYA Global Limited, a subsidiary of PLLG Investments Limited the private investment fund of Peter Levine and largest shareholder. |

| | |
|---|---|
| | On 18 May 2020 the Argentine government decreed that the local oil prices should be maintained at $45/bbl, increasing should global markets increase above this level.<br><br>On 3 June 2020 the Group announced it had entered into an agreement for $6m of third party liabilities to be capitalised into equity, capitalisation of the IYA Global loan of $4.1m and a further equity share placing to raise $6.9 million. Shareholders approved these transactions on 22 June 2020.<br><br>Please refer to going concern disclosures in the Director's report, page 09, and note 2(d) on page 33. |
| **How the scope of our audit responded to the key audit matter** | Our audit procedures associated with risk of management's going concern assumptions comprised of the following:<br><br>• We confirmed our understanding of management's process for assessing going concern and tested the integrity of management's going concern model;<br>• We compared management's oil and gas price assumptions for both Argentina and US with other market comparators available at the time of this report, including assessing whether consistent with the terms of the Argentina decree on 18 May 2020;<br>• We assessed the appropriateness of reliance on management's external reserve specialists by performing procedures to evaluate their capability, competency and objectivity;<br>• We compared management's production profile to that in the external prepared reserves reports (please see KAM on oil and gas reserves estimates below) on and the prior period going concern model and investigated all significant variations;<br>• We assessed the reasonableness of all other key assumptions, including cost forecasts through comparison to recent actuals, as well as their consistency with impairment assessments;<br>• We recalculated management's forecast covenant ratio compliance calculations to assess whether there were no forecasted breaches for each covenant ratio throughout the going concern period;<br>• We challenged the consistency and adequacy of the disclosures made in the Annual Report and Accounts in relation to going concern by assessing their consistency with the underlying conditions;<br>• We performed sensitivity analysis of management's forecasting, and independently considered relevant events or situations which may affect the Group's ability to continue as a going concern;<br>• We reviewed a letter of support provided by IYA Global in respect of available funding and performed procedures to assess whether such funding was available if needed by the Group within the going concern period;<br>• We reviewed the terms of the third party contract liability capitalisation of $6m and the IYA capitalisation of $4.1m; and<br>• We attended the General Meeting on 22 June 2020 to assess whether shareholder approval had been obtained for the above capitalisations and further $5.9m of equity places announced by the Group on 3 June 2020. |
| **Key observations** | We are satisfied that the adoption of the going concern basis of accounting and the disclosure in respect of the group's ability to continue as a going concern are appropriate. |

### 5.2. Impairment of development and production assets

| | |
|---|---|
| **Key audit matter description** | The value of property, plant and equipment relating to the Group's development and production assets as at 31 December 2019 was $54.1 million (2018: $92.1 million). This is considered a key audit matter due to the significant judgements and estimates involved in assessing whether any impairment has arisen at year-end and in quantifying any such impairments.<br><br>Management reviewed its producing fields in USA and Argentina for indicators of impairment. Impairment indicators were identified at the Puesto Guardian, Argentina, field only. Management has estimated the fair value less costs of disposal of each field and compared these to the carrying amount of each field on the balance sheet. For Puesto Guardian management's fair value estimate is based on key assumptions which include:<br>• oil and gas prices;<br>• reserves estimates and production profile; and<br>• the discount rate adopted.<br><br>As referenced in note 3 of the financial statements the impairment assessment of property, plant and equipment is considered by management as a critical accounting judgement and a key source of estimation uncertainty.<br><br>An impairment charge of $39.9 million (2018: nil) was recorded during the year. Further details of the key assumptions used by management in their impairment evaluation are provided in note 15 of the financial statements. |
| **How the scope of our audit responded to the key audit matter** | We understood the basis of management's conclusion as to the existence or otherwise of impairment triggers. For Puesto Guardian, where impairment triggers existed:<br>• we compared oil and gas price assumptions with third party forecasts and publicly available forward curves;<br>• we assessed the discount rate used through benchmarking of assumptions;<br>• we assessed management's other assumptions by reference to third party information, our knowledge of the group and industry and also budgeted and forecast performance;<br>• we tested management's impairment calculations for mechanical accuracy; and<br>• we completed a scenario analysis, through which we conducted sensitivities for a range of input assumptions, including oil price and discount rates, and computed what we believed to be a reasonable range of recoverable amounts and compared the carrying value against this range.<br><br>We considered whether management's disclosures relating to impairment and associated estimation uncertainty were adequate. |
| **Key observations** | We are satisfied that, with the exception of Puesto Guardian, there were no other indicators of impairment. We concluded that, the impairment charge has been appropriately determined for Puesto Guardian. We are satisfied that the related disclosures in note 15 of the financial statements are appropriate. |

### 5.3. Impairment of exploration and evaluation assets

| | |
|---|---|
| **Key audit matter description** | The total value of exploration and evaluation ("E&E") assets as at 31 December 2019 held by the group was $55.8 million (2018: $103.9 million) following an impairment of $48.5 million (2018: nil) to the Group's principal interests in Paraguay, making up $53.8 million (2018: $101.7 million)of the Group's E&E assets.<br><br>In accordance with the relevant accounting standards, E&E costs are assessed for impairment at least annually. This is considered a key audit matter due to the significant judgments that are required and the material carrying value of E&E assets in the financial statements. These judgements include the effect of the significant and prolonged fall in oil price on the viability of the Group's E&E projects.<br><br>Management assessed whether there were any indicators of impairment of the Group's E&E assets by reference to IFRS 6"Exploration for and evaluation of mineral resources", including:<br>• the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;<br>• substantive expenditure for further exploration and evaluation in the specific area is neither budgeted or planned;<br>• whether exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue activities in the areas; or<br>• whether data exists to suggest that the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.<br><br>As referenced in Note 3 of the financial statements, the impairment assessment of E&E assets is considered by management as a critical accounting judgement and key source of estimation uncertainty.<br><br>The current status of the Paraguay E&E asset together with activity during the year is summarised in the Chairman's Statement. We note considering the impairment assessment of Paraguay E&E asset the Directors have taken into account both the output of discussions from the farm down process over the past 12 months and internal assessments. This has resulted in an impairment being recognised of $48.5 million writing down the value of the asset to the value indicated by this offer. Further details of the group's E&E assets and related impairment judgements are given in Note 14 of the financial statements. |
| **How the scope of our audit responded to the key audit matter** | We challenged the outcome of management's review of the Group's E&E assets for impairment.<br><br>Our procedures included:<br>• participating in meetings with key operational and finance staff to understand the current status and future intention for each asset;<br>• assessing whether all assets which remain capitalised are included in future budgets and as part of our going concern considerations and that sufficient funds are or were available at the time of the assessment;<br>• reviewing the Group's licenses to identify if they have expired or if due to expire in the near future are not expected to be renewed;<br>• obtaining appropriate audit evidence regarding material facts, for example by agreement to approved internal budgets, work programmes or contractual agreements to support the planned substantive expenditure; |

| | |
|---|---|
| | • obtaining and reviewing evidence of the latest farm out discussions and ensured their consistency with the partial impairment taken;<br>• obtaining and challenging internal valuations of the asset that support the Director's conclusion that that the remaining carrying amount, after partial impairment, is not unlikely to be recovered from successful development; and<br>• considering whether appropriate disclosures were provided in the narrative reporting and financial statements.<br><br>In respect of the impairment booked we obtained evidence of the offer received and assessed whether the value was supportable as at 31 December 2019. |
| **Key observations** | We are satisfied that the impairment recognised is appropriate and that the value of the exploration and evaluation assets is appropriate and in line with IFRS 6. |

**5.4. Oil and gas reserves estimates and accounting for depletion, depreciation and amortisation ("DD&A") of development and production assets**

| | |
|---|---|
| **Key audit matter description** | Oil and gas reserves estimates and accounting for DD&A of development and production assets was considered to be a key audit matter due to the subjective nature of reserves estimates and future development costs and timings, and their impact on the financial statement as key inputs within the impairment assessment and the DD&A calculations on the Argentinian development and production assets.<br><br>Management have engaged a third party reservoir engineering expert to provide an independent report on the Group's reserves and contingent resource estimates using the standard industry reserve estimation methods and definitions.<br><br>Management's reserves and contingent resource estimates are included on page 3 of the annual report and are detailed as a critical accounting judgement in note 3. |
| **How the scope of our audit responded to the key audit matter** | For the Argentine assets:<br>• we understood the process used by management to derive their estimates of reserves and contingent resources and the provision of information to, and interaction with, the third party expert;<br>• we reviewed the third party expert's report on the group's reserves and contingent resource estimates in Argentina as disclosed on page 3 and checked whether these estimates were used consistently throughout the accounting calculations reflected in the financial statements; and<br>• we met with operational management and management's experts, including a call with the third party expert, to understand the key changes in the period and the assumptions used. We considered whether the explanations were consistent with other information obtained by us during the course of the audit; and<br>• we assessed the appropriateness of reliance on management's external reserve specialists by performing procedures to evaluate their capability, competency and objectivity. |
| **Key observations** | We are satisfied that the reserves and contingent resources figures are appropriate to be utilised in the Group's DD&A and impairment calculations. |

## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | $1 million (2018: $1.4 million) | $0.75 million (2018: $1.25 million) |
| **Basis for determining materiality** | 2% of net assets | Parent company materiality equates to less than 2% of net assets and has been capped at 75% of group materiality. |
| **Rationale for the benchmark applied** | In respect of the group, given the existence of losses in recent years, we do not consider that focusing solely on the group's profit or loss before tax would represent a stable basis for materiality or be representative of the underlying scale of the group. Accordingly, we have concluded that net assets represents the most appropriate benchmark which reflects the long term value of the group through its portfolio of production and exploration assets and their associated reserves and contingent resources.<br><br>Further, the benchmark used to determine materiality was unchanged, however, the factor percentage was increased from 1% to 2% during the year following the impairment to the Paraguay exploration asset resulting in a de-risked net asset base. | For the parent company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark. |

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at $700k, 70% of group materiality for the 2019 audit (2018: $970k 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment;

b. the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit;

c. the higher risk nature of entity's principal country of operation.

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $50k (2018: $70k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

We performed a full scope audit on all three key business units, being USA and Paraguay, which are accounted for locally and in London, and Argentina which is accounted for locally, together with the parent company based in London. This resulted in a coverage of 100% of the group's net assets and loss before tax.

The business unit component materiality levels ranged from $0.4 million to $0.9 million (2018: $0.56 million to $1.26 million). We also audited the consolidation of the group's business units. Each of the key audit matters that had the greatest effect on our audit strategy, as described above, were audited directly by the group audit team in London.

### 7.2. Our consideration of the control environment

We assessed the key IT systems across the Group but did not take controls reliance on any of the Group's controls.

### 7.3. Working with other auditors

The group audit team audited the work for all business units directly except for Argentina. We directed and supervised the audit work undertaken by the component auditors in Argentina through regular interaction and review through correspondence, telephone and other electronic media as well as performing a review of the underlying work of the component auditors in selected key areas.

We also audited the consolidation of the group's business units. Each of the key audit matters that had the greatest effect on our audit strategy, as described above, were audited directly by the group audit team in London.

## 8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**We have nothing to report in respect of these matters.**

### 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

#### 11. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### 12. Matters on which we are required to report by exception

***12.1. Adequacy of explanations received and accounting records***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

***12.2. Directors' remuneration***

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

## 13. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anthony Matthews FCA<br>
**(Senior Statutory Auditor)**<br>
**for and on behalf of Deloitte LLP**<br>
**Statutory Auditor**<br>
London, UK<br>
22nd June 2020

# Consolidated Statement of Comprehensive Income Year ended 31 December 2019

| | Note | 2019 US$000 | 2018 US$000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 4 | **40,812** | 47,181 |
| Cost of sales | 5 | **(37,304)** | (32,452) |
| **Gross profit/(loss)** | | **3,508** | 14,729 |
| Administrative expenses | 6,11 | **(4,367)** | (6,059) |
| **Operating profit /(loss) before impairment and non-operating gains/(losses)** | | **(859)** | 8,670 |
| Presented as: | | | |
| Adjusted EBITDA | | **11,552** | 16,660 |
| Non-recurring items | 10 | **(1,649)** | (2,275) |
| EBITDA excluding share options | | **9,903** | 14,385 |
| Depreciation, depletion & amortisation | | **(10,529)** | (7,291) |
| Release of abandonment provision | | **–** | 1,817 |
| Share based payment expense | | **(233)** | (241) |
| Operating profit / (loss) | | **(859)** | 8,670 |
| Non-operating gains / (losses) | 7 | **(337)** | (29) |
| Impairment credit / (charge) | 8 | **(88,160)** | 2,610 |
| **Profit / (loss) after impairment and non-operating gains/(losses)** | | **(89,356)** | 11,251 |
| Finance income | 9 | **641** | 394 |
| Finance costs | 9 | **(4,847)** | (5,565) |
| **Profit / (loss) before tax** | 10 | **(93,562)** | 6,080 |
| Income tax (charge)/credit comprises: | | | |
| Current tax income tax (charge)/credit | | **4** | (19) |
| Deferred tax: foreign exchange arising on provision for future taxes | | **(4,496)** | – |
| Deferred tax: released on impairment | | **10,078** | – |
| Deferred tax being underlying provision for future taxes | | **(301)** | (5,941) |
| Total income tax (charge)/credit | 12 | **5,285** | (5,960) |
| **Profit / (loss) for the year from continuing operations** | | **(88,277)** | 120 |
| **Other comprehensive income, net of tax** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | **–** | – |
| **Total comprehensive profit /(loss) for the year attributable to the equity holders of the parent** | | **(88,277)** | 120 |
| **Earnings / loss per share** | 13 | US cents | US cents |
| Basic profit/(loss) per share from continuing operations | | **(7.90)** | 0.01 |
| Diluted profit(loss) per share from continuing operations | | **(7.90)** | 0.01 |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Statement of Financial Position 31 December 2019

| | Note | 2019 US$000 | 2018 US$000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible exploration & evaluation assets | 14 | **55,750** | 103,950 |
| Goodwill | | **705** | 705 |
| Property, plant and equipment | 15 | **54,092** | 92,117 |
| Deferred tax | 23 | **1,248** | 1,800 |
| Other non-current assets | 16 | **351** | 351 |
| | | **112,146** | 198,923 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **6,498** | 10,658 |
| Inventory | | **28** | 84 |
| Cash and cash equivalents | 18 | **895** | 1,970 |
| | | **7,421** | 12,712 |
| **TOTAL ASSETS** | | **119,567** | 211,635 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **24,770** | 23,739 |
| Borrowings | 20 | **2,462** | 3,792 |
| | | **27,232** | 27,531 |
| **Non-current liabilities** | | | |
| Trade and other payables | 19 | **1,697** | – |
| Long-term provisions | 22 | **5,520** | 4,509 |
| Borrowings | 20 | **20,107** | 26,306 |
| Deferred tax | 23 | **1,024** | 6,857 |
| | | **28,348** | 37,672 |
| **TOTAL LIABILITIES** | | **55,580** | 65,203 |
| **EQUITY** | | | |
| Share capital | 24 | **24,465** | 23,654 |
| Share premium | | **245,692** | 240,904 |
| Translation reserve | | **(50,240)** | (50,240) |
| Profit and loss account | | **(163,346)** | (75,069) |
| Reserve for share-based payments | | **7,416** | 7,183 |
| **TOTAL EQUITY** | | **63,987** | 146,432 |
| **TOTAL EQUITY AND LIABILITIES** | | **119,567** | 211,635 |

These financial statements for President Energy PLC (company number 5104249) were approved by the Board of Directors and authorised for issue on 22nd June2020.

They were signed on their behalf by:

**Peter Levine**
**Executive Chairman**

The accompanying accounting policies and notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity
# Year ended 31 December 2019

| | 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 2018 | 23,642 | 240,822 | (50,240) | (75,189) | 6,942 | 145,977 |
| Share-based payments | – | – | – | – | 241 | 241 |
| Issue of ordinary shares | 12 | 82 | – | – | – | 94 |
| Transactions with the owners | 12 | 82 | – | – | 241 | 335 |
| Profit for the year | – | – | – | 120 | – | 120 |
| Total comprehensive income for the year | – | – | – | 120 | – | 120 |
| Balance at 1 January 2019 | **23,654** | **240,904** | **(50,240)** | **(75,069)** | **7,183** | **146,432** |
| Share-based payments | **–** | **–** | **–** | **–** | **233** | **233** |
| Issue of ordinary shares | **569** | **3,986** | **–** | **–** | **–** | **4,555** |
| Costs of issue | **–** | **(492)** | **–** | **–** | **–** | **(492)** |
| Debt conversion | **130** | **906** | **–** | **–** | **–** | **1,036** |
| Subscription | **112** | **388** | **–** | **–** | **–** | **500** |
| Transactions with the owners | **811** | **4,788** | **–** | **–** | **233** | **5,832** |
| Loss for the year | **–** | **–** | **–** | **(88,277)** | **–** | **(88,277)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **(88,277)** | **–** | **(88,277)** |
| Balance at 31 December 2019 | **24,465** | **245,692** | **(50,240)** | **(163,346)** | **7,416** | **63,987** |

Attributable to the owners of the Company

# Consolidated Statement of Cash Flows Year ended 31 December 2019

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated by operating activities (Note 26) | **21,487** | 14,723 |
| Interest received | **184** | 394 |
| Taxes paid | **–** | (5) |
| Taxes refunded | **4** | – |
| | **21,675** | 15,112 |
| **Cash flows from investing activities** | | |
| Expenditure on exploration and evaluation assets | **(263)** | (558) |
| Expenditure on development and production assets | **(12,628)** | (7,865) |
| Proceeds from asset sales | **52** | 503 |
| Acquisition & licence extension in Argentina | **(2,395)** | (15,806) |
| USA acquisition | **–** | (93) |
| Deposits with state authorities | **–** | 1 |
| Expenditure on abandonment | **(283)** | (34) |
| | **(15,517)** | (23,852) |
| **Cash flows from financing activities** | | |
| Loan drawn | **3,407** | 11,670 |
| Proceeds from issue of shares (net of expenses) | **4,563** | – |
| Repayment of obligations under leases | **(719)** | – |
| Repayment of borrowings | **(9,900)** | (2,206) |
| Payment of interest and loan fees | **(4,036)** | (2,713) |
| | **(6,685)** | 6,751 |
| Net decrease in cash and cash equivalents | **(527)** | (1,989) |
| Opening cash and cash equivalents at beginning of year | **1,970** | 4,026 |
| Exchange gains/(losses) on cash and cash equivalents | **(548)** | (67) |
| Closing cash and cash equivalents | **895** | 1,970 |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Consolidated Accounts

## 1. General information

### Corporate status

President Energy PLC (formerly President Petroleum Company PLC until 28 September 2012) is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 73. The nature of the Group's operations and its principal activities are set out in Note 4 and in the Strategic Report on pages 05 to 07. The Company is quoted on the AIM market of the London Stock Exchange (ticker: PPC), and is headquartered in Leeds, UK, with offices in Asunción, Paraguay, Buenos Aires, Argentina, and Lafayette, USA. Details on all subsidiaries of the group are provided in Note 4 in the Company accounts.

### Presentation currency

The presentation currency and functional currency of the Group and all subsidiaries is the United States (US) Dollar as the Group's trading and the majority of other transactions and assets are in US Dollars. The Group's accounting policy on foreign currencies is detailed in Note 2j).

## 2 Significant accounting policies

### a) Basis of preparation

The Group financial statements have been prepared in accordance with European Union (EU) endorsed IFRSs, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention except for any derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in accordance with IAS 1: Presentation of financial statements (Revised 2007). A summary of the significant Group accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group has adopted all applicable IFRSs and Interpretations which have been endorsed by the EU and which are relevant to its operations and mandatory for accounting periods beginning on 1 January 2019 and no restatement of prior year amounts has been required. This included IFRS 16 on accounting for Leases.

IFRS 16 Leases

IFRS 16 sets out the measurement and disclosure of leases in the financial statements. The Group adopted IFRS 16 Leases for the year commencing 1 January 2019 where it impacted both the measurement and disclosures of leases over a low-value threshold and leases with terms longer than one year.

In accordance with the transition provisions in IFRS 16 the modified retrospective approach has been followed by the Group. On adoption, the Group recognised lease liabilities and right of use assets in relation to leases which were previously classified as operating leases under the provisions of IAS 17 Leases. The Group has identified leases predominantly for oil and gas production equipment but also for property and transportation equipment. During the current year the effect on income statement was recognised through a depreciation charge on the right-of-use asset and interest expense on the lease liability. In the statement of cash flows, the Group separated the total amount of cash paid into principal (presented within financing activities) and interest (presented within operating activities) in accordance with IFRS 16. In prior periods operating lease payments were all presented as operating cash flows under IAS 17. A summary of the impact of the implementation of IFRS 16 is shown in Note 34.

At the date of authorisation of the financial statements, there are certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2 Significant accounting policies (continued)

### b) Basis of accounting

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as further described in Note 3. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The critical accounting judgements and associated key sources of estimation uncertainty are referred to in Note 3 below.

The accounting policies set out below have been applied consistently to all periods presented except for the changes to lease accounting on adoption of IFRS16.

### c) Basis of consolidation

The Group financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases as further described in Note 2 below. There are no unrealised gains and losses or income and expenses arising from intra Group transactions. Intra Group balances are eliminated in preparing the consolidated financial statements.

Under s479A of the Companies Act 2006 an audit exemption has been taken for President Energy UK Limited, President Energy Paraguay Limited and President Energy Pirity Limited.

The Group's exploration, development and production activities may be conducted as co-licensee, in jointly-controlled operations with other companies. Where the Group is party to a jointly-controlled operation, which is not an entity, the Group accounts directly for its part of the income and expenditure, assets, liabilities and cash flows.

### d) Going concern

The accounts have been prepared under the going concern basis.

The Group is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Group consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively including consideration of the impact of Covid-19 as outlined in the Chairman's Statement. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, downside sensitivities are considered for example a forecast Brent oil price of US$40 per barrel in 2021 after the expiry of the oil price Decree in Argentina which currently fixes prices at US$45 per barrel. Under such a scenario the Group can elect not to proceed with discretionary capital expenditure that would lead to a reduction in the forecast production.

The cash position at the year-end was US$0.9 million (2018: US$2.0 million). To support its operations the Group is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2024 provided by IYA Global Limited (Note 32). At the year-end there was US$18.1 million (2018: US$19.9 million) drawn under the loan facility. The balance of the IYA loan as at 22 June 2020 was US$10.9 million leaving ca. US$10 million of the facility currently undrawn.

## 2 Significant accounting policies (continued)

**d) Going concern** (continued)

Based on their review of cash forecasts and related sensitivity analysis, and supported by the undrawn available commitment under the existing loan facility provided by IYA Global Limited, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in Note 28. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**e) Revenue recognition**

Sales revenue from contracts with customers represents the sales value, net of VAT, of the Group's share of oil and gas sales, tariff income and production handling fees. Revenue is recognised when performance obligations have been met, which is typically when goods are delivered and title has passed. Normal settlement terms are within 30 days of invoicing from the time the performance obligations are met. Where the Group has entered into a longer supply contract and payment is received in advance a contract liability is recognised and unwound as the revenue is recognised in line with above.

Royalty payments are recognised as a cost of sale when the related production revenue is recognised.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**f) Oil and natural gas exploration and development expenditure**

The Group adopts the successful efforts method of accounting for exploration, evaluation and development costs.

Exploration and evaluation expenditure – intangible assets

All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable expenditure is capitalised insofar as it relates to specific exploration and evaluation activities. Pre-licence costs are expensed in the year in which they are incurred. Exploration and evaluation costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Exploration and evaluation expenditure is not amortised. If the criteria for recognition of an exploration and evaluation asset are met, it is classified as either a tangible or intangible asset, depending on the nature of the asset. When it is determined that such cost will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to Production Assets.

Development and production assets – property, plant and equipment

All field development costs and transferred exploration and evaluation costs are capitalised as property, plant and equipment. The Directors carry out regular reviews of development and production assets and assess the need for provisions for impairment.

Depreciation, depletion and amortisation

All capitalised expenditure carried within each field is depleted from the commencement of production on a unit of production basis, over the relevant proved and probable reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimate of future development costs.

Impairment

Exploration and evaluation assets are reviewed at each reporting date for indications of impairment having regard to factors such as the outcome of exploration and evaluation to date, whether further activity is planned or budgeted and licence tenure. If such indications are present, costs are written off where circumstances indicate that the carrying value is not recoverable.

## 2 Significant accounting policies (continued)

**f) Oil and natural gas exploration and development expenditure** (continued)

At each reporting date, the Group assesses whether there is any indication that its development and production assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss in the statement of comprehensive income.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of comprehensive income. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The reversal of an impairment loss is recognised in the statement of comprehensive income.

**g) Decommissioning**

Where a material liability exists for the removal of production facilities and site restoration at the end of the productive life of a field, a provision for decommissioning is recognised.

The amount recognised is the present value of future expenditure determined in accordance with local conditions and requirements. Property, plant and equipment in an amount equivalent to the provision are created and depleted on a unit of production basis.

**h) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. The Group recognises in the carrying amount of property, plant and equipment the subsequent costs of replacing part of such items when they are expected to generate future economic benefits and such costs can be reliably determined. The carrying value of a part is derecognised when it is replaced. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

Development and production assets are depreciated in accordance with the accounting policy detailed in Note 2 f). The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense on sale.

Depreciation of Other Assets is on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Typically this is between 3-10 years.

**i) Assets held for resale**

Non-current assets (or disposal groups) classified as held for sale are recognised only when a disposal of the asset in its present condition is highly probable, there is a commitment to sell and an expectation that the sale will be completed within one year from the date of classification. Non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

## 2 Significant accounting policies (continued)
### j) Foreign currencies
Functional and presentation currency
The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which an entity primarily generates and expends cash. The Parent Company's functional and presentation currency is US Dollars.

The Group's primary transactions originate in US Dollars, these being amongst others gas and oil sales and the procurement of the majority of the Group's plant and drilling services. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. All exchange differences on transactions in currencies other than the individual entity's functional currency are recognised as profit or loss in the year in which they are incurred. Monetary assets and liabilities that are denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised as profit or loss in the statement of comprehensive income. Non-monetary items that are initially measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### k) Financial instruments
Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Trade payables and other creditors
Trade payables and other creditors are non-interest bearing and are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost under the effective interest method.

Derivative financial instruments
The Group may use derivative financial instruments to manage its exposure to fluctuations in oil and gas prices. Derivative financial instruments are stated at fair value. The Group does not use hedge accounting. Gains or losses on derivatives are taken directly to the statement of comprehensive income in the period.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Accounting for financial assets
Financial assets are divided into the following categories:

- loans and receivables; and
- financial assets at fair value through profit or loss.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenditure are recognised in the statement of comprehensive income or directly in equity. See note 28 h) for a summary of the Group's financial assets by category. An assessment of whether indications of impairment exist for a financial asset is made at least at each reporting date. If there is indication of impairment, an impairment review is undertaken.

All income and expense relating to financial assets are recognised in the Statement of Comprehensive Income line item "finance costs" or "investment income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these are measured at fair value plus transaction costs, less provision for impairment, and thereafter at amortised cost under the effective interest rate method. All finance costs under the effective interest rate method are recognised in the Statement of Comprehensive Income.

## 2 Significant accounting policies (continued)

### k) Financial instruments (continued)

The Group's trade and other receivables are classified as loans and receivables. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region or counterparty and other available features of shared credit risk characteristics, if any.

### l) Income taxes

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

### m) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. All share-based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award. This fair value, adjusted annually by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values are calculated using a Black-Scholes option pricing model. Further details are in Note 25.

### n) Leases

On inception of a contract, the Group assesses whether the contract is, or contains, a lease. A lease is recognised if the contract conveys the right to control and use an identified asset for a period of time in exchange for consideration. To make the determination the Group assess whether it has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and whether the Group has the right to direct the use of the asset.

## 2 Significant accounting policies (continued)

**n) Leases** (continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The initial measurement of the corresponding lease liability is at the present value of the lease payments at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease payments include fixed payments, less any lease incentive receivable, variable leases payments based on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, those leases with a remaining lease term of less than 12 months as at 1 January 2019 and leases of low-value assets. Over the course of a lease contract, there will be taxable timing differences that could give rise to deferred tax, subject to local tax laws and regulations.

**o) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the chief operating decision makers. The Group operates in one product segment which is the exploration and production of hydrocarbons. Segment information is presented in accordance with IFRS 8 for all periods presented.

**p) Business combinations**

Acquisitions of subsidiaries which are businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and liabilities are recognised and measured in accordance with IAS 12 Income Taxes. Any surplus of the consideration over the fair value of the net assets acquired is accounted for as goodwill, and any surplus of the fair value of the net assets acquired over the consideration represents a bargain purchase recorded in the income statement as a credit. Where a business combination is achieved in stages, the previously-held interest in the acquiree is remeasured to the acquisition-date fair value and the resulting gain is recognised in profit or loss.

**q) Non-recurring items**

To monitor our financial performance, the Group excludes certain non-recurring income and expenses that are considered exceptional to monitor financial performance as it aids the comparability of our reported financial performance from year to year. In determining an exceptional non-recurring income or expense Management consider the nature of the event, the financial materiality involved and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions. Further details on the non-recurring items are provided in Note10.

## 3 Critical accounting judgements and key sources of estimation uncertainty

In order to prepare the consolidated financial statements in conformity with IFRS, management of the Group have to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. Group accounting policies are described in Note 2.

### Critical accounting judgements

The following are the critical judgements, apart from those involving estimation, that the Directors have made in applying the Group's accounting policies as detailed in Note 2 and that have the most significant effect on the amounts recognised in the financial statements.

#### Carrying value of intangible exploration and evaluation assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established in accordance with the Group's accounting policy. The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale, and the success of a well result or geological or geophysical survey.

At the end of 2019, the Directors made the judgement that a partial impairment of US$48.5 million was appropriate on the Pirity licence reflecting indications arising during the farm out process. When considering the valuation of the Paraguay asset, the Directors have taken into account both the output of discussions from the farm down process over the past 12 months and internal assessments. The activity supporting any opportunity for a farm down is currently on hold given the Covid 19 pandemic and the associated impact on oil pricing. Management will continue to review opportunities for encouraging other parties to take a share in the ongoing costs of the licence when the macroeconomic conditions become more stable. The planned drilling in Paraguay scheduled for 2020 has been deferred into 2021. Accordingly, management considered that in light of the commitment to drill and that the potential economic value it is appropriate to continue to capitalise the balance of US$54 million at 31 December 2019.

### Key sources of estimation uncertainty

These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment and fair value estimation. Estimates of proved and probable oil and gas reserves also affect unit of production depreciation charges against income.

Proved and probable oil and gas reserves are the quantities of oil and natural gas estimated by management, and verified from time to time by industry experts, that demonstrate with probability the likelihood that they are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. expected prices and costs as of the date the estimate is made. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as impairment charges, depreciation, depletion and amortisation charges and decommissioning provisions) that are based on proved and probable reserves are also subject to change. Also future gas and oil prices affect the point at which the well becomes uneconomic and the value of the future cash flows. Proved and probable reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs.

## 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

**Key sources of estimation uncertainty** (continued)

All proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Because oil and gas assets are accounted for on an historical cost basis, the prospective value of the above assets is not fully carried in the Statement of Financial Position, but unaudited reserves quantities are detailed in the Chairman's statement on page 03.

Impairment review

When assessing the carrying value of oil and gas producing wells included in tangible assets, the Group estimates future production levels and prices against predicted production costs to assess the continuing economic viability and value of the well, or field, or other relevant factors. For non-producing assets included in intangible exploration and evaluation assets, the cost of bringing the resource into production needs to be assessed against the volumes, prices and operating costs anticipated from estimated future production, to the extent that the evaluation of these assets is sufficiently advanced for those to be determined. Sensitivities with respect to the key sources of estimation uncertainty in relation to impairment are oil price, the pre-tax discount rate and other key estimates are detailed in Note 15.

Provisions for decommissioning

The Group provides for the costs that will be incurred when the well reaches the end of its economic life. In addition to the costs of physically removing plant and equipment there are costs associated with returning the area to an environmentally sound condition. This could include removal of roads, replacement of subsoil, planting of trees etc. to meet local and national requirements at that time. In arriving at the estimated provision the key estimation uncertainty is the nominal discount rate to be applied. Further details are provided in Note 22.

## 4 Segment reporting

In the opinion of the Directors, the operations of President Energy PLC comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Board of Directors. The Board of Directors reviews operating results by reference to the core principle of geographic location. The Group currently has oil and gas production in two geographical markets: the USA and Argentina. It has a head office and associated corporate expenses in the UK. The Group has exploration assets in Paraguay, Argentina and the USA.

| | Argentina 2019 US$000 | Paraguay 2019 US$000 | USA 2019 US$000 | UK 2019 US$000 | Total 2019 US$000 |
|---|---|---|---|---|---|
| **Revenue** | **38,220** | **–** | **2,592** | **–** | **40,812** |
| **Cost of sales** | | | | | |
| Depreciation | **10,133** | **–** | **279** | **–** | **10,412** |
| Release of abandonment provision | **–** | **–** | **–** | **–** | **–** |
| Royalties & production taxes | **6,801** | **–** | **680** | **–** | **7,481** |
| Well operating costs | **18,429** | **–** | **982** | **–** | **19,411** |
| Administrative expenses | **1,374** | **94** | **425** | **2,474** | **4,367** |
| Segment costs | **36,737** | **94** | **2,366** | **2,474** | **41,671** |
| **Segment operating profit/(loss)** | **1,483** | **(94)** | **226** | **(2,474)** | **(859)** |

## 4 Segment reporting (continued)

| | Argentina 2018 US$000 | Paraguay 2018 US$000 | USA 2018 US$000 | UK 2018 US$000 | Total 2018 US$000 |
|---|---|---|---|---|---|
| **Revenue** | 41,902 | – | 5,279 | – | 47,181 |
| **Cost of sales** | | | | | |
| Depreciation | 6,908 | – | 337 | – | 7,245 |
| Release of abandonment provision | (1,817) | – | – | – | (1,817) |
| Royalties & production taxes | 6,558 | – | 1,707 | – | 8,265 |
| Well operating costs | 17,904 | – | 855 | – | 18,759 |
| Administrative expenses | 2,874 | 63 | 441 | 2,681 | 6,059 |
| Segment costs | 32,427 | 63 | 3,340 | 2,681 | 38,511 |
| **Segment operating profit/(loss)** | 9,475 | (63) | 1,939 | (2,681) | 8,670 |

During 2019, 97% of Argentine total revenues comprised oil sales to the following customers:

| | 2019 | 2018 |
|---|---|---|
| Trafigura Argentina S.A | **42%** | 10% |
| Raizen Argentina S.A. * | **40%** | 40% |
| Refineria Del Norte S.A. | **15%** | 19% |
| Pan American Energy Llc Sucursal Argentina | **0%** | 16% |

* A joint venture between Shell and Cosan

While in the USA, oil sales made up 72% of total revenue with 58% (2018: 72%) made to Shell Trading (US) Company. Sales per barrel of oil equivalent averaged US$50 per boe (2018: US$62 per boe) and US46 per boe (2018: US48 per boe) for Argentina and USA respectively.

Average reported sales prices for Argentina are calculated based on oil and gas sales volumes of 765.9 mmboe (2018: 680.9 mmboe) as Puesto Flores acquisition oil inventory movements and gas consumed in operations will result in differences to reported production volumes. Likewise in the USA, average reported sales prices are calculated based on oil and gas sales volumes of 56.8 mmboe (2018: 110.7 mmboe).

**Segment assets**

| | Argentina 2019 US$000 | Paraguay 2019 US$000 | USA 2019 US$000 | UK 2019 US$000 | Total 2019 US$000 |
|---|---|---|---|---|---|
| Intangible assets | **1,859** | **53,766** | **125** | **–** | **55,750** |
| Goodwill | **705** | **–** | **–** | **–** | **705** |
| Property, plant and equipment | **52,344** | **42** | **1,706** | **–** | **54,092** |
| | **54,908** | **53,808** | **1,831** | **–** | **110,547** |
| Other assets | **5,685** | **16** | **2,130** | **294** | **8,125** |
| | **60,593** | **53,824** | **3,961** | **294** | **118,672** |

## 4 Segment reporting (continued)

**Segment assets** (continued)

| | Argentina 2018 US$000 | Paraguay 2018 US$000 | USA 2018 US$000 | UK 2018 US$000 | Total 2018 US$000 |
|---|---|---|---|---|---|
| Intangible assets | 1,781 | 102,075 | 94 | – | 103,950 |
| Goodwill | 705 | – | – | – | 705 |
| Property, plant and equipment | 90,163 | 73 | 1,881 | – | 92,117 |
| | 92,649 | 102,148 | 1,975 | – | 196,772 |
| Asset held for resale | – | – | - | – | – |
| Other assets | 9,534 | 18 | 3,040 | 301 | 12,893 |
| | 102,183 | 102,166 | 5,015 | 301 | 209,665 |

Segment assets can be reconciled to the Group as follows:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Segment assets | **118,672** | 209,665 |
| Group cash | **895** | 1,970 |
| Group assets | **119,567** | 211,635 |

**Segment liabilities**

| | Argentina 2019 US$000 | Paraguay 2019 US$000 | USA 2019 US$000 | UK 2019 US$000 | Total 2019 US$000 |
|---|---|---|---|---|---|
| Total liabilities | **32,455** | **275** | **1,869** | **20,981** | **55,580** |

| | Argentina 2018 US$000 | Paraguay 2018 US$000 | USA 2018 US$000 | UK 2018 US$000 | Total 2018 US$000 |
|---|---|---|---|---|---|
| Total liabilities | 40,408 | 248 | 2,241 | 22,306 | 65,203 |

## 5 Cost of sales

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Depreciation | **10,412** | 7,245 |
| Release of abandonment provision | **–** | (1,817) |
| Royalties & production taxes | **7,481** | 8,265 |
| Well operating costs | **19,411** | 18,759 |
| | **37,304** | 32,452 |

Well operating costs include US$1,163,000 (2018: US$1,531,000) in Argentine non-recurring workover costs expensed in the period. During 2019, an exceptional bonus of US$305,000 was included in well operating costs in Argentina.

## 6 Administrative expenses

| | 2019<br>US$000 | 2018<br>US$000 |
|---|---|---|
| Directors and staff costs (including non-executive Directors) | **3,655** | 3,673 |
| Share-based payments | **233** | 241 |
| Depreciation | **117** | 46 |
| Other | **362** | 2,099 |
| | **4,367** | 6,059 |

To allow for meaningful comparison, staff costs, share based payments and depreciation expenses are reflected gross before the effect of allocations to operating costs or balance sheet assets. Other expenses are shown net of the effect of allocations US$1.6 million (2018: US$1.7 million). During 2019, an exceptional bonus of US$609,000 was included in director and staff costs. This was partly offset by a one off credit of US$428,000 arising on change in bank transaction taxes in Argentina.

Administrative expenses in 2018 included US$0.7 million in legal expenses arising on the settlement of the DP1002 dispute in Argentina that are non-recurring.

## 7 Other non-operating (gains)/losses

| | 2019<br>US$000 | 2018<br>US$000 |
|---|---|---|
| Movement of provision for recoverable taxes | **236** | (84) |
| Movement on estimated credit loss on trade debtors | **56** | – |
| Other (gains)/losses arising on asset disposals | **45** | 113 |
| | **337** | 29 |

## 8 Impairment (credit) / charge

| | 2019<br>US$000 | 2018<br>US$000 |
|---|---|---|
| DP1002 well in Argentina (PP&E) | **(216)** | (2,610) |
| Puesto Guardian in Argentina (PP&E) | **39,913** | – |
| Pirity licence in Paraguay (Intangible) | **48,463** | – |
| | **88,160** | (2,610) |

Further details on the impairments arising in 2019 are provided in Note 14 for Intangible assets and in Note 15 for Property, Plant and Equipment (PP&E).

Settlement was reached in 2018 in the dispute with contractors on the DP1002 well which was impaired in 2016. Consequently, outstanding accruals included in the US$10.9 million impairment have been reversed in 2018 resulting in the gain in the period with further adjustments in 2019.

## 9 Finance income & costs

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Interest income | **184** | 394 |
| Exchange gains | **457** | – |
| Finance income | **641** | 394 |
| | | |
| Loan interest | **3,176** | 2,537 |
| Loan and financing fees | **294** | 122 |
| Accretion on abandonment liabilities | **548** | 430 |
| Interest on leases | **173** | – |
| Other interest | **656** | – |
| Exchange losses | **–** | 2,476 |
| Finance costs | **4,847** | 5,565 |

Cash paid out on loan fees and interest in the year amounted to US$4.0 million (2018: US$2.7 million).

## 10. Profit / (loss) before tax

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Profit/(loss) before tax has been arrived at after charging:** | | |
| Depreciation of property, plant and equipment (note 15) | **10,529** | 7,291 |
| Impairment of assets (notes 8, 14 & 15) | **88,160** | (2,661) |
| Staff costs in Admin & Operations (note 11) | **6,553** | 6,299 |
| Rentals payable in respect of land and buildings | **19** | 143 |

| | | |
|---|---|---|
| **Auditor's remuneration** | | |
| Fees payable to the Company's auditor for the audit of the annual accounts | **149** | 122 |
| Audit of the Company's subsidiaries | **97** | 77 |
| Total audit fees | **246** | 199 |
| Audit related assurance services | **5** | 5 |
| Other non-audit services | **–** | – |
| Tax advisory services | **3** | 3 |
| | **254** | 207 |

**Non-recurring items**

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles ("GAAP"). Where referred to in the calculation of Adjusted EBITDA and in alternative performance measures these non-recurring items comprise the following:

| **Non recurring** | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Workover costs (per text in Note 5) | **1,163** | 1,531 |
| Arising on change in bank transaction taxes in Argentina | **(428)** | – |
| Staff bonus in Admin expense (per text in Note 6) | **609** | – |
| Staff bonus in Operating expense (per text in Note 5) | **305** | – |
| Legal expenses in admin expenses (text in Note 6) | **–** | 744 |
| | **1,649** | 2,275 |

## 10. Profit / (loss) before tax (continued)

The Group consider that irregular nature of these items can lead to variability in the understanding of the performance of the underlying business and as such provide additional disclosure to compliment the GAAP measures. These items are determined in line with the accounting policy in Note 2(q).

- Workovers are unplanned well interventions that are not part of routine operations that can occur from time to time. The workovers are not planned interventions and do not occur on the same well each year.
- A change in the fiscal regulations in Argentina in 2019 resulted in the recovery of bank transaction taxes leading to a one-off benefit in administrative expenses related to a prior period
- Following the transformation of the business evident through 2017 and 2018, the Directors awarded an exceptional bonus to all staff in 2019. The Group does not have, nor are there any plans to put in place, a bonus scheme that is part of staff remuneration and as such consider the expense associated with this award to be exceptional in nature
- During 2018, the Group incurred exceptional legal charges in relation to the settlement of a legal dispute related to the DP1002 well in Argentina.

## 11. Staff costs

| | 2019 Number | 2018 Number |
|---|---|---|
| **Average monthly number of employees** | | |
| (including executive Directors and Chairman but excluding non-executive Directors) | | |
| Management | **4** | 5 |
| Operational | **48** | 42 |
| Administration | **8** | 8 |
| | **60** | 55 |

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Wages, salaries and Directors' fees** | | |
| (including Chairman and excluding non-executive Directors) | **5,387** | 5,246 |
| Expense in respect of share-based payments | **233** | 241 |
| Social security costs | **933** | 812 |
| | **6,553** | 6,299 |

A proportion of the staff costs above are expensed in operating costs (2018: US$2.8 million, 2018: US$2.4 million). There are no other material allocations.

Included in the above is the following Directors' remuneration earned in respect of the financial year by each director of the company acting in such capacity during the financial year. There were no pension contributions paid to any Director in the year. Details of the Directors' remuneration are provided in the Director's Report.

Under arrangements, US$294,266 of the above remuneration was deferred or accrued in 2019 (2018: US$386,316). As at 31 December 2019, US$1,145,440 remains outstanding (2018: US$741,414). There was no share option award during the period, further details on options are provided in Note 25.

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Emoluments paid in respect of the highest paid Director in the year (excluding share-based payment charge) | **670** | 586 |

## 12. Tax

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Current tax credit /(charge)** | **4** | (19) |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **5,281** | (5,941) |
| | **5,285** | (5,960) |

The tax credit for the year can be reconciled to the Statement of Comprehensive Income as follows:

| | | |
|---|---|---|
| **Profit / (loss) on ordinary activities before taxation** | **(93,562)** | 6,080 |
| Tax at 19% (2018: 19%) | **17,777** | (1,155) |
| Tax losses utilised but not previously recognised | **9** | 332 |
| Tax losses carried back to prior period | **–** | – |
| Deferred tax carried forward but not recognised | **(507)** | (723) |
| Deferred tax carried forward and recognised | **(927)** | 610 |
| Change in future deferred tax rates | **(335)** | (270) |
| Tax effect of income/expenses not realised in Group accounts | **(1,060)** | (844) |
| Expenses not deductible for tax purposes | **(16,580)** | 2,606 |
| Difference between US, Argentine, Paraguay and UK tax rates | **736** | (582) |
| Adjustments related to impairment charge and FX rate changes | **6,172** | (5,934) |
| Tax as per statement of comprehensive income | **5,285** | (5,960) |

## 13. Earnings / (Loss) per share

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Net profit / (loss) for the period attributable to the equity holders of the Parent Company | **(88,277)** | 120 |

| | Number '000 | Number '000 |
|---|---|---|
| Weighted average number of shares in issue | 1,116,944 | 1,072,106 |

| | US cents | US cents |
|---|---|---|
| Earnings /(loss) per share | | |
| Basic earnings / (loss) per share from continuing operations | (7.90) | 0.01 |
| Diluted earnings / (loss) per share from continuing operations | (7.90) | 0.01 |

At 31 December 2019, 42,126,694 (2018: 64,962,628) weighted potential ordinary shares in the Company which underlie the Company's share option and share warrant awards and may dilute earnings per share in the future, have been included in the calculation of diluted earnings per share. No dilution per share was calculated for 2019 as with the reported loss they are anti-dilutive.

## 14. Intangible assets - exploration and evaluation assets

| | US$000 |
|---|---|
| **Cost** | |
| At 1 January 2018 | 145,373 |
| Additions | 558 |
| Acquisition of licence in USA | 93 |
| **At 1 January 2019** | **146,024** |
| **Additions** | **263** |
| **At 31 December 2019** | **146,287** |
| | |
| **Impairment** | |
| **At 1 January 2019** | **42,074** |
| **Impaired in year ended 2019** | **48,463** |
| **At 31 December 2019** | **90,537** |
| | |
| **Net Book Value** | |
| **At 31 December 2019** | **55,750** |
| At 31 December 2018 | 103,950 |

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects which are carried forward in the balance sheet whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6. These amounts will ultimately be written off to the Statement of Comprehensive Income as exploration costs if commercial reserves are not established. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

At the end of 2019, the Directors made the judgement that a partial impairment of US$48.5 million was appropriate on the Pirity licence reflecting indications arising during the farm out process. When considering the fair valuation of the Paraguay asset the Directors have taken into account both the output of discussions from the farm down process over the past 12 months and internal assessments. The activity supporting any opportunity for a farm down is currently on hold given the Covid 19 pandemic and the associated impact on oil pricing. Management will continue to review opportunities for encouraging other parties to take a share in the ongoing costs of the licence when the macroeconomic conditions become more stable. The planned drilling in Paraguay scheduled for 2020 has been deferred into 2021. Accordingly, management considered that in light of the commitment to drill and that the potential economic value remains unchanged it is appropriate to continue to capitalise the balance of US$54 million at 31 December 2019 (2018: US$102 million). In arriving at the fair value of the licence the inputs considered represent "level 3" estimates under the fair value hierarchy having previously been held at cost under the IFRS6 accounting policy.

Additions of US$0.3 million (2018:US$0.6 million) for 2019 comprise expenditure on evaluation of the concessions in Paraguay, Matorras/Ocultar and Puesto Flores licences in Argentina and Jefferson Island in the USA.

## 15. Property, plant and equipment - development and production assets

| | 2019 Oil & gas assets US$000 | 2019 Other assets US$000 | 2019 Leased assets US$000 | 2019 Total US$000 | 2018 Oil & gas assets US$000 | 2018 Other assets US$000 | 2018 Leased assets US$000 | 2018 Total US$000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January | **124,262** | **384** | **–** | **124,646** | 96,922 | 342 | – | 97,264 |
| On adoption of IFRS16 Leases | **–** | **–** | **611** | **611** | – | – | – | |
| Additions | **10,316** | **46** | **1,405** | **11,767** | 16,375 | 42 | – | 16,417 |
| Acquisition of licence in Argentina | **136** | **–** | **–** | **136** | 11,591 | – | – | 11,591 |
| Disposals | **(97)** | **–** | **–** | **(97)** | (626) | – | – | (626) |
| **At 31 December** | **134,617** | **430** | **2,016** | **137,063** | 124,262 | 384 | – | 124,646 |
| **Depreciation** | | | | | | | | |
| At 1 January | **32,329** | **200** | **–** | **32,529** | 25,095 | 153 | – | 25,248 |
| Charge for the year | **9,875** | **45** | **609** | **10,529** | 7,244 | 47 | – | 7,291 |
| Impairment of Puesto Guardian | **39,913** | **–** | **–** | **39,913** | – | – | – | – |
| Disposals | **–** | **–** | **–** | **–** | (10) | – | – | (10) |
| **At 31 December** | **82,117** | **245** | **609** | **82,971** | 32,329 | 200 | – | 32,529 |
| **Net Book Value** | | | | | | | | |
| **At 31 December** | **52,500** | **185** | **1,407** | **54,092** | 91,933 | 184 | – | 92,117 |

Following a reduction in reserves, oil price forecasts and changes to the timing of future development plans an impairment review was triggered on the Puesto Guardian field in Argentina. The strategic decision has been made to focus on developing the higher margin Rio Negro concessions as the Puesto Guardian concession extends through to August 2050. An impairment of US$39.9 million was made to leave the remaining recoverable value of US$5.2 million.

In arriving at the fair value a present value technique was used to estimated future 2P reserves and costs using a realised US$44.7 oil price escalating at 2% from 2021 with a 25.7% pre-tax discount rate applied. In light of the oil price volatility in 2020, a further reduction is possible if a period of low prices further delays the development of the field depending on the scenario considered. An increase of US$5 per barrel in the oil price over the life of the asset would generate a US$14 million surplus relative to the revised carried value. A 1% change in the pre-tax discount rate applied would reduce the value or increase the surplus by approximately US$1 million

Additions during 2019 were all related to activity on the Rio Negro concession where investment was made to develop the gas infrastructure, reactivate the Estancia Vieja wells and prepare for future drilling. The Group acquired the adjacent Angostura concession at minimal cost.

The Group adopted IFRS16 on lease accounting on 1 January 2019. This resulted in the recognition of right of use assets with corresponding liabilities. Further details on the impact of the changes are detailed in Note 34.

In 2018, the Group extended its investment in the Rio Negro region of Argentina with the acquisition of the Puesto Prado and Las Bases assets. The concessions, which are adjacent to the Puesto Flores / Estancia Vieja concession, include access to reserves, infrastructure and a strategic pipeline. Additions in the year include the drilling and completion of three development wells and capitalised workovers in the Puesto Flores field, facility enhancement work and capitalised workovers on the Puesto Guardian field and well conversion work linked to East Lake Verret facilities in the USA.

## 16. Other non-current assets

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Financial assets - Deposits with state authorities | **351** | 351 |
| | **351** | 351 |

## 17. Trade and other receivables

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Trade receivables | **4,842** | 8,676 |
| Other receivables | **1,568** | 1,619 |
| Prepayments | **88** | 363 |
| | **6,498** | 10,658 |

Trade receivables comprise amounts due for the sale of oil and gas and amounts due from joint venture partners. They are generally due for settlement within 30–60 days and are therefore all classified as current. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has assessed the estimated credit losses looking at the probability of default and potential loss on recovery for each category of risk using reputable external benchmarks. As at 31 December 2019, an estimated credit loss of US$55,611 was recognised (2018: nil).

**Credit risk**

The Company has a low credit risk in respect of receivables as a result of supplying reputable oil and gas purchasers. The concentration of risk is such that at 31 December 2019, 73% (2018 80%) of the Group's trade receivables from product sales were due from the four largest counter-parties. These amounts have been recovered in full since 1 January 2020. Further detail on credit risk management is detailed in Note 29.

## 18. Cash and cash equivalents

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Cash at bank and in hand | **895** | 1,970 |

## 19. Trade and other payables

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Current** | | |
| Trade payables | **3,230** | 7,754 |
| Drilling, workover and operation accruals | **6,280** | 9,292 |
| Arising on licence acquisition and extension | **962** | 3,221 |
| Current portion of leases | **652** | – |
| Current portion of contract liability | **9,321** | – |
| Other payables | **4,325** | 3,472 |
| | **24,770** | 23,739 |
| **Non-current** | | |
| Non-current portion of leases | **864** | – |
| Non-current portion of contract liability | **833** | – |
| | **1,697** | – |

### 19. Trade and other payables (continued)

The contract liability arising in 2019 is the obligation to Trafigura S.A. following an advance under an offtake agreement that will be settled in the future by oil sales to them at price to be determined at the time. At that point the sales income arIsing will be recognised in revenue. In 2020, the contract liability was converted to an equity investment, Further details are provided in Note 31.

### 20. Borrowings

| | | 2019 US$000 | 2018 US$000 |
|---|---|---|---|
| **Current** | | | |
| Bank loan | | **2,462** | 3,792 |
| | | **2,462** | 3,792 |
| **Non-current** | | | |
| IYA Loan | | **18,083** | 19,851 |
| Bank loan | | **2,024** | 6,455 |
| | | **20,107** | 26,306 |
| **Total carrying value of borrowings** | | **22,569** | 30,098 |
| | | | |
| **IYA Loan** | | | |
| Balance at beginning of year | | **19,851** | 13,120 |
| Loan drawn in year (Note 32) | | **1,199** | 5,384 |
| Converted to equity | | **(1,036)** | – |
| In settlement of asset disposal in USA | | **–** | (525) |
| Interest capitalised | | **2,232** | 2,232 |
| Repaid in period : | Capital repayments | **4,209** | 360 |
| | Interest and loan fees | **2,232** | 2,232 |
| | | **(6,441)** | (2,592) |
| Foreign exchange | | **46** | – |
| Interest payable in statement of comprehensive income in period | | **2,232** | 2,232 |
| | | **18,083** | 19,851 |
| | | | |
| **Bank loan** | | | |
| Balance at beginning of year | | **10,247** | 8,039 |
| Loan draw down in year | | **–** | 4,000 |
| Interest capitalised | | **840** | 804 |
| Repaid in period : | Capital repayments | **5,691** | 1,846 |
| | Interest paid | **910** | 750 |
| | | **(6,601)** | (2,596) |
| Interest payable in statement of comprehensive income in period | | **–** | – |
| | | **4,486** | 10,247 |

During 2019, the additional US$4.0 million facility under the IYA loan and the US$4.0 million additional bank borrowings used to fund the Puesto Prado and Las Bases concessions acquisition in 2018 were repaid. Furthermore during 2019, US$1.0 million of the IYA loan was converted to equity at the time of the equity offer and the loan agreement amended to allow part of the loan to be in pounds sterling. The overall IYA loan facility remains at US$20.5 million. During 2020, US$7.2 million of the loan balance was converted to an equity investment. Further details are provided in Note 31 on subsequent events. Further details on the terms of the IYA loan are detailed in the Related Party Note 32.

## 20. Borrowings (continued)

During 2018, the IYA loan facility was extended to US$20.5 million with US$16.5 million at a 10.5% interest rate and additional borrowings of US$4.0 at 12.5% plus 6 month Libor in line with incremental bank borrowing. This additional borrowing together with additional commercial bank funding through an established Argentinian Bank of a further US$4.0 million was used to fund the acquisition of the Puesto Prado and Las Bases concessions.

| Reconciliation to cashflow statement | 2019<br>US$000 | 2018<br>US$000 | Movement<br>US$000 |
|---|---|---|---|
| Total borrowings | **22,569** | 30,098 | (7,529) |
| *Associated cashflows* | | | |
| Loan drawn | | | 2,371 |
| Repayment of borrowings | | | (9,900) |
| | | | (7,529) |

## 21. Leases

| | 2019<br>US$000 | 2018<br>US$000 |
|---|---|---|
| *i) Amounts recognised in the balance sheet* | | |
| **Right-of-use assets (included within Property, plant and equipment)** | | |
| Property leases | **37** | – |
| Oil and gas production and support equipment leases | **1,370** | – |
| | **1,407** | – |
| **Leased liabilities** | | |
| Property leases | **40** | – |
| Oil and gas production and support equipment leases | **1,476** | – |
| | **1,516** | – |
| Current | **652** | – |
| Non-current | **864** | – |
| | **1,516** | – |
| *ii) Amounts recognised in the statement of profit or loss* | | |
| Property leases | **80** | – |
| Oil and gas production and support equipment leases | **529** | – |
| Depreciation charge of right-of-use assets | **609** | – |
| Interest expense on lease liabilities (included in finance cost) | **173** | – |
| Expense related to short-term leases | **70** | |
| | **852** | – |

The cash out flow for leases amounted to US$0.7 million in the period.

## 22. Long-term provision – Decommissioning

| | US$000 |
|---|---|
| At 1 January 2018 | 5,015 |
| Increase/(decrease) in provision | (1,841) |
| Accretion | 430 |
| Acquisition | 939 |
| Incurred | (34) |
| **At 1 January 2019** | **4,509** |
| **Increase/(decrease) in provision** | **746** |
| **Accretion** | **548** |
| **Acquisition** | **–** |
| **Incurred** | **(283)** |
| **At 31 December 2019** | **5,520** |

Provisions for decommissioning relate to the restoration of well sites to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where relevant and available, operator's estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The provision is arrived at after taking into consideration management's view of future inflation and an appropriate discount rate. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates, which is currently expected to be between 2024 and 2045 for existing wells. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The Group uses a nominal discount rate of 2.1% (2018: 2.0%) in the USA and 15% (2018: 15%) in Argentina. Inflation rate of 2.1% (2018 2.0%) has been applied as costs in the industry are determined in US dollar terms.

A wide range of estimation uncertainty surrounds the discount rate used in Argentina due to the prevailing economic environment. A decrease in the discount rate by 3% would increase the liability by US$1.4 million while an increase of 3% in the discount rate would reduce the liability by US$1.0 million.

## 23. Deferred tax

| | US$000 |
|---|---|
| Liability at 1 January 2018 | 306 |
| Movement in year | (134) |
| Change in future tax rate | 270 |
| Exchange difference | 6,415 |
| **Liability at 1 January 2019** | **6,857** |
| **Impairment** | **(10,078)** |
| **Movement in year** | **(586)** |
| **Change in future tax rate** | **335** |
| **Exchange difference** | **4,496** |
| **Liability at 31 December 2019** | **1,024** |

## 23. Deferred tax (continued)

All of the above relates to oil and gas properties. Following the US$39.9 million impairment of the Puesto Guardian asset in Argentina, a reduction of US$10.0 million in the deferred tax liability arose reflecting the reversal of timing differences previously recognised. The further devaluation of the Argentine Peso impacted on the tax basis used in estimating the future tax provision. The devaluation significantly reduced the Peso denominated tax-deductible value of fixed assets and Peso denominated tax losses which, when compared to their carrying value for accounting purposes, gave rise to a deferred tax charge US$4.4 million (2018 US$6.4 million).

A Deferred Tax asset of US$1.2 million (2018: US$ 1.8 million) is recognised in the USA based on forecast cash flows as the utilisation of expected tax losses exceeds the Deferred Tax liability arising on timing differences. Following updated forecasts incorporating lower oil prices and extended production profiles the estimated amount of tax losses was decreased. The Group has the following unrecognised tax losses available for offset against future profits:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| USA | **9,014** | 6,900 |
| UK | **41,848** | 29,080 |

## 24. Share capital

| Equity share capital | 2019 '000s | 2018 '000s |
|---|---|---|
| **Issued – authorised, allotted, called up and fully paid** | | |
| Deferred shares of par value £0.29 (US$0.54) | **16,093** | 16,093 |
| Ordinary shares of par value £0.01 (US$0.02) | **1,135,283** | 1,072,840 |

| | US$000 | US$000 |
|---|---|---|
| Deferred shares of par value £0.29 (US$0.54) | **8,725** | 8,725 |
| Ordinary shares of par value £0.01 (US$0.02) | **15,740** | 14,929 |
| | **24,465** | 23,654 |

The issued share capital is reconciled as follows

| | | |
|---|---|---|
| Balance at beginning of year | **23,654** | 23,642 |
| Shares issued | **811** | 12 |
| Balance at end of year | **24,465** | 23,654 |

During 2019, the highest mid-market price of the Company's shares was 9.95p and the lowest was 2.75p. The year-end price was 3.00p. In March 2019, shares were issued as part of a subscription offer and loan conversion in order to accelerate the expansion programme in Rio Negro through the fast track development of its gas assets. Concurrent with the acquisition of the Angostura concession in Argentina in November 2019, Compañia General De Combustibles S.A agreed to subscribe for ordinary shares in a number of instalments Shares at the prevailing market price at the time each instalment is due. Further details are provided in Note 31 on subsequent events.

In 2018, shares were issued in settlement of a deferred salary arrangement as detailed in the Directors Remuneration Report. The deferred shares arose in 2009 following a capital reorganisation whereby the ordinary shares with a par value of 30p per share were replaced by ordinary shares with a 1p per share par value. Consequently, the deferred shares have no voting rights, no rights to dividends and no rights to capital distributions.

## 25. Share-based payments

Share options and warrants outstanding at the respective balance sheet dates are as follows:

| | | Grant date | Target Price | 31 Dec 2018 | Granted in year | Exercised in year | Forfeited/ lapsed in year | 31 Dec 2019 | Exercise |
|---|---|---|---|---|---|---|---|---|---|
| **Options** | | | | '000 | **'000** | **'000** | **'000** | **'000** | |
| Former director | a | 25 May 11 | 38-74p | 800 | **–** | **–** | **–** | **800** | 25p |
| Former director | a | 01 Jul 16 | 10-20p | 3,500 | **–** | **–** | **2,333** | **1,167** | 6.75p |
| Former director | a | 30 Sep 11 | 51p | 600 | **–** | **–** | **–** | **600** | 33.875p |
| Senior employee | a | 01 Jul 16 | 10-20p | 5,800 | **–** | **–** | **3,867** | **1,933** | 6.75p |
| Senior employee | a | 21 Jun 17 | 9-18p | 8,250 | **–** | **–** | **3,250** | **5,000** | 6.18p |
| Robert shepherd | a | 20 Jun 18 | 14-27p | 5,000 | **–** | **–** | **–** | **5,000** | 9.25p |
| Senior employee | a | 20 Jun 18 | 14-27p | 23,950 | **–** | **–** | **11,250** | **12,700** | 9.25p |
| | | | | 47,900 | **–** | **–** | **20,700** | **27,200** | |
| **Warrants** | b | | 47p | 4,253 | **–** | **–** | **–** | **4,253** | 47p |
| | | | | 52,153 | **–** | **–** | **20,700** | **31,453** | |

Note

a) Options are exercisable up to 10 years after grant.

All options are granted under the Global Incentive Plan scheme. The options contain share price performance vesting conditions. It is a condition that the target price is achieved and that it is maintained for a certain period of time. All share options outstanding at the end of the period, unless vested, have a 3 year vesting period from date of grant, and all are equity-settled.

The weighted average remaining contractual life of the options/warrant is 1.7 years (2018: 2.3 years) from 31 December 2019.

The warrants were issued in connection with the Group's acquisition of LCH SA in 2014 and expire in line with the Pirity Concession September 2020.

## 26. Notes to the consolidated statement cash flows

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Profit/(loss) from operations before taxation** | **(93,562)** | 6,080 |
| Interest on bank deposits | **(641)** | (394) |
| Interest payable and loan fees | **4,847** | 3,089 |
| Depreciation of property, plant and equipment | **10,529** | 7,291 |
| Impairment (credit)/charge | **88,160** | (2,610) |
| Release of abandonment provision | **–** | (1,817) |
| (Gain)/loss on non-operating transaction | **337** | 29 |
| Share-based payments | **233** | 241 |
| Foreign exchange difference | **–** | 2,476 |
| **Operating cash flows before movements in working capital** | **9,903** | 14,385 |
| Decrease/(increase) in receivables | **3,592** | (4,483) |
| Movement in inventory | **56** | (7) |
| Increase/(decrease) in payables | **7,936** | 4,828 |
| **Net cash generated by operating activities** | **21,487** | 14,723 |

## 27. Contingent liabilities

In the event of a commercial discovery on the Pirity Concession in Paraguay further new ordinary shares in President would be due in relation to the acquisition of LCH S.A. An amount of ordinary shares would be issued with an aggregate value of US$5 million calculated at the rate of 35 pence per share (and using an exchange rate prevailing at the time of issue).

Under the terms of an agreement with a service provider in 2017, the survey work on the Matorras and Ocultar licences in Argentina includes a capped success fee of up to US$0.5 million per licence to be paid out of future net revenues from a commercial discovery.

## 28. Capital and operating lease commitments

### Capital commitments

In Paraguay the Group has entered into a Farm-in agreement on the Hernandarias Concession to earn the remaining 40% working interest (40% already earned). The remaining work commitment on this licence is for one well to be drilled on the licence. The licence has been suspended until December 2020. If the Group fails to drill such a well it would have to relinquish its rights for the remaining 40% but on relinquishment would have no further liability. As at 31 December 2019, the remaining capital commitment was US$8.8 million which would not be payable if the rights are relinquished.

The Group anticipates drilling the remaining well commitment well on the Pirity Concession at the earliest opportunity in light of economic conditions. The Pirity licence was extended by two years through to September 2020 with a work commitment to drill a further two wells or pay a financial penalty of US$0.1 million. An 18 month suspension was granted at the end of May 2020 with no additional commitment.

As at 31 December 2019, the Group was committed to funding an exploration programme on each of the Matorras and Ocultar licence areas surrounding Puesto Guardian in Argentina. The licences have a combined work commitment of US$2.4 million. The licence was been extended until March 2021.

Under the term of the existing development concessions in Rio Negro, the Province has approved a work programme including re-completions/workovers and drilling of development and exploration wells aimed at materially increasing production and reserves at the fields. In 2019, the Group also acquired the Angostura exploration concession. In conjunction with the Province, the Group tracks and manages the work obligations across these concessions.

## 29. Risk management objectives and policies

### a) Overview

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is co-ordinated at its Leeds, UK headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. To date, the Group has financed its operations from equity issues in Pounds sterling and loans denominated in US Dollars. The Group uses financial instruments (other than derivatives) comprising cash, liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The Group has not recently entered into any derivative transactions with the exception of currency options to hedge significant currency exposure. There were no contracts in place as at 31 December 2018. In the normal course of its operations and through its financial instruments the Group is exposed to foreign currency, commodity price and interest rate risks.

### b) Hedging of oil and gas prices

The Group keeps its production profile and oil and gas prices under review and may take out future hedging contracts when deemed appropriate. The Group had no open positions with respect to hedging contracts at the balance sheet date.

## 29. Risk management objectives and policies (continued)

**c) Foreign currency risk and sensitivity**

With the exception of Group overheads arising in the UK, most of the Group's transactions are carried out in US Dollars. The financial statements are produced in US Dollars as much of the Group's business is conducted in US Dollars. In South America capital expenditure is budgeted for in US Dollars. The Company raises equity funds in Pounds sterling and converts the majority to US dollars. A balance of funds is retained in Pounds sterling to meet future Group overheads.

At the year end the Group held the following cash and cash equivalent balances.

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| US Dollars | **343** | 414 |
| Sterling | **44** | 50 |
| Argentine Pesos | **507** | 1,501 |
| Paraguayan Guarani | **1** | 5 |
| | **895** | 1,970 |

Based upon the year-end balances, if the exchange rate between the US Dollar and sterling changed by 10% there would be a profit or loss of US$4,000 (2018: US$5,000). If the exchange rate between the US Dollar and the Argentine Peso changed by 10% there would be a profit or loss of US$46,000 (2018: US$136,000).

**d) Interest rate risk and sensitivity**

The Group places surplus cash on deposit. Based on the average level of interest bearing deposits a 1% change in bank interest rate would increase or decrease interest received by approximately US$14,000 per annum (2018: US$30,000). As stated in Note 31 and Note 20, interest on the related party loan is part fixed rate and part variable rate. The bank loan detailed in Note 20 is at a variable rate.

**e) Credit risk**

The Group's principal customers are substantial oil and gas companies and refiners and as such credit risk is considered to be low. While the majority of receivables from joint venture partners are either regional governments or companies of good standing. Accordingly, when the Group has assessed the estimated credit losses looking at the probability of default and potential loss on recovery for each category of risk a non-material provision amounting to 1.4% has been recognised. The Group conducts an internal review with respect to the credit worthiness of counter-parties where the exposure is material.

The credit risk for liquid funds is considered to be negligible as the counterparties are banks with good external credit ratings. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Trade receivables | **4,842** | 8,676 |
| Other receivables | **1,568** | 1,619 |
| Cash and cash equivalents | **895** | 1,970 |
| Deposits with state authorities | **351** | 351 |
| | **7,656** | 12,616 |

**f) Liquidity risk analysis**

The Group manages its liquidity needs by carefully monitoring its cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a week-to-week basis, as well as on the basis of a rolling monthly projection. Long-term liquidity needs for a half year and an annual lookout period are identified monthly. The Group aims to maintain cash to meet its liquidity requirements for up to 60 day periods. As at 31 December 2019 the Group's financial liabilities, all of which are non-interest bearing, have contractual maturities which are summarised as follows:

## 29. Risk management objectives and policies (continued)

| | Current | |
|---|---|---|
| | <6 months US$000 | 7-12 months US$000 |
| Trade payables | **3,230** | – |
| Drilling, workover and operation accruals | **6,280** | – |
| Arising on licence acquisition and extension | **962** | – |
| Current portion of leases | **349** | 303 |
| Current portion of contract liability | **4,321** | 5,000 |
| Others | **4,325** | – |
| Bank loan | **1,231** | 1,231 |

This compares with the maturities of the Group's financial liabilities at the end of the previous reporting period as follows:

| | Current | |
|---|---|---|
| | <6 months US$000 | 7-12 months US$000 |
| Trade payables | **7,754** | – |
| Drilling, workover and operation accruals | **9,292** | – |
| Arising on licence acquisition and extension | **2,596** | 625 |
| Others | **3,472** | – |
| Bank loan | **1,674** | 2,118 |

The Group's borrowings are set out in Note 20 and are due to mature in 2021 and 2024.

**g) Market risk**

Although the Group operates in the oil and gas sector, oil and gas prices do not generally affect the financial assets and liabilities of the Group as changes in oil and gas prices do not affect the fair value of these balance sheet items after initial recognition.

**h) Summary of financial assets and liabilities by category**

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Non-current assets – loans and receivables** | | |
| Deposits with state authorities | **351** | 351 |
| **Current financial assets at amortised cost** | | |
| Trade receivables | **4,842** | 8,676 |
| Other receivables | **1,568** | 1,619 |
| Cash and cash equivalents | **895** | 1,970 |
| | **7,305** | 12,265 |
| **Current financial liabilities measured at amortised cost** | | |
| Trade payables | **3,230** | 7,754 |
| Arising on licence acquisition and extension | **962** | 3,221 |
| Other payables | **4,325** | 3,472 |
| Current portion of contract liability | **9,321** | – |
| Borrowings | **2,462** | 3,792 |
| | **20,300** | 18,239 |

## 29. Risk management objectives and policies (continued)

With the exception of Group borrowings, further detail of which is set out in Note 20, the fair value of financial assets and liabilities approximates to the carrying value due to the short-term nature of the financial instruments with the exception of non-current loans and receivables that are held at amortised cost.

## 30. Managing capital

The Group's objectives when managing capital (debt and equity finance) are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to fund the Group with equity in the long term and using debt where applicable to fund drilling and other commitments.

The Group sets the amount of capital in proportion to risk and its plans for growth. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust any amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 31. Subsequent events

### Impact of COVID-19 on operations and volatility in world oil prices

The first priority is the welfare and health of our employees and families as well as our contractors working in the field. President monitors and checks on the health of all its employees and follows strict guidelines. Measures include restricting numbers travelling to fields in vehicles, monitoring health of operatives daily and social distancing. These necessary extra precautions have had no impact on production levels.

The Company has successfully transitioned to 100% home working for all of our administration and office staff in Argentina, with everyone equipped with all necessary IT infrastructure. Moral is excellent with a strong sense of togetherness throughout. There has been no decrease in efficiency and we are working as normal and this is something we are considering extending in some form in the new normal environment in due course. President has no UK or Louisiana offices so the Company is well used to working remotely.

While production from operations has not been affected and there have been no shut-in wells or choke back of our wells, we have experienced some volatility in prices and sales volumes through the peak of the lockdown caused by Covid-19.

On 18 May 2020, a Government decree (the "Decree") was issued inter alia setting a fixed reference price for Argentina standard Medanito crude at US$45 per barrel subject to local usual quality discounts. President's core production from its Neuquen basin assets fall under the Medanito category. Whilst the impact of the fixed price regime has yet to be felt due to decreased demand, the Decree has been issued against the backdrop of a phased and orderly exit from the lockdown in the country with many industries now back at work in many provinces, road traffic materially increasing and demand for hydrocarbons showing growth. It is currently considered that the impact of the fixed price decree will only be really felt once a full exit of lockdown has been achieved.

### Other events

In the first six months of 2020, the international commodity trading and logistics group Trafigura agreed to subscribe for new ordinary shares in the Company for a total sum of US$10 million at an average share price of 2.4 pence per share, thereby becoming a 16.7 per cent shareholder in President. During the same period, IYA, a Peter Levine group company, converted US$7.2 million of monies owed to it from the Company into new ordinary shares at the same average price. In aggregate this will result in Peter Levine holding through his investment fund PLLG Investments 29.95% of the Company. As a result of the resolutions passed at the General Meeting on 22 June 2020, the net effect of the above has reduced liabilities by US$17.1 million.

## 31. Subsequent events (continued)

On 3rd March 2020, President announced that the gas pipeline in Rio Negro was built and commissioned and new compression added to the gas infrastructure thereby enabling the start of material gas sales to market to the benefit of both the Estancia Vieja and the recently acquired Angostura field.

During the first six months of 2020, US$0.5 million was received from Compañia General De Combustibles S.A under a subscription agreement. The company issued 17,942,752 new shares at an average price of 2.175 pence per share.

On 4 June 2020, the Company announced that it had raised £4.73 million before expenses by way of placing ordinary shares at a price of 1.85 pence per share.

## 32. Transactions with Directors and other related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Company defines key management personnel as Directors of the Company. Further information about the remuneration of individual Directors is provided in Note 11 and in the Directors' Remuneration Report on pages 12 to 14.

### IYA loan facility

The Company has made use of an unsecured revolving loan facility made available by IYA Global Limited, a subsidiary of PLLG Investments Limited which is beneficially owned by the Company's Executive Chairman and its largest shareholder, Peter Levine. This facility is subordinated to the Company's external bank facility.

During 2018, the IYA loan facility was extended to US$20.5 million with US$16.5 million at a 10.5% interest rate and additional borrowings of US$4.0 at 12.5% plus 6 month Libor in line with incremental bank borrowing. Further details on borrowings are given in Note 20.

At the end of the year, the Company had drawn US$18.1 million (2018: US$19.9 million) of the US$20.5 million facility. Loan interest expense amounted to US$2,335,000 (2018: US$1,729,000) which continues to be capitalised into the loan balance. Loan fees expense of US$194,000 (2018: US$122,000).

In March 2019, approximately US$1.0 million of the existing loan facility was capitalised through the issue of 9,950,000 loan conversion shares at a price of 8 pence per share.in connection with and Offer for Subscription of shares in the Company. In line with AIM Rule 13, the independent directors, in consultation with the Company's nominated adviser, considered the terms of the conversion to be fair and reasonable in so far as the Company's shareholders were concerned.

In the first six months of 2020, a further US$7.2 million of monies owed under the facility has been converted into new ordinary shares as a result of the resolutions passed at the General Meeting on 22 June 2020 and further detailed in Note 31. The loan maturity date has been extended to 31 December 2024. In aggregate this will result in Peter Levine holding through his investment fund PLLG Investments 29.95% of the Company. The balance of the IYA loan as at 22 June 2020 was US$10.9 million leaving ca. US$10 million of the facility currently undrawn.

### Other transactions

Alpha Imperial Corp is a company whose ultimate beneficial shareholder is Peter Levine, the Chairman and largest shareholder of President Energy. In 2018, Alpha Imperial Corp farmed in to earn a 75% share in the reactivation of the Pacific Enterprise No1 well in the USA in return for funding the workover over and assuming the abandonment liability for the well. The Group retains a 24% interest in future production which is subject to ongoing evaluation. The transaction was immaterial for the purposes of AIM Rule 13 disclosure. Alpha Imperial Corp is also a joint venture partner in the Jefferson Island licence, acquired by the partners in 2018, with a 55% interest (Group interest is 20% and operator).

During 2019, PLLG Investments Limited a company whose ultimate beneficial shareholder is Peter Levine, the Chairman and largest shareholder of President Energy, provided company secretarial services to the Company amounting to US$76,358 (2018: US$47,699).

## 33. Acquisitions in Argentina

**Angostura**

In November 2019, the Group completed the acquisition of the Angostura concession in Rio Negro, Argentina. The exploration concession, which is adjacent to existing Group concessions, has current production and was acquired at minimal cost.

**Puesto Prado and Las Bases**

In December 2018, the Group completed the acquisition of the Puesto Prado and Las Bases concession assets in Argentina. The concessions, which are adjacent to the Puesto Flores / Estancia Vieja concession, include access to reserves, infrastructure and a strategic pipeline. The fair value of the acquisition cost comprised an initial cash cost of US$8.8 million, deferred consideration of US$1.2 million, abandonment liabilities of US$0.9 million and other liabilities totalling US$0.6 million.

## 34. Adoption of IFRS16 lease accounting standard

The Group adopted IFRS 16 Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases, for the period commencing 1 January 2019. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which were previously classified as operating leases under the provisions of IAS 17 Leases. The Group has identified leases predominantly for oil and gas production equipment but also for property and transportation equipment.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The discount rates used on transition are the incremental borrowing rates as appropriate for each lease based on factors such as the lessee legal entity and lease term. The incremental borrowing rate applicable for all of the leases for the Group is between 5.0% and 15.4%. The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required, involves some judgement and is subject to change over time. At the commencement date of leases management consider whether the lease term will be the full term of the lease or whether any option to break or extend the lease is likely to be exercised. Leases are regularly reviewed and will be revalued if the term is likely to change.

In accordance with the transition provisions in IFRS 16, the modified retrospective approach has been adopted with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. The financial impact of transition to IFRS16 for the first half of financial year 2019 has been summarised below. The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. The Group recognises lease expenses for these contracts on a straight-line basis as permitted by IFRS 16. Where leases had reasonably similar characteristics the Group elected to adopt a portfolio approach with a single discount rate was applied.

On transition the Group identified US$0.6 million of leases with the change in disclosure since 31 December 2018 arising due to the following:

| | US$000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 548 |
| Discounting using incremental borrowing rate on transition | (107) |
| Low-value leases not recognised as a liability | (5) |
| Contracts reassessed as lease contracts | 175 |
| | 611 |

## 34. Adoption of IFRS16 lease accounting standard (continued)

The incremental financial impact of the transition is as follows:

| | 1 Jan 2019 US$000 | 31 Dec 2019 US$000 |
|---|---|---|
| *i) Amounts recognised in the balance sheet* | | |
| **Right-of-use assets (included within Property, plant and equipment)** | | |
| Property leases | 85 | 17 |
| Oil and gas production and support equipment leases | 526 | 261 |
| Total non-current assets | 611 | 278 |
| **Leased liabilities** | | |
| Current | 312 | 154 |
| Non-current | 299 | 144 |
| | 611 | 298 |

| | 31 Dec 2019 US$000 |
|---|---|
| *ii) Amounts recognised in the statement of profit or loss* | |
| Cost of sales | **39** |
| Administrative expense | **7** |
| Operating profit/(loss) | **46** |
| Finance cost | **(66)** |
| Profit / (loss) before tax | **(20)** |

The Group impact is for a small increase in operating profit offset by higher finance charges as the financing component in the leases is now reflected under finance costs. An incremental deferred tax liability of US$69,000 would arise on transition due to the higher net book value carried at the period end. Cash flow impacts are disclosed in the cash flow statement.

# Company Balance Sheet
# 31 December 2019

| ASSETS | Note | 2019 US$000 | 2018 US$000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 4 | **3,575** | 3,495 |
| Property plant and equipment | | **–** | – |
| | | **3,575** | 3,495 |
| **Current assets** | | | |
| Debtors | 5 | **152,948** | 174,502 |
| Cash at bank and in hand | | **275** | 159 |
| | | **153,223** | 174,661 |
| **TOTAL ASSETS** | | **156,798** | 178,156 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Financial guarantee contract liability | | **80** | – |
| Borrowings | 7 | **18,083** | 19,851 |
| | | **18,163** | 19,851 |
| **Current liabilities** | | | |
| Creditors – Amounts falling due within one year | 6 | **2,899** | 2,455 |
| Borrowings | 7 | **–** | – |
| | | **2,899** | 2,455 |
| **Net assets** | | **135,736** | 155,850 |
| **EQUITY** | | | |
| Called up share capital | 8 | **24,465** | 23,654 |
| Share premium | | **245,692** | 240,904 |
| Retained earnings | | **(141,837)** | (115,891) |
| Share Option Reserve | | **7,416** | 7,183 |
| **Total equity attributable to the equity holders** | | **135,736** | 155,850 |

President Energy PLC reported a loss for the year ended 31 December 2018 of US$25,946,000 (2018: loss US$9,228,000). There were no other recognised gains and losses.

These financial statements for President Energy PLC (company number 5104249) were approved by the board of directors and authorised for issue on 22nd June 2020.

They were signed on its behalf by:

**Peter Levine**
**Executive Chairman**

The accompanying accounting policies and notes form an integral part of these financial statements.

# Company Statement of Changes in Equity 31 December 2019

| | Share capital US$000 | Share premium US$000 | Profit and loss account US$000 | Share Option reserve US$000 | Total US$000 |
|---|---|---|---|---|---|
| Balance at 1 January 2018 | 23,642 | 240,822 | (73,767) | 6,942 | 197,639 |
| Share-based payments | – | – | – | 241 | 241 |
| Issue of ordinary shares | 12 | 82 | – | – | 94 |
| Adjustment for adoption of IFRS9 | – | – | (32,896) | – | (32,896) |
| Transactions with the owners | 12 | 82 | (32,896) | 241 | (32,561) |
| Loss for the year | – | – | (9,228) | – | (9,228) |
| Total comprehensive income for the year | – | – | (9,228) | – | (9,228) |
| Balance at 1 January 2019 | **23,654** | **240,904** | **(115,891)** | **7,183** | **155,850** |
| Share-based payments | **–** | **–** | **–** | **233** | **233** |
| Issue of ordinary shares | **569** | **3,986** | **–** | **–** | **4,555** |
| Costs of issue | **–** | **(492)** | **–** | **–** | **(492)** |
| Debt conversion | **130** | **906** | **–** | **–** | **1,036** |
| Subscription | **112** | **388** | **–** | **–** | **500** |
| Transactions with the owners | **811** | **4,788** | **–** | **233** | **5,832** |
| Loss for the year | **–** | **–** | **(25,946)** | **–** | **(25,946)** |
| Total comprehensive income for the year | **–** | **–** | **(25,946)** | **–** | **(25,946)** |
| Balance at 31 December 2019 | **24,465** | **245,692** | **(141,837)** | **7,416** | **135,736** |

# Notes to the Company Accounts
# Year ended 31 December 2019

The following financial statements have been prepared in accordance with the recognition and measurement principles of EU-adopted IFRSs and under Financial Reporting Standard 101 (Reduced Disclosure Framework).

## 1. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**Basis of accounting**

President Energy PLC (formerly President Petroleum Company PLC until 28 September 2012) is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 73. The nature of the Company's operations and its principal activities are set out in the Report of the Directors on pages 08 to 11.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of President Energy PLC. The group accounts of President Energy PLC are available to the public and can be obtained from the Company website as detailed on page 73.

**Investments**

Investments in subsidiaries are shown at cost, less provision for impairment.

**Group accounts**

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because they are included in the group accounts of President Energy PLC.

**Adoption of new and revised Standards**

The Company has adopted all applicable IFRSs and Interpretations which have been endorsed by the EU and which are relevant to its operations and mandatory for accounting periods beginning on 1 January 2019 and no restatement of prior year amounts has been required. This Company adopted IFRS 16 Leases on 1 January 2019.

## 1. Significant accounting policies (continued)

*IFRS 16 Leases*

IFRS 16 impacted on the measurement and disclosure of leases in the financial statements. Since the Company does not have any qualifying leases for property, vehicles or other equipment no adjustment at adoption was required.

**Going concern**

The Company is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Company's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Company consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively including consideration of the impact of Covid-19 as outlined in the Chairman's Statement. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, downside sensitivities are considered for example a forecast Brent oil price of US$40 per barrel in 2021 after the expiry of the oil price Decree in Argentina which currently fixes prices at US$45 per barrel. Under such a scenario the Company can elect not to proceed with discretionary capital expenditure that would lead to a reduction in the forecast production.

The cash position at the year-end was US$0.3 million (2018: US$0.2 million). To support its operations the Company is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2024 provided by IYA Global Limited (Note 32). At the year-end there was US$18.1 million (2018: US$19.9 million) drawn under the loan facility. The balance of the IYA loan as at 22 June 2020 was US$10.9 million leaving ca. US$10 million of the facility currently undrawn.

Based on their review of cash forecasts and related sensitivity analysis, and supported by the undrawn available commitment under the existing loan facility provided by IYA Global Limited, the Directors believe that the Company will have available to it the financial resources to meet all commitments as they fall due. Further details of the Company's commitments are set out in Note 28. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Foreign Currency**

The financial statements are presented in United States Dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

**Taxation**

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent

### 1. Significant accounting policies (continued)
**Deferred tax (continued)**
that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### 2. Critical accounting judgements and key sources of estimation uncertainty
In order to prepare the consolidated financial statements in conformity with IFRS, management of the Company have to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. The recoverability of the receivables from Group undertakings is also subject to the underlying judgements and uncertainties highlighted in Note 3 in the Group report.

Key sources of estimation uncertainty
These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IFRS 9 Financial Instruments
The Company is required to assess the carrying values of each of the amounts due from subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments. The IFRS 9 impairment model requires the recognition of 'expected credit losses'. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, as is the case with the Company's material amounts due from Group undertakings where the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss based on the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered. The Company exercises judgement in considering the future cash flows that could be recovered from each undertaking. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

### 3. Loss for the year
As permitted by Section 408(1)(b) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. President Energy PLC reported a loss for the year ended 31 December 2019 of US$25,946,000 (2018: loss US$9,228,000). There were no other recognised gains and losses and accordingly no separate statement of comprehensive income has been presented.

## 4. Investment in subsidiaries

| | Place of Incorporation | Class of Share Capital | Percentage Held (a) | Business |
|---|---|---|---|---|
| **Held Directly** | | | | |
| President Energy (UK) Limited 1 | UK | Ordinary | 100% | Non trading |
| President Energy Paraguay Limited 1 | UK | Ordinary | 100% | Non trading |
| President Energy Pirity Limited 1 | UK | Ordinary | 100% | Non trading |
| President Energy Investments Limited 1 | UK | Ordinary | 100% | Non trading |
| **Held Indirectly** | | | | |
| President Energy Holding UK Ltd 1 | UK | Ordinary | 100% | Non trading |
| President Energy Paraguay SA | Paraguay | Ordinary | 100% | Oil and Gas |
| LCH SA | Paraguay | Ordinary | 100% | Oil and Gas |
| President Petroleum SA 2 | Argentina | Ordinary | 100% | Oil and Gas |
| Meridian Resources (USA) Inc. 3 | USA | Ordinary | 100% | Oil and Gas |

**Address of registered office**
1. Carrwood Park, Selby Road, Leeds, West Yorkshire, England, LS15 4LG
2. Juana Manso 1750, Complejo Zencity, Edificio Esmarelda, 3er Piso Norte, C1107CHJ, Buenos Aires, Argentina
3. 2020 W Pinhook, Ste 201, Lafayette, LA70508, USA

Note (a): All holdings are of ordinary shares and represent the proportion of the nominal value of the shares held.

Small increase in investments arising in 2019 is due to the recognition of a parent company guarantee given to a subsidiary undertaking recognised in line with the IFRS9.

## 5. Debtors

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Amounts owed by Group undertakings | **152,654** | 174,201 |
| Other receivables | **294** | 301 |
| | **152,948** | 174,502 |

The amounts owed by Group undertakings are repayable on demand or under term agreements. However, the Directors consider that they will not be repaid within one year.

Included in the amounts owed by Group undertakings is an estimated credit loss recognised under IFRS9 Financial Instruments. The estimated credit loss as at 31 December 2019 was US$54.5 million (2018: US$37.9 million). The increase in the year arose due to a review following the asset impairment recognised in Paraguay.

## 6. Creditors – falling due within one year

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Social Security and other taxes | **10** | 4 |
| Accruals | **1,423** | 1,450 |
| Other creditors | **1,466** | 1,001 |
| | **2,899** | 2,455 |

## 7. Borrowings

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| **Current** | | |
| Loan | **–** | – |
| | **–** | – |
| **Non-current** | | |
| Loan | **18,083** | 19,851 |
| | **18,083** | 19,851 |
| Total carrying value of borrowings | **18,083** | 19,851 |

## 8. Share capital

The ordinary shares of the Company were reorganised on 30 November 2009 into 1p ordinary shares that are traded on the London Stock Exchange and 29p deferred shares that have no voting rights, no rights to dividends and no rights to capital distributions.

**Equity share capital**

| | 2019 '000s | 2018 '000s |
|---|---|---|
| Authorised, allotted, called up and fully paid | | |
| Deferred shares of par value 29p each | **16,093** | 16,093 |
| Ordinary shares of par value 1p each | **1,135,283** | 1,072,840 |

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Deferred shares of par value 29p each | **8,725** | 8,725 |
| Ordinary shares of par value 1p each | **15,740** | 14,929 |
| | **24,465** | 23,654 |

## 9. Related party transactions

Details on related party transactions are provided in Note 32 in the President Energy consolidated accounts.

# Glossary

*Technical terms*

| | |
|---|---|
| bbls | Barrels of oil |
| mbbls | Thousand Barrels (of oil/liquids) |
| mmbbls | Million Barrels (of oil/liquids) |
| boe | Barrels of oil equivalent. Natural gas volume converted as 1 boe = 6 mcf |
| mboe | Thousand Barrels of oil equivalent |
| boepd | Barrels of oil equivalent per day |
| bopd | Barrels of oil per day |
| cf | Cubic feet (of natural gas) |
| mmcf | Million cubic feet (of natural gas) |
| bcf | Billion cubic feet (of natural gas) |
| Tcf | Trillion cubic feet (of natural gas) |
| mmcfd | Million cubic feet per day |
| Proved Reserves | Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. |
| Probable Reserves | Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. |
| Possible Reserves | Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. |
| Contingent Resources | Quantities of hydrocarbons estimated to be potentially recoverable from known accumulations |
| Prospective Resources | Quantities of hydrocarbons estimated to be potentially recoverable from undiscovered accumulations |

*General and financial terms*

| | |
|---|---|
| AIM | Alternative Investment Market of the London Stock Exchange |
| EBITDA | Earnings Before Interest Tax & Depreciation calculated as revenue less operating costs less administrative expense. |

## Alternative Performance Measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include net debt and well operating and underlying well operating costs per boe and free cash flow. Where used in the context of segmental disclosure the metrics are calculated in the same manner.

### Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business. Net debt is defined and calculated as follows:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Borrowings Current (Note 20) | **(2,462)** | (3,792) |
| Borrowings Non-current (Note 20) | **(20,107)** | (26,306) |
| Cash (Note 18) | **895** | 1,970 |
| Net (debt)/ net cash | **(21,674)** | (28,128) |

### Total operating cost and underlying well operating cost per boe

Total operating cost per boe is a useful straight forward indicator of the Group's costs incurred to produce oil and gas including all relevant expenses. However, since royalty, production taxes and similar expenses are not controllable these have been disaggregated to allow well operating costs to be measured.

| Total operating cost per boe | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Royalties & production taxes (Note 5) | **7,481** | 8,265 |
| Well operating costs (Note 5) | **19,411** | 18,759 |
| Total operating costs | **26,892** | 27,024 |
| Production (mmboe) | **881.4** | 831.8 |
| Total operating costs per boe US$ | **30.51** | 32.49 |

Where one-off or cyclical costs, such as workovers, are material these have been disclosed and the underlying well cost per boe referred to show the core performance. These have been defined and calculated as follows:

| Underlying well operating cost per boe | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Well operating costs (Note 5) | **19,411** | 18,759 |
| Less workover costs (per text in Note 5) | **(1,163)** | (1,531) |
| Less staff bonus in Operating expense (text in Note 5) | **(305)** | – |
| | **17,943** | 17,228 |
| Production (mmboe) | **881.4** | 831.8 |
| Underlying well operating costs per boe US$ | **20.36** | 20.71 |

A 7% reduction in core operating performance arose in Argentina and was calculated as follows:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Well operating costs (Note 4) | **18,429** | 17,904 |
| Less workover costs | **(739)** | (1,531) |
| Less staff bonus in Operating expense (text in Note 5) | **(305)** | – |
| | **17,385** | 16,373 |
| Production (mmboe) | **824.3** | 721.8 |
| Underlying well operating costs per boe US$ | **21.09** | 22.68 |

**Administrative cost per barrel**
Underlying administrative expense excluding non-recurring items is calculated as follows:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Administrative expense (Note 6) | **4,367** | 6,059 |
| Legal expenses in admin expenses (text in Note 6) | **–** | (744) |
| Arising on change in bank transaction taxes in Argentina | **428** | – |
| Staff bonus in Admin expense (text in Note 6) | **(609)** | – |
| | **4,186** | 5,315 |
| Production (mmboe) | **881.4** | 831.8 |
| Administrative cost per boe | **4.75** | 6.39 |

**Adjusted EBITDA**
The calculation is detailed on the Income Statement with further details on the non-recurring items include in Note 10.

*Non-recurring items*
Where referred to in the calculation of Adjusted EBITDA and in alternative performance measures these comprise the following:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Workover costs (per text in Note 5) | **1,163** | 1,531 |
| Arising on change in bank transaction taxes in Argentina | **(428)** | – |
| Staff bonus in Admin expense (per text in Note 6) | **609** | – |
| Staff bonus in Operating expense (per text in Note 5) | **305** | |
| Legal expenses in admin expenses (text in Note 6) | **–** | 744 |
| | **1,649** | 2,275 |

**Free cash generation from core operations**
A measure of cash generation from operations excluding changes in working capital, administrative expense and non-recurring workovers. Used by management as an indication of cash generation at asset level.

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Sales | **40,812** | 47,181 |
| Royalties & production taxes (Note 5) | **(7,481)** | (8,265) |
| Well operating costs (Note 5) | **(19,411)** | (18,759) |
| Add back non-recurring workovers | **1,163** | 1,531 |
| | **15,083** | 21,688 |

# Glossary

continued

*Reconciliation to cash flow from operations*
The reported cash flow generated from operating activities can be reconciled to free cashflows from core operations as follows:

| | 2019 US$000 | 2018 US$000 |
|---|---|---|
| Net cash generated by operating activities per Note 26 | **21,487** | 14,723 |
| Working capital movement per Note 26 | **(11,584)** | (338) |
| Add back administrative expense per Note 5 | **4,367** | 6,059 |
| Add back non cash depreciation in admin expense (Note 5) | **(117)** | (46) |
| Add back non cash share based payments in admin expense (Note 5) | **(233)** | (241) |
| Add back non-recurring workovers (Note 10) | **1,163** | 1,531 |
| | **15,083** | 21,688 |

**Deprecation per boe**
Depreciation per barrel of oil equivalent can change between accounting periods due to costs incurred, changes in reserves or changes in future costs and hence is a useful metric for reporting purposes. Where calculated on at a group or segment level the calculation is as follows:

- Reported depreciation charge as reported in Cost of Sales per Note 4 in accordance with IFRS GAAP reporting
- Divided by the barrel of oil equivalent of production reported in the Chairman's Statement in accordance with industry standards and state reports

# Corporate Information

| | | |
|---|---|---|
| **Directors** | Peter Levine | Executive Chairman |
| | Robert Shepherd | Group Finance Director |
| | Jorge Bongiovanni | Non-Executive Director |
| | Alexander Moody-Stuart | Non-Executive Director |
| **Secretary** | Peter Levine | |
| **Registered Office** | Carrwood Park<br>Selby Road<br>Leeds, LS15 4LG | |
| **Website** | www.presidentenergyplc.com | |
| **Nominated Advisor** | finnCap Ltd<br>60 New Broad Street<br>London, EC2M 1JJ | |
| **Broker** | Shore Capital<br>Cassini House<br>57 St James Street<br>London SW1A 1LD | |
| **Auditor** | Deloitte LLP<br>Hill House<br>1 Little New Street<br>London EC4A 3TR | |
| **Legal Advisers** | Field Fisher Waterhouse LLP<br>35 Vine Street<br>London EC3N 6AE | |
| **Principal Bankers** | Barclays Bank<br>54 Lombard Street<br>London EC3P 3AH | |
| **Registrars** | Equiniti Limited<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex BN99 6DA | |
| **Registered number** | 5104249 | |

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 22 July 2020 at 11.00 a.m. at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London EC4R 3TT

In light of the government's ongoing response to the COVID-19 outbreak, banning all non-essential travel and gatherings of more than two people, the Company requests all Shareholders to submit their Form of Proxy and not to attend the meeting in person. Shareholders are reminded that attending the AGM in person would be in breach of the government's laws and guidance in relation to COVID-19 and, as such, only the appointed Chair of the meeting and one other nominated shareholder will be permitted to do so by way of a video link, to ensure the meeting is quorate. The Company will continue to monitor the situation and issue any further updates as necessary.

In accordance with the Articles, voting will take place on a show of hands and, if the Company is of the view that this does not reflect the proxy votes, the Chair will direct voting to be by poll. The Company will be providing facilities to enable Shareholders to follow the proceedings of the General Meeting and to ask questions of the Board remotely. All Shareholders are requested to use these facilities and not travel to participate in the meeting in person however Shareholders may listen to the formal AGM proceedings by dialling UK Toll-Free 08003589473 or Toll +44 3333000804 pin code 53861673#. This will not constitute attendance at the Meeting and Shareholders will not be able to vote by telephone.

Immediately after the formal business of the meeting, the Company will host a separate interactive presentation through the digital platform Investor Meet Company. The Company is committed to ensuring that there are appropriate communication structures for all elements of its shareholder base so that its strategy, business model and performance are clearly understood. Further details of the presentation on the Investor Meet Company platform will be provided closer to the date. Investors can sign up to Investor Meet Company for free and add to meet President Energy PLC via:

https://investormeetcompany.com/president-energy-plc/register-investor

The Meeting will be held for the following purposes, namely:

## Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1 To receive and adopt the Company's Financial Statements for the year ended 31 December 2019, together with the reports of the auditor and directors of the Company ("**Directors**") thereon.

2 To re-elect Robert Shepherd as a Director of the Company, who retires in accordance with Article 105 of the Company's Articles of Association and offers himself for re-election.

3 To re-elect Jorge Bongiovanni as a Director of the Company, who retires in accordance with Article 105 of the Company's Articles of Association and offers himself for re-election.

4 To re-elect Martin Urdapilleta as a Director of the Company, who offers himself for re-election in accordance with Article 110 of the Company's Articles of Association.

## Special Business

As special business to consider and if thought fit to pass the following resolutions of which the resolution numbered 5 will be proposed as an ordinary resolution and the resolution numbered 6 will be proposed as a special resolution.

5 That authority be and is hereby granted to the Directors of the Company generally and unconditionally to allot shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company ("**Rights**") pursuant to Section 551 of the Companies Act 2006 (the "**Act**") up to an aggregate nominal amount of £6,023,743.81 (such amount equating to 30 per cent. of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may

allot shares or grant Rights pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 551 of the Act.

6 That the Directors be and they are hereby generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the Directors pursuant to Section 570 of the Act and shall be limited to:

(a) allotments made in connection with offers of equity securities to the holders of ordinary shares in proportion (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any overseas territory or the requirements of any recognised regulatory body or any stock exchange in any territory;

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £2,007,914.60 (such amount equating to 10 per cent. of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the authority conferred hereby had not expired.

BY THE ORDER OF THE BOARD

**Peter Levine**
**Company Secretary**
25 June 2020

Registered office:
Carrwood Park
Selby Road
Leeds LS15 4LG

Notes

*Entitlement to attend, speak and vote*

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members entered on the register of members at 6.30pm on 20 July 2020 (or in the event that this meeting is adjourned, on the register of members 48 hours excluding non-business days before the time of any adjourned meeting) shall be entitled to attend, speak and vote at the meeting in respect of the number of ordinary shares in the capital of the Company held in their name at that time. Changes to the register after 6.30pm on 20 July 2020 shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting. However, in light of the government's ongoing response to the COVID-19 outbreak, the Company requests Shareholders to submit their form of proxy and not to attend the meeting in person.

*Appointment of proxies*

2. Members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Please see the instructions on the enclosed Form of Proxy.

3. The completion and return of a Form of Proxy whether in hard copy form or in CREST will not preclude a member from attending in person at the meeting and voting should he or she wish to do so. However, in light of the government's ongoing response to the COVID-19 outbreak, the Company requests Shareholders to submit their form of proxy and not to attend the meeting in person.

*Appointment of proxies using hardcopy proxy form*

4. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you) in the boxes indicated on the form. Please also indicate if the proxy instruction is one of multiple instructions being given. To appoint more than one proxy please see the instructions on the enclosed Form of Proxy. All forms must be signed and should be returned together in the same envelope.

5. To be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Freepost RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 8LU by hand, or sent by post, so as to be received not less than 48 hours excluding non-business days before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

*Appointment of proxies using CREST*

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (Equiniti Limited RA19) by 11.00am on 20 July 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

*Corporate representatives*

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

President Energy

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PRESIDENT
ENERGY