President Petroleum Company PLC

Report and Consolidated Financial Statements 2011

President Petroleum Company PLC is an independent, international oil and gas exploration and production company.

President Petroleum's target is to become a mid-cap independent exploration and production company with critical mass and a strategic presence in key areas of interest.

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.

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Chairman's Statement

Summary

The overriding theme in 2011 was to move from an exploration led model to a production focused company, with exploration and appraisal upside. This has been successfully achieved through our major new acquisition in Argentina, which sets President on a path to material production growth and a foundation on which to build a larger presence.

Argentina

In June, the Company announced the acquisition of a 50% working interest in the Puesto Guardian Concession ("the Concession") in the Noroeste basin in northern Argentina. The acquisition cost US$2.2 per 2P barrel and provided existing production, immediate development opportunities and further reserve exploitation potential.

The drilling of President's first two wells in Argentina, PEE-1001 at the Pozo Escondido Field and DP-1001 at the Dos Puntitas field, have now been completed in H1 2012. PEE-1001 successfully encountered a 32 metre gross oil column at a depth of some 3,420 metres, predominantly in carbonates, which currently produces in an offset well. Based on logs and data from the offset well, President estimates that there is 28 metres of net pay. The second well DP-1001 was also a successful well, encountering 33 metres of net pay in both sandstone and carbonate.

Well DP-1001 has been brought on stream as a producer at 300 bopd gross, with production contribution from just the carbonate interval. Once a frac campaign has been completed, it is expected that this well will also produce commingled with the A6 sands, which President believes will flow at similar rates to the carbonate. These rates suggest that pre drill estimates of 380 bopd (post frac) can be exceeded on this and other wells. The free flow from the carbonate also provides affirmation of the potential from this reservoir across the Concession, where President has preliminarily identified additional oil in place across three fields.

Petrophysical review of many old wells drilled some 30 years ago on the Concession has provided President with encouragement for additional reserve upside in the area. The review to date of three of the five fields on the Concession have yielded internally estimated scoping numbers of additional 66 million barrels of oil in place which were not considered in any previous reserves estimates. Even applying prudent recovery factors to these estimates could have the effect of materially increasing President's reserves. Similar petrophysical studies will be carried out this year for other existing fields on the licence, and indeed on other areas within the Concession boundaries.

A fraccing programme for a number of old shut-in wells is planned for 2012. President believes that this work could generate meaningful production in wells which had been previously shut in. In parallel with the drilling of new wells and the fraccing programme at Puesto Guardian, President with its partner are expediting a work-over programme on shut-in production wells which will include testing electric submersible pumps for the first time. If successful, a number of shut-in wells would be switched from beam pumps to electrical pumps. This programme, together with the additional work-over activity on shut-in production wells, which have suffered through lack of capital expenditure, is expected to increase and thereafter maintain production from these wells.

Gaffney Cline & Associates were commissioned to report on the exploration potential of the Martinez del Tineo prospect at the Puesto Guardian field. Gaffney Cline have estimated unrisked gross prospective resources of 570 bcf of natural gas and 14.5 million barrels of condensate. Although this prospect is at this stage an exploration target it is possibly a play opener and does point to the potential of the Concession in addition to the current reserve profile.

President approaches this work with some confidence in the near-term potential of uplifting production and the scope to materially increase President's reserves at Puesto Guardian during 2012.

Net production in Argentina averaged 183 bopd for the six months July through December. Realised oil prices increased steadily during the second half from approximately US$60/barrel to US$70 per barrel (due to government relaxation of controls), and resulted in revenue of US$2.2 million. Drilling and work-over activity in 2012 are expected to generate materially higher daily production.

US Operations

While smaller scale work-overs were performed in the first half of the year, new wells and recompletions commenced mid-year which have contributed to higher production rates. In Louisiana, average daily production in the second half of 2011 was 182 boepd (H1: 136 barrels of oil equivalent). Full year average production was 160 boepd (2010: 185 boepd). At year end oil accounted for approximately 90% of production, with an annual average of 66% (2010: 45%). The higher oil weighting and realised prices resulted in a 41% increase in US revenue to US$4.8 million (2010: US$3.4 million). Strategically, the US operations have become secondary to our focus in Argentina but remain important as a cash generative asset, contributing US$3.6 million of operating cash flow after tax to the Group.

President continues to assess low-risk accretive opportunities in Louisiana.

Australia Operations

In April, the Company announced the drilling results of its Northumberland 2 well on PEL 82 licence, in the Otway Basin, South Australia. While no commercial discovery was made, President has been encouraged by hydrocarbon fluorescence and gas shows. President's current licence commitments on PEL 82 have now been satisfied and the next steps on this licence are being actively considered.

Production and Reserves

Production	Oil (bbls) 2011	Oil (bbls) 2010	Natural Gas (mmcf) 2011	Natural Gas (mmcf) 2010	Total Hydrocarbons (mboe) 2011	Total Hydrocarbons (mboe) 2010
Producing Field						
Puesto Guardian	33,351	–	–	–	33.4	–
East Lake Verret	15,625	13,971	25.1	161.2	19.8	40.8
East White Lake	22,878	16,339	93.2	62.4	38.4	26.7
	71,854	30,310	118.3	223.6	91.6	67.5

Net Reserves (mboe)	Proved	Probable	Possible	Total
As at 31 December 2010	984.5	207.8	634.6	1,826.9
Argentina acquisition	2,039.9	4,556.0	–	6,595.9
USA reserve reduction	(497.4)	–	–	(497.4)
Production 2011	(91.6)	–	–	(91.6)
As at 31 December 2011	**2,435.4**	**4,763.8**	**634.6**	**7,833.8**

The USA reserve reduction relates to proved undeveloped reserves at East Lake Verret. Management has taken the decision not to proceed with the development of wells for which 1P reserves were previously recognised as a consequence of the drilling result of Kafoury 3 and President's primary focus on Argentina.

Financial Summary

Revenue increased to US$7.0 million (2010: US$3.4 million) as a result of higher oil production and realised prices in Louisiana and the inclusion of six months' revenue from Argentina. In aggregate cost of sales remained broadly flat at US$5.1 million (2010: US$5.3 million) resulting in a gross profit of US$2.0 million (2010: gross loss of US$1.9 million). Lower depreciation charges were offset by higher well operating costs, reflecting the fixed cost component of the five field Puesto Guardian Concession in Argentina. As material production growth is delivered the fixed cost component will become less significant, leading to improved margins on incremental barrels.

Group Overheads increased from US$2.4 million to US$8.0 million due to increased staff costs critical to the expansion of the business, the build-out of our Argentine business, costs associated with business development and costs related to restructuring. The key components of administrative expenses were staff costs of US$2.8 million, costs related to business development (including the Argentine acquisition) of US$1.6 million and share based payments of US$0.4 million. Other administrative expenses include advisory fees, corporate structure costs and costs to establish the Argentine office in Buenos Aires.

As stated in the 2011 Interim Report, the Group has recognised an impairment on the unsuccessful well at Kafoury 3 of US$12.9 million, which together with other impairments has contributed to an impairment charge of US$15.8 million (note 13). As a result operating loss for the year is US$21.9 million.

Loan finance from Macquarie Bank was repaid during the year and the Group had no debt as at the year end.

As continued evidence of the support and conviction in President's strategy and prospects, Peter Levine (through a wholly owned subsidiary of Levine Capital Management Limited) has extended an up to US$6.5 million loan facility to President, on fair and reasonable terms, in order to provide the flexibility to maintain momentum and pursue an increasing number of growth opportunities.

Outlook

President looks forward with confidence to an exciting 2012 as the Group capitalises on the momentum started in the second half of 2011. This will see President moving towards material production growth and advancing its very promising position in Argentina. President believes that recent events in Argentina are unrelated to its own activities. President remains in a good position to take advantage of the opportunities for growth and will continue to work constructively in the country.

In February 2012 the company successfully raised US$9.4 million, net of expenses, in an equity raising from existing and new shareholders.

As previously announced, Peter Levine has been appointed the Executive Chairman, effective 11 May 2012. The past 12 months have been eventful for President and, with the momentum we now have in Argentina, I trust 2012 will continue to be an exciting time for President and its stakeholders. Finally, I would like to thank our shareholders, staff, advisors and other stakeholders for their meaningful support and contribution during the year.

John Hamilton
Interim Chairman
10 May 2012

Directors' Report

The Directors present their report and the audited financial statements of President Petroleum Company PLC for the year ended 31 December 2011.

Financial Review

The results for 2011 have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRSs). The Group adopts the US Dollar as its presentation currency to reflect the fact that most of the Group's activities are denominated in that currency. The balance sheet of the Parent Company is prepared under UK Generally Accepted Accounting Policies (GAAP). Proved and probable oil and gas reserves have been assessed by the Directors. These assets are not recognised in the balance sheet, with the exception of costs incurred to acquire them, evaluate their prospectivity and bring them into production.

Net revenue for the year increased to US$7.0 million (2010: US$3.4 million) due to six months of production contribution from Argentina and an increased bias toward oil production, coupled with higher prices of oil in Louisiana. In aggregate cost of sales remained broadly flat at US$5.1 million (2010: US$5.3 million), with a lower depreciation charge being offset by well operating costs reflecting the fixed cost component of the five field Puesto Guardian Concession in Argentina. As material production growth is delivered the fixed cost component will become less significant, leading to improved margins on incremental barrels. Gross profit for the year stood at US$2.0 million (2010: loss US$1.9 million).

Administrative expenses increased to US$8.0 million (2010: US$2.4 million) due to the recruitment of staff critical to the expansion of the business, the build-out of our Argentine business, costs associated with business development and restructuring. The key components of administrative expenses were staff costs of US$2.8 million, costs related to business development (including the Argentine acquisition) of US$1.6 million and share based payments of US$0.4 million. Other administrative expenses include advisory fees, corporate structure costs and costs to establish the Argentine office in Buenos Aires. Impairment charges for the year of US$15.8 million (2010: US$2.9 million) relate mainly to the unsuccessful Kafoury 3 well and its consequential impact on the Group's appetite to pursue East Lake Verret proved undeveloped reserves (note 13).

Year-end cash balances of US$6.3 million (2010: US$45.7 million) demonstrate an active 2011 with significant exploration wells in Louisiana and Australia and the Company's investment in Argentina. Together this investment has resulted in an increase in the Group's non-current assets to US$54.5 million (2010: US$16.2 million). Loan finance from Macquarie Bank was repaid in full in June 2011. The Group had no debt as at the year end.

On 27th June 2011, President announced the acquisition of a 50% working interest in the CNO-8 Puesto Guardian Concession in Argentina for a consideration of US$1.5 million cash, 5,102,041 President shares (equivalent to US$2 million), a US$10.75 million carry (representing 50% of drilling costs on a US$21.5 million drilling programme) and 1 million warrants to purchase President shares at GBP0.5 per share.

The Argentine acquisition has been included in the Group accounts under IFRS 3: Business combinations, as revised with effect from 2010. Under previous guidance the transaction would be likely to have been included in the accounts under IAS 16: Property, plant and equipment, however the revised application guidance in IFRS 3 has broadened such that many more oil and gas transactions are likely to fall within its scope. The key differences in treatment between the two standards are:

- assets and liabilities acquired, and in particular property plant and equipment, have been included in the accounts at their acquisition-date fair value, as opposed to the cost to acquire the interest;
- transaction costs are not capitalised and have been expensed through the income statement, and

Financial Review (continued)

- a deferred tax liability has been recognised in relation to the property plant and equipment and exploration and evaluation asset balances for the tax that will need to be paid in the future as the Group realises, through production, the value of the assets acquired.

Note 33 provides the breakdown of the values included in the accounts. No goodwill has been recognised on the transaction as the fair value is deemed to be equivalent to the cost to acquire the interest.

Long-term provisions have increased to US$2.7 million (2010: US$1.0 million) to reflect the decommissioning liability associated with the Argentine acquisition. Total loss for the year amounts to US$22.3 million (2010: US$6.7 million) giving a loss per share of US$0.19 (2010: US$0.12)

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.

Results and Dividends

The loss for the year after taxation amounted to US$21.4 million (2010: loss US$6.7 million). The Directors do not recommend a dividend. (2010: nil)

Directors

The current Directors of the Company and those who served during the year were as follows:

Peter Levine (appointed with effect from 11 May 2012)
John Hamilton
Benjamin Wilkinson
Dr. David Jenkins (appointed 6 February 2012)
Dr. Michael Cochran
David Wake-Walker
Stephen Gutteridge (resigned 28 April 2011)
Angelo Baskaran (resigned 9 February 2011)

None of the Directors has a service agreement of more than one year's duration. Save as disclosed in the Directors' Remuneration Report on page 10 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.

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 development wells PEE-1001 and DP-1001 were successfully drilled on the Puesto Guardian Concession in Argentina, encountering an estimated 28 metres and 33 metres of net pay respectively in both sandstone and carbonates. At the time of this report the DP-1001 well has been tested and is being placed on production. The development well DP-1002 has spudded.

As part of continued studies on the Puesto Guardian Concession, previously unidentified oil in place of 66 million barrels has been assessed in cretaceous carbonate reservoirs. Additionally a Gaffney Cline Prospect Resource Statement has attributed a mid-case unrisked Gross Prospective Resource of 570 bcf with an additional 14.5 million barrels of condensate to the Martinez del Tineo deep gas prospect.

In February 2012 the company successfully raised US$9.4 million, net of expenses, in an equity raising from existing and new shareholders. In addition, an unsecured loan facility of up to US$6.5 million has been made available to the Group.

Further details are available in note 31.

Substantial Shareholders

As at 15 April 2012, the latest practicable date prior to the publication of this report, the following interests appeared in the register.

Lynchwood Nominees Limited	36,986,157	28.77%
Harewood Nominees Limited	10,522,185	8.18%
BNY (OCS) Nominees Limited	8,880,179	6.91%
Mineworkers Pension Scheme /Chase GIS/ Nominees Limited	8,045,289	6.26%
Vidacos Nominees Limited	7,257,981	5.65%
British Coal Staff Superannuation Scheme /Chase GIS/ Nominees Limited	5,745,419	4.47%
TD Direct Investing Nominees (Europe) Limited	5,275,906	4.10%
Tripetrol Oil Trading Inc. (and associated company)	5,717,041	4.45%

Included in the above, the Company has been advised of the following beneficial holdings.

Levine Capital Management Limited	29.21%
Schroders plc	10.03%
Henderson Global Investors Ltd	9.95%
Baillie Gifford & Co	7.27%

Percentages are based on the issued share capital at the date of notification.

The Levine Capital Management Limited (LCML) shareholding shown above is inclusive of the following beneficial interests

Peter Levine	37,118,525
John Hamilton	300,000
Benjamin Wilkinson	40,000

Directors' interests in the Share Capital of the Company are disclosed in the Directors' Remuneration Report on page 12. Further details of LCML are set out in note 32.

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 reviewed against prior year, 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.

	2011	2010	Increase/ (Decrease)
Production			
Net oil and natural gas liquid production mbbls	71.9	30.3	137.3%
Net gas production mmcf	118	224	(47.3%)
Production mboe			
USA	58.2	67.5	(13.8%)
Argentina	33.4	–	–
Total net hydrocarbons	91.6	67.5	35.7%
Well cash operating costs US$000			
USA	1,217	1,421	(14.4%)
Argentina	2,149	–	–
Total operating costs	3,366	1,421	136.9%
Well cash operating costs per boe US$			
USA	20.8	21.1	(0.7%)
Argentina	64.3	–	–
Total well operating costs per boe US$	36.7	21.0	74.8%
Cash balances US$000	6,293	45,690	(86.2%)

The Group has shifted the balance of its production from gas to oil. During the period natural gas prices have fallen significantly but oil prices have performed well, resulting in greatly improved gross profitability. Well operating costs in Argentina reflect the fixed cost component of the five field Puesto Guardian Concession and non-recurring work-over costs. As material production growth is delivered the fixed cost component will become less significant, leading to improved margins on incremental barrels. Life of field cash operating costs are anticipated to be US$35/bbl.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Summary on page 04, and the Financial Review on pages 05 to 06. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's cash position at the year-end is US$6.3 million. Post year-end the Company successfully raised US$9.4 million, net of expenses, in an equity raising from existing and new shareholders. A loan facility of up to US$6.5 million has been made available to the Group (note 31), which is currently undrawn. The Group is reliant on production revenues from existing producing wells and wells that are in the process of being tested and developed for commercial production. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues. Having considered reasonable possible sensitivities the Directors believe that the Group will be able to operate within its existing committed funding and 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 Petroleum 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.

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 partner on our fields that we do not operate.

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.

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, Argentine Pesos and Australian Dollars to match expected expenditure plans. These principally consist of ongoing capital investment in the Puesto Guardian Concession in Argentina and in South Australia.

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 currencies of US Dollars, Argentine Pesos and Australian Dollars and the Group mitigates currency risk by holding cash reserves in those currencies. Sterling is retained for central corporate costs.

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 new 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 30 days or less. The Group had no trade creditors overdue at 31 December 2011. The average creditor days were 19 (2010: 78). Average creditor days are calculated on year-end creditors against purchases in the year. 2010 average days were higher than usual due to capital costs in respect of drilling in progress as at the year end.

Third Party Indemnities

The Group has taken out Directors and Officers liability insurance.

Related Parties

The Group has entered into related party transactions, the details of which 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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 13 June 2012 at 11:00 a.m.

ON BEHALF OF THE BOARD

John Hamilton

Interim Chairman

10 May 2012

Directors' Remuneration Report (unaudited)

Whilst the Company is not required to present a Directors' Remuneration Report, as it is not subject to the Listing Rules of the Financial Services Authority nor 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 a separate Directors' Remuneration Report.

The current Directors are:

Peter Levine - Chairman
(with effect from 11 May 2012)
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. Previously he was Chairman of Severfield-Rowan PLC.

John Hamilton - Interim Chairman
John Hamilton is Managing Director of Levine Capital Management Advisors Limited and was previously Group Finance Director of Imperial Energy Corporation PLC until January 2009. Prior to joining Imperial Energy, John held senior positions at ABN AMRO.

Benjamin Wilkinson - Finance Director
Ben Wilkinson is a Chartered Accountant and holds a Bachelor of Science in Economics. After qualifying with BDO Stoy Hayward, he joined ABN AMRO (subsequently Royal Bank of Scotland) as an Oil & Gas Corporate Finance banker. He joined President Petroleum from Levine Capital Management Advisors Limited.

Dr. David Jenkins - Deputy Chairman & Senior Independent Non-Executive Director
David has had a distinguished career spanning over 40 years. He retired from BP at the end of 1998. During this time, he became Chief Geologist in 1979 and General Manager for BP Exploration in 1984. He was then promoted to Chief Executive Technology for BP Exploration and Chief Technology Advisor to the CEO. David served for 9 years (2001-2009) as a Director of BHP Billiton plc, the world's largest and most successful diversified resource company. David is currently serving as Energy Advisor to Temasek.

Dr. Michael Cochran - Non-Executive Director and Chairman of Remuneration Committee
Mike Cochran has over 40 years' experience of the oil and gas business. Previously he was Senior Vice President, Strategy and Planning and Vice President of Worldwide Exploration for Anadarko Petroleum Corporation. Prior to his time at Anadarko, Mike was with Gulf Oil Company in Africa, South America and the US.

David Wake-Walker - Non-Executive Director and Chairman of Audit Committee
David Wake-Walker spent over 25 years in financial services management, principally in corporate banking, prior to taking on a number of private equity, trading and corporate advisory roles. He has served as a non-executive Director for numerous companies, both in the UK and overseas, including as Chairman.

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 comprises Mike Cochran (Chairman), David Wake-Walker and John Hamilton. Other Directors may be invited to attend meetings of the Remuneration Committee but do not participate in any decision affecting their own remuneration.

The Remuneration Committee meets as necessary, and during the year met formally seven 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 letters of appointment. Their engagements can be terminated upon three months' notice by either party with the exception of Peter Levine and Benjamin Wilkinson who are on six months' notice. 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 2011, the Directors' remuneration comprised a basic salary and the granting of share options. There were no taxable benefits or payments to pension schemes.

Salary

The remuneration of Directors for the year ended 31 December 2011 is set out as below.

	Note	2011 US$000	2010 US$000
John Hamilton	a	230	46
Benjamin Wilkinson (appointed 14 February 2011)	b	197	–
Dr. Michael Cochran	c	69	121
David Wake-Walker	d	61	58
Stephen Gutteridge (resigned 26 April 2011)		228	261
Angelo Baskaran (resigned 9 February 2011)	e	28	164
Christopher Hopkinson (resigned 24 September 2010)		–	29
		813	679

a) US$229,892 (2010: US$46,380) was paid to Levine Capital Management Advisors Limited, a company of which John Hamilton is Managing Director, in respect of John Hamilton's remuneration. Further details of that company are set out in note 32 Transactions with Directors and other related parties.

b) US$196,879 (2010: US$nil) was paid to Levine Capital Management Advisors Limited in respect of Benjamin Wilkinson's remuneration. Further details of that company are set out in note 32 Transactions with Directors and other related parties. Benjamin Wilkinson became a full time employee of President Petroleum with effect from 1 July 2011 and is no longer seconded by Levine Capital Management Advisors Limited.

c) In 2011 Dr. Michael Cochran's remuneration was paid directly through the Company's US subsidiary. In 2010 US$91,276 was paid to Levine Capital Management Advisors Limited in respect of his remuneration. Further details of that company are set out in note 32 Transactions with Directors and other related parties.

d) US$51,966 (2010: US$50,090) was paid to David Wake-Walker Limited, a company of which David Wake-Walker is a shareholder and director. There were no outstanding balances as at the year-end.

e) US$10,290 (2010: US$123,480) was paid to LCL Merchant Partners Inc., a company of which Angelo Baskaran is a shareholder and president, in respect of Angelo Baskaran's remuneration. There were no outstanding balances as at the year-end.

Directors' Interests in the Share Capital of the Company

The beneficial interests of the Directors who held office at 31 December 2011 in the Ordinary Shares of the Company were:

	31 December 2011 1p shares	31 December 2010 1p shares
John Hamilton	300,000	300,000
Benjamin Wilkinson	40,000	–
Dr. Michael Cochran	100,000	100,000
David Wake-Walker	128,804	128,804

Dr. David Jenkins purchased 25,000 shares after 31 December 2011.

Peter Levine is the beneficial owner of 37,118,525 Ordinary Shares.

Peter Levine, John Hamilton and Benjamin Wilkinson hold their shares through Levine Capital Management Limited. Further details of that company are set out in note 32.

There has been no other change in the interest of any Director between 1 January 2012 and the date of this report.

Executive Bonus Scheme

The Remuneration Committee set targets for Directors and staff which contained both operational and strategic targets.

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. Options granted to Directors who have resigned in the period have been cancelled.

Details of options granted and held during the year are set out in note 25.

This report was approved by the Board on 10 May 2012 and was signed on its behalf by:

Mike Cochran
Chairman of the Remuneration Committee
10 May 2012

Corporate Governance Statement

It is the objective of the Board to maintain a high standard of Corporate Governance. As an AIM listed company, full compliance with the UK Corporate Governance Code is not a formal obligation. The Group has, however, sought to adopt the provisions of the code that are appropriate to its size and organisation and to establish frameworks for the achievement of this objective.

The Board

President Petroleum'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 Petroleum 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 Chairman, two executive Directors and three non-executive Directors.

Board Committees

During 2011 the audit committee comprised David Wake-Walker (Chairman) and Mike Cochran. David Jenkins was appointed to the audit committee on 20 April 2012. The remuneration committee comprises Mike Cochran (Chairman), David Wake-Walker and John Hamilton.

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. President Petroleum sends its annual report and accounts to all shareholders. The Company also sends its June interim statement to all shareholders. The Group endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. 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 Argentina, the US and Australia, President Petroleum 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 Petroleum's corporate vision and objectives and is also central to safeguarding President Petroleum'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.

Bribery Act

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

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). 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 judgements 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 the 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group'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; and
- the management report, which is incorporated into the Directors' 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.

Benjamin Wilkinson
Finance Director
10 May 2012

John Hamilton
Interim Chairman
10 May 2012

Independent Auditor's Report

Independent Auditor's Report to the members of President Petroleum Company PLC

We have audited the financial statements of President Petroleum Company PLC for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet and the related notes 1 to 33 of the Consolidated Accounts and 1 to 8 of the Parent Company Accounts.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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 (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Bevan Whitehead (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
10 May 2012

Consolidated Statement of Comprehensive Income
Year ended 31 December 2011

	Note	2011 US$000	2010 US$000
Continuing Operations			
Revenue	4	7,047	3,439
Cost of sales	5	(5,077)	(5,320)
Gross profit/(loss)		1,970	(1,881)
Administrative expenses	6	(8,025)	(2,416)
Operating loss before impairment charge		(6,055)	(4,297)
Impairment charge	7	(15,837)	(2,949)
Operating loss		**(21,892)**	**(7,246)**
Investment income			
Loss on derivative financial instruments	8	–	(23)
Interest on bank deposits		215	86
Realised gains on translation of foreign currencies		263	691
Finance costs – interest payable on loan	21	(2)	(141)
Loss before tax	9	(21,416)	(6,633)
Income tax credit/(charge)	11	56	(101)
Loss for the year from continuing operations		(21,360)	(6,734)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		(913)	(3)
Total comprehensive income for the year attributable to the equity holders of the parent		(22,273)	(6,737)
Loss per share	12	US cents	US cents
Basic earnings per share from continuing operations		(19.1)	(11.6)
Diluted earnings per share from continuing operations		(19.1)	(11.6)

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

Consolidated Statement of Financial Position 31 December 2011

ASSETS	Note	2011 US$000	2010 US$000
Non-current assets			
Intangible assets	13	34,567	14,371
Property, plant and equipment	14	19,933	1,877
		54,500	16,248
Other non-current assets	16	330	330
		54,830	16,578
Current assets			
Trade and other receivables	17	4,313	1,877
Current tax	18	–	100
Cash and cash equivalents	19	6,293	45,690
		10,606	47,667
TOTAL ASSETS		65,436	64,245
LIABILITIES			
Current liabilities			
Trade and other payables	20	4,643	4,408
Borrowings and deferred consideration	21	10,750	450
		15,393	4,858
Non-current liabilities			
Borrowings and deferred consideration	21	–	889
Long-term provisions	22	2,691	996
Deferred tax	23	8,813	–
		11,504	1,885
TOTAL LIABILITIES		26,897	6,743
EQUITY			
Share capital	24	10,611	10,514
Share premium		68,788	66,478
Translation reserve		(10)	903
Profit and loss account		(41,787)	(20,427)
Reserve for share-based payments		937	34
TOTAL EQUITY		38,539	57,502
TOTAL EQUITY AND LIABILITIES		65,436	64,245

The financial statements were approved by the Board of Directors and authorised for issue on 10 May 2012.

They were signed on their behalf by:

John Hamilton
Interim 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 2011

Attributable to owners of the Company

	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 2010	9,508	19,577	906	(13,693)	–	16,298
Share-based payments	–	–	–	–	34	34
Shares issued on placing and open offer	1,006	49,310	–	–	–	50,316
Costs of issue	–	(2,409)	–	–	–	(2,409)
Transactions with the owners	1,006	46,901	–	–	34	47,941
Loss for the year	–	–	–	(6,734)	–	(6,734)
Other comprehensive income - exchange differences on translation	–	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	(3)	(6,734)	–	(6,737)
Balance at 1 January 2011	10,514	66,478	903	(20,427)	34	57,502
Share-based payments	–	–	–	–	384	384
Warrants issued on acquisition of Argentine assets	–	–	–	–	519	519
Shares issued on acquisition of Argentine assets	97	2,310	–	–	–	2,407
Transactions with the owners	97	2,310	–	–	903	3,310
Loss for the year	–	–	–	(21,360)	–	(21,360)
Other comprehensive income exchange differences on translation	–	–	(913)	–	–	(913)
Total comprehensive income for the year	–	–	(913)	(21,360)	–	(22,273)
Balance at 31 December 2011	10,611	68,788	(10)	(41,787)	937	38,539

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

Consolidated Statement of Cash Flows
Year ended 31 December 2011

	2011 US$000	2010 US$000
Cash flows from operating activities (note 26)		
Cash (used in)/generated by operating activities	(5,960)	3,305
Interest received	215	86
Taxes refunded	156	200
	(5,589)	3,591
Cash flows from investing activities		
Expenditure on exploration and evaluation assets (excluding assets acquired as a business combination)	(20,866)	(10,710)
Expenditure on development and production assets (Excluding increase in provision for decommissioning)	(10,047)	(1,261)
Cash paid for acquisition of Argentine assets (note 33)	(1,500)	–
Deferred consideration	–	1,400
Deposits with state authorities	–	(157)
	(32,413)	(10,728)
Cash flows from financing activities		
Proceeds from issue of shares (net of expenses)	–	47,907
Repayment of bank loan capital	(1,339)	(4,027)
Payment of bank loan interest	–	(141)
	(1,339)	43,739
Net (decrease)/increase in cash and cash equivalents	(39,341)	36,602
Opening cash and cash equivalents at beginning of year	45,690	10,058
Exchange gains on cash and cash equivalents	(56)	(970)
Closing cash and cash equivalents	6,293	45,690

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

1. General information

Corporate status

President Petroleum Company PLC is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given on page 50. The nature of the Group's operations and its principal activities are set out in note 4 and in the Directors' Report on pages 05 to 09. The Company is quoted on the AIM market of the London Stock Exchange (ticker: PPC), and is headquartered in London, UK, with offices in Buenos Aires, Argentina, and Clarkston, Michigan, US.

Presentation currency

The presentation currency of the Group is United States (US) Dollars. The US Dollar has been adopted as the Group's presentation currency as the trading and the majority of the Group's other transactions and assets are in US Dollars. The Group's accounting policy on foreign currencies is detailed in note 2 i).

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. All accounting standards and interpretations issued by the International Accounting Standards Board and the IFRIC effective at the time of preparing these financial statements have been applied. The Group financial statements have been prepared under the historical cost convention except for 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.

In the current year, the following new and revised Standards and Interpretations are effective but have not had any significant impact on the financial statements:

- IAS 24 (amended) *Related Party Disclosures*
- IAS 32 (amended) *Classification of Rights Issues*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 14 (amended) *Prepayments of a Minimum Funding Requirement*

The adoption of these new and revised Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements.

In the current financial year the following standard, effective in the prior year, has affected the presentation and disclosure in these financial statements for the first time. IFRS 3 (amended) *Business Combinations* has resulted in the Group recognising acquisition-related costs in the Statement of Comprehensive Income where previously such costs would have been capitalised.

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 1 (amended) *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- IFRS 7 (amended) *Disclosures – Transfers of Financial Assets and offsetting of Financial Assets and Financial Liabilities*

- IFRS 9 — *Financial Instruments*
- IFRS 10 — *Consolidated Financial Statements*
- IFRS 11 — *Joint Arrangements*
- IFRS12 — *Disclosure of Interests in Other Entities*
- IFRS 13 — *Fair Value Measurement*
- IAS 1 (amended) — *Presentation of Items of Other Comprehensive Income*
- IAS 12 (amended) — *Deferred Tax: Recovery of Underlying Assets*
- IAS 19 (revised) — *Employee Benefits*
- IAS 27 (revised) — *Separate Financial Statements*
- IAS 28 (revised) — *Investments in Associates and Joint Ventures*
- IFRIC 20 — *Stripping Costs in the Production Phase of a Surface Mine*

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosure of financial instruments;
- IFRS 10 may impact the amounts reported in the consolidated financial statements as it provides a single basis for consolidation with a new definition of control;
- IFRS 11 may result in changes in the accounting of jointly-controlled entities that are currently accounted for using proportionate consolidation (under IFRS 11, a joint arrangement is classified as either a joint operation or a joint venture, and the option to consolidate joint ventures proportionately has been removed. Interests in joint ventures must be equity accounted);
- IFRS 12 will impact the disclosure of interests in other entities such as subsidiaries, joint arrangements, associates and/or unconsolidated structured entities;
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures; and
- IAS 1 (amendment) requires items to be grouped in other comprehensive income based on whether those items are subsequently reclassified to profit or loss.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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. 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 accounting policies set out below have been applied to all periods presented.

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. 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.

c) Basis of consolidation (continued)
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's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Summary on page 04, and the Financial Review on pages 05 to 06. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's cash position at the year-end is US$6.3 million. Post year-end the Company successfully raised US$9.4 million, net of expenses, in an equity raising from existing and new shareholders. A loan facility of up to US$6.5 million has been made available to the Group (see note 31), which is currently undrawn. The Group is reliant on production revenues from existing producing wells and wells that are in the process of being tested and developed for commercial production. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues. Having considered reasonable possible sensitivities the Director's believe that the Group will be able to operate within its existing committed funding and 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
Revenue represents sales of oil and gas during the year and is recognised when title passes to the customer, being the date it leaves the well site. 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. Property, plant and equipment related to production activities are amortised in accordance with the Group's Depletion and Amortisation accounting policy. 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 developed reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Impairment

Exploration and evaluation assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value may not be recoverable. Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed.

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.

h) Property, plant and equipment (continued)

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment (other than development and production assets) 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.

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 loss on sale.

i) 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 pounds sterling. The Group has chosen the US Dollar as its presentation currency based on the fact that 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 measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences are included in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity as an item of other comprehensive income or expense. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

j) 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 uses 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 29 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. The Group's trade and other receivables fall into this category of financial instruments. 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.

k) 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.

k) Income taxes (continued)

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.

l) 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.

m) Operating leases

Rentals payable under operating leases are charged as an expense to the statement of comprehensive income on a straight line basis over the terms of the relevant lease.

n) 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 Maker. 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.

o) Business combinations

Acquisitions of subsidiaries and 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 under IFRS 3(2008) 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*.

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.

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. Changes in proved oil and gas reserves will affect unit-of-production depreciation charges against income.

Proved 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 reasonable certainty that they are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. 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 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 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.

Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty.

All proved 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. 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 04.

Impairment review

When assessing the carrying value of oil and gas producing wells included in tangible assets the Company estimates future production levels and prices against predicted production costs to assess the continuing economic viability of the well. For non-producing assets included in intangible 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. The carrying value of assets subject to impairment review is US$54.5 million at the balance sheet date.

Accounting for acquisitions

Assets and liabilities acquired in a business combination are required to be measured at fair value on initial recognition. The estimated fair values of proved oil and gas assets are generally determined based on discounted cash flows, which involve estimates of future production rates, recoverable reserves, commodity prices and costs. Estimated fair values of properties in the exploration and evaluation stage involve significant judgements about the potential value of any discovery and the chances of exploration success. Caution is exercised when assigning values to exploration and evaluation assets, and to probable or possible reserves categories, through the use of appropriate discount rates and risk adjustments, particularly where a gain would otherwise arise on a business combination on the basis of highly subjective valuations. When assigning these discount rates and risk adjustments, management have regard to internal and industry practices typically applied when undertaking oil and gas asset transactions.

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. As these costs will be incurred at some considerable time in the future, the estimation of these costs is subjective. As at the balance sheet date the amount of this liability was US$2,691,000 (2010: US$996,000).

4. Segment reporting

In the opinion of the Directors the operations of President Petroleum 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 US and Argentina. It has a head office and associated corporate expenses in the UK. The Group has exploration assets in Argentina, the US and Australia.

	Argentina 2011 US$000	USA 2011 US$000	Australia 2011 US$000	Europe 2011 US$000	Total 2011 US$000
Revenue	2,231	4,816	–	–	7,047
Cost of sales					
Depreciation	105	1,606	–	–	1,711
Well operating costs	2,149	1,217	–	–	3,366
Administrative expenses					
Directors and staff costs	188	694	–	1,885	2,767
Share incentive costs	12	(18)	–	133	127
Other	2,255	358	160	2,358	5,131
Impairment	–	15,837	–	–	15,837
Segment costs	4,709	19,694	160	4,376	28,939
Segment operating loss	(2,478)	(14,878)	(160)	(4,376)	(21,892)

The Group has shifted the balance of its production from gas to oil. During the period natural gas prices have fallen significantly but oil prices have performed well, resulting in greatly improved gross profitability. Well operating costs in Argentina reflect the fixed cost component of the five field Puesto Guardian Concession and non-recurring work-over costs. As material production growth is delivered the fixed cost component will become less significant, leading to improved margins on incremental barrels. Life of field operating costs are anticipated to be US$35/bbl.

	Argentina 2010 US$000	USA 2010 US$000	Australia 2010 US$000	Europe 2010 US$000	Total 2010 US$000
Revenue	–	3,439	–	–	3,439
Cost of sales					
Depreciation	–	3,899	–	–	3,899
Well operating costs	–	1,421	–	–	1,421
Administrative expenses					
Directors and staff costs	–	575	–	646	1,221
Share incentive costs	–	18	–	16	34
Other	–	346	109	706	1,161
Impairment	–	2,949	–	–	2,949
Segment costs	–	9,208	109	1,368	10,685
Segment operating loss	–	(5,769)	(109)	(1,368)	(7,246)

5. Cost of sales

	2011 US$000	2010 US$000
Depreciation	1,711	3,899
Well operating costs	3,366	1,421
	5,077	5,320

6. Administrative expenses

	2011 US$000	2010 US$000
Directors and staff costs (including non-executive Directors)	2,767	1,221
Share-based payments	384	34
Business development costs	1,605	–
Other	3,269	1,161
	8,025	2,416

7. Impairment charge

	2011 US$000	2010 US$000
East Lake Verret - Louisiana	15,200	2,949
East White Lake - Louisiana	637	–
	15,837	2,949

Further details are provided in note 13.

8. Loss on derivatives

	2011 US$000	2010 US$000
Fair value movement on derivatives matured in year	–	(57)
Fair value movement on derivatives yet to mature	–	34
Total recognised in statement of comprehensive income	–	(23)

In July 2008 the Group took out hedging contracts covering 45% of projected output from the then producing Orion and East Lake Verret wells. The Group's hedges have now expired.

9. Loss before tax

	2011 US$000	2010 US$000
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment (note 14)	1,746	3,899
Impairment of intangible assets (note 13)	15,837	2,949
Staff costs (note 10)	2,647	1,059
Rentals payable in respect of land and buildings	188	78

	2011 US$000	2010 US$000
Auditor's remuneration		
Services to the Company		
Fees payable to the Company's auditor for the audit of the annual accounts	86	65
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries	32	5
Total audit fees	118	70
Other non-audit services	241	2
	359	72

Other non-audit services relates to tax advice in respect of group structuring.

10. Staff costs

	Number	Number
Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)	9	5

	US$000	US$000
Wages, salaries and Directors' fees (including Chairman and excluding non-executive Directors)	2,277	969
Expense in respect of share-based payments	127	34
Social security costs	243	56
	2,647	1,059

Emoluments paid in respect of the highest paid Director in the year (excluding share-based payment charge)	230	261

11. Income tax credit/(charge)

	2011 US$000	2010 US$000
Current tax	56	(1)
Deferred tax		
origination and reversal of temporary differences	–	(100)
tax liability recognised on temporary differences	–	(409)
tax asset recognised from unutilised tax losses	–	409
	–	–
	56	(101)

The tax (credit)/charge for the year can be reconciled to the statement of comprehensive income as follows:

	2011 US$000	2010 US$000
Loss on ordinary activities before taxation	(21,159)	(6,633)
Tax at 26.5% (2010 28%)	(5,607)	(1,857)
Tax losses carried forward but not recognised	6,566	1,756
Expenses not deductible for tax purposes	19	95
Other temporary differences not recognised as deferred tax assets	–	484
State taxes	–	1
Difference between UK tax rates and overseas rates	(1,034)	(378)
Tax as per statement of comprehensive income	(56)	101

12. Loss per share

	2011	2010
Net loss for the period attributable to the equity holders of the Parent Company	(21,360)	(6,734)

	Number '000	Number '000
Weighted average number of shares in issue	111,743	58,278

	US cents	US cents
Loss per share		
Basic earnings per share from continuing operations	(19.1)	(11.6)
Diluted earnings per share from continuing operations	(19.1)	(11.6)

At 31 December 2011, 3,425,269 (weighted) potential Ordinary Shares in the Company which underline the Company's share option and share warrant awards, and which may dilute earnings per share in the future, have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the year to 31 December 2011, (and 2010).

13. Intangible assets - exploration and evaluation assets

	US$000
Cost	
At 1 January 2010	6,157
Additions	10,710
Exchange difference	453
At 1 January 2011	17,320
Additions	20,866
Acquisition through business combination (note 33)	16,538
Exchange difference	(259)
Transfer to tangible assets	(1,112)
At 31 December 2011	53,353
Impairment	
At 1 January 2010	–
Impaired in year	2,949
At 1 January 2011	2,949
Impaired in year	15,837
At 31 December 2011	18,786
Net Book Value	
At 31 December 2011	34,567
At 31 December 2010	14,371

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will ultimately be written off to the statement of comprehensive income as exploration costs if commercial reserves are not established but 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. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

The impairment of US$15.8 million in 2011 relates primarily to amounts carried for the Kafoury 3 well (US$12.9 million) and other undeveloped reserves on the East Lake Verret field which have been written off to the statement of comprehensive income in their entirety after the determination process did not establish commercial reserves. The 2010 impairment of US$2.9 million relates to amounts carried for the McKerall 3 well and other undeveloped reserves on the East Lake Verret field. The revision followed a review, triggered by the decline in production of the Kafoury 2 well, of the carrying value of the intangible assets.

Additions of $20.9 million arose in 2011 in relation to wells drilled in Louisiana and South Australia.

14. Property, plant and equipment - development and production assets

	US$000
Cost	
At 1 January 2010	6,831
Additions	2,036
At 1 January 2011	8,867
Additions	10,047
Acquisition through business combination (note 33)	8,643
Transfer from intangible assets	1,112
At 31 December 2011	28,669
Depreciation	
At 1 January 2010	3,091
Charge for the year	3,899
At 1 January 2011	6,990
Charge for the year	1,746
At 31 December 2011	8,736
Net Book Value	
At 31 December 2011	19,933
At 31 December 2010	1,877

15. Deferred tax asset

Origination of temporary differences in respect of derivatives at 1 January 2010	100
Reversal of temporary differences in respect of derivatives	(100)
At 31 December 2010 and at 31 December 2011	–

The temporary differences arose from transactions being treated in a different tax period from that dealt with in the statement of comprehensive income. The Group has unrecognised tax losses in the US as at 31 December 2011 of US$21 million available for offset against future profits (2010: US$5 million). In Argentina the Group has tax losses of US$1 million.

Details of the deferred tax liability are set out in note 23.

16. Financial assets

	2011 US$000	2010 US$000
Deposits with state authorities	330	330

Deposits will be refunded from the state authorities when the oil and gas wells with associated facilities have been satisfactorily decommissioned.

17. Trade and other receivables

	2011 US$000	2010 US$000
Trade receivables	3,795	1,662
Fair value of derivatives due in less than one year	–	34
Other receivables	16	100
Prepayments	502	81
	4,313	1,877

All of the Group's trade and other receivables have been considered for indicators of impairment. None of the trade and other receivables was found to be impaired. None of the trade or other receivables is past due as at the reporting date.

Credit risk

There are no material receivables that are past due. 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 2011, 58% of the Group's trade receivables was due from the three largest counter-parties. These amounts have been recovered in full since 1 January 2012.

18. Current tax

	2011 US$000	2010 US$000
US Federal tax recoverable	–	100

19. Cash and cash equivalents

	2011 US$000	2010 US$000
Cash at bank and in hand	6,293	45,690

20. Trade and other payables

	2011 US$000	2010 US$000
Trade payables	4,519	4,281
Other payables	124	127
	4,643	4,408

21. Borrowings and deferred consideration

		2011 US$000	2010 US$000
Balance at beginning of year		1,339	4,107
Deferred consideration in respect of East White Lake assets		–	1,400
Repaid in period	Capital repayments	1,339	1,390
	Payment on renegotiation of loan	–	2,778
	Interest paid	2	141
		(1,341)	(4,309)
Deferred consideration arising on acquisition in Argentina (note 33)		10,750	–
Interest accrued in period		2	141
Adjustment to increase cost to effective interest rate		–	–
Interest payable in statement of comprehensive income in period		2	141
		10,750	1,339
Due in less than one year			
Macquarie Bank loan finance		–	150
Deferred consideration		10,750	300
		10,750	450
Due in more than one year			
Deferred consideration		–	889
		10,750	1,339

The Macquarie loan brought forward from 31 December 2010 was repaid during the year.

The deferred consideration for East White Lake payable at the beginning of the year was repaid in full during the year. A decision was made to accelerate the payment of the deferred consideration to support a work programme on the field targeting enhanced oil production.

The deferred consideration arising in 2011 relates to the acquisition in Argentina (see note 33).

22. Long-term provision – Decommissioning

	US$000
At 1 January 2010	221
Increase of provision	775
At 1 January 2011	996
Increase of provision - on acquisition of Argentine asset (note 33)	1,550
Increase of provision - other	145
At 31 December 2011	2,691

Provisions for decommissioning relate to the restoration of a well site to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where 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. 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. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

23. Deferred tax liability

	US$000
Liability At 1 January 2011	–
Acquisition in Argentina (note 33)	8,813
Liability At 31 December 2011	8,813

All of the above relates to oil and gas properties. Further information on deferred tax is set out in note 15.

24. Share capital

Equity share capital

	2011 '000s	2010 '000s
Issued - 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)	114,733	108,738

	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)	1,886	1,789
	10,611	10,514
The issued share capital is reconciled as follows		
Balance at beginning of year	10,514	9,508
Shares issued	97	1,006
Balance at end of year	10,611	10,514

During 2011, the highest mid-market price of the Company's shares was 86.5p and the lowest was 20.5p. The year-end price was 35.25p.

The deferred shares have no voting rights, no rights to dividends and no rights to capital distributions.

25. Share-based payments

	Exercise Price	31 Dec 2010	Granted in year	Forfeited in year	31 Dec 2011
Options					
Stephen Gutteridge	50p	425,000	–	425,000	–
Michael Cochran	50p	130,000	–	130,000	–
Angelo Baskaran	50p	180,000	–	180,000	–
Senior management	50p	440,000	–	300,000	140,000
Senior management	25p	–	7,029,000	3,429,000	3,600,000
Benjamin Wilkinson	33.875p	–	600,000	–	600,000
Senior management	44.25p	–	866,931	–	866,931
		1,175,000	8,495,931	4,464,000	5,206,931
Warrants	50p	–	1,000,000	–	1,000,000
	32.5p	–	923,077	–	923,077
		1,175,000	10,419,008	4,464,000	7,130,008

The options contain share price performance vesting conditions. They are exercisable after three years from grant for a period of seven years, with the exception of Benjamin Wilkinson whose options are exercisable after two years and ten months from grant for a period of seven years.

The warrants are exercisable after one year from grant for a period of two years.

26. Notes to the consolidated statement of cash flows

	2011 US$000	2010 US$000
Loss from operations before taxation	(21,416)	(6,633)
Interest on bank deposits	(215)	(86)
Interest payable on loan	2	141
Depreciation of property, plant and equipment	1,746	3,899
Impairment	15,837	2,949
Share-based payments	384	34
Foreign exchange difference	(73)	392
Operating cash flows before movements in working capital	(3,735)	696
Increase in receivables	(2,465)	(144)
Increase in payables	240	2,753
Net cash (consumed by)/generated by operating activities	(5,960)	3,305

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

27. Contingent liabilities

There are no contingent liabilities.

28. Capital and operating lease commitments

Capital commitments

As at 31 December 2011 the Group was committed to funding a further US$4.4 million for the remainder of its 50% share of a US$21.5 million work programme on the Puesto Guardian Concession in Argentina. This balance has been paid as at the date of the accounts.

Operating lease commitments

The Group has leases in respect of its London, Buenos Aires and Michigan office premises.

Minimum lease payments are as follows:

	2011 US$000	2010 US$000
Due within one year	80	95
One to five years	108	23
	188	118

There are no significant leasing arrangements other than the above rent commitment.

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 London 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 and a loan from Macquarie Bank denominated in US Dollars. During 2011 the bank loan was repaid. Subsequent to the balance sheet date the Group entered into a new loan agreement as described in note 31. 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. In the normal course of its operations the Group is exposed to foreign currency, commodity price and interest rate risks, which are currently not significant.

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.

c) Foreign currency risk and sensitivity

With the exception of Group overheads arising in London, 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 Argentina capital expenditure is budgeted for in US Dollars. The Company raises equity funds in sterling and converts the majority to US dollars. A balance of funds is retained in sterling to meet future Group overheads.

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

	2011 US$000	2010 US$000
US Dollars	5,754	25,120
Swiss Francs	193	–
Euros	23	–
Argentinian Pesos	22	–
Australian Dollars	148	8,101
Sterling	153	12,469
	6,293	45,690

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$15,000. If the exchange rate between the US Dollar and the Australian Dollar changed by 10% there would be a profit or loss of US$15,000.

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$205,000 per annum (2010 : US$457,000).

e) Credit risk

The Group's principal customers are oil and gas utility companies and refiners and as such credit risk is considered to be low. 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:

	2011 US$000	2010 US$000
Trade receivables	3,795	1,662
Other receivables	16	100
Cash and cash equivalents	6,293	45,690
Deposits with state authorities	330	330
	10,434	47,782

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 maintains cash to meet its liquidity requirements for up to 60 day periods.

As at 31 December 2011 the Group's financial liabilities, all of which are non-interest bearing apart from the loan, have contractual maturities which are summarised as follows:

	Current	
	<6 months US$000	7-12 months US$000
Trade payables	4,519	–
Deferred consideration	10,750	–
Others	124	–

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

	Current		Non-Current	
	<6 months US$000	7-12 months US$000	1-5 years US$000	over 5 years US$000
Loan (including accrued interest)	152	–	–	–
Trade payables	4,281	–	–	–
Deferred consideration	150	150	889	–
Others	127	–	–	–

g) Market risk

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

29. Risk management objectives and policies (continued)

h) Summary of financial assets and liabilities by category

	2011 US$000	2010 US$000
Non-current assets – loans and receivables		
Deposits with state authorities	330	330
Current assets – loans and receivables		
Trade receivables	3,795	1,662
Other receivables	16	100
Cash and cash equivalents	6,293	45,690
	10,104	47,452
Current liabilities – Financial liabilities measured at amortised cost		
Trade payables	4,519	4,281
Other payables	124	127
	4,643	4,408
Borrowings and deferred consideration		
Balance with Macquarie Bank (note 21)	–	150
Deferred consideration	10,750	1,189

The fair value of financial assets and liabilities approximates the carrying value due to the short-term nature of the financial instruments.

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

The development well PEE-1001 was successfully drilled on the Pozo Escondido field in Argentina, encountering a 32 metre gross oil column, predominantly in carbonates, at a depth of 3,420 metres, with an estimated 28 metres of net pay.

An independent third party Prospective Resource Statement was commissioned from Gaffney Cline & Associates on the Martinez del Tineo (MDT) Prospect on the Puesto Guardian Concession. Gross Prospective Gas Resources were assessed at mid-case unrisked of 570 billion cubic feet with an additional 14.5 million barrels of condensate. Gaffney Cline & Associates assess a 26% geological chance of success at MDT, providing a gross risked NPV of US$268 million, or US$134 million net to President.

The development well DP-1001 was successfully drilled on the Dos Puntitas field in Argentina, encountering 33 metres of net pay in both sandstone and carbonates. At the time of this report the DP-1001 well has been tested and is being placed on production. The development well DP-1002 has spudded.

In February 2012 the company conducted a successful equity raise using its remaining existing authorities to generate US$9.4 million net of expenses. The raising was supported by President's largest investor Levine Capital Management Limited and its key institutional backers. In addition President was glad to welcome significant new institutional funds to its register.

As part of continued studies on the Puesto Guardian Concession, previously unidentified oil in place has been assessed in cretaceous carbonate reservoirs on the Pozo Escondido, Puesto Guardian and Canada Grande field areas. The combined oil in place number of 66 million barrels has not been included in the current reserves. Potential recovery factors are yet to be determined, and further analysis will be performed.

A loan facility of up to US$6.5 million has been made available to the Group by a subsidiary of Levine Capital Management Limited. The loan provides flexibility for the Group to capitalise on recent drilling success, evaluate growth opportunities and continue with its current campaign in Argentina. The loan is unsecured, has a term of 18 months (to 25th October 2013) and a coupon of 10% per annum. The Company's directors, having consulted with its nominated advisor, RBC Europe Limited, consider that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

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 the Directors' Remuneration Report on pages 10 to 12 which forms part of these financial statements.

During the year the Company paid US$506,832 to Levine Capital Management Limited for the services of Peter Levine.

Levine Capital Management Limited, a company registered in the British Virgin Islands, is the private investment fund of Peter Levine and the largest shareholder in the Company. Peter Levine the Executive Chairman of President with effect from 11 May 2012 is also a director of three of President's group companies.

As at the balance sheet date US$31,194 had been prepaid in respect of services for 2012 (2010: nil).

President makes use of some of the offices of Levine Capital Management Advisors Limited (LCMA). The costs associated with these offices and other disbursements such as the remuneration of John Hamilton are recharged to President by LCMA on an arm's length basis. LCMA is a subsidiary company of Levine Capital Management Limited.

As at the balance sheet date US$3,530 had been prepaid in respect of services for 2012.

33. Acquisition of Argentine assets

On 1 July 2011 the Group acquired a 50 per cent working interest in the CNO-8 "Puesto Guardian" licence in Salta Province, Argentina, and joint control of the related operations for the production and development of the field. The acquisition has been accounted for as a business combination in accordance with IFRS 3.

33. Acquisition of Argentine assets (continued)

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	US$000
Identifiable intangible exploration and evaluation assets (note 13)	16,538
Property, plant and equipment (note 14)	8,642
Total identifiable assets	25,180
less provision for decommissioning (note 22)	1,550
less deferred tax liability (note 23)	8,813
Net assets acquired	14,817
Non-controlling interest recognised at acquisition	–
Satisfied by:	
Cash	1,500
Commitment to pay partner's share of capital expenditure (deferred consideration) (note 21)	10,750
Equity instruments	
5,102,041 ordinary shares of the Parent Company	2,048
1,000,000 Warrants to purchase shares	519
Total consideration	14,817

The non-controlling interest recognised at acquisition relates to a 5% interest in the A Shares of President Petroleum Holding UK Ltd. No value accrues to the non-controlling interest until the Group has recovered its acquisition costs and capital expenditure costs plus a return from the post-tax profits of the acquired business.

The fair value of the 5,102,041 ordinary shares issued as part of the consideration paid was determined on the basis of the Parent Company's share price on the date of acquisition. Further shares to the value of US$359,000 were issued as part of acquisition-related costs.

The fair value of the 1,000,000 Warrants granted as part of the consideration paid was calculated using the Black-Scholes model.

Acquisition-related costs (included in administrative expenses) amount to $1,168,000.

The purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities acquired, and therefore no goodwill has been recorded on acquisition. Deferred tax arises in respect of the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination.

The Argentine business contributed $2,231,000 of revenue and added $2,221,000 to the Group's operating loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have increased by $2,256,000 and the Group loss would have increased by $198,000.

Company Balance Sheet 31 December 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investment in subsidiaries	3	2,250	2,250
Current assets			
Debtors	4	31,144	17,033
Cash at bank and in hand		1,834	27,126
		32,978	44,159
Current liabilities			
Creditors – falling due within one year	5	149	93
Net current assets		32,829	44,066
Net assets		35,079	46,316
Equity			
Called up share capital	6	5,814	5,754
Share premium	7	42,227	40,788
Retained earnings	7	(13,547)	(248)
Share option reserve	7	585	22
Total equity attributable to the equity holders		35,079	46,316

The financial statements were approved by the Board of Directors and authorised for issue on 10 May 2012. They were signed on their behalf by:

John Hamilton
Interim Chairman

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

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Certain other disclosures applicable to the Company, including subsequent events are disclosed in the notes to the consolidated accounts.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Foreign exchange

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Foreign exchange differences on Group balances, where the loan is long-term, that are denominated in currencies other than pounds sterling at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account.

Related party transactions

The Company has taken advantage of the exemption available under FRS 8 with regard to the non-disclosure of transactions between Group companies.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Loss for the year

As permitted by Section 408(1b) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. President Petroleum Company PLC reported a loss for the year ended 31 December 2011 of £3,177,000 (2010: loss £211,000).

In accordance with FRS No. 1 "Cash flow statements (Revised 1996)", no cash flow statement has been prepared as the Company's cash flows are included in its consolidated financial statements which are made available to the public on an annual basis.

The auditor's remuneration for audit services to the Company is disclosed in note 9 to the consolidated financial statements.

3. Investment in subsidiaries

	Place of Incorporation	Class of Share Capital	Percentage Held	Business
Held Directly				
President Petroleum (UK) Limited	UK	Ordinary	100%	Non trading
President Petroleum Company Holdings BV	Netherlands	Ordinary	100%	Non trading
Held Indirectly				
President Petroleum Holding UK Ltd	UK	Ordinary	95%	Non trading
Froschouw Holding AG	Switzerland	Ordinary	95%	Non trading
Sibla Invest AG	Switzerland	Ordinary	95%	Non trading
President Petroleum SA	Argentina	Ordinary	95%	Oil and Gas
President Petroleum (USA) Inc.	USA	Ordinary	100%	Oil and Gas
President Petroleum Pty Limited	Australia	Ordinary	100%	Oil and Gas

There is an agreement with the 5% shareholder of President Petroleum Holding UK Ltd that they will not participate in profits until the Group has recovered its acquisition costs, and capital expenditure costs, plus a return, from the post-tax profits of the business acquired in Argentina.

4. Debtors

	2011 £000	2010 £000
Debtors		
Prepayments and accrued income	119	49
Amounts owed by Group undertakings	31,025	16,984
	31,144	17,033

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

5. Creditors – falling due within one year

	2011 £000	2010 £000
Social Security and other taxes	14	9
Other creditors	135	84
	149	93

6. 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	2011 '000s	2010 '000s
Allotted, called up and fully paid		
Deferred shares of par value 29p each	16,093	16,093
Ordinary shares of par value 1p each	114,733	108,738

	2011 £000	2010 £000
Deferred shares of par value 29p each	4,667	4,667
Ordinary shares of par value 1p each	1,147	1,087
	5,814	5,754

7. Share premium account, profit and loss account and share option reserve

	Share premium £000	Profit and loss account £000	Share option reserve £000
Balance at 1 January 2011	40,788	(248)	22
Loss for the year	–	(13,299)	–
Premium on allotment in the year	1,439	–	–
Share-based payments	–	–	563
Balance at 31 December 2011	42,227	(13,547)	585

8. Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Loss for the year	(13,299)	(211)
Shares issued	1,499	31,645
Costs of issue	–	(1,516)
Share-based payments	563	22
Net additions to shareholders' funds	(11,237)	29,940
Shareholders' funds at 1 January 2011	46,316	16,376
Shareholders' funds at 31 December 2011	35,079	46,316

Glossary

bbls
Barrels of oil

mbbls
Thousand 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)

mmcfd
Million cubic feet per day

Proved Reserves/1P
Quantities of hydrocarbons anticipated to have a 90% or greater chance of being commercially recoverable

Probable Reserves/2P
Quantities of hydrocarbons anticipated to have a 50% to 90% chance of being commercially recoverable

Possible Reserves/3P
Quantities of hydrocarbons anticipated to have a 10% to 50% chance of being commercially recoverable

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

AIM
Alternative Investment Market of the London Stock Exchange

Definitions

President, President Petroleum	President Petroleum Company PLC
Company	President Petroleum Company PLC
Parent Company	President Petroleum Company PLC
Group	President Petroleum Company PLC and its subsidiaries

Corporate Information

Directors	Peter Levine	Chairman with effect from 11 May 2012
	John Hamilton	Interim Chairman
	Benjamin Wilkinson	Finance Director
	David Jenkins	Deputy Chairman & Senior Independent Non-Executive Director
	Mike Cochran	Non-Executive Director
	David Wake-Walker	Non-Executive Director
Secretary	David Wake-Walker	
Registered Office	13 Regent Street London SW1Y 4LR	
Website	www.presidentpc.com	
Nominated Advisor and Joint Broker	RBC Europe Limited (RBC Capital Markets) Riverbank House, 2 Swan Lane London EC4R 3BF	
Joint Broker	Jefferies International Limited (Jefferies Hoare Govett) 135 Bishopsgate London EC2M 3UR	
Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ	
Legal Advisers	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 6AE	
Corporate Bankers	Crédit Suisse Paradeplatz 8 CH-8070 Zürich Switzerland	The Royal Bank of Scotland N.V. 1105 BP Amsterdam Paasheuvelweg 25 The Netherlands
Argentine Bankers	Banco Santander Rio SA Suc 422 Av. Rodriguez Pena 1081 CABA 1020ADU Buenos Aires	
UK Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH	National Westminster Bank 280 Bishopsgate London EC2M 4RB
US Bankers	Frost National Bank 100 West Houston Street San Antonio Texas 78296	Comerica Bank 910 Louisiana Street Houston Texas 77002
Australian Bankers	Australia and New Zealand Banking Group Limited (ANZ) 11-29 Waymouth Street Adelaide South Australia 5000	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6ZL	
Registered number	5104249	

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 13 June 2012 at 11:00 a.m. at Pelham Bell Pottinger, 5th Floor, Holborn Gate, 330 High Holborn WC1V 7QD for the following purposes, namely:

Ordinary Business

As Ordinary Business, to consider and, if thought fit, 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 2011, together with the reports of the auditor and directors of the Company ("Directors") thereon.

2 To re-appoint Deloitte LLP as auditor of the Company until the conclusion of the next Annual General Meeting at which accounts for the Company are presented and to authorise the Directors to fix their remuneration.

3 To elect Peter Levine as a Director of the Company, who has been appointed since the last Annual General Meeting and who offers himself for election.

4 To elect Dr. David Jenkins as a Director of the Company, who has been appointed since the last Annual General Meeting and who offers himself for election.

5 To re-elect John Hamilton as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-election.

6 To re-elect David Wake-Walker as a Director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-election.

Special Business

As Special Business to consider and if thought fit to pass the following resolutions of which the resolution numbered 7 will be proposed as an ordinary resolution and the resolution numbered 8 will be proposed as a special resolution:

7 That authority be and is hereby granted to the Directors 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 value of £428,540 (such amount equating to one third of the aggregate nominal value of the issued ordinary share capital of the Company as at the date of this Notice) provided that this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2013, 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.

8 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 7 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 £321,405 (such amount equating to 25 per cent of the aggregate nominal value of the issued ordinary 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 2013, 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 power conferred hereby had not expired.

BY ORDER OF THE BOARD

David Wake-Walker
Company Secretary
10 May 2012

Registered Office:
13 Regent Street
London
SW1Y 4LR

Notes

1. Every member has the right to appoint some other person(s) of their choice, who need not be a member, as his proxy to exercise all or any of his rights to attend, speak and vote on their behalf at the meeting. If a member wishes to appoint a person other than the Chairman, he should insert the name of his chosen proxy holder in the space provided in the proxy form. If the proxy is being appointed in relation to less than the member's full voting entitlement, he should enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as proxy. If left blank the proxy will be deemed to be authorised in respect of the member's full voting entitlement (or if this proxy form has been issued in respect of a designated account for a member, the full voting entitlement for that designated account).

2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Company's registered office or the proxy form overleaf may be photocopied. A member should indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as his proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. To be valid, forms of proxy must be lodged at the office of the Company's registrars, Freepost SEA 10846, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, not less than 48 hours before the meeting or any adjournment.

4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members at 6:00 p.m. on 11 June 2012.

Form of Proxy For Annual General Meeting

PLEASE COMPLETE IF YOU DO NOT INTEND TO ATTEND IN PERSON

(Company No: 5104249)

I .... (Name(s) in full in block capitals)

of (address) ....

....

being a member of the above named Company hereby appoint

Name of proxy	No. of shares

or, failing him/her the Chairman of the Meeting, as my proxy to vote for me on my behalf in accordance with the instructions set out below at the Annual General Meeting of the Company to be held on 13 June 2012 and at any adjournment thereof.

☐ Please tick this box if this form is one of multiple instructions being given.

Please delete "Either" or "Or" below and mark "For", "Against" or "Vote Withheld" as appropriate and return this form to the Company Secretary/Company's registrars, Freepost SEA 10846, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. To be valid this form must be lodged with the Company's registrars not less than 48 hours before the Meeting.

Either	To vote as my Proxy or failing him/her as the Chairman thinks fit.			
Or		For	Against	Vote Withheld
	Resolution 1			
	Resolution 2			
	Resolution 3			
	Resolution 4			
	Resolution 5			
	Resolution 6			
	Resolution 7			
	Resolution 8			

Signed ....

Name ....

Date ....

President Petroleum Company PLC
13 Regent Street
London SW1Y 4LR
United Kingdom

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www.presidentpc.com