REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2018

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

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

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Chairman's Statement

Summary

In my last Chairman's statement, I stated that 2017 was a year of transition and transformation. The record results for 2018 demonstrate that such transformation has not only been delivered but has provided the platform for what we believe will be the significant future growth and prosperity of our Group.

Following the acquisitions in late 2017 and 2018, turnover leapt to US$47.2 million, adjusted EBITDA to US$16.7 million, there was a 500% increase in free cash generation from operations and underlying well operating costs per barrel were reduced by nearly 30%. Whilst these as well as all the other numbers from 2018 are now consigned to history, the trends so established continue apace as we enter the business end of 2019, being the busiest three quarters of the year, embarking as we are on rolling drilling and workover campaigns as well as major infrastructure works on a number of fronts and in a number of geographic locations.

All our producing fields whether they be in Rio Negro Province and Salta Province, Argentina or Louisiana contributed profitably to Group and continue to do so. Nineteen well interventions (workovers, well tests and pulling operations) and three new wells were successfully completed in 2018, all in Rio Negro as the Group pivoted to extract expeditious value-added production from the Puesto Flores field. The success of our work was vindicated by the increase in proven reserves of 6% in that Province powering an increase in Group 2P NPV10 to over US$300 million pre-tax as calculated by the independent reserves auditor using a 10% discount rate.

By the end of the year, President's portfolio had increased with the acquisition of a further two concessions in Rio Negro, Las Bases and Puesto Prado, providing the Group with a valuable 60km pan-regional pipeline which the Company is already putting to good use. Puesto Prado is in fact already producing oil which is now treated by its own newly repaired and re- commissioned field processing plant.

With the prospects of the Company supercharged by those acquisitions and the infrastructure which unlocks President's gas potential, the Company is now pivoting towards driving gas output in tandem to oil production.

Country by Country performance

Argentina

- All producing concessions are operationally profitable and contributing to the Group
- In Rio Negro, a total of 19 well interventions (workovers, well tests and pulling operations) were carried out and three new wells were successfully drilled and placed on production at the Puesto Flores field
- Infrastructure work carried out in 2018 included new tank capacity and increased water disposal facilities at the Puesto Flores field, Rio Negro
- The concessions of Las Bases and Puesto Prado together with the 60km strategic pipeline were acquired for a cash consideration of US$9.9 million
- Rio Negro delivered an operating netback of US$33.4 per barrel after royalties, water disposal and transportation
- Whilst no workovers have been carried out at Puesto Guardian since 2017, Puesto Guardian delivered an average of 438 boepd during the year compared to 476 boepd the previous year
- On its current businesses, no corporate tax on profits is payable in Argentina until 2021 due to carried forward tax losses
- Farm-out process of exploration assets continues
- Litigation from the DP1002 well now settled amicably with the Company benefiting from a US$2.6 million credit being released from the provision previously provided therefore in the 2017 accounts

Paraguay

- During the year and into 2019 significant sub surface studies were carried out which have enabled a precise location of the forthcoming exploration well to be established
- These intensive peer group studies have now determined that the Delray Main is the prospect that should be drilled first. That prospect together with the satellite prospects of Delray West and Delray South have a combined estimated mean oil in place of 254 MMbbls
- The term of the Pirity Exploration Concession was successfully extended until September 2020
- The farm-out process continues whilst preparations are underway in any event currently with drilling operations expected to commence at Delray Main in late Q4 2019 or Q1 2020

Louisiana, USA

- Louisiana continues to contribute profitably and deliver cash to the Group
- In 2018 it generated strong positive cash from core operations of US$226k per month
- The very prospective Jefferson Island licence, acquired in 2018, is progressing with seismic re-interpretation now scheduled to be completed by June 2019 with drilling expected to commence in mid H2
- No federal tax is currently payable as carried forward losses are being utilised and this will continue for the foreseeable future

Corporate

In December 2018, President acquired two new Concessions in Rio Negro Province together with a strategic pan-regional pipeline, the cash consideration for which was US$9.9 million. Of this sum, US$8.7 million was paid on closing and US$1.2 million is to be paid by December 2019.

The acquisition was funded by a US$4 million extension of the banking facilities with Bank Hipotecario and a US$4 million extension of the IYA loan facility.

The balance of the monies outstanding from the Puesto Flores/Estancia Vieja acquisition being US$7 million was also paid in the year.

In April 2018, Rob Shepherd stepped up from his Non-Executive role to become Group Finance Director with Alex Moody-Stuart formerly of Schlumberger being welcomed as a Non-Executive Director. Taking into account the increase in executive directors, to ensure a balanced Board, Miles Biggins stepped down at the 2017 AGM and is no longer employed by the Group though continues to act as a consultant when required.

Financial review of 2018

In 2018, the Group recognized a gross profit of US$14.7 million (2017: loss US$3.4 million) that is now fully reflecting the transformational impact from the Puesto Flores and Estancia Vieja acquisitions in 2017. Group-wide administrative expenses outside of Argentina remained flat with the increase in overall Group administrative expense to US$6.1 million (2017: US$5.3 million) arising due to non-recurring legal expenses. Agreement was reached in 2018 to settle all claims in relation to the DP1002 well, which was rendered incapable of completion, resulting in an impairment of the full potential cost of US$10.9 million in 2016. While we remain confident in the strength of our claims, it was a distraction and we have therefore moved to conclude this matter. This agreement has resulted in an impairment credit of US$2.6 million recognized in the current year.

The profit for the year before tax of US$6.1 million (2017: loss US$13.2 million) marked the step change in activity. After considering the accounting provision for future taxes and minor current tax charges, a profit of US$ 0.1 million was recognized in the year (2017: US$8.8 million loss).

Production and reserves

Production		Oil (bbls)		Natural Gas (mmcf)		Total (mmboe)
Country	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Argentina	**709,498**	300,831	**73.6**	12.1	**721.8**	302.8
USA	**61,909**	44,014	**288.5**	166.8	**110.0**	71.8
Assets held for resale	**0**	26,540	**–**	47.9	**–**	34.5
	771,407	371,385	**362.0**	226.8	**831.8**	409.1

Net Reserves (mboe)	Argentina	USA	Total
As at 31 December 2017	26,483.6	662.3	27,145.9
Disposal	–	(179.9)	(179.9)
Revisions in reserves	(3,679.6)	198.5	(3,481.1)
Acquisition Argentina	2,780.2		2,780.2
Production	(721.8)	(110.0)	(831.8)
As at 31 December 2018	24,862.4	571.0	25,433.4

Reserve movements in Argentina reflect the results of drilling and workovers in the year and the subsequent independent auditor's reserve report by Mario Bernardi Consultores.

Conclusion and Prospects

2018 was a record year for the Group in terms of all key performance indicators and it delivered on the transformational promise shown in 2017. The year ended with two new acquisitions in Argentina, including a strategic pan-regional gas pipeline and large scale gas plant, which we intend to put to good use in the near future.

The Company has the potential to achieve material expansion and our recently announced US$50 million work programme of multi workovers and drilling is aimed at delivering just that.

As I stated last year, our roadmap is clear, concentrating on fast track growth in cash flow, profits and margins complemented by our new drive for gas and potentially game changing exploration in due course.

It was not possible to achieve a record year in 2018 without the hard work of all our people and I express my sincere gratitude to all. We believe the best is yet to come.

Peter Levine
Executive Chairman
22nd May 2019

Principal Activities

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

Financial Review

In 2018, the Group recognized a gross profit of US$14.7 million (2017: loss US$3.4 million) that is now fully reflecting the transformational impact from the Puesto Flores and Estancia Vieja acquisition in 2017. Throughout 2018, the Group continued to build for the future growth in Argentina with development drilling, workover activity and asset acquisitions which will assist in developing Rio Negro into a core integrated regional business. After administrative expenses of US$6.1 million (2017: US$5.3 million) are taken in to account, this led to an operating profit before impairment and non-operating gains / (losses) of US$8.7 million (2017: loss US$8.8 million). The profit for the year before tax of US$6.1 million (2017: loss US$13.2 million) was after an impairment credit adjustment of US$2.6 million (2017: US$ 1.3 million charge) relating to the settlement of the DP1002 dispute as the well was fully impaired in 2016; 2017 related to the impairment of the East White Lake field in the USA. In addition, following a review of the expected costs and discount rate applied to the provision for decommissioning, a US$1.8 million credit to the income statement arose. Reflecting its nature as a non-cash accounting income in the period, it has been excluded from the Adjusted EBITDA calculation. After considering the accounting provision for future taxes and minor current tax charges, a profit of US$0.1 million was recognized in the year (2017: US$8.8 million loss)

Revenue increased by 163% to US$47.2 million (2017: US$17.9 million), as the first full year of sales from Puesto Flores are recognized. Overall Group production more than doubled for the second year running reaching 2,279 boepd (2017: 1,121 boepd) which was driven by acquisitions and higher production rates in both Argentina and the USA. Higher average product prices for the year of US$59.6/boe (2017: US$50.6/boe) supported the growth in sales. Cost of sales of US$32.5 million (2017: US$21.4 million) increased in line with the step changes in production levels but fell on a per boe basis reflecting the higher production volumes achieved.

Argentine operating performance

Production in Argentina increased by 138% to 721,764 boe (2017: 302,849 boe) or 1,977 boepd (2017: 830 boepd). Oil sales in Argentina averaged US$61.5 per bbl (2017: US$53.4 per bbl) as the transition to a fully de-regulated market progressed during 2018. Oil prices are now set to move in line with the prevailing Brent oil price adjusted for locational variations.

In order to have more visibility on the controllable element of operating costs, royalty and production related taxes have been split out and reflected in our key performance measures. Well operating costs in Argentina before workover expenses were managed down during the year to US$22.7/boe (2017: US$34.6/boe). Depreciation fell during the year to US$9.6/boe (2017: US$12.3/boe) due to higher production from Puesto Flores which has a lower than average depreciation charge per barrel. Independently assessed proved and probable reserves in Puesto Flores rose by 41% despite the overall reserve reduction in Argentina. Reserves in the Salta Province were prudently adjusted due to deliberately reduced capex activity as the Group focused on the higher value added Rio Negro fields.

A move to a deregulated oil price environment in Argentina in early 2018 triggered the reassessment of the functional currency for the Argentine subsidiary. In December 2017, President had completed the transformational acquisition of Chevron's interest in the Puesto Flores field and subsequent licence extension with the Rio Negro Province in Argentina. The cost of the acquisition and the payment terms for the licence extension were defined and settled in US Dollars. US Dollar denominated loans with 3rd party lenders in country and related party lenders were arranged to part fund these investments. Consequently, the functional currency was determined as US Dollars and the change effected on 1 January 2018.

USA operating performance

Production from the Group's working interest in US operations remained stable at 301 boepd (2017: 291 boepd). A full year of production from the Triche well, following the additional interest and operatorship acquired in April 2017, more than offset the sale the East White Lake wells at the start of 2018.

Average Realised prices in the US rose 13% on the prior year to US$47.7/boe (2017: US$42.1/boe).

Financial Review (continued)

Well operating costs excluding royalty related expenses fell by over 40% to US$7.8/boe (2017: US$13.4/boe) as the higher cost East White Lake production was replaced by the lower cost Triche operation. This switch also had a corresponding reduction in depreciation which fell by 58% in the year to US$3.1/boe (2017: US$ 7.2/boe). The resulting higher margins have led to an increased contribution from the USA business in 2018.

Group-wide administrative expenses outside of Argentina remained flat with the increase in overall Group administrative expense to US$6.1 million (2017: US$5.3 million) arising due to non-recurring legal expenses. Agreement was reached in 2018 to settle all claims in relation to the DP1002 well which was rendered incapable of completion resulting in an impairment of the full potential cost of US$10.9 million in 2016. This agreement has resulted in an impairment credit of US$2.6 million but with US$0.7 million recognized in administrative expense for associated legal expenses. Total impairment charges during 2017 of US$1.3 million related to the impairment of the East White Lake field in the USA. The sale of this field, presented as an asset held for resale in 2017 (Note 33), was completed on 1 January 2018 with no gain or loss recognized in 2018.

With an improved oil price environment, albeit with a dip at the end of 2018, a number of opportunities were considered in 2018 to grow the business. This culminated in the acquisition of the Puesto Prado and Las Bases concessions at the end of the year. The concessions, which are adjacent to the Puesto Flores/Estancia Vieja concession, include access to reserves, infrastructure and a strategic pipeline. The acquisition was funded in part out of existing resources and with additional borrowing of US$4.0 million from both IYA Limited and Banco Hipotecario as detailed in note 20. In order to accelerate the development an open offer for subscription was held in March 2019 which raised cash proceeds of approximately US$4.6 million.

2018 saw a turbulent economic environment in Argentina with high inflation and a dramatic devaluation in the Argentine Peso. Fundamentally, the Argentine business is a US dollar driven business with revenues in US dollars and a supplier cost base for the industry determined in US dollars so mitigating exposure to the environment in which we operate. Active treasury management avoided foreign exchange holding losses on cash resources. While we have benefitted from the fall in US dollar terms on Peso denominated costs, we have also suffered some erosion on Peso denominated tax receivables and Peso denominated tax basis. In light of the economic climate the Company has suspended the process to obtain a listing on the Bolsa de Comercio de Buenos Aires (BCBA) – the Argentine Stock Exchange.

The Group's primary investment focus during 2018 was on growth in core areas, increasing production in Argentina whist continuing to evaluate farm out opportunities in Paraguay and Argentina.

Investment in Property, Plant and Equipment in the year included US$11.6 million on the acquisition of licences in Argentina and US$16.4 million (2017: US$ 10.3 million) on the drilling of three development wells and capitalised workovers at the Puesto Flores field, facility enhancement work and capitalised workovers on the Puesto Guardian field and well conversion work linked to East Lake Verret facilities in the USA. Following the change in functional currency in Argentina, exchange differences arising on the translation are no longer reflected in the movement in the period.

Intangible Fixed Asset additions amounted to US$0.7 million (2017: US$0.7 million) including the acquisition of the Jefferson Island licence in the USA and capitalised expenses related to Paraguay and Argentina. During 2018, the Pirity licence was extended by two years through to September 2020 and while the farm-out process continued to attract interest in 2018 no firm agreement has yet been reached. The Company remains committed to drilling a well towards the end of 2019 or early 2020. An extensive geological review has been completed with a review by independent third party consultants completed in early 2019. This has determined the prospect and site location for the well. The farm out process on the Matorras/Ocultar block in Argentina launched in 2017 continues to progress.

Trade and other payables increased to US$23.7 million (2017: US$18.1 million) largely due to the carry over of drilling creditors from the campaign in late 2018.

Year-end cash balances were US$2.0 million (2017: US$4.0 million).

Key Performance Indicators

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

In order to have more visibility on the controllable element of operating costs royalty and production related taxes have been split out prospectively and reflected in our key performance measures.

	2018	2017	Increase/ (Decrease)
Production mboe			
USA	110.0	106.3	3.5%
Argentina	721.8	302.8	138.4%
Total net hydrocarbons	831.8	409.1	103.3%
Well operating costs US$000*			
USA	855	1,423	–39.9%
Argentina	17,904	13,038	37.3%
Total operating costs	18,759	14,461	29.7%
Well operating costs per boe US$*			
USA	7.8	13.4	–41.9%
Argentina	24.8	43.1	–42.4%
Total well operating costs per boe US$	22.6	35.3	–36.2%

* Total operating costs including the royalty expense element are included with Alternative Performance measure for reference.

Production in Argentina increased by 138% to 721,764 boe (2017: 302,849 boe) or 1,977 boepd (2017: 803 boepd) now fully reflecting the transformational impact from the Puesto Flores and Estancia Vieja acquisition in 2017. Well operating costs in Argentina fell 42% with underlying well costs before workover expenses down during the year to US$22.68/boe (2017: US$34.58/boe).

Production from the Group's working interest in US operations remained stable at 301 boepd (2017: 291 boepd). A full year of production from the Triche well, additional interest and operatorship acquired in April 2017, more than offset the sale of the East White Lake field at the start of 2018. While well operating costs excluding royalty related expenses fell by over 40% to US$7.77/boe (2017: US$13.39/boe) as the higher cost East White Lake production was replaced by the lower cost Triche operation.

ON BEHALF OF THE BOARD

Peter Levine

Executive Chairman

22nd May 2019

Directors' Report

The Directors present their report and the audited financial statements of President Energy PLC for the year ended 31 December 2018.

Directors

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

Principal
Peter Levine
Miles Biggins (stepped down 29 June 2018)
Robert Shepherd
Alex Moody-Stuart (appointed 14 March 2018)
Jorge Bongiovanni

None of the Directors have a service agreement of more than one year's duration. Aside from those disclosed in the Directors' Remuneration Report starting on page 11 no Director has had a material interest in any contract of significance with the Company or its subsidiaries during the year. Details of the Directors' interests in the shares of the Company are also set out in the Directors' Remuneration Report.

Results and Dividends

The profit for the year after taxation amounted to US$0.1 million (2017: loss US$8.8 million). The Directors do not recommend a dividend. (2016: nil).

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23. Each ordinary share carries the right to one vote at general meetings of the Company.

Subsequent Events

On 25th February 2019, President announced an Offer for Subscription to accelerate its expansion programme in the Rio Negro Province following the acquisition of two concessions in December 2018. Applications for 43,770,415 Offers Shares at a price of 8 pence per Offer Share were received raising total gross cash proceeds of approximately US$4.56 million. At the same time IYA, a member of the PLLG Group which is beneficially owned by Peter Levine, capitalised approximately US$1,036,265 of its existing loan facility through the issue of 9,950,000 loan conversion shares at a price of 8 pence per share. The changes were approved at the General Meeting held on 14 March 2019.

Substantial Shareholders

As at 1st May 2019, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

PLLG Investments Limited	29.90%
Schroders Investment Management	14.30%
International Finance Corporation	10.40%
JP Morgan Asset Management Holdings Inc	8.90%
Michinoko Limited	8.80%

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

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

Further details of PLLG Investments Limited are set out in note 31.

Going Concern

The Group is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. The cash position at the year-end was US$2.0 million (2017: US$4.0 million). To support its operations the Group is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2021 provided by IYA Global Limited, a subsidiary of PLLG Investments Limited the private investment fund of Peter Levine, the Executive Chairman and largest shareholder (note 31). At the year-end there was US$19.9 million (2017: US$13.1 million) drawn under the loan facility. The balance of the IYA loan as at 30 April 2019 was US$19.7 million.

Whilst not required based on current projections, in the past the Group has been able to benefit from support being available from IYA Global to assist in the Group fulfilling its objectives, and the Directors have been informed by that entity, that subject to circumstances, further support would be available from that funding source.

The Group partially funded the recent Puesto Prado/Las Bases acquisition in Argentina with an US$4.0 million extension to the existing bank loan agreement. At the year-end there was US$10.2 million (2017: US$ 8.0 million) outstanding under this arrangement which is serviced by the cash sales generated by the Rio Negro assets.

The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Group consults with industry specialists to ensure operational projections are accurate.

Based on this review and consideration of the continuing loan facility and the indication of further support available from IYA Global Limited noted above, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in note 27. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environment

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

Principal Risks and Uncertainties Facing the Company

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

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

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

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

These risks are mitigated by managing our responsibilities as operator, and working closely with our partners on the fields that we do not operate. The Group is also exposed to non-operational risks such as oil price and geopolitical risk.

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 and Argentine Pesos to match expected expenditure plans. These principally consist of exploration expenditure on the Pirity and Henandarias concessions in Paraguay and ongoing capital investment in the Puesto Guardian and Puesto Flores concessions in Argentina.

The Group has oil and gas production in both Argentina and the US and receives revenue in Argentine Pesos and US Dollars. Currently planned Group expenditure is across the three main currencies of US Dollars, Paraguayan Guarani and Argentine Pesos. The Group mitigates currency risk by holding cash reserves in the currencies it requires for expenditure and also takes out currency options from time to time to hedge significant currency exposure. Sterling is retained for central corporate costs. Further details are provided in note 28.

Price risk

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

Payment Policy and Practice

It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. Normal payment terms are about 30 days or less. The Group had no trade creditors overdue at 31 December 2018.

The average creditor days were 32 (2017: 32). Average creditor days are calculated on year-end creditors against purchases in the year.

Third Party Indemnities

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

Related Parties

Details of the Group's related party transactions are outlined in note 31.

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 27 June 2019 at 11:00 a.m at The Naval Club, 38 Hill St, Mayfair, London W1J 5NS

ON BEHALF OF THE BOARD
Peter Levine
Executive Chairman
22nd May 2019

Directors' Remuneration Report (unaudited)

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

The current Directors are:

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

Robert Shepherd – Group Finance Director
(Appointed 14 March 2018)
Rob is a former Vice President for Emerging Markets Oil & Gas at ABN-Amro, a former Non-Executive Director of Imperial Energy Plc and a former CFO of Dominion Petroleum and former CEO of Azonto Petroleum. Rob is a qualified Facilities Engineer, having trained with Shell. Rob served as a senior independent non-executive director for the Company from October 2015 until his appointment as an executive director.

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

Alexander Charles Moody-Stuart – Independent Non-Executive Director
(Appointed 14 March 2018)
Alex recently left Schlumberger after 29 years. A graduate of Imperial College, London, Alex started at Schlumberger as a field engineer spending subsequent years in senior managerial roles in South America and latterly as VP Business Development and New Ventures managing Business Development for Production Management worldwide.

Remuneration Committee
The Remuneration Committee's primary objective is to provide recommendations to the Board on the Group's remuneration policies and to determine the remuneration of the Executive Directors and other key employees. The Remuneration Committee comprised Robert Shepherd (Chairman) and Jorge Bongiovanni until March 2018 thereafter it comprised Jorge Bongiovanni (Chairman) and Alex Moody-Stuart. Other Directors may be invited to attend meetings of the Remuneration Committee but no director participates in any decision affecting his own remuneration. The Remuneration Committee meets as necessary, and during the year met formally five times.

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

Directors' Terms, Conditions and Remuneration
The Directors have been engaged under the terms of executive service agreements and letters of appointment. Their engagements can be terminated upon six months' notice in the case of Executive Directors, and upon three months' notice in the case of Non-Executive Directors, by either party. Re-appointment is subject to the Company's Articles of Association, which provide for retirement by rotation of one third of the board at each Annual General Meeting. For the year ended 31 December 2018, the Directors' remuneration comprised a basic salary, discretionary annual bonus and the granting of share options. There were no taxable benefits or payments to pension schemes.

Salary
The remuneration of Directors, which includes salary and bonus, for the year ended 31 December 2018 is set out below.

	Note	2018 US$000	2017 US$000
Peter Levine	a	**586**	556
Miles Biggins (stepped down 29 June 2018)	b	**181**	332
Jorge Bongiovanni		**47**	45
Robert Shepherd	c,d	**248**	83
Alex Moody-Stuart (appointed 14th March 2018)		**45**	0
		1,107	1,016

Note:
Further details on share options can be found in note 24. Other than amounts paid directly to the individual, amounts were also paid to related parties as follows.

a) Further details are set out in note 31 Transactions with Directors and other related parties. Under an agreement, US$386,316 of the 2018 salary included above was deferred. As at 31 December 2018, US$741,414 remains outstanding under the agreement (2017: US$392,083).

b) Remuneration until he stepped down from the Board included US$13,517 (2017: US$46,992) under a deferral agreement. All amounts due under the agreement were fully settled in 2018 by a share issue. A further US$102,301 was paid to him after stepping down from office until his employment ceased in October 2018.

c) Under an agreement, US$3,969 (2017: US$22,363) included above has been deferred and remains outstanding at the year-end.

d) US$127,129 (2017: US$30,000) was paid to Utas Petroleum Services Limited, a company of which Robert Shepherd is a shareholder and director. As at 31 December 2018, US$73,997 remained outstanding.

Directors' Interests in the Share Capital of the Company

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

	01 May 2019 1p shares	01 May 2019 % interest	01 May 2018 1p shares	01 May 2018 % interest
Peter Levine	337,404,547	29.90%	304,404,547	31.922%
Rob Shepherd	1,062,394	0.10%	9,144	0.001%
Jorge Bongiovanni	157,179	0.01%	–	–
Alexander Moody-Stuart	100,000	0.01%	–	–

Peter Levine holds his shares through PLLG Investments Limited ("PLLGI"). Further details of that company are set out in note 31.

Executive Bonus Scheme

The Remuneration Committee sets targets for Directors and staff which contain 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. Details of options granted and held during the year are set out in note 24.

This report was approved by the Board on 22nd May 2019 and was signed on its behalf by:

Peter Levine
Company Secretary
22nd May 2019

Corporate Governance Statement

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

The Board

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

Board Committees

The audit committee and remuneration committee for the first two months of 2018 comprised non-executive Directors, Rob Shepherd and Jorge Bongiovanni. Upon his appointment as an Executive Director on 14 March, 2018, Rob Shepherd stepped down from both committees and was replaced by Alex Moody-Stuart when he was appointed a non-executive director.

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 Energy currently sends its annual report and accounts to all shareholders. The Company also makes its June interim statement available to shareholders on the website. 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 Paraguay, Argentina and the US, President Energy is, by virtue of the nature of its business and the countries in which it operates, subject to a variety of business risks.

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

Health, Safety and Environmental (HSE)

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

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

Bribery Act

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

Market Abuse Regulation

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

Modern Slavery Act

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the board of directors on 22nd May 2019 and is signed on its behalf by:

Peter Levine
Executive Chairman
22nd May 2019

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of President Energy plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 33; and
- the related parent company notes 1 to 10.

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's')RC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of development and production assets • Impairment of intangible exploration and evaluation assets • Oil and gas reserves estimates and accounting for depletion, depreciation and amortisation ("DD&A") of development and production assets.
Materiality	The materiality that we used for the group financial statements was $1.4 million which was determined on the basis of 1% of net assets.
Scoping	We performed a full scope audit on all three key business units, being USA and Paraguay, which are accounted for locally and in London, and Argentina which is accounted for locally, together with the parent company based in London. This resulted in a coverage of 100% of the group's net assets and loss before tax.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

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

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

Accounting for acquisitions has been removed as a key audit matter in current period given that the associated judgement pertained to acquisitions that occurred in the year ended 31 December 2017. The same judgement does not exist in the acquisitions of the group in 2018. The remaining key audit matters are consistent with the prior period.

Impairment of development and production assets

Key audit matter description

The value of property, plant and equipment relating to the Group's development and production assets as at 31 December 2018 was $92.1 million (2017: $73.9 million). This is considered a key audit matter due to the significant judgements and estimates involved in assessing whether any impairment has arisen at year-end and in quantifying any such impairments.

Management reviewed its producing fields in USA and Argentina for indicators of impairment. Impairment indicators were identified at the Puesto Guardian, Argentina, field only. Management has estimated the fair value less costs of disposal of each field and compared these to the carrying amount of each field on the balance sheet. For Puesto Guardian management's fair value estimate is based on key assumptions which include:

- oil and gas prices;
- reserves estimates and production profile; and
- the discount rate adopted.

As referenced in note 3 of the financial statements the impairment assessment of property, plant and equipment is considered by management as a critical accounting judgement and a key source of estimation uncertainty.

	No impairment charges were recorded during the year. Further details of the key assumptions used by management in their impairment evaluation are provided in note 15 of the financial statements.
How the scope of our audit responded to the key audit matter	We understood the basis of management's conclusion as to the existence or otherwise of impairment triggers. For Puesto Guardian, where impairment triggers existed: • we compared oil and gas price assumptions with third party forecasts and publicly available forward curves; • we assessed the discount rate used through benchmarking of assumptions; • we assessed management's other assumptions by reference to third party information, our knowledge of the group and industry and also budgeted and forecast performance; • we tested management's impairment calculations for mechanical accuracy; and • we completed a scenario analysis, through which we conducted sensitivities for a range of input assumptions, including oil price and discount rates, and computed what we believed to be a reasonable range of recoverable amounts and compared the carrying value against this range. We considered whether management's disclosures relating to impairment and associated estimation uncertainty were adequate.
Key observations	We are satisfied that, with the exception of Puesto Guardian, there were no other indicators of impairment. We concluded that, based on the scenario analysis outlined above an impairment charge is not required for Puesto Guardian. We are satisfied that the related disclosures in note 15 of the financial statements are appropriate.

Impairment of intangible exploration and evaluation assets

Key audit matter description	The total value of exploration and evaluation ("E&E") assets as at 31 December 2018 held by the group was $104.0 million (2017: $103.4 million). The Group's principal interests are in Paraguay, making up $101.7 million (2017: $101.7 million). In accordance with the relevant accounting standards, E&E costs are assessed for impairment at least annually. This is considered a key audit matter due to the significant judgments that are required and the material carrying value of E&E assets in the financial statements. These judgements include the effect of the significant and prolonged fall in oil price on the viability of the Group's E&E projects. Management assessed whether there were any indicators of impairment of the Group's E&E assets by reference to IFRS 6"Exploration for and evaluation of mineral resources", including: • the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; • substantive expenditure for further exploration and evaluation in the specific area is neither budgeted or planned;

	• whether exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue activities in the areas; or • whether data exists to suggest that the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale. As referenced in Note 3 of the financial statements, the impairment assessment of E&E assets is considered by management as a critical accounting judgement and key source of estimation uncertainty. The current status of the Paraguay E&E asset together with activity during the year is summarised in the Chairman's Statement. No impairment charges were recorded in the year. Further details of the group's E&E assets and related impairment judgements are given in Note 14 of the financial statements and Principal Risks section of the Directors Report on page 09.
How the scope of our audit responded to the key audit matter	We challenged the outcome of management's review of the Group's E&E assets for impairment. Our procedures included: • participating in meetings with key operational and finance staff to understand the current status and future intention for each asset; • confirming that all assets which remain capitalised are included in future budgets and as part of our going concern considerations and that sufficient funds are or will be available; • reviewing the Group's licenses to identify if they have expired or if due to expire in the near future are not expected to be renewed; and • obtaining appropriate audit evidence regarding material facts, for example by agreement to approved internal budgets, work programmes or contractual agreements to support the planned substantive expenditure; and • considering whether appropriate disclosures were provided in the narrative reporting and financial statements.
Key observations	We are satisfied that no impairments were required in the current year and that appropriate disclosure has been provided.

Oil and gas reserves estimates and accounting for DD&A of development and production assets

Key audit matter description	Oil and gas reserves estimates and accounting for DD&A of development and production assets was considered to be a key audit matter due to the subjective nature of reserves estimates and future development costs and timings, and their impact on the financial statement as key inputs within the impairment assessment and the DD&A calculations on the Argentinian development and production assets. Management have engaged a third party reservoir engineering expert to provide an independent report on the Group's reserves and contingent resource estimates using the standard industry reserve estimation methods and definitions for Puesto Guardian, Puesto Flores and Puesto Prado fields.

	Management's reserves and contingent resource estimates are included on page 4 of the annual report and are detailed as a critical accounting judgement in note 3.
How the scope of our audit responded to the key audit matter	For Puesto Guardian, Puesto Flores and Puesto Prado assets: • we understood the process used by management to derive their estimates of reserves and contingent resources and the provision of information to, and interaction with, the third party expert; • we reviewed the third party expert's report on the group's reserves and contingent resource estimates in Argentina as disclosed on page 4 and checked whether these estimates were used consistently throughout the accounting calculations reflected in the financial statements; and • we met with operational management and management's experts, including a call with the reserves auditor, to understand the key changes in the period and the assumptions used. We considered whether the explanations were consistent with other information obtained by us during the course of the audit.
Key observations	We are satisfied that the reserves and contingent resources figures are appropriate to be utilised in the Group's DD&A and impairment calculations.

Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	$1.4 million (2017: $1.4 million)	$1.25 million (2017: $1.25 million)
Basis for determining materiality	1% of net assets (2017: 1% of net assets)	Parent company materiality equates to less than 1% of net assets (2017: less than 1% of net assets) and has been capped at 90% of group materiality (2017: 90%)
Rationale for the benchmark applied	In respect of the group, given the existence of losses in recent years, we do not consider that focusing solely on the group's profit or loss before tax would represent a stable basis for materiality or be representative of the underlying scale of the group. Accordingly, we have concluded that net assets represents the most appropriate benchmark which reflects the long term value of the group through its portfolio of production and exploration assets and their associated reserves and contingent resources.	For the parent company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $70k (2017: $70k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we scoped in all of the group's three key business units, being USA and Paraguay, which are accounted for locally and in London, and Argentina which is accounted for locally, together with the parent company based in London. Therefore our audit covered 100% of group's net assets and loss before tax.

The business unit component materiality levels ranged from $0.56 million to $1.26 million (2017: $0.9 million to $1.26 million). We also audited the consolidation of the group's business units. Each of the key audit matters that had the greatest effect on our audit strategy, as described above, were audited directly by the group audit team in London.

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

Other information

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

We have nothing to report in respect of these matters.

Use of our report

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

Anthony Matthews FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
22nd May 2019

Consolidated Statement of Comprehensive Income Year ended 31 December 2018

	Note	2018 US$000	2017 US$000
Continuing Operations			
Revenue	4	**47,181**	17,945
Cost of sales	5	**(32,452)**	(21,402)
Gross profit/(loss)		**14,729**	(3,457)
Administrative expenses	6	**(6,059)**	(5,295)
Operating profit/(loss) before impairment and non-operating gains/(losses)		**8,670**	(8,752)
Presented as:			
Adjusted EBITDA		**16,660**	(1,439)
Non-recurring items		**(2,275)**	(2,566)
EBITDA excluding share options		**14,385**	(4,005)
Depreciation, depletion & amortisation		**(7,291)**	(4,491)
Release of abandonment provision		**1,817**	–
Share based payment expense		**(241)**	(256)
Operating profit/(loss)		**8,670**	(8,752)
Non-operating gains/(losses)	7	**(29)**	1
Impairment (credit)/charge	8	**2,610**	(1,337)
Profit/(loss) after impairment and non-operating gains/(losses)		**11,251**	(10,088)
Finance income	9	**394**	251
Finance costs	9	**(5,565)**	(3,405)
Profit/(loss) before tax	10	**6,080**	(13,242)
Income tax (charge)/credit comprises:			
Current tax income tax (charge)/credit		**(19)**	(62)
Deferred tax: foreign exchange arising on provision for future taxes		**(6,415)**	–
Deferred tax being underlying provision for future taxes		**474**	4,506
Total income tax (charge)/credit	12	**(5,960)**	4,444
Profit/(loss) for the year from continuing operations		**120**	(8,798)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**–**	(8,495)
Total comprehensive profit/(loss) for the year attributable to the equity holders of the parent		**120**	(17,293)
Earnings/loss per share	13	**US cents**	**US cents**
Basic profit/(loss) per share from continuing operations		**0.01**	(0.91)
Diluted profit/(loss) per share from continuing operations		**0.01**	(0.91)

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

Consolidated Statement of Financial Position 31 December 2018

	Note	2018 US$000	2017 US$000
ASSETS			
Non-current assets			
Intangible exploration & evaluation assets	14	**103,950**	103,299
Goodwill	32	**705**	705
Property, plant and equipment	15	**92,117**	72,016
Deferred tax	22	**1,800**	1,190
Other non-current assets	16	**351**	352
		198,923	177,562
Current assets			
Trade and other receivables	17	**10,658**	8,310
Asset held for resale	33	**–**	1,313
Stock		**84**	77
Cash and cash equivalents	18	**1,970**	4,026
		12,712	13,726
TOTAL ASSETS		**211,635**	191,288
LIABILITIES			
Current liabilities			
Trade and other payables	19	**23,739**	18,043
Asset held for resale	33	**–**	788
Borrowings	20	**3,792**	1,846
		27,531	20,677
Non-current liabilities			
Long-term provisions	21	**4,509**	5,015
Borrowings	20	**26,306**	19,313
Deferred tax	22	**6,857**	306
		37,672	24,634
TOTAL LIABILITIES		**65,203**	45,311
EQUITY			
Share capital	23	**23,654**	23,642
Share premium		**240,904**	240,822
Translation reserve		**(50,240)**	(50,240)
Profit and loss account		**(75,069)**	(75,189)
Reserve for share-based payments		**7,183**	6,942
TOTAL EQUITY		**146,432**	145,977
TOTAL EQUITY AND LIABILITIES		**211,635**	191,288

These financial statements for President Energy PLC (company number 5104249) were approved by the Board of Directors and authorised for issue on 22nd May 2019. They were signed on their behalf by:

Peter Levine
Executive Chairman
The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2018

	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 2017	22,086	227,325	(41,745)	(66,391)	6,686	147,961
Share-based payments	–	–	–	–	256	256
Issue of ordinary shares	1,534	13,809	–	–	–	15,343
Costs of issue	(507)	–	–	–	(507)	
Issue to service provider	22	195	–	–	–	217
Transactions with the owners	1,556	13,497	–	–	256	15,309
Loss for the year	–	–	–	(8,798)	–	(8,798)
Other comprehensive income						
Exchange differences on translation	–	–	(8,495)	–	–	(8,495)
Total comprehensive income for the year	–	–	(8,495)	(8,798)	–	(17,293)
Balance at 1 January 2018	**23,642**	**240,822**	**(50,240)**	**(75,189)**	**6,942**	**145,977**
Share-based payments	**–**	**–**	**–**	**–**	**241**	**241**
Issue of ordinary shares	**12**	**82**	**–**	**–**	**–**	**94**
Costs of issue		**–**	**–**	**–**	**–**	**–**
Transfer to P&L account	**–**	**–**	**–**	**–**	**–**	**–**
Transactions with the owners	**12**	**82**	**–**	**–**	**241**	**335**
Profit for the year	**–**	**–**	**–**	**120**	**–**	**120**
Other comprehensive income						
Exchange differences on translation	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**120**	**–**	**120**
Balance at 31 December 2018	**23,654**	**240,904**	**(50,240)**	**(75,069)**	**7,183**	**146,432**

Attributable to the owners of the Company

Consolidated Statement of Cash Flows
Year ended 31 December 2018

	2018 US$000	2017 US$000
Cash flows from operating activities		
Cash generated by operating activities (note 25)	**14,723**	(7,438)
Interest received	**394**	251
Taxes paid	**(5)**	(82)
Taxes refunded	**–**	
	15,112	(7,269)
Cash flows from investing activities		
Expenditure on exploration and evaluation assets	**(558)**	(655)
Expenditure on development and production assets	**(7,865)**	(11,746)
Proceeds from asset sales	**503**	475
Acquisition & licence extension in Argentina	**(15,806)**	(15,618)
USA acquisition	**(93)**	(2,218)
Deposits with state authorities	**1**	(184)
Expenditure on abandonment	**(34)**	–
	(23,852)	(29,946)
Cash flows from financing activities		
Loan drawn	**11,670**	15,495
Proceeds from issue of shares (net of expenses)	**–**	14,836
Loan converted to equity	**–**	(2,205)
Shares issued to service provider	**–**	217
Repayment of borrowings	**(2,206)**	(1,207)
Payment of interest and loan fees	**(2,713)**	(1,971)
	6,751	25,165
Net decrease in cash and cash equivalents	**(1,989)**	(12,050)
Opening cash and cash equivalents at beginning of year	**4,026**	17,586
Exchange gains on cash and cash equivalents	**(67)**	(1,510)
Closing cash and cash equivalents	**1,970**	4,026

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

Notes to the Consolidated Accounts

1. General information

Corporate status

President Energy PLC (formerly President Petroleum Company PLC until 28 September 2012) is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 67. The nature of the Group's operations and its principal activities are set out in note 4 and in the Strategic Report on pages 05 to 07. The Company is quoted on the AIM market of the London Stock Exchange (ticker: PPC), and is headquartered in Leeds, UK, with offices in Asunción, Paraguay, Buenos Aires, Argentina, and Lafayette, USA. Details on all subsidiaries of the group are provided in Note 4 in the Company accounts.

Presentation currency

The presentation currency and functional currency of the Group is the United States (US) Dollar from 1st January 2018. In 2017, the US Dollar had been adopted as the Group's presentation currency as the Group's trading and the majority of other transactions and assets are in US Dollars. The Group's accounting policy on foreign currencies is detailed in note 2j).

2. Significant accounting policies

a) Basis of preparation

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

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

The Group has adopted all applicable IFRSs and Interpretations which have been endorsed by the EU and which are relevant to its operations and mandatory for accounting periods beginning on 1 January 2018 and no restatement of prior year amounts has been required. This included IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 Financial Instruments

The classification and measurement of financial assets have changed with the implementation of IFRS 9. However, this has not materially changed the measurement of financial assets of the Group. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39, has not had a material impact on the Group's Financial Statements. Trade receivables are generally settled on a short time frame and the Group's other financial assets are due from counterparties without material credit risk concerns at the time of transition.

IFRS 15 Revenue from contracts with customers

The implementation of IFRS 15 has not impacted the presentation of the Group's sales revenue. Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in note 4. The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil or gas to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Group's previous accounting policy for recognising revenue from sales to customers.

2 Significant accounting policies (continued)

a) Basis of preparation (continued)

At the date of authorisation of the financial statements, the following significant 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 16 Leases

IFRS 16 will impact on the measurement and disclosure of leases in the financial statements. The Group will adopt IFRS 16 Leases for the year commencing 1 January 2019 where it will impact both the measurement and disclosures of leases over a low-value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right-of-use assets are expected to be recorded. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

An initial assessment of the gross value on transition to the new IFRS 16 standard is shown below and reflects practical expedients permitted by the standard on transition.

	US$ million
Property	0.0
Vehicles	0.1
Production equipment	0.4
Right of use asset recognised in PP&E	0.5
Current	0.2
Non-Current	0.3
Lease liabilities	0.5

b) Basis of accounting

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

The accounting policies set out below have been applied consistently to all periods presented except for the change in USA revenue recognition detailed below in 2(e) and change in functional currency in Argentina detailed below in 2(j).

c) Basis of consolidation

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

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

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

2 Significant accounting policies (continued)

d) Going concern

The accounts have been prepared under the going concern basis.

The Group is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. The cash position at the year-end was US$2.0 million (2017: US$4.0 million). To support its operations the Group is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2021 provided by IYA Global Limited, a subsidiary of PLLG Investments Limited the private investment fund of Peter Levine, the Executive Chairman and largest shareholder (note 31). At the year-end there was US$19.9 million (2017: US$13.1 million) drawn under the loan facility. The balance of the IYA loan as at 30 April 2019 was US$19.7 million.

Whilst not required based on current projections, in the past the Group has been able to benefit from support being available from IYA Global to assist in the Group fulfilling its objectives, and the Directors have been informed by that entity, that subject to circumstances, further support would be available from that funding source.

The Group partially funded the recent Puesto Prado / Las Bases acquisition in Argentina with an US$4.0 million extension to the existing bank loan agreement. At the year-end there was US$10.2 million (2017: US$ 8.0 million) outstanding under this arrangement which is serviced by the cash sales generated by the Rio Negro assets.

The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Group consults with industry specialists to ensure operational projections are accurate.

Based on this review and consideration of the continuing loan facility and the indication of further support available from IYA Global Limited noted above, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in note 27. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

e) Revenue recognition

Sales revenue from contracts with customers represents the sales value, net of VAT, of the Group's share of oil and gas sales, tariff income and production handling fees. Revenue is recognised when performance obligations have been met, which is typically when goods are delivered and title has passed. Royalty payments are recognised as a cost of sale when the related production revenue is recognised.

Following a review triggered by the new standard on revenue, revenue from the USA is now recognised based on the working interest share in the licence reflecting the title and risks associated with the product streams. The difference between the working interest and the net entitlement interest to the Company is reflected as a cost of sale in line with similar royalty expenses. The change has been made prospectively as there is no material impact on the reported comparative position.

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

2 Significant accounting policies (continued)

f) Oil and natural gas exploration and development expenditure

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

Exploration and evaluation expenditure – intangible assets

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

Development and production assets – property, plant and equipment

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

Depreciation, depletion and amortisation

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

Impairment

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

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.

2 Significant accounting policies (continued)

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.

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 expense on sale.

i) Assets held for resale

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

j) Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which an entity primarily generates and expends cash. The Parent Company's functional and presentation currency is US Dollars.

A move to a deregulated oil price environment in Argentina in early 2018 triggered the reassessment of the functional currency for the Argentine subsidiary. In December 2017, President had completed the transformational acquisition of Chevron's interest in the Puesto Flores field and subsequent licence extension with the Rio Negro Province in Argentina. The cost of the acquisition and the payment terms for the licence extension were defined and settled in US Dollars. US Dollar denominated loans with 3rd party lenders in country and related party lenders were arranged to part fund these investments. Consequently, the functional currency was determined as US Dollars and the change effected on 1 January 2018. Following this change all entities in the Group have a USD denominated functional currency in 2018 while 2017 continues as reported with a US Dollar presentation currency.

2 Significant accounting policies (continued)

j) Foreign currencies (continued)

Where applied, 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 initially measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

The results and financial position of all the Group entities (none of which during 2017 was considered to have the currency of a hyperinflationary economy) that had a functional currency different from the Group's presentation currency were 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.

k) Financial instruments

Cash and cash equivalents

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

Trade payables and other creditors

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

Derivative financial instruments

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

Equity

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

2 Significant accounting policies (continued)

k) Financial instruments (continued)

Accounting for financial assets

Financial assets are divided into the following categories:

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

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

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

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

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

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

l) Income taxes

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

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

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

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

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

2 Significant accounting policies (continued)

l) Income taxes (continued)

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

m) Share-based payments

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

The fair values are calculated using a Black-Scholes option pricing model. Further details are in note 24.

n) 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.

o) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Chief Operating Decision 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.

p) Business combinations

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

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.

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

Critical accounting judgements

Carrying value of intangible exploration and evaluation assets

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

During 2018, the Pirity licence was extended by two years through to September 2020 in return for additional work commitments (Note 27). While the farm-out process continued to attract interest in 2018 no firm agreement has yet been reached. The Company remains committed to drilling a well towards the end of 2019 or early 2020. An extensive geological review has been completed with a review by independent third party consultants completed in early 2019. This has determined the prospect and well site location for the well.

Accordingly, in light of the current prospects management consider it is appropriate to continue to capitalise the balance of £102 million at 31 December 2018.

Key sources of estimation uncertainty

Estimation of oil and gas reserves

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

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

All proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Because oil and gas assets are accounted for on an historical cost basis, the prospective value of the above assets is not fully carried in the Statement of Financial Position, but unaudited reserves quantities are detailed in the Chairman's statement on page 02.

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 and value of the well or field or other relevant factors. For non-producing assets included in intangible exploration and evaluation assets the cost of bringing the resource into production needs to be assessed against the volumes, prices and operating costs anticipated from estimated future production, to the extent that the evaluation of these assets is sufficiently advanced for those to be determined Sensitivities with respect to oil price and the pre-tax discount rate are detailed in Note 15.

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

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, together with the associated inflation and discount rates applied, are subjective as detailed in note 21.

4 Segment reporting

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

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

	Argentina 2017 US$000	Paraguay 2017 US$000	USA 2017 US$000	UK 2017 US$000	Total 2017 US$000
Revenue	14,391	–	3,554	–	17,945
Cost of sales					
Depreciation	3,725	–	770	–	4,495
Royalties & production taxes	2,073		373		2,446
Well operating costs	13,038	–	1,423	–	14,461
Administrative expenses	1,703	91	494	3,007	5,295
Segment costs	20,539	91	3,060	3,007	26,697
Segment operating profit/(loss)	(6,148)	(91)	494	(3,007)	(8,752)

84% of Argentine total revenues comprised oil sales to the following vendors:

Shell CIA Argentina DE Petroleo S.A.	40%
Refineria Del Norte S.A.	19%
Pan American Energy Llc Sucursal Argentina	16%
Trafigura Argentina S.A	10%

While in the USA, all oil sales were made to Shell Trading (US) Company comprising 72% of total revenues.

4 Segment reporting (continued)

Sales per barrel of oil equivalent averaged US$62 per boe (2017: US$53 per boe) and US48 per boe (2017: US42 per boe) for Argentina and USA respectively.

Average reported sales prices for Argentina are calculated based on oil and gas sales volumes of 680.9 mmboe (2017: 270.1 mmboe) as following the 2017 Puesto Flores acquisition oil inventory movements and gas consumed in operations will result in differences to reported production volumes. Likewise in the USA, average reported sales prices are calculated based on oil and gas sales volumes of 110.7 mmboe (2017: 84.4 mmboe).

Following a review triggered by the new standard on revenue, revenue from the USA is now recognised based on the working interest in the licence reflecting the title and risks associated with the product streams. The difference between the working interest and the net entitlement interest to the Company is reflected as a cost of sale in line with similar royalty expenses. The change has been made prospectively as there is no material impact on the reported comparative position.

Segment assets

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

	Argentina 2017 US$000	Paraguay 2017 US$000	USA 2017 US$000	UK 2017 US$000	Total 2017 US$000
Intangible assets	1,578	101,721	–	–	103,299
Goodwill	705	–	–	–	705
Property, plant and equipment	69,754	103	2,159	–	72,016
	72,037	101,824	2,159	–	176,020
Asset held for resale	–	–	1,313	–	1,313
Other assets	7,852	17	1,767	293	9,929
	79,889	101,841	5,239	293	187,262

Segment assets can be reconciled to the Group as follows:

	2018 US$000	2017 US$000
Segment assets	**209,665**	187,262
Group cash	**1,970**	4,026
Group assets	**211,635**	191,288

4 Segment reporting (continued)

Segment liabilities

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

	Argentina 2017 US$000	Paraguay 2017 US$000	USA 2017 US$000	UK 2017 US$000	Total 2017 US$000
Total liabilities	27,438	274	2,451	15,148	45,311

5 Cost of sales

	2018 US$000	2017 US$000
Depreciation	**7,245**	4,495
Release of abandonment provision	**(1,817)**	–
Royalties & production taxes	**8,265**	2,446
Well operating costs	**18,759**	14,461
	32,452	21,402

Well operating costs include US$1,531,000 (2017: US$2,566,000) in Argentine non-recurring workover costs expensed in the period.

6 Administrative expenses

	2018 US$000	2017 US$000
Directors and staff costs (including non-executive Directors)	**3,673**	4,048
Share-based payments	**241**	256
Depreciation	**46**	(4)
Other	**2,099**	995
	6,059	5,295

To allow for meaningful comparison, staff costs, share based payments and depreciation expenses are reflected gross before the effect of allocations to operating costs or balance sheet assets. Other expenses are shown net of the effect of allocations US$1.7 million (2017: US$1.8 million). Administrative expenses in 2018 include US$0.7 million in legal expenses arising on the settlement of the DP1002 dispute in Argentina that are non-recurring.

7 Other non-operating gains/(losses)

	2018 US$000	2017 US$000
Reverse of provision for recoverable taxes	**84**	–
Other gains/(losses) arising on asset disposals	**(113)**	1
	(29)	1

8. Impairment (credit)/charge

	2018 US$000	2017 US$000
DP1002 well in Argentina	**(2,610)**	–
East White Lake USA (PP&E)	**–**	1,337
	(2,610)	1,337

8. Impairment (credit)/charge (continued)

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

9. Finance income & costs

	2018 US$000	2017 US$000
Interest income	**394**	251
Exchange gains	**–**	–
Finance income	**394**	251
Loan interest	**2,537**	1,134
Loan fees	**122**	714
Accretion on abandonment liabilities	**430**	478
Exchange losses	**2,476**	1,079
Finance costs	**5,565**	3,405

Cash paid out on loan fees and interest in the year amounted to US$ 2.7 million (2017: US$ 1.9 million).

10. Profit/(loss) before tax

	2018 US$000	2017 US$000
Profit/(loss) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment (note 15)	**7,291**	4,491
Impairment of tangible assets (notes 8 & 15)	**(2,610)**	1,337
Staff costs in Admin & Operations (note 11)	**6,299**	5,663
Rentals payable in respect of land and buildings	**143**	280
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the annual accounts	**122**	92
Audit of the Company's subsidiaries	**77**	59
Total audit fees	**199**	151
Audit related assurance services	**5**	5
Other non-audit services	**–**	32
Tax advisory services	**3**	13
	207	201

11. Staff costs

	2018 Number	2017 Number
Average monthly number of employees (including executive Directors and Chairman but excluding non-executive Directors)		
Management	**5**	5
Operational	**42**	30
Administration	**8**	7
	55	42

11. Staff costs (continued)

	2018 US$000	2017 US$000
Wages, salaries and Directors' fees		
(including Chairman and excluding non-executive Directors)	**5,246**	4,929
Expense in respect of share-based payments	**241**	256
Social security costs	**812**	745
	6,299	5,930

A proportion of the staff costs above is capitalised as non-current assets (2018: US$0.1 million, 2017: US$ 0.3 million) and expensed in operating costs (2018: US$2.4 million, 2017: US$1.7 million).

Included in the above is the following Directors' remuneration earned in respect of the financial year by each director of the company acting in such capacity during the financial year. There were no pension contributions or other remuneration items paid to any Director in the year. Details of the Directors' remuneration are provided in the Director's Report. Under an agreement, US$386,316 of the 2018 salary included above was deferred. As at 31 December 2018, US$741,414 remains outstanding under the agreement (2017: US$392,083). Details of share options granted and held during the period are provided in note 24.

	2018 US$000	2017 US$000
Emoluments paid in respect of the highest paid Director in the year (excluding share-based payment charge)	**586**	556

12. Tax

	2018 US$000	2017 US$000
Current tax credit/(charge)	**(19)**	(62)
Deferred tax		
Origination and reversal of temporary differences	**(5,941)**	4,506
	(5,960)	4,444

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

Profit/(loss) on ordinary activities before taxation	**6,080**	(13,242)
Tax at 19% (2017: 19.25%)	**(1,155)**	2,549
Tax losses utilised but not previously recognised	**332**	104
Tax losses carried back to prior period	**–**	3
Deferred tax carried forward but not recognised	**(723)**	(183)
Deferred tax carried forward and recognised	**610**	342
Change in future deferred tax rates	**(270)**	1,809
Tax effect of income/expenses not realised in Group accounts	**(844)**	(440)
Expenses not deductible for tax purposes	**2,606**	(972)
Difference between US, Argentine, Paraguay and UK tax rates	**(582)**	1,587
Adjustments relating to prior years	**(5,934)**	(355)
Tax as per statement of comprehensive income	**(5,960)**	4,444

The tax rate applied in the above reconciliation is the weighted average of the UK statutory tax rates in the period.

13. Earnings/(Loss) per share

	2018 US$000	2017 US$000
Net profit/(loss) for the period attributable to the equity holders of the Parent Company	**120**	(8,798)
	Number '000	**Number '000**
Weighted average number of shares in issue	1,072,106	971,173
	US cents	**US cents**
Earnings/(loss) per share		
Basic earnings/(loss) per share from continuing operations	0.01	(0.91)
Diluted earnings/(loss) per share from continuing operations	0.01	(0.91)

At 31 December 2018, 64,962,628 (2017: 115,176,490) weighted potential ordinary shares in the Company which underlie the Company's share option and share warrant awards and may dilute earnings per share in the future, have been included in the calculation of diluted earnings per share. No dilution per share was calculated for 2017 as with the reported loss they are anti-dilutive.

14. Intangible assets – exploration and evaluation assets

	US$000
Cost	
At 1 January 2017	145,446
Additions	655
Exchange difference	(259)
Disposal	(469)
At 1 January 2018	**145,373**
Additions	**558**
Acquisition of licence in USA	**93**
At 31 December 2018	**146,024**
Impairment	
At 1 January 2018	**42,074**
Impaired in year ended 2018	**–**
At 31 December 2018	**42,074**
Net Book Value	
At 31 December 2018	**103,950**
At 31 December 2017	103,299

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

During 2018, the Pirity licence was extended by two years through to September 2020 in return for additional work commitments (Note 27). While the farm-out process continued to attract interest in 2018 no firm agreement has yet been reached. The Company remains committed to drilling a well towards the end of 2019 or early 2020. An extensive geological review has been completed with a review by independent third party consultants completed in early 2019. This has determined the prospect and well site location for the well.

14. Intangible assets – exploration and evaluation assets (continued)

Accordingly, in light of the current prospects management consider it is appropriate to continue to capitalise the balance of £102 million at 31 December 2018.

Additions of US$0.6 million (2017:US$0.6 million) for 2018 primarily comprise expenditure on evaluation of the Hernandarias Concession in Paraguay and on the Matorras/Ocultar and Puesto Flores licences in Argentina. A new 20% interest in an operated exploration licence was acquired in 2018. The Jefferson Island block covers 693-acres and is adjacent to the existing production facilities. Following the evaluation of the latest seismic data a four well drilling campaign will start in 2019.

Rationalisation of surplus equipment held in advance of future Paraguay exploration drilling resulted in US$0.5 million disposal in 2017. Following the change in functional currency in Argentina, as detailed in note 2(j) above, exchange differences are no longer reflected in the movement (2017: US$0.3 million).

15. Property, plant and equipment – development and production assets

	US$000
Cost	
At 1 January 2017	83,277
Additions	10,313
Acquisition & licence extension in Argentina	24,263
Acquisition USA	2,328
Disposals	(5)
Asset held for resale	(11,132)
Exchange difference	(11,780)
At 1 January 2018	**97,264**
Additions	**16,417**
Acquisition of licence in Argentina	**11,591**
Disposals	**(626)**
At 31 December 2018	**124,646**
Depreciation	
At 1 January 2017	31,785
Charge for the year	4,491
Disposals	–
Impairment	1,337
Asset held for resale	(9,969)
Exchange difference	(2,396)
At 1 January 2018	**25,248**
Charge for the year	**7,291**
Disposals	**(10)**
At 31 December 2018	**32,529**
Net Book Value	
At 31 December 2018	**92,117**
At 31 December 2017	72,016

In 2018, the Group extended its investment in the Rio Negro region of Argentina with the acquisition of the Puesto Prado and Las Bases assets. The concessions, which are adjacent to the Puesto Flores/Estancia Vieja concession, include access to reserves, infrastructure and a strategic pipeline.

15. Property, plant and equipment – development and production assets (continued)

Additions in the year include the drilling and completion of three development wells and capitalised workovers in the Puesto Flores field, facility enhancement work and capitalised workovers on the Puesto Guardian field and well conversion work linked to East Lake Verret facilities in the USA. Following the change in functional currency in Argentina, as detailed in note 2(j) above, exchange differences are no longer reflected in the movement.

During 2018, an impairment review was triggered on the Puesto Guardian field in Argentina as a result of a reduction in 2P reserves. Following a review of the fair value of the asset less cost to sell and the carrying book value no impairment was required. In arriving at the fair value a present value technique was applied to estimated future 2P reserves and costs using a US$51.1 oil price escalating at 2% from 2021 with a 20.9% pre-tax discount rate. A reduction in the oil price of US$5 per barrel would trigger an impairment of around US$15 million while a US$5 per barrel increase shows a US$15m surplus. A 1% reduction in the pre-tax discount rate would increase the surplus by US$3 million an increase in the discount rate by 1% would reduce the surplus by US$3 million. A similar review conducted in 2017 also concluded no impairment was required.

In 2017, the Group extended its investment in Argentina with the acquisition and extension of the concession incorporating the Puesto Flores and Estancia Vieja assets from Chevron Argentina SRL's (further details in Note 32). In the USA, the Group acquired a 50% working interest and operatorship of the Triche well produced through the fully owned East Lake Verret facilities. Additions in the year include capitalised workovers on the Puesto Guardian and Puesto Flores field in Argentina. The fall in value of the Argentine Peso relative to the US dollar has resulted in a reduction in the carrying value of the assets held.

Following the sale of the non-operated interest in East White Lake field announced in 2018, an impairment of US$1.3 million was recognised at the end of 2017. The impairment was based on the fair value of the purchase consideration to be received. The remaining net book value was reclassified to current assets held for resale.

16. Other non-current assets

	2018 US$000	2017 US$000
Financial assets – Deposits with state authorities	**351**	352
	351	352

17. Trade and other receivables

	2018 US$000	2017 US$000
Trade receivables	**8,676**	3,534
Other receivables	**1,619**	4,731
Prepayments	**363**	45
	10,658	8,310

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 and there were no provisions for bad debt.

Credit risk

The Company has a low credit risk in respect of receivables as a result of supplying reputable oil and gas purchasers. The concentration of risk is such that at 31 December 2018, 80% (2017 65%) of the Group's trade receivables from product sales were due from the four largest counter-parties. These amounts have been recovered in full since 1 January 2019.

18. Cash and cash equivalents

	2018 US$000	2017 US$000
Cash at bank and in hand	**1,970**	4,026

19. Trade and other payables

	2018 US$000	2016 US$000
Trade payables	**7,754**	3,559
Drilling, workover and operation accruals	**9,292**	4,701
Arising on Puesto Flores acquisition	**–**	7,000
Arising on licence acquisition and extension	**3,221**	–
Other payables	**3,472**	2,783
	23,739	18,043

20. Borrowings

	2018 US$000	2017 US$000
Current		
Bank loan	**3,792**	1,846
	3,792	1,846
Non-current		
IYA Loan	**19,851**	13,120
Bank loan	**6,455**	6,193
	26,306	19,313
Total carrying value of borrowings	**30,098**	21,159
IYA Loan		
Balance at beginning of year	**13,120**	9,076
Loan drawn in year (note 31)	**5,384**	6,418
Converted to equity	**–**	(2,205)
In settlement of asset disposal in USA	**(525)**	–
Interest capitalised	**2,232**	1,038
Repaid in period : Capital repayments	**360**	1,207
Interest and loan fees	**2,232**	1,038
	(2,592)	(2,245)
Interest payable in statement of comprehensive income in period	**2,232**	1,038
	19,851	13,120
Bank loan		
Balance at beginning of year	**8,039**	–
Loan draw down in year	**4,000**	8,000
Interest capitalised	**804**	39
Repaid in period : Capital repayments	**1,846**	–
Interest paid	**750**	39
	(2,596)	(39)
Interest payable in statement of comprehensive income in period	**–**	39
	10,247	8,039

20. Borrowings (continued)

During 2018, the IYA loan facility was extended to US$20.5 million with US$16.5 million at a 10.5% interest rate and additional borrowings of US$4.0 at 12.5% plus 6 month Libor in line with incremental bank borrowing. This additional borrowing together with additional commercial bank funding through an established Argentinian Bank of a further US$4.0 million was used to fund the acquisition of the Puesto Prado and Las Bases concessions. The additional bank funding is in place until 2021. Further details on the terms of the IYA loan are detailed in the Related Party note 31.

In 2017, the Group completed a fundraising whereby US$2.2 million of the IYA loan balance was capitalised into equity. The loan facility was extended to US$15.0 million at a 10.5% interest rate with maturity date remaining as 31 December 2021. Certain clauses in the new loan agreement were amended resulting in the reclassification of the loan to non-current. Following the completion of the acquisition, the Group announced their first commercial bank loan through the established Argentinian Banks, BACS Banco de Credito y Securitizacion S.A and Banco Hipotecario. The US$8.0 million facility is for a term of 42 months with capital and interest repayable over that time on a quarterly basis and benefiting from a 6 month initial capital repayment holiday. The interest rate is 7.5% over Libor. The movement in borrowings can be reconciled to the cash flow statement as follows:

Reconciliation to cash flow statement

	2018 US$000	2017 US$000	Movement US$000
Total borrowings	**30,098**	21,159	8,939
Associated cashflows			
Loan drawn			11,670
Repayment of borrowings			(2,206)
Non-cash movement			
Reduction in borrowing by disposal of assets (note 33)			(525)
			8,939

21. Long-term provision – Decommissioning

	US$000
At 1 January 2017	4,717
Increase/(decrease) in provision	(1,433)
Accretion	478
Acquisition	2,692
Acquisition USA	84
Asset held for resale	(788)
Exchange difference	(735)
At 1 January 2018	**5,015**
Increase/(decrease) in provision	**(1,841)**
Accretion	**430**
Acquisition	**939**
Incurred	**(34)**
At 31 December 2018	**4,509**

21. Long-term provision – Decommissioning (continued)

Provisions for decommissioning relate to the restoration of well sites to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where relevant and available, operator's estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The provision is arrived at after taking in to consideration management's view of future inflation and an appropriate discount rate. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates, which is currently expected to be between 2021 and 2037 for existing wells. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The Group uses a 3% discount in the USA and a 15% rate in Argentina. During the period the discount rate was updated and increased by 5% during the period reflecting the changes in the rates applied in Argentina in the period. Should this change reverse then the provision required would again increase.

22. Deferred tax

	US$000
Liability at 1 January 2017	5,663
Acquisition	(342)
Movement in year	(2,355)
Change in future tax rate	(1,809)
Exchange difference on consolidation	(851)
Liability at 1 January 2018	**306**
Movement in year	**(134)**
Change in future tax rate	**270**
Exchange difference	**6,415**
Liability at 31 December 2018	**6,857**

All of the above relates to oil and gas properties. The principal reason for the change in the period was the impact of the devaluation of the Peso on the tax basis used in estimating the future tax provision. The devaluation significantly reduced the Peso denominated tax-deductible value of fixed assets and Peso denominated tax losses which, when compared to their carrying value for accounting purposes, gave rise to a deferred tax charge for the period of US$6.4 million.

The movement in the deferred tax liability in 2017 relates principally to Argentina where a phased reduction in future tax rates from 35% to 25% reduced the tax liability on the timing differences.

A Deferred Tax asset of US$1.8 million (2017: US$ 1.2 million) is recognised in the USA based on forecast cash flows as the utilisation of expected tax losses exceeds the Deferred Tax liability arising on timing differences. Following updated forecasts incorporating higher oil prices and higher reserve estimates the amount of tax losses recognised was increased. The Group has the following unrecognised tax losses available for offset against future profits:

	2018 US$000	2017 US$000
USA	**6,900**	10,800
UK	**29,080**	25,500

23. Share capital

Equity share capital

	2018 '000s	2017 '000s
Issued – authorised, allotted, called up and fully paid		
Deferred shares of par value £0.29 (US$0.54)	**16,093**	16,093
Ordinary shares of par value £0.01 (US$0.02)	**1,071,938**	1,071,938

	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)	**14,929**	14,917
	23,654	23,642
The issued share capital is reconciled as follows		
Balance at beginning of year	**23,642**	22,086
Shares issued	**12**	1,556
Balance at end of year	**23,654**	23,642

During 2018, the highest mid-market price of the Company's shares was 12.5p and the lowest was 8.0p. The year-end price was 9.2p. In 2018, shares were issued in settlement of a deferred salary arrangement as detailed in the Directors Remuneration Report.

In 2017, shares were issued to support the ongoing work programme at the recently acquired Puesto Flores and Estancia Vieja fields in Argentina, contribute towards the overall funding package to be paid to the Rio Negro Province in relation to the extension of the Concession for Puesto Flores and permit the IYA debt conversion strengthening the Company's capitalised position. The deferred shares arose in 2009 following a capital reorganisation whereby the ordinary shares with a par value of 30p per share were replaced by ordinary shares with a 1p per share par value. Consequently, the deferred shares have no voting rights, no rights to dividends and no rights to capital distributions.

24. Share-based payments

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

		Grant date	Target Price	31 Dec 2017	Granted in year	Exercised in year	Forfeited/ lapsed in year	31 Dec 2018
Options				'000	'000	'000	'000	'000
Peter Levine	a	30 Jul 15	17-35p	8,500	–	–	**8,500**	–
Former director	a	25 May 11	38-74p	800	–	–	–	**800**
Former director	a	30 Jul 15	17-35p	4,900	–	–	**4,900**	–
Former director	a	01 Jul 16	10-20p	3,500	–	–	–	**3,500**
Former director	a	30 Sep 11	51p	600	–	–	–	**600**
Former director	a	30 Jul 15	17-35p	3,650	–	–	**3,650**	–
Senior employee	a	14 May 15	19-37p	1,075	–	–	**1,075**	–
Senior employee	a	30 Jul 15	17-35p	2,000	–	–	**2,000**	–
Senior employee	a	01 Jul 16	10-20p	5,800	–	–	–	**5,800**
Senior employee	a	21 Jun 17	9-18p	9,750	–	–	**1,500**	**8,250**
Robert Shepherd	a	20 Jun 18	14-27p	–	**5,000**	–	–	**5,000**
Senior employee	a	20 Jun 18	14-27p	–	**23,950**	–	–	**23,950**
				40,575	**28,950**	–	**21,625**	**47,900**
Warrants	b		19p	72,808	–	–	**72,808**	–
			47p	4,253	–	–	–	**4,253**
				117,636	**28,950**	–	**94,433**	**52,153**

Note

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

24. Share-based payments (continued)

b) Warrants totalling 13,781,455 were granted to PLLG Investments, an entity controlled by Peter Levine and detailed in note 31, under the terms of the equity raise in March 2015. Warrants were also granted to Miles Biggins (169,600) as part of the same issue.

The options contain share price performance vesting conditions. It is a condition that the target price is achieved and that it is maintained for a certain period of time. All share options outstanding at the end of the period have a 3 year vesting period, and all are equity-settled.

The weighted average remaining contractual life of the options/warrant is 2.3 years (2017: 0.8 years) from 31 December 2018.

Warrants totalling 72.8 million which were granted in 2015 in support of equity placing had a three year exercise period which lapsed in 2018. The other warrants were issued in connection with the Group's acquisition of LCH SA in 2014 and expire in line with the Pirity Concession September 2020.

In 2018, options were granted on 20 June. The aggregate of the estimated fair value of the options granted is US$0.3 million (2017: US$0.2 million).

The inputs into the Black-Scholes model for the options granted in the year are as follows:

	2018	2017
Weighted average exercise price	**9.3p**	6.2p
Expected volatility	**55%**	75%
Expected life	**3 years**	3 years
Risk-free rate	**1.0%**	1.0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 12 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The probability that the performance criteria would be met was based on a Monte Carlo simulation using historic volatility.

25. Notes to the consolidated statement cash flows

	2018 US$000	2017 US$000
Profit/(loss) from operations before taxation	**6,080**	(13,242)
Interest on bank deposits	**(394)**	(251)
Interest payable and loan fees	**3,089**	2,326
Depreciation of property, plant and equipment	**7,291**	4,491
Impairment (credit)/charge	**(2,610)**	1,337
Release of abandonment provision	**(1,817)**	–
(Gain)/loss on non-operating transaction	**29**	(1)
Share-based payments	**241**	256
Foreign exchange difference	**2,476**	1,079
Operating cash flows before movements in working capital	**14,385**	(4,005)
Decrease/(increase) in receivables	**(4,483)**	(3,677)
Movement in stock	**(7)**	–
Increase/(decrease) in payables	**4,828**	244
Net cash generated by operating activities	**14,723**	(7,438)

26. Contingent liabilities

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

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

27. Capital and operating lease commitments

Capital commitments

In Paraguay the Company has entered into a Farm-in agreement on the Hernandarias Concession to earn the remaining 40% working interest (40% already earned). The remaining work commitment on this licence is for one well to be drilled on or before October 2019. If the Company fails to drill such a well it would have to relinquish its rights for the remaining 40% but on relinquishment would have no further liability. As at 31 December 2018, the remaining capital commitment was US$8.9 million which would not be payable if the rights are relinquished.

The Company anticipates drilling the remaining well commitment well on the Pirity Concession during 2019. During 2018, the Pirity licence was extended by two years through to September 2020 with a work commitment to drill a further two wells or pay a financial penalty of US$0.1 million.

Under the term of the extension of the Puesto Flores/Estancia Vieja Concession, the Province has approved a work programme to commence in 2018 including re-completions/workovers and drilling of development and exploration wells aimed at materially increasing production and reserves at the fields.

As at 31 December 2018, the Group was committed to funding an exploration programme on each of the Matorras and Ocultar licence areas surrounding Puesto Guardian in Argentina. The licences have a combined work commitment of US$2.4 million. During 2018, the licence was extended until March 2020.

In 2018 the Group acquired the Puesto Prado and Las Bases concessions , the Province has approved a work programme to commence in 2019 including re-completions/workovers and drilling of development and exploration wells aimed at materially increasing production and reserves at the fields.

Operating lease commitments

The Group has leases in respect of its office premises, vehicles and production equipment.

Minimum lease payments are as follows:

	2018 US$000	2017 US$000
Due within one year	**223**	137
One to five years	**325**	54
	548	191

The increase in 2018 arose due to production equipment leases entered into in December 2018.

28. Risk management objectives and policies

a) Overview

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

b) Hedging of oil and gas prices

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

c) Foreign currency risk and sensitivity

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

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

	2018 US$000	2017 US$000
US Dollars	**414**	854
Sterling	**50**	476
Argentine Pesos	**1,501**	2,694
Paraguayan Guarani	**5**	2
	1,970	4,026

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$5,000 (2017: US$48,000). If the exchange rate between the US Dollar and the Argentine Peso changed by 10% there would be a profit or loss of US$136,000 (2017: US$245,000).

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$30,000 per annum (2017: US$108,000). As stated in note 31 and note 20, interest on the related party loan is part fixed rate and part variable rate. The bank loan detailed in note 20 is at a variable rate.

28. Risk management objectives and policies (continued)

e) Credit risk

The Group's principal customers are substantial 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:

	2018 US$000	2017 US$000
Trade receivables	**8,676**	3,534
Other receivables	**1,619**	4,731
Cash and cash equivalents	**1,970**	4,026
Deposits with state authorities	**351**	352
	12,616	12,643

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 2018 the Group's financial liabilities, all of which are non-interest bearing, have contractual maturities which are summarised as follows:

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

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

	Current	
	<6 months US$000	7-12 months US$000
Trade payables	**3,559**	–
Arising on Puesto Flores acquisition	**3,330**	3,670
Others	**2,783**	–
Bank loan	**615**	1,231

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

g) Market risk

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

28. Risk management objectives and policies (continued)

h) Summary of financial assets and liabilities by category

	2018 US$000	2017 US$000
Non-current assets – loans and receivables		
Deposits with state authorities	**351**	352
Current assets – loans and receivables		
Trade receivables	**8,676**	3,534
Other receivables	**1,619**	4,731
Cash and cash equivalents	**1,970**	4,026
	12,265	12,291
Current liabilities – Financial liabilities measured at amortised cost		
Trade payables	**7,754**	3,559
Arising on Puesto Flores acquisition	**–**	7,000
Arising on licence acquisition and extension	**3,221**	–
Other payables	**3,472**	2,783
Borrowings	**3,792**	1,846
	18,239	15,188

With the exception of Group borrowings, further detail of which is set out in note 20, the fair value of financial assets and liabilities approximates to the carrying value due to the short-term nature of the financial instruments.

29. 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.

30. Subsequent events

On 25th February 2019, President announced an Offer for Subscription to accelerate its expansion programme in the Rio Negro Province following the acquisition of two concessions in December 2018. Applications for 43,770,415 Offers Shares at a price of 8 pence per Offer Share were received raising total gross cash proceeds of approximately US$4.56 million. At the same time IYA, a member of the PLLG Group which is beneficially owned by Peter Levine, capitalised approximately US$1,036,265 of its existing loan facility through the issue of 9,950,000 loan conversion shares at a price of 8 pence per share. The changes were approved at the General Meeting held on 14 March 2019.

31. Transactions with Directors and other related parties

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

31. Transactions with Directors and other related parties (continued)

IYA loan facility

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

During 2018, the IYA loan facility was extended to US$20.5 million with US$16.5 million at a 10.5% interest rate and additional borrowings of US$4.0 at 12.5% plus 6 month Libor in line with incremental bank borrowing. The loan maturity date remains as 31 December 2021. Further details on borrowings are given in note 20.

At the end of the year, the Company had drawn US$19.9 million (2017: US$13.1 million) of the US$20.5 million facility. Loan interest expense amounted to US$1,729,000 (2017: US$1,091,000) which continues to capitalised into the loan balance. Loan fees of US$122,000 (2017: US$714,000) were lower due to the provision of the additional facilities in 2017.

In March 2019, approximately US$1.0 million of the existing loan facility was capitalised through the issue of 9,950,000 loan conversion shares at a price of 8 pence per share.in connection with and Offer for Subscription of shares in the Company. In line with AIM Rule 13, the independent directors, in consultation with the Company's nominated adviser, considered the terms of the conversion to be fair and reasonable in so far as the Company's shareholders were concerned. Following the admission of the Offer shares and Loan Conversion shares Peter Levine has a beneficial interest of 29.95% in the enlarged share capital.

The balance of the IYA loan as at 30 April 2019 was US$19.7 million.

Other transactions

On 2nd January 2018, President announced the sale of its entire non-operated, non-core beneficial interest in the East White Lake Field, Louisiana USA with effect from 1 January 2018. The disposal of this peripheral asset to Alpha Imperial Corp for a total sum of US$525,000 reduced debt and provided resources for President to concentrate on its core Argentine assets. Alpha Imperial Corp is a company whose ultimate beneficial shareholder is Peter Levine, the Chairman and largest shareholder of President Energy, and the disposal constituted a related party transaction for the purposes of AIM Rule 13. Having considered recent offers of significantly less value the independent directors consulted with the Company's nominated advisor finnCap Limited and concluded the disposal was fair and reasonable in so far as the shareholders were concerned.

Later in 2018 Alpha Imperial Corp farmed in to earn a 75% share in the reactivation of the Pacific Enterprise No1 well in the USA in return for funding the workover over and assuming the abandonment liability for the well. The Group retains a 24% interest in future production which is subject to ongoing evaluation. The transaction was immaterial for the purposes of AIM Rule 13 disclosure.

Alpha Imperial Corp is a joint venture partner in the Jefferson Island licence, acquired by the partners in 2018, with a 55% interest (Group interest is 20% and operator).

32. Acquisitions in Argentina

Puesto Prado and Las Bases

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

Puesto Flores and Estancia Vieja

On 20th September 2017, the Group completed the acquisition of Chevron Argentina SRL's 100% operated interest in its oil producing assets at Puesto Flores and Estancia Vieja (the "Concession") in the prolific Neuquén Basin situated in the Rio Negro Province, Argentina.

32. Acquisitions in Argentina (continued)

Puesto Flores and Estancia Vieja (continued)

The Concession is situated in the prolific Neuquén Basin in Argentina and has been solely owned and operated by Chevron for over 15 years. Producing in excess of 1,200 bopd, oil is transported by pipeline to a terminal where the buyers offtake the product by tanker. The business comprised the current production together with the benefit of fixed assets, stock and materials, an experienced production team and a Concession period through to mid November 2017.

In parallel with the signing of the Acquisition Agreement with Chevron, after detailed discussions with the Rio Negro Province, the Company subsequently entered into a Concession Extension Agreement with the Rio Negro Province under which, subject to ratification by the Provincial Legislature, the Concession period will be extended for a further 10 years to November 2027, in consideration of which the Company will, upon said ratification, pay the sum of US$15m with a further sum totalling US$7m payable through 2018. In addition, President is pleased to have agreed to partner with Edhipsa, the Provincial Energy Company in the Concession which will thenceforth own a 10% interest, with President operating the Concession and holding the remaining 90%. The Concession Extension Agreement was subsequently ratified by the Legislature on 11th December 2017.

In respect of the net assets acquired from Chevron Argentina SRL, the breakdown is as follows:

	US$000
Property, plant and equipment	2,055
Goodwill arising on acquisition	705
Stock	208
Deferred tax asset	942
Other non-current liability	(2,692)
Deferred tax liability	(600)
Total identifiable net assets	618
Satisfied by:	
Cash outflow on acquisition	618
Total consideration transferred	618

The fair value of the Property, Plant & Equipment comprised US$0.1m of tangible equipment and US$2.0 million of value determined by the valuation of the net cash flows received. This fair value was determined using a discounted cash flow model reflecting actual revenues received less expenditure incurred and applying management's view on the discount rate for the three month period until the end of the existing concession term.

The fair value of the Stock of US$0.2 million was determined based on historic cost adjusted to net realisable value where our review indicated this would be lower. The non-current liability is the fair value future abandonment liabilities, determined in line with the Group accounting policy, amounting to US$2.6 million. The Deferred Tax Asset of US$0.9 million is the undiscounted tax value associated with tax relief on the future abandonment liabilities reflecting managements view that there will be sufficient future income against which to claim the deduction. The fair value of the deferred taxation has been determined by reference to timing differences between the assets acquired and liabilities assumed, and the tax bases of these items.

Goodwill amounting to US$0.7m was recognised on acquisition as the fair value of the consideration exceeded the fair value of the net assets acquired.

In 2017 at US$55 per barrel, the business would have generated an annualised turnover of approximately US$25m with positive cash flow presently running at US$1m per month after field opex but before capex and G&A. The interest contributed US$5.8 million revenue and a cash operating profit of US$3.2 million excluding workovers to the Group for the period between the date of acquisition and the balance sheet date. Acquisition-related costs included in administrative expenses include expenses of US$141,823 and transactional related taxes of US$228,580.

33. Assets held for resale

	2018 US$000	2017 US$000
Current asset arising from property, plant and equipment	–	1,163
Current asset arising from other non-current assets	–	150
Current liability from provision	–	(788)
Net assets of asset held for resale	–	525

On 2nd January 2018, President announced the sale of its entire non-operated, non-core beneficial interest in the East White Lake Field, Louisiana USA with effect from 1 January 2018. The disposal of this peripheral asset to Alpha Imperial Corp for a total sum of US$525,000 reduced debt and provided resources for President to concentrate on its core Argentine assets. Further details are contained in Note 31 on related party transactions.

Following the decision to sell the asset, the carrying value of the asset recognised in Property, Plant and Equipment as at 31 December 2017 was impaired by US$1.3 million. The impairment was based on the fair value of the purchase consideration to be received. Consequently, the remaining associated non-current assets and non-current liabilities have been reclassified as current.

Company Balance Sheet
31 December 2018

	Note	2018 US$000	2017 US$000
ASSETS			
Non-current assets			
Investment in subsidiaries	4	**3,495**	3,495
Property plant and equipment		**–**	–
		3,495	3,495
Current assets			
Debtors	5	**174,502**	208,522
Cash at bank and in hand		**159**	770
		174,661	209,292
Total assets		**178,156**	212,787
LIABILITIES			
Non-current liabilities			
Borrowings	7	**19,851**	13,120
		19,851	13,120
Current liabilities			
Creditors – Amounts falling due within one year	6	**2,455**	2,028
Borrowings	7	**–**	–
		2,455	2,028
Net assets		**155,850**	197,639
EQUITY			
Called up share capital	8	**23,654**	23,642
Share premium		**240,904**	240,822
Retained earnings		**(115,891)**	(73,767)
Share Option Reserve		**7,183**	6,942
Total equity attributable to the equity holders		**155,850**	197,639

President Energy PLC reported a loss for the year ended 31 December 2018 of US$9,228,000 (2017: loss US$1,907,000). There were no other recognised gains and losses.

These financial statements for President Energy PLC (company number 5104249) were approved by the board of directors and authorised for issue on 22nd May 2019.

They were signed on its behalf by:

Peter Levine
Executive Chairman

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

Company Statement of Changes in Equity 31 December 2018

	Share capital US$000	Share premium US$000	Profit and loss account US$000	Share Option reserve US$000	Total US$000
Balance at 1 January 2017	22,086	227,325	(71,860)	6,686	184,237
Share-based payments	–	–	–	256	256
Issue of ordinary shares	1,534	13,809	–	–	15,343
Costs of issue		(507)	–	–	(507)
Issue to service provider	22	195	–	–	217
Transactions with the owners	1,556	13,497	–	256	15,309
Loss for the year	–	–	(1,907)	–	(1,907)
Total comprehensive income for the year	–	–	(1,907)	–	(1,907)
Balance at 1 January 2018	**23,642**	**240,822**	**(73,767)**	**6,942**	**197,639**
Adjustment for adoption of IFRS9	**–**	**–**	**(32,896)**	**–**	**(32,896)**
Share-based payments	**–**	**–**	**–**	**241**	**241**
Issue of ordinary shares	**12**	**82**	**–**	**–**	**94**
Transactions with the owners	**12**	**82**	**(32,896)**	**241**	**(32,561)**
Loss for the year	**–**	**–**	**(9,228)**	**–**	**(9,228)**
Total comprehensive income for the year	**–**	**–**	**(9,228)**	**–**	**(9,228)**
Balance at 31 December 2018	**23,654**	**240,904**	**(115,891)**	**7,183**	**155,850**

Notes to the Company Accounts Year ended 31 December 2018

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

1. Significant accounting policies

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

Basis of accounting

President Energy PLC (formerly President Petroleum Company PLC until 28 September 2012) is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 67. The nature of the Company's operations and its principal activities are set out in the Report of the Directors on pages 05 to 07.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of President Energy PLC. The group accounts of President Energy PLC are available to the public and can be obtained from the Company website as detailed on page 67.

Investments

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

Group accounts

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

1. Significant accounting policies (continued)

Adoption of new and revised Standards

The Company has adopted all applicable IFRSs and Interpretations which have been endorsed by the EU and which are relevant to its operations and mandatory for accounting periods beginning on 1 January 2018 and no restatement of prior year amounts has been required. This included IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 Financial Instruments

The classification and measurement of financial assets have changed with the implementation of IFRS 9. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. Further details on the impact of the new standard are detailed below under critical accounting judgements and under note 10.

At the date of authorisation of the financial statements, the following significant 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 16 Leases

IFRS 16 will impact on the measurement and disclosure of leases in the financial statements. The Group will adopt IFRS 16 Leases for the year commencing 1 January 2019 where it will impact both the measurement and disclosures of leases over a low-value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right-of-use assets are expected to be recorded. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities. Since the Company currently does not have any qualifying leases for property, vehicles or other equipment no adjustment at adoption is anticipated.

Going concern

The Company is impacted by the uncertainties in the sector and volatility in the oil price environment as it is reliant on production revenues from existing producing wells. The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. The cash position at the year-end was US$2.0 million (2017: US$4.0 million). To support its operations the Company is dependent on ongoing finance through a loan facility of US$20.5 million available until December 2021 provided by IYA Global Limited, a subsidiary of PLLG Investments Limited the private investment fund of Peter Levine, the Executive Chairman and largest shareholder (Group note 31). At the year-end there was US$19.9 million (2017: US$13.1 million) drawn under the loan facility. The balance of the IYA loan as at 30 April 2019 was US$19.7 million.

Whilst not required based on current projections, in the past the Company has been able to benefit from support being available from IYA Global to assist in the Company fulfilling its objectives, and the Directors have been informed by that entity, that subject to circumstances, further support would be available from that funding source.

The principal uncertainty in the Company's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future drilling costs. The Company consults with industry specialists to ensure operational projections are accurate.

Based on this review and consideration of the continuing loan facility and the indication of further support available from IYA Global Limited noted above, the Directors believe that the Company will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in note 27 to the Group report. 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.

1. Significant accounting policies (continued)

Foreign Currency

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

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

Taxation

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

IFRS 9 Financial Instruments

The Company is required to assess the carrying values of each of the amounts due from subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, if the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss. This calculation considers the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

Refer to note 10 for further details of the financial impact of the implementation of this requirement.

3. Loss for the year

As permitted by Section 408(1)(b) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. President Energy PLC reported a loss for the year ended 31 December 2018 of US$9,228,000 (2017: loss US$1,907,000). There were no other recognised gains and losses and accordingly no separate statement of comprehensive income has been presented.

4. Investment in subsidiaries

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

Note1: All holdings are of ordinary shares and represent the proportion of the nominal value of the shares held.

The wholly owned subsidiaries Froschouw Holding AG and Sibla Invest AG incorporated in Switzerland were liquidated during the year. The financial results and financial position of all companies listed above are included in the President Energy plc consolidated accounts.

5. Debtors

	2018 US$000	2017 US$000
Amounts owed by Group undertakings	**174,201**	208,229
Other receivables	**301**	293
	174,502	208,522

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

6. Creditors – falling due within one year

	2018 US$000	2017 US$000
Social Security and other taxes	**4**	54
Accruals	**1,450**	822
Other creditors	**1,001**	1,152
	2,455	2,028

7. Borrowings

	2018 US$000	2017 US$000
Current		
Loan	**–**	–
	–	–
Non-current		
Loan	**19,851**	13,120
	19,851	13,120
Total carrying value of borrowings	**19,851**	13,120

8. Share capital

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

Equity share capital

	2018 '000s	2017 '000s
Authorised, allotted, called up and fully paid		
Deferred shares of par value 29p each	**16,093**	16,093
Ordinary shares of par value 1p each	**1,071,938**	1,071,938

	2018 US$000	2017 US$000
Deferred shares of par value 29p each	**8,725**	8,725
Ordinary shares of par value 1p each	**14,929**	14,917
	23,654	23,642

9. Related party transactions

Details on related party transactions are provided in Note 31 in the President Energy consolidated accounts.

10. IFRS9 adoption

The classification and measurement of financial assets held with Group companies is materially different to that required by IAS 39. The Company has identified that retrospective application of IFRS 9 has resulted in a higher provision being made in respect of the recoverability of amounts due from subsidiary undertakings.

10. IFRS9 adoption (continued)

A summary of the impact of the implementation of IFRS 9 is shown below:

	31-Dec 2017 US$000	On Adoption US$000	01-Jan 2018 US$000
Current assets – Debtors	208,522	(32,896)	**175,626**
Net assets	197,639	(32,896)	**164,743**
Retained earnings	(73,767)	(32,896)	**(106,663)**
Total equity	197,639	(32,896)	**164,743**

Glossary

Technical terms

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

General and financial terms

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

Alternative Performance Measures

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

Net debt

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

	2018 US$000	2017 US$000
Borrowings Current (Note 20)	**(3,792)**	(1,846)
Borrowings Non-current (Note 20)	**(26,306)**	(19,313)
Cash (Note 18)	**1,970**	4,026
Net (debt)/net cash	**(28,128)**	(17,133)

Total operating cost and underlying well operating cost per boe

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

	2018 US$000	2017 US$000
Royalties & production taxes (Note 5)	**8,265**	2,446
Well operating costs (Note 5)	**18,759**	14,461
Total operating costs	**27,024**	16,907
Production (mmboe)	**831.8**	409.1
Total operating costs per boe US$	**32.49**	41.33

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

	2018 US$000	2017 US$000
Underlying well operating cost per boe		
Well operating costs (Note 5)	**18,759**	14,461
Less workover costs (per text in Note 5)	**(1,531)**	(2,566)
	17,228	11,895
Production (mmboe)	**831.8**	409.1
Underlying well operating costs per boe US$	**20.71**	29.08

Non-recurring items

Where referred to in the calculation of Adjusted EBITDA and in alternative performance measures these comprise the following:

	2018 US$000	2017 US$000
Workover costs (per text in Note 5)	**1,531**	2,566
Exceptional legal expenses in admin expenses (text in Note 6)	**744**	–
	2,275	2,566

Corporate Information

Directors	Peter Levine	Executive Chairman
	Robert Shepherd	Group Finance Director
	Jorge Bongiovanni	Non-Executive Director
	Alexander Moody-Stuart	Non-Executive Director
Secretary	Peter Levine	
Registered Office	1200 Century Way Thorpe Park Business Park Leeds LS15 8ZA	
Website	www.presidentenergyplc.com	
Nominated Advisor	finnCap Ltd 60 New Broad Street London, EC2M 1JJ	
Joint Broker	Panmure Gordon & Co One New Exchange London, EC4M 9AF	
Joint Broker	Whitman Howard Connaught House, 1-3 Mount Street London, W1K 3NB	
Auditor	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR	
Legal Advisers	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 6AE	
Principal Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Registered number	5104249	

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 27 June 2019 at 11.00 a.m. at The Naval Club, 38 Hill St, Mayfair, London W1J 5NS for the following purposes, namely:

Ordinary business

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

1 To receive and adopt the Company's Financial Statements for the year ended 31 December 2018, 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 re-elect Peter Levine as a Director of the Company, who retires in accordance with Article 105 of the Company's Articles of Association and offers himself for re-election.

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

Special Business

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

5 That authority be and is hereby granted to the Directors of the Company generally and unconditionally to allot shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company ("Rights") pursuant to Section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal amount of £3,379,682.03 (such amount equating to 30 per cent. of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020, save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 551 of the Act.

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

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

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £1,126,560.68 (such amount equating to 10 per cent. of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020, save that the Company may make an offer or agreement before the expiry of this power which

would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the authority conferred hereby had not expired.

BY THE ORDER OF THE BOARD

Peter Levine	Registered office:
Company Secretary	1200 Century Way
30th May 2019	Thorpe Park Business Park
	Leeds LS15 8ZA

Notes

Entitlement to attend, speak and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members entered on the register of members at 6.30pm on 25 June 2019 (or in the event that this meeting is adjourned, on the register of members 48 hours excluding non-business days before the time of any adjourned meeting) shall be entitled to attend, speak and vote at the meeting in respect of the number of ordinary shares in the capital of the Company held in their name at that time. Changes to the register after 6.30pm on 25 June 2019 shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting.

Appointment of proxies

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

3. The completion and return of a Form of Proxy whether in hard copy form or in CREST will not preclude a member from attending in person at the meeting and voting should he or she wish to do so.

Appointment of proxies using hardcopy proxy form

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

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

Appointment of proxies using CREST

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

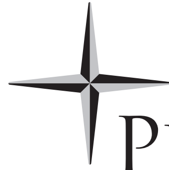
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (Equiniti Limited RA19) by 11.00am on 25th June 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

Corporate representatives

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



PLEASE COMPLETE IF YOU DO NOT INTEND TO ATTEND IN PERSON

FORM OF PROXY

For use in connection with Annual General Meeting

(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 27 June 2019 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 RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 8LU. 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			

Signed..

Name ....

Date..

President Energy PLC
1200 Century Way,
Thorpe Park Business Park
Leeds LS15 8ZA
United Kingdom

Tel: +44 (0) 20701 67950

www.presidentenergyplc.com