



Interim Report and Financial Statements 2010

**Chairman's
Statement**

The first half of 2010 has been a very active period for President Petroleum with over US\$5 million invested in acquisition and development activity. This commitment has continued into the second half of the year with further acreage acquisitions in Louisiana, and the confirmation of at least 2 significant wells to be spudded within the next few months.

This increased activity has created significant prospects for the Group and is a direct result of the restructuring of the group in November 2009, and the substantial financial and resource support provided by the Group's largest shareholder, Levine Capital Management.

US Operations

Average daily production in the first half of 2010 was 205 boepd. This represents an increase of 36% on the second half of 2009, although it is below the levels achieved prior to the disposal of the Orion field in June 2009.

In January, President Petroleum acquired a 25% working interest in the East White Lake field in Louisiana, USA, adding proved and possible reserves totalling 1.3 million barrels of oil equivalent (boe). Drilling and well work-overs at the field have quickly brought more of those reserves into production with net production increasing from 22 boe per day (boepd) in January 2010 to over 100 boepd in June 2010.

Additional investment in the Group's existing operated field at East Lake Verret has also resulted in higher levels of production, and across both fields the proportion of oil production has increased from 24% in Q4 2009 to 45% in Q2 2010, further enhancing revenues.

As a consequence of the disposal of Orion, first half revenues of US\$1.78 million are lower than the US\$3.1 million reported last year. However, with the low operating costs of the Louisiana fields, the Group recorded a significantly lower operating loss of US\$0.9 million compared to a loss of US\$1.9 million in 2009. Adjusted EBITDA fell to US\$0.1 million from US\$1.75 million in H1 2009, primarily as a result of lower receipts from hedging contracts.

**Chairman's
Statement**

Post period-end, a further acreage acquisition was announced, adding an additional 10.6 million boe of possible reserves at East Lake Verret. The first well to evaluate these reserves, the Kafoury 3 well, is planned for the fourth quarter of this year.

Australian Operations

On the PEL 82 licence, the location for Northumberland 2, the first exploration well, has been selected and will target prospective resources of 40 million barrels in the Waarre and Flaxman sands. Locating a suitable drilling rig has been challenging but a contract has now been signed with Ensign International Energy and the rig is expected on location in early 2011.

PEL 82 remains a highly exciting exploration play with prospective resources estimated at 430 mmbbls. A number of additional target reservoirs have already been identified, and, depending on the results of Northumberland 2, a multi-well drilling programme remains a possibility. There are major multi-million bbl structures requiring further 3D seismic work in the north of the licence.

In contrast, the Group's PEL 132 licence is very much a frontier exploration area and is not a high priority at present. With limited information on the licence and with renewal or relinquishment in 2 years' time, a revised work programme was agreed with the South Australian authorities and an aerial gravity and magnetic survey was undertaken in March 2009. The results of this are being analysed in conjunction with all other available data, including the results of geo-thermal drilling on the licence, in order to provide the most informed view possible. PEL 132 is currently in suspension whilst this analysis is carried out.

Outlook

With a strongly supportive major shareholder and improved production levels, President Petroleum will continue to seek growth from its existing assets through drilling and development and through acquisitions of both a bolt-on and transformational nature.

**Chairman's
Statement**

The group enters the second half of 2010 with a strong and stable foundation, access to equity and debt finance, and with the prospect of at least 2 significant wells spudding within the next few months. Either of these wells has the potential to transform President Petroleum's reserve and production outlook, but in addition, the Group will continue to search out additional assets to acquire and build its US business, and to identify and deliver a sizeable acquisition to scale up the Group towards its objective of mid-cap status.

Note : Adjusted EBITDA: EBITDA is adjusted to exclude IFRS charges for share options and include US\$0.26 million of hedging gains realised in the six months ending 30 June 2010 (2009 H1 : US\$1.23 million)

PRESIDENT PETROLEUM COMPANY PLC

**Statement of
Comprehensive
Income for the
6 months ended
30 June 2010**

	Note	6 months to 30 June 2010 (Unaudited) US\$000	6 months to 30 June 2009 (Unaudited) US\$000	Year to 31 Dec 2009 (Audited) US\$000
Continuing Operations				
Revenue		1,770	3,058	3,931
Cost of sales	3	<u>(1,417)</u>	<u>(3,396)</u>	<u>(4,137)</u>
Gross profit/(loss)		353	(338)	(206)
Administrative expenses	4	<u>(1,239)</u>	<u>(931)</u>	<u>(1,826)</u>
Operating loss before impairment charge		(886)	(1,269)	(2,032)
Impairment charge		-	(546)	(1,220)
Loss on sale of non-current assets		<u>-</u>	<u>(131)</u>	<u>(180)</u>
Operating loss		(886)	(1,946)	(3,432)
Investment income –				
Gain on derivative financial instruments		25	365	168
Fair value through profit and loss		26	122	353
Interest on bank deposits		12	15	18
Finance costs				
Interest payable on loan		(86)	(393)	(751)
Release of unamortised costs following renegotiation of loan		<u>-</u>	<u>-</u>	<u>(546)</u>
Loss before tax		(909)	(1,837)	(4,190)
Income tax credit/(expense)		<u>31</u>	<u>117</u>	<u>(181)</u>
Loss for the period from continuing operations		(878)	(1,720)	(4,371)
Other comprehensive income				
Exchange differences on translating foreign currency		<u>(160)</u>	<u>345</u>	<u>711</u>
Total comprehensive income for the period attributable to the equity holders of the parent		<u>(1,038)</u>	<u>(1,375)</u>	<u>(3,660)</u>
Loss per share	5	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Basic and diluted loss per share from continuing operations		<u>(1.9)</u>	<u>(10.7)</u>	<u>(23.5)</u>

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement
of Financial
Position**

		30 June 2010 (Unaudited) US\$000	30 June 2009 (Unaudited) US\$000	31 Dec 2009 (Audited) US\$000
	Note			
ASSETS				
Non-current assets				
Intangible assets	6	10,112	5,046	6,157
Property, plant and equipment	6	4,414	4,141	3,740
		<u>14,526</u>	<u>9,187</u>	<u>9,897</u>
Deferred tax assets		131	512	100
Other non-current assets		170	319	207
		<u>14,827</u>	<u>10,018</u>	<u>10,204</u>
Current assets				
Trade and other receivables		1,713	3,193	1,749
Current tax		300	642	300
Cash and cash equivalents		4,876	1,272	10,058
		<u>6,889</u>	<u>5,107</u>	<u>12,107</u>
TOTAL ASSETS		<u>21,716</u>	<u>15,125</u>	<u>22,311</u>
LIABILITIES				
Current liabilities				
Trade and other payables		3,050	1,678	1,685
Current portion of long-term borrowings		3,010	1,539	2,413
Current tax payable		-	-	-
		<u>6,060</u>	<u>3,217</u>	<u>4,098</u>
Non-current liabilities				
Long-term borrowings		-	3,885	1,694
Long-term provisions		396	266	221
		<u>396</u>	<u>4,151</u>	<u>1,915</u>
TOTAL LIABILITIES		<u>6,456</u>	<u>7,368</u>	<u>6,013</u>
EQUITY				
Share capital		9,508	9,026	9,508
Share premium		19,577	8,372	19,577
Translation reserve		746	540	906
Profit and loss account		(14,571)	(11,976)	(13,693)
Other reserves - share-based payments		-	1,795	-
		<u>15,260</u>	<u>7,757</u>	<u>16,298</u>
TOTAL EQUITY		<u>15,260</u>	<u>7,757</u>	<u>16,298</u>
TOTAL EQUITY AND LIABILITIES		<u>21,716</u>	<u>15,125</u>	<u>22,311</u>

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement of
Changes in
Equity**

	Share capital US\$000	Share premium US\$000	Translation reserve US\$000	Profit and loss account US\$000	Other reserves US\$000	Total US\$000
Balance at 1 January 2009	9,026	8,372	195	(10,256)	1,756	9,093
Share-based payments - transactions with owners	-	-	-	-	39	39
Loss for the period	-	-	-	(1,720)	-	(1,720)
Other comprehensive income						
Exchange differences on translating foreign currency	-	-	345	-	-	345
Total comprehensive income	-	-	345	(1,720)	-	(1,375)
Balance at 30 June 2009	9,026	8,372	540	(11,976)	1,795	7,757
Share based payments	-	-	-	-	16	16
Shares Issued	482	11,205	-	-	-	11,687
Compensation for cancellation of share options and warrants	-	-	-	-	(877)	(877)
Transfer following cancellation of share options and warrants	-	-	-	934	(934)	-
Transactions with the owners	482	11,205	-	934	(1,795)	10,826
Loss for the period	-	-	-	(2,651)	-	(2,651)
Other comprehensive income						
Exchange differences on translating foreign currency	-	-	366	-	-	366
Total comprehensive income	-	-	366	(2,651)	-	(2,285)
Balance at 1 January 2010	9,508	19,577	906	(13,693)	-	16,298
Loss for the period	-	-	-	(878)	-	(878)
Other comprehensive income						
Exchange differences on translating foreign currency	-	-	(160)	-	-	(160)
Total comprehensive income	-	-	(160)	(878)	-	(1,038)
Balance at 30 June 2010	9,508	19,577	746	(14,571)	-	15,260

PRESIDENT PETROLEUM COMPANY PLC

**Consolidated
Statement of
Cash Flows**

	<i>6 months to 30 June 2010 (Unaudited) US\$000</i>	<i>6 months to 30 June 2009 (Unaudited) US\$000</i>	<i>Year to 31 Dec 2009 (Audited) US\$000</i>
Cash flows from operating activities - (Note 7)			
Cash generated by operations	1,595	1,628	2,994
Interest received	12	15	18
Taxes refunded	-	-	472
Taxes paid	-	(161)	(177)
	<u>1,607</u>	<u>1,482</u>	<u>3,307</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(3,955)	(2,999)	(4,784)
Expenditure on development and production assets	(1,402)	-	(15)
Deposits with state authorities	-	-	(12)
	<u>(5,357)</u>	<u>(2,999)</u>	<u>(4,811)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of expenses)	-	-	11,687
Compensation for cancellation of share options and warrants	-	-	(877)
Proceeds from sale of non-current assets	-	207	223
Drawdown of bank loan	-	-	1,118
Repayment of bank loan capital	(1,097)	(1,276)	(4,460)
Bank loan interest	(86)	(188)	(343)
Debt arrangement fees	-	-	-
	<u>(1,183)</u>	<u>(1,257)</u>	<u>7,348</u>
Net (decrease)/increase in cash and cash equivalents	(4,933)	(2,774)	5,844
Opening cash and cash equivalents at beginning of year	10,058	3,875	3,875
Exchange (loss)/gains on cash and cash equivalents	(249)	171	339
Closing cash and cash equivalents	<u>4,876</u>	<u>1,272</u>	<u>10,058</u>

*Notes to the
Consolidated
Accounts*

1. Nature of operations and general information

President Petroleum Company PLC and subsidiaries' (together 'the Group') principal activities are the exploration for and the evaluation and production of oil and gas.

President Petroleum Company PLC is the Group's ultimate parent company. It is incorporated and domiciled in England. The Group has onshore oil and gas production and reserves in the USA. The Group also has onshore exploration assets in the USA and Australia. The address of President Petroleum Company PLC's registered office is 13 Regent Street, London, United Kingdom. President Petroleum Company PLC's shares are listed on the Alternative Investment Market of the London Stock Exchange.

These condensed consolidated interim financial statements (the interim financial statements) have been approved for issue by the Board of Directors on 29 September 2010.

The financial information for the year ended 3, December 2009 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2010 and 30 June 2009 was neither audited nor reviewed by the auditors. The Group's statutory financial statements for the year ended 31 December 2009 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

*Notes to the
Consolidated
Accounts*

2. Basis of preparation

The interim financial statements for the six months ended 30 June 2010 and 30 June 2009 do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2009.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

PRESIDENT PETROLEUM COMPANY PLC

Notes to the Consolidated Accounts

3. Cost of Sales

	<i>6 months to 30 June 2010 (Unaudited) US\$000</i>	<i>6 months to 30 June 2009 (Unaudited) US\$000</i>	<i>Year to 31 Dec 2009 (Audited) US\$000</i>
Royalties, overrides and other interests	-	850	850
Depreciation	728	1,750	2,101
Well operating costs	<u>689</u>	<u>796</u>	<u>1,186</u>
	<u><u>1,417</u></u>	<u><u>3,396</u></u>	<u><u>4,137</u></u>

4. Administrative expenses

Share incentive costs	-	39	55
Other	<u>1,239</u>	<u>892</u>	<u>1,771</u>
	<u><u>1,239</u></u>	<u><u>931</u></u>	<u><u>1,826</u></u>

5. Loss per share

Net loss for the period attributable to the equity holders of the parent company	<u>(878)</u>	<u>(1,720)</u>	<u>(4,371)</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of shares in issue	<u>45,446</u>	<u>16,094</u>	<u>18,586</u>
Loss per share	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Basic and diluted	<u>(1.9)</u>	<u>(10.7)</u>	<u>(23.5)</u>

PRESIDENT PETROLEUM COMPANY PLC

Notes to the
Consolidated
Accounts

6. Non-current assets

	<i>Intangible US\$000</i>	<i>Property Plant and Equipment US\$000</i>	<i>Total US\$000</i>
Cost			
At 1 January 2009	3,724	17,113	20,837
Additions	2,999	-	2,999
Disposals	-	(4,064)	(4,064)
At 30 June 2009	<u>6,723</u>	<u>13,049</u>	<u>19,772</u>
Additions	1,785	15	1,800
Disposals	(2,351)	(6,233)	(8,584)
At 31 December 2009	<u>6,157</u>	<u>6,831</u>	<u>12,988</u>
Additions	<u>3,955</u>	<u>1,402</u>	<u>5,357</u>
At 30 June 2010	<u>10,112</u>	<u>8,233</u>	<u>18,345</u>
Depreciation/Impairment			
At 1 January 2009	1,131	10,884	12,015
Charge for the period	546	1,750	2,296
Disposals	-	(3,726)	(3,726)
At 30 June 2009	<u>1,677</u>	<u>8,908</u>	<u>10,585</u>
Charge for the period	674	351	1,025
Disposals	(2,351)	(6,168)	(8,519)
At 31 December 2009	<u>-</u>	<u>3,091</u>	<u>3,091</u>
Charge for the period	<u>-</u>	<u>728</u>	<u>728</u>
At 30 June 2010	<u>-</u>	<u>3,819</u>	<u>3,819</u>
Net Book value			
30 June 2010	<u>10,112</u>	<u>4,414</u>	<u>14,526</u>
Net Book value			
30 June 2009	<u>5,046</u>	<u>4,141</u>	<u>9,187</u>
Net Book value			
31 December 2009	<u>6,157</u>	<u>3,740</u>	<u>9,897</u>

PRESIDENT PETROLEUM COMPANY PLC

Notes to the Consolidated Accounts

7. Reconciliation of operating loss to net cash generated from operating activities

	<i>6 months to 30 June 2010 (Unaudited) US\$000</i>	<i>6 months to 30 June 2009 (Unaudited) US\$000</i>	<i>Year to 31 Dec 2009 (Audited) US\$000</i>
Loss from operations before taxation	(909)	(1,837)	(4,190)
Finance costs	74	378	733
Release of unamortised costs following renegotiation of loan	-	-	546
Depreciation and impairment of property, plant and equipment	728	1,750	2,101
Amortisation of intangible assets	-	546	1,220
Loss on sale of non-current assets	-	131	180
Provision for decommissioning	175	(50)	(95)
Share based payments	-	39	55
Fair value through profit and loss on derivative financial instruments	(26)	(122)	(353)
Foreign exchange difference	<u>337</u>	<u>246</u>	<u>415</u>
Operating cash flows before movements in working capital	379	1,081	612
(Increase)/Decrease in receivables	(153)	1,099	2,943
Increase/(Decrease) in payables	<u>1,369</u>	<u>(552)</u>	<u>(561)</u>
Net cash generated by operating activities	<u><u>1,595</u></u>	<u><u>1,628</u></u>	<u><u>2,994</u></u>