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Prospex Oil and Gas PLC
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Prospex Oil and Gas plc

("Prospex" or the "Company")

Completion of Investment in Hutton Poland

Execution of Loan Agreement

Further investments

Prospex is pleased to announce that, further to the announcement of 8 January 2016, PXOG County Ltd ("PXOG County"), Prospex's 100%-owned subsidiary, has completed its acquisition of 49% of Hutton Poland Ltd ("Hutton Poland") having paid the outstanding deferred consideration. The total consideration was £620,000.

Update on the Kolo license award

The Company has been advised that following changes at Poland's Ministry of Environment a review of the licensing process has delayed the final Ministerial signature of a number pending licenses. The Kolo license is included in this group. While the Kolo license has been agreed and offered Hutton Poland is still waiting on the final execution of the license.

A map of the Poland, last updated on 29 February 2016, showing the pending and existing in country hydrocarbon concessions can be found here:

http://geoportal.pgi.gov.pl/surowce/mapy_koncesyjne

The Kolo license application area is approximately in the middle of the map centred on and around block 210, shaded grey with red hatchings. In the interim Prospex has been advised that Hutton Poland has continued to work on the license area, continued its engagement with local stake holders and updated the drill location for the proposed 2016 well. Prospex will provide further

updates as and when new information is available.

Loan

The Company also confirms that PXOG County has today entered into a loan agreement with Hutton Energy Limited ("**Hutton**") to borrow £490,000. The loan is interest bearing from the date of the Kolo License award at LIBOR plus 2%. The loan and interest accrued are repayable on the latter of 31 August 2016 or 90 days after the unconditional award of the Kolo License. The loan is secured against PXOG County's shares and loan notes in Hutton Poland. Hutton Energy's recourse in default is limited to PXOG County's shares and loans note in Hutton Poland.

Further Investments

Prospex is also pleased to announce further additions to its investment portfolio. In addition to the portfolio that is inherent within the Hutton Poland stake announced above, the directors believe these additional investments give the portfolio some further diversity providing exposure to a wider range of market capitalisations, up and downstream activities, and geopolitical risks.

The investments and individual rationale behind each are set out below:

Elephant Oil Limited ("Elephant")

The Company has today acquired 587,120 new Ordinary Shares in Elephant Oil for a consideration of £100,000, and now holds a 2.54% interest in the company.

Elephant is a UK based oil exploration company with a focus on onshore West Africa. Its primary asset is Block B, an exploration block in Benin. The directors of Prospex have been following this company for a number of years and believe it is now an ideal time to invest. The directors believe the company has made good progress with its asset in this time and to a level that Prospex believe that industry interest may lead to a significant event that can unlock the company's intrinsic value.

The board believe that African oil and gas assets valuations have reset themselves having stayed higher for longer before the correction in hydrocarbon prices and believe the investment is consistent with the Company's investment strategy being a minority position in an unquoted company with the potential for growth. The investment increases the range of investments by introducing an additional upstream element to the portfolio.

As set out in Elephant's last published accounts (unaudited) for the year ending 31 January 2015

the company reported zero revenue, a loss before taxation of £196,044 and total assets of £1,799,301.

For additional information please see Elephant Oil's website <http://elephant-oil.com/>

Gavin Burnell, a director of Prospex, is a non-executive director of Elephant and holds 9% of the issued share capital of Elephant. It is intended that Gavin Burnell will step down as a director of Elephant going forward.

OMV Aktiengesellschaft ("OMV")

The Company has acquired 2,300 Ordinary Shares in OMV for a consideration of €55,418, through the market. OMV is the parent company of the OMV group, an integrated group of Oil and Gas companies headquartered in Austria. Its upstream operations are focused Central Eastern Europe, the North Sea and the Middle East and Africa. The downstream has refining, gas stations and they operate gas pipelines and storage facilities. The investment is consistent with the Company's investment strategy being a minority position in a quoted company with the potential for growth and income. The directors believe the investment increases the range of investments held by Prospex and introduces a broader range of downstream elements to the portfolio.

In OMV's last published audited accounts, for the year ending 30 December 2015, the company reported Sales of €108,568,505, Net Loss Before Taxation of €631,729,121 and Total Assets of €14,258,312,502.

For additional information please see OMV's website <http://www.omv.com>

Bill Smith, Prospex Chairman, commented:

"We are pleased to be moving forward with our investments. Whilst the delay in the Kolo license is frustrating we take it as positive that the new Polish administration is addressing the matter in such a positive manner. Work on the ground has continued and this should allow rapid progress of the assets from this stage. We believe the further investments all reflect good opportunities to take the Company forward and build out the investment portfolio"

David Messina, Hutton Energy Managing Director, commented on the completion of the Hutton transaction:

"Hutton welcomes the positive step by Prospex to move forward with the Hutton Poland transaction and is encouraged by the work the technical teams have been undertaking over the last three months. On the imminent award of the Concession we are looking forward to progressing the 2016 Kolo drilling program in Poland."

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This information is provided by RNS
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