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Prospex Oil and Gas PLC  
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Prospex Oil and Gas plc

("Prospex" or the "Company")

## Conditional First Investment

Prospex is pleased to announce its first conditional investment since becoming an AIM Investing Company in April 2015.

## Overview

Prospex has conditionally agreed to acquire a 49% stake in Hutton Poland Ltd ("**Hutton Poland**") from Hutton Energy Ltd ("**Hutton**") for £620,000 in cash. The initial consideration is £130,000 with the remaining £490,000 deferred up to 31 August 2016.

Hutton has been active in Poland since 2009, holding various stakes in exploration licenses, and in the process has gathered a geologic and geophysical data set. Hutton Poland presently has seven license applications in process. The most advanced is the Kolo License application which has been recently offered to Hutton Poland by the regulatory authorities.

Prospex will provide an update once it has been informed of the status of the Kolo License award by Hutton Poland. Prospex has been advised by Hutton Energy that the award could be finalised in the next two weeks.

## The Kolo License Area

The Kolo License area is located in the Lodz Trough within the Polish Central Lowlands, c120 km west of Warsaw. The directors of Prospex believe the region is well serviced by oil and gas surface facilities and sits on major European transport arteries.

The Kolo License area is 1,150 square kilometres and is elongated in a NW-SE direction along the strike of the Lodz Trough, a well-known Mesozoic sedimentary basin. This basin is known in Poland by its salt mines (Klodava) but also by important manifestations of gas and oil in shallow water wells.

Hutton has 1400km of vintage 2D seismic over the license area and gathered a further 250km of 2D seismic data in 2014.

Recent geological studies and interpretation of geophysical data by Prospex have indicated that the Lodz Trough has the potential to contain commercial oil and gas accumulations at deeper and shallow levels in early and late Cretaceous sedimentary reservoir rocks, similarly to hydrocarbon provinces like the North Sea and the Baltic region.

Prospex believes the prospectivity of the license is in conventional targets as opposed to unconventional regional plays. In particular Prospex, from the data, has identified a number of conventional oil and gas exploration targets, between 1,000 and 4,000 metres below surface.

The Kolo license area presently does not have the benefit of a competent person's report; however, Prospex is in the process of engaging with a qualified provider to provide a report. The findings of this will be released in due course.

#### Other License Applications

The current applications are for:

- 1) The Kolo West (Poddebice) concession via Strzlecki Energia Sp z.o.o. (100% owned by Hutton Poland)
- 2) The Rypin East concession via Strzelecki Energia Mazowiecka Sp.z.o.o (to be 100% owned by Hutton Poland at final closing)
- 3) The Brodnica concession via Strzelecki Energia Mazowiecka Sp.z.o.o (to be 100% owned by Hutton Poland at final closing)
- 4) The South Prabuty concession via South Prabuty LLP (25% owned by Hutton Poland, 75% owned by San Leon Energy)
- 5) The Olesnica concession via Olesnica LLP (25% owned by Hutton Poland, 75% owned by San Leon Energy)

6) The Weilun concession via Wielun LLP (25% owned by Hutton Poland, 75% owned by San Leon Energy)

Hutton Poland is not obligated to take up these licenses if awarded. Final investment decisions on the individual applications will be made at the time of award, which will be during the course of 2016.

Further Details of the transaction

PXOG County Ltd ("PXOGC"), a wholly owned subsidiary of Prospex, has entered into a Share Purchase Agreement ("**SPA**") with Hutton to acquire 210,700 ordinary shares of Hutton Poland ("Hutton Ordinary Shares") and 588,000 Hutton Poland £1 loan notes ("Hutton Loan Notes") for £620,000 being 49% of the outstanding Hutton Poland ordinary shares and loan notes outstanding at this time. The remaining 51% of the ordinary shares and loan notes are owned by Hutton. The initial consideration is £130,000 and the deferred consideration is £490,000, which is deferred up to 31 August 2016

The Hutton Ordinary Shares and the Hutton Loan Notes will be placed into escrow until payment of the deferred consideration. If by 31 August 2016, or such other date that the Hutton and PXOGC (the "**Party or Parties**") mutually agree, the conditions precedent to final closing, including PXOGC depositing the deferred consideration of £490,000 into escrow; and the negotiation of a drilling contract on the Kolo licence with a drilling contractor, are not achieved and no extension of time is agreed by the Parties then either Party may terminate the SPA. If terminated by the seller then the escrow agent will return the shares and loan notes to Hutton Energy.

A further announcement will be made to confirm the process on or before 31 August 2016

PXOGC and Hutton have entered into a shareholders agreement, under the agreement the parties have agreed to fund their share of the costs going forward in line with their respective proportional ownership.

This investment is in line with the Company's investment policy.

Further Details on Hutton Poland Limited

As set out in its unaudited accounts for the year ended 30 June 2015, Hutton Poland generated no turnover, generated a loss of \$4,489 and had a net asset position of \$3.7 million.

Bill Smith, Prospex Chairman, commented:

"Following the review of many projects we are delight to make our first investment into Hutton Poland Ltd. We are very much looking forward to the partnership. Hutton are a proactive group with good working relationships in country. We are impressed with positive attitude of the government and the positive business environment that the exploration business can operate within. Hutton have done a huge amount of ground work and this will allow rapid progress of its assets from this stage."

David Messina, Hutton Energy Managing Director, commented:

"We are pleased to welcome Prospex to Poland and look forward to working with them, as we target low risk conventional prospects which still provide strong returns with cost effective drilling, a robust domestic gas market and a supportive government.

We believe the recent success of Palomar Resources and FX Energy targeting conventional gas in Poland demonstrates Poland still has a lot to offer."

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