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Prospex Oil and Gas PLC  
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Prospex Oil and Gas Plc ('Prospex' or the 'Company')  
Commencement of drilling, onshore Poland

Prospex Oil and Gas Plc, the AIM quoted investment company, is pleased to announce it has been advised that the Boleslaw-1 well ('Boleslaw-1' or 'the Well') in the 1,150 sq km Kolo Licence ('Kolo'), onshore Poland spudded at 5:50pm on 10 December 2016. Boleslaw-1 is targeting gas in an active petroleum system and the Boleslaw prospect has been independently assigned a gross Prospective Resource (best estimate) of 87 bscf. Kolo is 100% owned by Strzelecki Energia Sp z.o.o ('Strzelecki'), a wholly owned subsidiary of Hutton Poland Limited ('Hutton') in which Prospex holds a 49% interest. The risked Prospective Resource (best estimate) assigned to Prospex is 11.6 bscf. Drilling prior to wireline logging, which is being undertaken by Exalo Drilling SA ('Exalo'), is expected to take 28 days.

The Well is targeting a stratigraphic wedge trap bounded by salt on the SW and NW flanks, mapped in time and depth over an area exceeding 6km<sup>2</sup> in the productive Polish Central Basin ('the PCB'). The PCB is proven to have prolific source rocks similar to NW Europe (Mid to Upper Jurassic and Cenomanian-Turonian age). Two reservoir sandstones at depths of 900m (Santonian) and 1,400m (Deep Cretaceous) have been mapped at Boleslaw, which has been assigned an Economic Monetary Value ("EMV") (net to Prospex) at 1 January 2016 of between US\$7.1m and US\$12.2m (£5.6m and £9.7m based on £/\$ rate of 1.26 as at 1 December 2016) by AGR TRACS in an independent Competent Persons' Report ('CPR') (see announcement dated 26 May 2016 for further details).

A further selection of photographs from this work can be found on the Company's website:  
<http://www.prospexoilandgas.com/gallery.html>.

**Prospex non-executive Chairman, Bill Smith, said** "We are delighted to announce that drilling at Boleslaw is now underway, on time and on schedule. It was only in May 2016 that we announced our intention to make an acquisition in the natural resources space and a little over six months later, we are participating in our first drill. To have reached this point in such a short space of time is testament to the quality of the management team and their ability to identify highly prospective undervalued projects in Europe. The Kolo licence was the first investment we made under our amended policy and it will not be the last. I look forward to providing further updates on our progress, as we look to build a leading oil and gas investment company."

This announcement contains inside information.

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