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Prospex Oil and Gas PLC
03 May 2017

Prospex Oil and Gas Plc / Index: AIM / Epic: PXOG / Sector: Oil and Gas

3 May 2017

Prospex Oil and Gas Plc ('Prospex' or the 'Company')
Final Results

Prospex Oil and Gas Plc, the AIM quoted investment company, announces its final results for the year ended 31 December 2016.

Highlights:

· Delivering on strategy to build a leading oil and gas investment company focused on high impact European opportunities with short timelines to production

· Acquired 49% stake in Hutton Poland, which owns 100% of the 1,150 sq km Kolo Licence, onshore Poland

· US$4.8m (£3.9m) valuation assigned to investment in Hutton Poland as at the year end (based on the competent person's report dated May 2016, although see Note 20 on Investment Valuation) - compares to overall cost of investment including Prospex's share of dry hole drilling costs of approximately £1.6m.

· Identified a number of prospective targets on the Kolo licence, including the Boleslaw Prospect which was drilled in Q4 2016

· Strong cash position of £0.4m - £2.52m raised during the period and £0.85 post

· Continued focus on corporate overheads to ensure as much of the Company's funds as possible are invested in value adding activities

· Evaluating multiple investment opportunities that meet management's investment criteria

Edward Dawson, Managing Director of Prospex, said, "Prospex is led by a management team focused on replicating the success it has had in generating value within the oil and gas sector. We have a tried and tested strategy of identifying and acquiring overlooked assets; using advanced technologies and techniques to define new prospects; and taking part in well executed drilling operations. The key is investing in the right assets on the right terms in proven and accommodating hydrocarbon jurisdictions. We are currently assessing a number of highly prospective projects which fit this bill and are hopeful that we will secure at least one of these in time to deliver on our target to drill a well later this year."

The Financial Results for the year ended 31 December 2016 ("Accounts"), as set out below, are available to download on the Company's website together with the Notice of AGM ("AGM Notice"). The Accounts (which includes the Directors' Report) and AGM Notice will be posted to shareholders on or around 5 May 2017.

For further information visit www.prospexoilandgas.com or contact the following:

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Chairman's Statement

The year under review serves to demonstrate management's ability to deliver the strategy that has been put in place to transform Prospex into a leading multi-project oil and gas investment company. It was an active year which started with us securing our first investment, fulfilling our investment policy, and culminated in the drilling of a low cost well on schedule and on budget. While the end result of the well was not what we had hoped for, the steps we took and the short period of time during which they were taken provide a template for how we intend to build this company.

Our strategy is to acquire a portfolio of investments in oil and gas projects that are at various stages of the development cycle and which represent highly attractive opportunities on a risk / reward basis. At the beginning of the review period the Company made its first investment under the new strategy: the acquisition for £32,000 in respect of a 49% interest in Hutton Poland Limited's share capital and £588,000 for a similar interest in its loan capital, which holds the Kolo licence onshore Poland. By the year end the Company had invested almost £1.6m. Prior to completion of the acquisition in April 2016, we had set about undertaking a detailed re-evaluation of the prospectivity on the licence by applying our expertise to re-work existing data. This work resulted in the identification of a conventional gas prospect, Boleslaw, as well as a deeper oil play. AGR TRACS ('AGR') were then commissioned as a Competent Person to scrutinise our work and provide an independent assessment. In their report, AGR described Boleslaw as "a worthwhile and attractive exploration opportunity". Utilising this assessment, the Company's interest in Hutton Poland was valued at US$4.8m (£3.9m) in the financial statements as at 31

December 2016 (but see Note 20 on Investment Valuation).

Having established Boleslaw as a drill ready prospect the necessary permits to drill a low cost well were obtained by Hutton Poland. Drilling operations commenced at the Boleslaw-1 well on time in December 2016. For a discovery to be made a number of factors need to be in place: source rock; reservoir; trap; and migration. Unfortunately, in the case of Boleslaw not all of these were present. As with all oil and gas exploration there is only so much that can be done to de-risk a prospect prior to drilling. Only success with the drillbit proves up prospects. As a result, when risks are assigned to drill-ready prospects these are typically between 1 in 5 and 1 in 3. Boleslaw was a low cost well and based on our own technical work and that of our competent person it represented an attractive drilling opportunity on a risk / reward basis.

Prospect's interest in the Kolo licence was not exclusive to the Boleslaw prospect. The Company believes additional prospectivity exists on the licence, including a deeper oil lead. Importantly the result of the Boleslaw-1 well has no bearing on this potential oil play. The well has validated elements of the deeper target's geological model and we are currently evaluating all the well data and updating the geological interpretation to ascertain the best way forward for the licence.

Hutton Poland is just the first of what we believe will be many investments under our investment strategy. We have an active pipeline of potential opportunities, which we believe offer near term value uplift in line with our strategy. With this in mind, we are closely evaluating a number of projects which match our criteria: located in proven hydrocarbon jurisdictions; scope for multiple value trigger events within a short time frame; located close to market; and available to be acquired on attractive terms. Furthermore, thanks, in part, to our team's proven track record of generating value in the oil and gas sector, people are approaching us with their projects. We find many of these investment opportunities to be technically interesting and we are confident that new investments will be added to our portfolio in due course.

Once new projects have been secured, we will endeavour to move rapidly through the various development milestones with the aim of reaching a value trigger event such as drilling at the earliest opportunity, as we did with Boleslaw. We are able to do this because we have ensured that Prospex has a strong capital base, that corporate overheads are kept to a reasonable level and that monthly cash burn is low. This allows us to invest as much of our available funds as possible into our portfolio.

As announced on 28 March 2017, the Company wishes to amend its investment policy to remove the paragraph stating that the Company will undertake an acquisition or acquisitions within the natural resources and/or energy sector, which would likely constitute a reverse takeover under AIM Rule 14 of the AIM Rules for Companies, within 12 months of the date of that 11 May 2016 GM. A resolution proposing this amendment will be put to shareholders at the Company's AGM to be held on 1 June 2017 and is set out in the AGM Notice. Shareholders should note that the Board is actively evaluating a number of possible investments, any of which would add to its portfolio.

Outlook

Whether it was successful or not, Boleslaw was always going to be the first of many wells in which the Company invests. We are working hard to secure additional projects on attractive terms for our shareholders, where we can apply our technical expertise to generate or review drill-ready prospects and leads. Boleslaw was a potential company-maker. Our aim is to build a portfolio of high impact prospects that are based on first class technical work, which have been rigorously scrutinised by respected third parties, have an attractive risk / reward trade off, and can be inexpensively drilled within short time frames. With this in mind, we have been closely evaluating a number of exciting opportunities and remain confident that we will invest in at least one of these in the near term. Our target is to participate in further drilling activity this year, as we look to deliver on our objective and generate value for all our shareholders.

I look forward to providing further updates on our progress in due course. In the meantime, I would like to take this opportunity to thank our shareholders for their support of the Company and team.

Bill Smith

Non-Executive Chairman

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Continuing operations			
Administrative expenses		(778,093)	(601,892)

Operating loss	4	(778,093)	(601,892)
Surplus as a result of the CVA		-	98,885
		(778,093)	(503,007)
Finance income	5	-	162
Financial assets at fair value through profit and loss	9	2,345,557	-
Profit/(loss) before income taxation		1,567,464	(502,845)
Income tax expense	6	-	411
Profit/(loss) on ordinary activities after taxation from continuing operations		1,567,464	(502,434)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		-	571,745
Profit for the year and total comprehensive income attributable to owners of the parent		1,567,464	69,311
Earnings/(l	7		

oss) per share - basic and diluted		
From continuing operations	0.96p	(1.64)p
From discontinued operations	-	1.86p

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes		2016 £		2015 £
ASSETS					
Non current assets					
Tangible assets	8		849		1,274
Investments	9		4,142,200		100
			4,143,049		1,374
Current assets					
Trade and other receivables	10	31,766		155,909	
Cash and cash equivalents	11	466,413		382,216	
		498,179		538,125	
LIABILITIES					
Current liabilities					
Trade and other payables	12	(87,676)		(80,975)	
Net current assets			410,503		457,150
Net assets			4,553,552		458,524
EQUITY					
Share capital	15		5,107,779		2,657,234
Share premium account			6,740,144		6,732,714
Capital redemption reserve			43,333		43,333
Merger reserve			2,416,667		2,416,667

Profit and loss account	(9,754,371)	(11,391,424)
Total equity	4,553,552	458,524

Approved by the Board and authorised for issue on ....

....	....
Edward Dawson	Richard Mays
Director	Director

Company Registration No. 03896382

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Retained earnings	Foreign currency reserve	Capital redemption reserve	Merger reserve	Non controlling interests	Convertible loan note	Total
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2015	2,304,398	6,063,208	(11,531,728)	39,467	43,333	2,416,667	(166,865)	100,216	(731,304)
Changes in equity for 2015									
Total comprehensive income for the year	-	-	69,311	-	-	-	-	-	69,311
Issue of shares	352,836	723,314	-	-	-	-	-	-	1,076,150
Costs in respect of shares issued	-	(53,808)	-	-	-	-	-	-	(53,808)
On completion of CVA	-	-	-	-	-	-	-	(100,216)	(100,216)

Equity-settled share-based payments		-	-	70,993	-	-	-	-	-	70,993
On disposal of subsidiaries		-	-	-	(39,467)	-	-	166,865	-	127,398
Balance at 31 December 2015		2,657,234	6,732,714	(11,391,424)	-	43,333	2,416,667	-	-	458,524
Changes in equity in 2016										
Total comprehensive income for the year		-	-	1,567,464	-	-	-	-	-	1,567,464
Issue of shares	15	2,450,545	70,455	-	-	-	-	-	-	2,521,000
Costs in respect of shares issued		-	(63,025)	-	-	-	-	-	-	(63,025)
Equity-settled share-based payments	14	-	-	69,589	-	-	-	-	-	69,589
Balance at 31 December 2016		5,107,779	6,740,144	(9,754,371)	-	43,333	2,416,667	-	-	4,553,552

Merger reserve

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited ('CAR') by the Company in exchange for shares in the Company and the nominal value. It represents the difference between the fair value of the share capital issued by the Company and the nominal value.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015
	£	£	£	£
Cash flows from operating activities				
Operating loss		(778,093)		(601,892)
Depreciation of property, plant and equipment		425		425
Increase in inventories		-		-
Increase/(decrease) in trade and other receivables		124,143		(130,552)
Increase/(decrease) in trade and other payables		6,701		(96,409)
Equity-settled share based payments		69,589		70,993
Other movement		-		33,955
Net cash used in operating activities - continuing operations		(577,235)		(723,480)
Investing activities				
Finance income	-		162	
Net cash (outflow)/inflow investing activities		-		162
Capital expenditure and financial investment				
Payments to acquire tangible assets	-		(1,699)	
Payments to acquire investments	(1,796,543)		-	
Net cash (outflow)/inflow for capital expenditure		(1,796,543)		(1,699)
Acquisitions and disposals				

Cash on disposal of subsidiary undertaking	-		(247)	
Net cash outflow for acquisitions and disposals		-		(247)
Financing activities				
Issue of share capital	2,521,000		1,076,150	
Proceeds received from issue of derivative financial asset	-		12,404	
Cost of share issue	(63,025)		(53,808)	
Convertible unsecured loan notes	-		50,000	
Net cash generated from financing activities		2,457,975		1,084,746
Net increase in cash and cash equivalents in year		84,197		359,482
Cash and cash equivalents at beginning of the year		382,216		22,734
Cash and cash equivalents at end of the year		466,413		382,216

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies and basis of preparation

1.1 General information

Prospex Oil and Gas Plc is incorporated in England and Wales and is quoted on the AIM Market of the London Stock Exchange Plc. The address of its registered office is Stonebridge House, Chelmsford Road, Hatfield Heath, Essex CM22 7BD. The registered number of the company is 03896382.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

1.2 Going concern

The current economic environment is challenging and the Company has reported an operating loss for the year. These losses are expected to continue in the current accounting year to 31 December 2017.

The Company regularly carries out fund-raising exercises in order that it can provide the necessary working capital and investment funds for the Company. As detailed in note 20, since the year end, the Company has raised £850,000 before expenses, through the issue of new ordinary shares.

The Board expects to continue to raise additional funding as and when required to cover the Company's investments, primarily from the issue of further shares.

As such, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, (IFRSs) and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company financial statements have been prepared under the historical cost convention or fair value where appropriate.

1.4 Basis of consolidation

Subsidiaries include all entities over which the Company has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The Company is an investment entity and, as such, does not consolidate the investment entities it controls. The Company's interests in subsidiaries are recognised at fair value through profit and loss.

1 Accounting policies

1.5 Property plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% per annum on the reducing balance
Motor vehicles	

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.7 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

1.8 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The principal financial assets of the company are loans and receivables, which arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Company's loans and receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered possible.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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

1.9 Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

1 Accounting policies

1.10 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Equity comprises the following:
- Share capital represents the nominal value of equity shares;
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- Profit and loss reserve represents retained deficit;
- Other reserve represents the capital redemption reserve arising on redemption of shares in previous years and own share reserve.

1.11 Equity-settled share-based payment

The Company makes equity-settled share-based payments. The fair value of options granted is recognised as an expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The fair value of the options granted is measured based on the Black-Scholes framework, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1.12 Taxation

The income tax expense or taxation recoverable represents the sum of tax currently payable or recoverable and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the 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 is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

1 Accounting policies

1.13 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.14 Investments

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within 'other gains/(losses) - net' in the period in which they arise.

1.15 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1 Accounting policies

1.16 Accounting Standards issued but not yet effective and/or adopted

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the company as they are not expected to have a material impact on the company's financial statements.

		Effective date (period beginning on or after)
IFRS 2	Amendments - Classification and measurement of share-based payments transactions	01/01/2018
IFRS 4	Amendment - applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	01/01/2018
IFRS 9	Financial instruments - incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	01/01/2018
IFR	Disclosure of interests in other activities -	01/01/2017

S 12	amendments resulting from Annual Improvements 2014 - 2016 cycle. (clarifying scope)	
IFRS 15	Revenue from contracts with customers, and the related clarifications	01/01/2018
IFRS 16	Leases - recognition, measurement, presentation and disclosure.	01/01/2019
IAS 7	Statement of cash flows - Amendments resulting from the disclosure initiative	01/01/2017
IAS 12	Income taxes - Amendments regarding recognition of deferred tax assets for unrealised losses	01/01/2017
IAS 28	Amendment resulting from Annual Improvement 2014 - 2016 cycle, clarifying certain fair value measurements	01/01/2018
IAS 40	Amendment - Transfers of investment property	01/01/2018

The International Financial Reporting Interpretations Committee has also issued interpretations which the company does not consider will have a significant impact on the financial statements.

IFRIC 22	Foreign currency translations and advance consideration	01/01/2018

2 Critical accounting estimates and judgements

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates. The estimates and underlying assumptions are as follows:

Investment entities

The judgements, assumptions and estimates involved in the Company's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are the fair valuation of the investment and the assessment regarding investment entities. The investment portfolio is held at fair value. The Directors review the valuations policies, process and application to individual investments.

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss. The Board has concluded that the Company continues to meet the definition of an investment entity as its strategic objective of investing in portfolio investments for the purpose of generating returns in the form of investment income and capital appreciation remains unchanged.

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date". Fair value is therefore an estimate and, as such, determining fair value requires the use of judgement. The quoted assets in our portfolio are valued at their closing bid price at the balance sheet date. The largest investment in the portfolio, however, is represented by an unquoted investment.

Impairment of assets
The Company is required to test, on an annual basis, whether its non-current assets have suffered any impairment. Determining whether these assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact on the carrying value of the respective assets.

Recoverability of other financial assets
The majority of the Company's financial assets represent loans provided to its subsidiary, which are associated with funding of mineral exploration and development projects. The recoverability of such loans is dependent upon the discovery of economically recoverable reserves, the ability of the Company to maintain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Share based payments
The estimates of share based payments requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees.

Deferred tax assets
Deferred taxation is provided for using the liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for the Company. The Directors have decided that no deferred tax asset should be recognised at 31

December 2016. If the actual profits earned by the Company differs from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

3 Segmental information

The Company is an Investing Company. The results for this continuing operation, all of which were carried out in the UK, are disclosed in the Income Statement. The net assets as at 31 December 2016 as shown on the Statement of Financial Position all relate to the Investment activity.

4 Operating loss

		2016 £	2015 £
Operating loss is stated after charging:			
Depreciation of tangible assets		425	425
Loss on foreign exchange transactions		4,584	250
Auditors' remuneration	- Fees payable to the company's auditor for the audit of the company's financial statements	16,250	17,545
	- Fees payable to the company's auditors for non-audit services	-	2,000

5 Finance income

	2016 £	2015 £
Bank interest received	-	162

6 Income tax expense

	2016 £	2015 £
Domestic current year tax		
Adjustment for prior years	-	(411)
Total tax expenses	-	(411)
Factors affecting the tax charge for the year		
Profit before income taxation	1,567,46	68,900

Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015 - 20.00%)	313,493	13,780
Effects of:		
Non deductible expenses	15,768	20,207
Depreciation add back	85	85
Capital allowances	-	(340)
Tax losses not utilised	139,765	(80,650)
Unrealised chargeable gains	(469,111)	-
Prior year	-	(411)
Other tax adjustments	-	46,918
	(313,493)	(14,191)
Total tax expense	-	(411)

There is no provision for UK Corporation Tax due to adjusted losses for tax purposes, subject to agreement with HM Revenue and Customs. The deferred asset of approximately £686,000 (2015: £578,000) arising from the accumulated tax losses of approximately £4.0m (2015: £3.4m) carried forward has not been recognised but may become recoverable against future trading profits.

7 Earnings/loss per share

The (loss)/earnings and number of shares used in the calculation of earnings per ordinary share are set out below:

	2016 £	2015 £
Basic:		
Continuing operations	1,567,464	(502,434)
Discontinued operations	-	571,745
Loss for the financial period	1,567,464	69,311
Weighted average of ordinary shares	163,085,489	30,677,884

There was no dilutive effect from the options outstanding during the period (note 14).

8 Tangible fixed assets

	Plant and machinery
	£
Cost	
At 1 January 2016 & at 31 December 2016	1,699
Depreciation	
At 1 January 2016	425
Charge for the year	425
At 31 December 2016	850
Net book value	
At 31 December 2016	849
At 31 December 2015	1,274

9 Investments

The Company	Investment at fair value	Investment entity subsidiaries		Total
		Shares	Loans	
	£	£	£	£
Cost				
At 1 January 2016	-	100	-	100
Additions	194,655	-	1,601,888	1,796,543
Fair value movement	37,057	2,308,500	-	2,345,557
At 31 December 2016	231,712	2,308,600	1,601,888	4,142,200

Investments are recognised and de-recognised on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. The Company manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognised at the fair value of the consideration given and are subsequently measured at fair value through profit and loss.

Unquoted investments, including both equity and loans are designated at fair value through profit and loss and are subsequently carried in the statement of financial position at fair value. Fair value is determined in line with the fair value guidelines under IFRS.

In accordance with IFRS 10, the proportion of the investment portfolio held by the Company's unconsolidated subsidiaries is presented as part of the fair value of investment entity subsidiaries, along with the fair value of their other assets and liabilities.

The holding period of the Company's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

9 Investments

Investments in investment entity subsidiaries are accounted for as financial instruments at fair value through profit and loss and are not consolidated in accordance with IFRS10.

These entities hold the Company's interests in investments in portfolio companies. The fair value can increase or reduce from either cash flows to/from the investment entities or valuation movements in line with the Company's valuation policy.

The fair value of these entities is their net asset values.

The Directors determine that in the ordinary course of business, the net asset values of an investment entity subsidiary are considered to be the most appropriate to determine fair value. At each reporting period, they consider whether any additional fair value adjustments need to be made to the net asset values of the investment entity subsidiaries. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the investment entity subsidiary.

Subsidiary
The Company owns the whole of the issued share capital of PXOG County Limited, a company registered in England and Wales. This company owns the Company's principal investment, a 49% shareholding in Hutton Poland Limited. Full details of this investment is set out in the Chairman's report.

At the balance sheet date PXOG County Limited had net assets of £3,910,488 and had made a profit of £2,308,500 for the period then ended.

10 Trade and other receivables

	2016 £	2015 £
Other receivables	21,484	138,779
Prepayments and accrued income	10,282	17,130
	31,766	155,909

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

11 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	466,413	382,216

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. All of the Company's cash and cash equivalents are at floating rates of interest.

12 Trade and other payables

	2016 £	2015 £
Trade payables	53,123	1,349
Taxes and social security costs	9,138	9,829
Other payables	-	26,751
Accruals and deferred income	25,415	42,946
	87,676	80,975

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

13 Pension and other post-retirement benefit commitments

Defined contribution

	2016 £	2015 £
Contributions payable by the company for the year	9,000	7,125

14 Share-based payments

Share options

At 31 December 2015 and 31 December 2016 outstanding awards to subscribe for ordinary shares of 1p each in the Company, granted in accordance with the rules of the share option scheme, were as follows:

31 December 2015	Shares under option	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	268,400	6.3	143.62
Granted	3,659,116	-	3.05
Lapsed	(24,000)	-	(2.08)
Carried forward	3,903,516	9.1	11.86

31 December 2016	Shares under option	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	3,903,516	9.1	11.86
Granted	20,728,545	-	1.03
Lapsed	-	-	
Carried forward	24,632,061	3.59	2.74p

All options were exercisable at the year end. No options were exercised during the year.

The following share-based payment arrangements were in existence during the current and prior years.

Options	Number	Expiry date	Exercise price	Fair value at grant date

1. Granted 31 July 2007	36,400	31/07/2017	250.0p	82.5p
2. Granted 30 April 2012	208,000	30/04/2022	125.0p	47.5p
3. Granted 16 April 2015	2,847,116	15/04/2025	3.0p	1.94p
4. Granted 16 April 2015	812,000	15/04/2018	3.0p	1.94p
5. Granted 22 September 2016	1,434,209	22/09/2019	1.0p	0.53p
6. Granted 22 September 2016 *	13,694,584	22/09/2019	1.0p	0.31p
7. Granted 22 September 2016 *	4,164,000	22/09/2019	1.1p	0.29p
8. Granted 23 December 2016 *	1,436,000	23/12/2019	1.1p	0.53p

14 Share-based payments

The fair value of remaining share options has been calculated using the Black Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Options	Grant date share price	Exercise price	Expected volatility	Expected option life	Risk-free interest rate
1. Granted 31 July 2007	212.5p	250.0p	100%	5 years	4.4%
2. Granted 30 April 2012	175.0p	125.0p	32%	3.5 years	0.24% - 0.43%
3. Granted 16 April 2015	4.0p	3.0p	71.5%	3 years	0.71%
4. Granted 16 April 2015	4.0p	3.0p	71.5%	3 years	0.71%
5. Granted 22 September 2016	1.7p	1.0p	71.0%	3 years	0.10%
6. Granted 22 September 2016 *	1.7p	1.0p	71.0%	3 years	0.10%
7. Granted 22 September 2016 *	1.7p	1.1p	71.0%	3 years	0.10%
8. Granted 23 December 2016 *	2.5p	1.1p	79.0%	3 years	0.28%

* These options vest once the share price of the Company has closed at 5p or higher for 5 consecutive trading days.

The fair value has been calculated assuming that there will be no dividend yield.

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of daily share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £69,589 (2015: £70,993).

15

Share capital	2016 Number	2015 Number	2016 £	2015 £

Allotted, called up and fully paid

Ordinary shares of 1p each	285,785,836	40,731,291	2,857,858	407,313
Deferred shares of 0.1p each	942,462,000	942,462,000	942,462	942,462
Deferred shares of £24 each	54,477	54,477	1,307,459	1,307,459
			5,107,779	2,657,234

In June 2016, the Company raised £1.64m, before expenses, through the issue of 164,600,000 New Ordinary Shares of 1p each at a price of 1p per share to provide capital for the Company's Investing Policy.

In August 2016, the Company raised £100,000, before expenses, through the issue of 10,000,000 New Ordinary Shares of 1p each at a price of 1p per share to provide capital for the Company's Investing Policy.

In September 2016, the Company raised £775,000, before expenses, through the issue of 70,454,545 New Ordinary Shares of 1p each at a price of 1.1p per share to provide capital for the Company's Investing Policy.

The deferred shares have no rights to vote, attend or speak at general meetings of the Company or to receive any dividend or other distribution and have limited rights to participate in any return of capital on a winding-up or liquidation of the Company.

16 Directors' emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company, including all directors of the Company.

	2016 £	2015 £
Directors		
Emoluments for qualifying services	97,665	126,659
Benefit in kind	4,200	2,975
Pension contributions	9,000	7,125

				110,865	136,759

Directors and key management personnel				2016	2015
	Salaries and fees	Benefit in kind	Pension	Total	
	£	£	£	£	£
Directors' emoluments					
Edward Dawson	80,750	4,200	9,000	93,950	82,350
William Smith	8,500	-	-	8,500	8,500
Richard Mays	8,000	-	-	8,000	9,000
Gavin Burnell (resigned 28 April 2016)	-	-	-	-	8,576
James Smith (appointed 22 December 2016)	415	-	-	415	-
Gerry Desler (resigned 14 April 2015)	-	-	-	-	10,000
Christian Schaffalitzky (resigned 14 April 2015)	-	-	-	-	3,333
Garth Earls (resigned 14 April 2015)	-	-	-	-	5,000
Richard Nolan (resigned 14 April 2015)	-	-	-	-	10,000
	97,665	4,200	9,000	110,865	136,759

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2015 - 1).

16 Directors' emoluments

The Directors interests in share options as at 31 December 2016 are as follows:

Director	Options at 31 December 2016	Exercise price	Date of grant	First date of exercise	Final date of exercise
Edward Dawson	680,212	3.05p	14/04/2015	14/04/2015	14/04/2025
Edward Dawson	971,663	1.0p	22/09/2016	22/09/2016	22/09/2019
Edward Dawson *	4,438,000	1.0p	22/09/2016	22/09/2016	22/09/2019
Edward Dawson *	1,292,000	1.1p	22/09/2016	22/09/2016	22/09/2019
Richard Mays	541,726	3.05p	14/04/2015	14/04/2015	14/04/2025
Richard Mays	20,196	1.0p	22/09/2016	22/09/2016	22/09/2019
Richard Mays *	2,327,418	1.0p	22/09/2016	22/09/2016	22/09/2019
Richard Mays *	1,436,000	1.1p	22/09/2016	22/09/2016	22/09/2019
William Smith	541,726	3.05p	14/04/2015	14/04/2015	14/04/2025
William Smith	20,196	1.0p	22/09/2016	22/09/2016	22/09/2019
William Smith *	2,327,418	1.0p	22/09/2016	22/09/2016	22/09/2019
William Smith *	1,436,000	1.1p	22/09/2016	22/09/2016	22/09/2019
James Smith *	1,436,000	1.1p	23/12/2016	23/12/2016	23/12/2019

* These options vest once the share price of the Company has closed at 5p or higher for 5 consecutive trading days.

17 Employees

Number of employees
There were 5 employees during the year including the directors (2015: 5).

Employment costs

	2016 £	2015 £
Wages and salaries	192,665	211,659
Social security costs	19,015	20,186
Other pension costs	9,000	7,125
Equity settled share-based payments	69,589	70,993
	290,269	309,963

18 Control

In the opinion of the directors, there is no ultimate controlling party.

19 Related party transactions

Included in trade and other receivables is an amount of £1,601,888 (2015: £nil) due from PXOG County Limited, the company's wholly owned subsidiary.

During the year, there were consultancy fees of £15,200 (2015: £17,200) charged by Sallork Legal and Commercial Consulting Limited ("Sallork") and included in trade payables at the year end is £nil (2015: £1,200) owing to Sallork. Richard Mays is a director and shareholder of Sallork.

Included in trade and other payables are the following balances due to Directors as at 31 December 2016.

	2016 £	2015 £
Edward Dawson	13,660	3,881

20 Subsequent events

Share reorganisation
On 20 February 2017, the Company held a General Meeting at which shareholders approved a share capital reorganisation. The reorganisation was effected through the subdivision of each of the Existing Ordinary Shares of 1p each into one New Ordinary Share of 0.1p each and one New Deferred Share of 0.9p each.

Placing
In February 2017, following shareholder approval of the share reorganisation, the Company completed a placing to raise approximately £850,000, before expenses, from the issue of 170,000,000 new ordinary shares of 0.1p each ("New Ordinary Shares") at a price of 0.5p per share (the "Placing"). The funds raised will be used towards the Company's ongoing evaluation of a number of potential projects, in line with its strategy to build a portfolio of investments in the European oil and gas sector, and will also be used for general working capital purposes.

Investment valuation
Drilling operations at the Boleslaw-1 well ('Boleslaw-1' or 'the Well') commenced on 10 December 2016 and continued until 10 January 2017. However no recoverable hydrocarbons were indicated on the mud logs. As a result, the operator advised the Company that the Well was to be plugged and abandoned.

While the outcome was disappointing, Boleslaw was drilled safely, on schedule, and on budget. The Directors believe this is testament to the performance of the engineering crew on the ground as well as the quality of the pre-drill technical work undertaken by the partners. Boleslaw was the first well to be drilled on the Kolo licence, which covers an area of 1,150 sq. km and which is located in a working hydrocarbon system. Further technical work will be conducted to generate an updated geological and hydrocarbon system model, as the partners plan the next steps for the Licence. This work will incorporate all the data and geological samples recovered from the Well.

In accordance with IAS10 "Events after the reporting period" no adjustment has been made to the carrying value of the Company's investment in its 'Investment Entity Subsidiary', as the evidence that the Well was dry was obtained after the balance sheet date.

The result of this first well is likely to have a negative impact on the value of the Company's investment, which at the balance sheet date was valued at US$4.8m. The valuation was based on a Competent Person's Report which was completed mid-2016.

21 Financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below:

Financial assets	2016 £	2015 £
Loans and receivables		
Trade and other receivables	31,766	155,909
Cash and cash equivalents	466,413	382,216
Total financial assets	498,179	538,125

Financial liabilities	2016 £	2015 £
Trade and other payables	87,676	80,975

The Directors consider that the carrying amount of trade and other receivables and trade and other payables approximate their fair value.

Financial risk management
The Company's activities expose it to a variety of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Company's financial performance.

The Board provides written objectives, policies and procedures with regards to managing currency and interest risk exposures, liquidity and credit risk including guidance on the use of certain derivative and non derivative financial instruments

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument

fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its receivables and its cash deposits. It is Company policy to assess the credit risk of new customers before entering contracts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

21 Financial instruments

Liquidity risk and interest rate risk
Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Board regularly receives cash flow projections for a minimum period of 12 months, together with information regarding cash balances monthly.

The Company is principally funded by equity and invests in short-term deposits, having access to these funds at short notice. The Company's policy throughout the period has been to minimise interest rate risk by placing funds in risk free cash deposits but also to maximise the return on funds placed on deposit.

All cash deposits attract a floating rate of interest. The benchmark rate for determining interest receivable and floating rate assets is linked to the UK base rate.

Foreign currency exposure
The Company has no exposure to foreign currency risk.

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