RNS Number : 7597Q
Prospex Oil and Gas PLC
08 June 2018

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

8 June 2018

Prospex Oil and Gas Plc ('Prospex' or the 'Company')
2017 Annual Results and Notice of AGM

Prospex Oil and Gas Plc, the AIM quoted investment company, announces its audited annual results for the year ended 31 December 2017. The Company also gives notice that its Annual General Meeting ('AGM') will be held at 10:45 on 3 July 2018 at Peterhouse Corporate Finance Ltd, 3rd Floor, New Liverpool House, 15 Eldon Street, London, EC2M 7LD. The Financial Results for the year ended 31 December 2017 ('Accounts') together with the Notice of AGM will be available to download today from the Company's website and will also be posted to shareholders on or around 11 June 2018.

Highlights:

•€€€€ Acquired material interests in three projects with over 2Tcf of gas resources in line with strategy to build a leading oil and gas investment company focused on high impact European opportunities with short timelines to production:
  - o 50% economic interest in the Exploration Area of the EIV-1 Suceava Concession, which is located in a producing hydrocarbon basin in North East Romania.
  - o 17% working interest in the Podere Gallina Exploration Permit in the Po Valley region of Italy, a proven play in a prolific hydrocarbon region - up to 40.6 Bcf of gross unrisked prospective gas resources
  - o Acquisition of up to a 49.9% interest in the Tesorillo Project in southern Spain, which contains a known gas discovery with potentially up to 2Tcf of gross unrisked Prospective Resources

•€€€€ Participated in the drilling of three wells, two of which resulted in commercial gas discoveries with near term production:
  - o Bainet-1 well in Romania encountered 9m of reservoir with 8m of net gas pay and flowed natural gas at ~33,000 cubic standard metres/day in testing ("scm/day") - production due to commence in Q3 2018 subject to final permitting consent
  - o Podere Maiar-1d in Italy successfully tested two gas bearing reservoirs at the shut-in Selva gas-field achieving flow rates well in excess of the pre-test target of 100,000 scm/day - Production concession application submitted with first phase production target of 150,000 scm/day- due to come on stream within the next 18 months

•€€€€ Strong cash position of £0.85m at year end - £3.1m raised during the period and £1.2m post period end
  - o Focus on keeping corporate overheads low ensures as much of the Company's funds as possible are invested in core projects and project evaluation

•€€€€ Evaluating additional late stage European onshore investment opportunities that meet management's investment criteria

Edward Dawson, Managing Director of Prospex, said, "In the space of twelve months Prospex has been transformed into a multi-project oil and gas investment company with a long pipeline of gas discoveries and prospects that potentially hold in excess of 2 Tcf of gas. Thanks to drilling success in both Romania and Italy in Q4 2017, the year ahead should see Prospex transformed once again, this time into a revenue generative multi-project oil and gas investment company, once the Bainet gas discovery in Romania has been brought online in the coming months. With production in Italy expected within 18 months and a technical programme underway in Spain to de-risk a potentially huge gas discovery, 2018 should not be short of high impact news flow, as we focus on generating significant value for shareholders."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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

Edward Dawson	Prospex Oil and Gas Plc	Tel: +44 (0) 20 3766 0325
Rory Murphy Ritchie Balmer Jack Botros	Strand Hanson Limited	Tel: +44 (0) 20 7409 3494
Duncan Vasey	Peterhouse Corporate Finance	Tel: +44 (0) 20 7469 0932
Frank Buhagiar Charlotte Page	St Brides Partners Ltd	Tel: +44 (0) 20 7236 1177

Chairman's Statement

2017 may well have been just the second full year the current management team has been in place at Prospex but that has not prevented considerable progress being made during the year towards delivering on our corporate objective: to build an oil and gas investment company with a growing portfolio of late stage European projects with short timelines to value trigger events, such as drilling. Over the course of the year, Prospex acquired material interests in three core projects: Suceava in Romania, Podere Gallina in Italy and Tesorillo in Spain; we have participated in the drilling of three new wells, two of which resulted in gas discoveries in Italy and Romania; and, towards the end of the period, we embarked on a programme to de-risk up to 2Tcf of prospective gas resources at the Tesorillo Project in Spain.

We have been able to achieve so much in such a short period thanks to our focus on acquiring interests in late stage projects where considerable resources have already been invested. This not only saves the Company significant expense, it also enables us to apply, at low cost, new techniques and technologies to legacy data, thereby accelerating the process of de-risking existing targets or identifying new plays. Depending on the results, high impact drilling activity can then be fast tracked. As our two-out-of-three success rate with the drill bit shows, we are able to achieve this without compromising the quality of the technical work undertaken. Furthermore, a successful well does not begin and end with drilling. Flow testing, reserves estimates, additional drilling and first production are among major milestones that typically need to be met before the value of an oil and gas project can be fully realised. A positive well result therefore can lead to a pipeline of near term value trigger events that our shareholders can hopefully look forward to.

This is precisely where we are at with our projects in Italy and Romania. Thanks to the success we enjoyed in the second half of 2017, the year ahead should not be short of high impact activity. Already 2018 has seen confirmation that the Podere Maiar-1d appraisal/redevelopment well on the Podere Gallina Exploration Permit ('Podere Gallina') in the Po Valley region of Italy is a commercial gas discovery after the testing of two gas bearing reservoirs exceeded expectations: flow rates were well in excess of the pre-test target of 100,000 scm/day, while methane gas content of 99.1% was recorded at both levels. The permitting process is now underway to bring Podere Maiar-1d into production, and in tandem with this, work is ongoing to generate revised contingent resource and reserve estimates based on analysis of the log and well test results. This includes reservoir engineering to optimise production from the two gas levels over the field life.

Podere Maiar-1d successfully tested the shut-in Selva gas-field, which was previously operated by ENI and historically produced 80+ Bcf of gas between 1960 and 1984. Prior to drilling, the well was targeting contingent resources (2C) of 17 Bcf. In addition to Selva, other targets have been identified on the licence, offering considerable upside of up to 40.6 Bcf of prospective gas resources as detailed in a historical Competent Person's Report ('CPR'). Contingent resource and reserve estimates, first production and potential follow-up drilling all represent additional value drivers that our shareholders can potentially look forward to at Podere Gallina.

It is a similar story at the Exploration Area of the EIV-1 Suceava Concession in onshore Romania. Here first production from the Bainet gas discovery, which was successfully drilled in Q4 2017 by the Bainet-1 well, is set to commence in in the coming months. Bainet-1, which was drilled to a total depth of 600m, encountered 9m of reservoir with 8m of net gas pay consisting of a good quality Sarmatian sandstone reservoir, similar to that found in fields producing elsewhere in the concession. During testing, natural gas containing over 99% methane flowed at a rate of approximately 33,000 /day through an 8mm choke. Production from Bainet-1, which was completed as a producer and lies close to an existing gas processing plant and associated infrastructure, will represent Prospex's first internally generated revenues. It will also provide the Company with a platform with which to target additional prospects and leads on the concession area.

Our third core project, Tesorillo in Spain (a 38,000ha permit), may be less advanced in terms of monetisation, but as with our projects in Italy and Romania, it holds a gas discovery. The Almarchal-1 well, drilled in 1956, intersected a thick section of gas pay including some zones which flowed gas to surface on testing. Netherland Sewell and Associates has assigned gross un-risked Prospective Resources of 830 billion cubic feet of gas (Best Estimate) to the permit area in a CPR, with upside in excess of 2 Tcf. Clearly these are huge numbers and we are very keen to commence de-risking the permit with a technical programme in order to test these known gas bearing sandstone sequences. An Audio Magnetotellurics ('AMT') survey is due to commence in the near term to evaluate both the subsurface geometry and the presence of gas in the potential traps within the permit area. Audio Magnetotellurics ('AMT') surveys measure subsurface resistivity and can also provide indication of the presence of gas. As well as holding a historic gas discovery, Tesorillo benefits from having excellent access to nearby infrastructure, offering a fast track route to monetisation.

Financial Review

At the time of our 2016 final results we assigned a carrying value of £3,910,388 to the Company's investment in the Kolo licence in Poland. Following the result of the Boleslaw-1 well in January 2017, the Company took the decision to write down the carrying value of its investment in Hutton Poland to £1,442,011, resulting in an exploration write-off during the six months to 30 June 2017 of £2,308,500. In April 2018, the Company, together with its joint venture partners, decided not to extend the Kolo Licence into its second 2 year term, as a result, the Directors have written down the remaining value to zero at the 2017 year end. This has led to a further loss of £1,543,888 in the 6 month period to the end of 2017 bringing the total write down for the Polish investment in the year to £3,852,388.

In August 2017, the Company announced its entry into Romania with an investment in the Exploration Area of the EIV-1 Suceava Concession. Notwithstanding the positive well result obtained, and the near-term prospect of revenues, the Board has decided to keep the carrying value of this asset at its cost of £1,062,687 at the year-end conservatively awaiting for production to start.

The entry into the Po Valley has got off to a great start. Based on the drilling results of the Podere Maiar well and the better than expected flow results in January, the Board have re-valued the Italian investment, which cost £500,000 upward by £1,667,279. This represents a conservative allocation of the expected value that the Board expects to ultimately realise.

The Company's Spanish investment - the Schuepbach Energy Espania S.r.l share acquisition announced in late December - was completed in January 2018. As a result, no value has been attributed in the 2017 accounts. With the positive reinvigoration of the project, the directors expect a significant uplift in valuation over future periods as the project progresses.

In January 2018, the Company raised £1.2 million via an oversubscribed placing of 200,000,000 ordinary shares at a price of 0.6 pence per New Ordinary Share to fully fund the Company's 2018 basic work programmes across its portfolio. This includes the successful flow testing of the Podere Maiar well in Italy in Q1 2018; the planned commencement of production at the Bainet gas discovery in Romania in Q2 2018; and work to further delineate the gas discovery at Tesorillo in Spain, including the upcoming AMT Survey.

Outlook

Few junior oil and gas companies can lay to claim to having drilled three new wells in three different jurisdictions over a 12 month period, two of which resulted in commercial gas discoveries. Thanks to the efforts of the executive team, who came on board with the intention of applying their proven expertise and experience within the sector to build a leading oil and gas investment company, Prospex can. Furthermore, following the progress made during the year under review, Prospex has an excellent platform in place with which to expose shareholders to multiple value trigger events in the year ahead, including the anticipated commencement of the Company's first internally generated cash flows once the Bainet gas discovery comes on line in the coming months.

With over 2Tcf of gas resources, our existing portfolio of investments already has significant company-making potential. However, we continue to evaluate additional assets that match our investment criteria: low cost, undervalued, late stage projects located in proven European hydrocarbon jurisdictions where considerable legacy data is accessible and importantly where short timelines to production have been defined. I look forward to providing further updates on our progress during what promises to be an exciting period for Prospex and our shareholders, one in which we are confident that the disconnect that has opened up between our market valuation and the underlying value of our portfolio will begin to close.

Finally, I would like to take this opportunity to thank the management team, our advisers and of course our shareholders for their support of the Company during the period.

Bill Smith
Non-Executive Chairman

*** * ENDS * ***

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

Edward Dawson	Prospex Oil and Gas Plc	Tel: +44 (0) 20 3766 0325
Rory Murphy Ritchie Balmer Jack Botros	Strand Hanson Limited	Tel: +44 (0) 20 7409 3494
Duncan Vasey	Peterhouse Corporate Finance	Tel: +44 (0) 20 7469 0932
Frank Buhagiar Charlotte Page	St Brides Partners Ltd	Tel: +44 (0) 20 7236 1177

Prospex Oil And Gas Plc

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	**2017**	2016
		£	£
CONTINUING OPERATIONS			
Revenue	1	**-**	-
Administrative expenses		**(2,547,518)**	(778,093)
OPERATING LOSS		**(2,547,518)**	(778,093)
Finance costs	3	**(613,723)**	-
Finance income	3	**-**	2,345,557
(LOSS)/PROFIT BEFORE INCOME TAX	4	**(3,161,241)**	1,567,464
Income tax	5	**-**	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(3,161,241)**	1,567,464
Earnings per share expressed in pence per share			
Basic	6	**(0.58)p**	0.96p

Prospex Oil And Gas Plc

Statement of Financial Position
31 December 2017

	Note	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	**429**	849
Investments	8	**2,426,789**	2,540,312
Loans and other financial assets	9	**1,062,587**	1,601,888
		3,489,805	4,143,049
CURRENT ASSETS			
Trade and other receivables	10	**149,231**	31,766
Cash and cash equivalents	11	**850,060**	466,413
		999,291	498,179
TOTAL ASSETS		**4,489,096**	4,641,228
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	**5,835,587**	5,107,779
Share premium		**8,862,779**	6,740,144
Merger reserve		**2,416,667**	2,416,667
Capital redemption reserve		**43,333**	43,333
Retained earnings		**(12,735,116)**	(9,754,371)
TOTAL EQUITY		**4,423,250**	4,553,552
LIABILITIES			
CURRENT LIABILITIES			
Trade and other liabilities	13	**65,846**	87,676
TOTAL LIABILITIES		**65,846**	87,676
TOTAL EQUITY AND LIABILITIES		**4,489,096**	4,641,228

Prospex Oil And Gas Plc

Statement of Changes in Equity
for the year ended 31 December 2017

	Note	Share capital	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Total
		£	£	£	£	£	£
Balance at 1 January 2016		2,657,234	6,732,714	2,416,667	43,333	(11,391,424)	458,524
Changes in equity							
Loss for the year		-	-	-	-	1,567,464	1,567,464
Issue of shares		2,450,545	70,455	-	-	-	2,521,000
Costs of shares issued		-	(63,025)	-	-	-	(63,025)
Equity-settled share-based payments		-	-	-	-	69,589	69,589
Balance at 31 December 2016		5,107,779	6,740,144	2,416,667	43,333	(9,754,371)	4,553,552
Changes in equity							
Loss for the year		-	-	-	-	(3,161,241)	(3,161,241)
Issue of shares	12	727,808	2,372,193	-	-	-	3,100,001
Costs of shares issued		-	(239,416)	-	-	-	(239,416)
Equity-settled share-based payments		-	(10,142)	-	-	180,496	170,354
Balance at 31 December 2017		**5,835,587**	**8,862,779**	**2,416,667**	**43,333**	**(12,735,116)**	**4,423,250**

Share capital

Represents the nominal value of the issued share capital.

Share premium account

Represents amounts received in excess of the nominal value on the issue of share capital less any costs associated with the issue of shares.

Merger reserve

Represents the difference between the nominal value of the share capital issued by the Company and the fair value of the subsidiary at the date of acquisition.

Capital redemption reserve

A reserve into which amounts are transferred following the redemption or purchase of the company's own shares.

Retained earnings

Represents accumulated comprehensive income for the year and prior periods.

Prospex Oil And Gas Plc

Statement of Cash Flows
for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	**(972,151)**	(577,235)
Net cash from operating activities		**(972,151)**	(577,235)
Cash flows from investing activities			
Purchase of fixed asset investments		**(1,504,787)**	(1,796,543)
Net cash from investing activities		**(1,504,787)**	(1,796,543)
Cash flows from financing activities			
Share issue		**3,100,001**	2,521,000
Cost of shares issued		**(239,416)**	(63,025)
Net cash from financing activities		**2,860,585**	2,457,975
Increase in cash and cash equivalents	2	**383,647**	84,197
Cash and cash equivalents at beginning of year	2	**466,413**	382,216
Cash and cash equivalents at end of year		**850,060**	466,413

Prospex Oil And Gas Plc

Notes to the Statement of Cash Flows
for the year ended 31 December 2017

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
(Loss)/profit before income tax	**(3,161,241)**	1,567,464
Depreciation charges	**420**	425
Loss/(gain) on revaluation of investment	**613,723**	(2,345,557)
Equity-settled share based payments	**170,354**	69,589
Bad debt provision	**1,543,888**	-
	(832,856)	(708,079)
(Increase)/decrease in trade and other receivables	**(117,465)**	124,143
(Decrease)/increase in trade and other payables	**(21,830)**	6,701
Cash generated from operations	**(972,151)**	(577,235)

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	31/12/2017	**01/01/2017**
Year ended 31 December 2017	**£**	**£**
Cash and cash equivalents	**850,060**	**466,413**

	31/12/2016	01/01/2016
	£	£
Year ended 31 December 2017		
Cash and cash equivalents	466,413	382,216

Prospex Oil And Gas Plc

Notes to the Financial Statements - continued
for the year ended 31 December 2017

1. **SEGMENTAL REPORTING**

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 2017 as shown on the Statement of Financial Position all relate to the Investment activity.

2. **EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	**283,879**	192,665
Social security costs	**30,088**	19,015
Other pension costs	**13,500**	9,000
	327,467	220,680

The average number of employees during the year was as follows:

	2017	2016
Directors	**4**	5

3. **NET FINANCE COSTS**

	2017	2016
	£	£
Finance income		
(Loss)/gain on revaluation of investments	**(613,723)**	2,345,557

4. **(LOSS)/PROFIT BEFORE INCOME TAX**

The loss before income tax (2016 - profit before income tax) is stated after charging/(crediting):

	2017	2016
	£	£
Other operating leases	**31,927**	16,815
Depreciation - owned assets	**420**	425
Auditors' remuneration	**16,250**	16,250
Foreign exchange difference	**(10,752)**	4,584
Bad debt provision against amounts due from subsidiaries	**1,543,888**	-

5. **INCOME TAX**

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Factors affecting the tax expense

The tax assessed for the year is higher (2016 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
(Loss)/profit before income tax	**(3,161,241)**	1,567,464
Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	**(608,539)**	313,493
Effects of:		
Non-deductible expenses	**330,280**	15,768
Depreciation add back	**81**	85
Tax losses not utilised	**164,720**	139,765
Unrealised chargeable gains	**113,458**	(469,111)
Tax expense	**-**	-

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 (2016: £578,000) arising from the accumulated tax losses of approximately £4.0m (2016: £3.4m) carried forward has not been recognised but may become recoverable against future trading profits.

6. EARNINGS PER SHARE

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

	2017	2016
	£	£
Basic		
(Loss)/profit for the financial period	**(3,161,241)**	1,567,464
Weighted average of ordinary shares	**544,580,539**	163,085,489

There was no dilutive effect from the options and warrants outstanding during the period.

7. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment
	£
COST	
At 1 January 2017 and 31 December 2017	**1,699**
DEPRECIATION	
At 1 January 2017	850
Charge for the year	420
At 31 December 2017	**1,270**
NET BOOK VALUE	
At 31 December 2017	**429**

At 31 December 2016	849

8. **INVESTMENTS**

	Shares in group undertakings	Investments Listed	Investments Unlisted	Total
	£	£	£	£
COST OR VALUATION				
At 1 January 2017	2,308,600	131,712	100,000	2,540,312
Additions	500,200	-	-	500,200
Revaluation	(665,553)	51,830	-	(613,723)
At 31 December 2017	**2,143,247**	**183,542**	**100,000**	**2,426,789**
NET BOOK VALUE				
At 31 December 2017	**2,143,247**	**183,542**	**100,000**	**2,426,789**
At 31 December 2016	2,308,600	131,712	100,000	2,540,312

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

PXOG County Limited
Registered office: England & Wales
Nature of business: Investment entity

Class of shares:	% holding
Ordinary	100.00

	2017	2016
	£	£
Aggregate capital and reserves	**(13)**	3,910,475
(Loss)/profit for the year	**(3,852,501)**	2,308,500

PXOG Massey Limited
Registered office: England & Wales
Nature of business: Investment entity

Class of shares:	% holding
Ordinary	100.00

	2017
	£
Aggregate capital and reserves	**(48,323)**
Loss for the year	**(48,423)**

PXOG Marshall Limited
Registered office: England & Wales
Nature of business: Investment entity

%

Class of shares:	holding	
Ordinary	100.00	
		2017
		£
Aggregate capital and reserves		**2,142,947**
Profit for the year		**1,642,947**

PXOG Muirhill Limited
Registered office: England & Wales
Nature of business: Investment company

	%	
Class of shares:	holding	
Ordinary	100.00	
		2017
		£
Aggregate capital and reserves		**100**
Profit for the year		**Nil**

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.

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.

9. LOANS AND OTHER FINANCIAL ASSETS

	Loans to group undertakings

	£
At 1 January 2017	**1,601,888**
New in year	**1,062,587**
Repayment in year	**(58,000)**
Other movement	**(1,543,888)**
At 31 December 2017	**1,062,587**

10. **TRADE AND OTHER RECEIVABLES**

	2017	2016
	£	£
Current		
Amounts owed by group undertakings	**113,364**	-
Rent deposit	**2,026**	2,026
VAT	**28,408**	19,458
Prepayments and accrued income	**5,433**	10,282
	149,231	31,766

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

11. **CASH AND CASH EQUIVALENTS**

	2017	2016
	£	£
Cash and cash equivalents	**850,060**	466,413

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. **CALLED UP SHARE CAPITAL**

	2017	2016	**2017**	2016
	Number	Number	**£**	£
Allotted, issued and fully paid				
Ordinary shares of 0.1p each	**1,013,593,136**	-	**1,013,593**	-
Ordinary shares of 1p each	**-**	285,785,836	**-**	2,857,858
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
Deferred shares of 0.9p each	**285,785,836**	-	**2,572,073**	-
			5,835,587	5,107,779

In February 2017, the Company undertook a Share Capital Reorganisation whereby each Existing Ordinary Share of £0.01 was subdivided into one New Ordinary Share of £0.001 and one New Deferred Share of £0.009.

In February 2017, the Company raised £850,000, before expenses, via a placing of 170 million new ordinary shares of £0.001 each (as reorganised by the share capital reorganisation) ("New

Ordinary Shares") at a price of 0.5 pence per New Ordinary Share. The net proceeds of the Placing went 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 be used for general working capital purposes.

In September 2017, the Company raised £650,000, before expenses, via a placing of 185,714,300 ordinary shares of £0.001 each at a price of 0.35 pence per New Ordinary Share. The net proceeds of the Placing would help fund the Company's share of the 2017 work programme at the Suceava Concession ('Suceava') in North East Romania. In addition, the funds would go towards the ongoing evaluation of a number of potential projects, in line with the Company's strategy to build a portfolio of investments in the European oil and gas sector, as well as for general working capital purposes.

In November 2017, the Company raised £1.6million, before expenses, via a placing of 372,093,000 ordinary shares of £0.001 each at a price of 0.43 pence per New Ordinary Share). The net proceeds of the Placing were to be used to satisfy the Consideration to acquire a 17% working interest in the Podere Gallina Exploration Permit in the Po Valley region of Italy for a total consideration payable of approximately EUR1.15 million and for general working capital purposes.

13. TRADE AND OTHER PAYABLES

	2017	2016
	£	£
Current		
Trade payables	**28,681**	53,123
Social security and other taxes	**11,362**	9,138
Accruals and deferred income	**25,803**	25,415
	65,846	87,676

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

14. 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:

	2017	2016
Financial assets	**£**	£
Loans and receivables:		
Trade and other receivables	**5,433**	31,766
Cash and cash equivalents	**850,060**	466,413
	855,493	498,179
Financial liabilities		
Trade and other payables	**90,178**	87,676

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.

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.

15. RELATED PARTY DISCLOSURES

Included in loans to group undertakings is an amount of £1,543,888 (2016: £1,601,888) due from PXOG County Limited, the company's wholly owned subsidiary. At the year end, a provision of £1,543,888 (2016: £nil) was made against this balance.

Included in loans to group undertakings is an amount of £1,062,587 (2016: £nil) due from PXOG Massey Limited, the company's wholly owned subsidiary.

Included in trade and other receivables is an amount of £113,350 (2016: £nil) due from PXOG Marshall Limited, the company's wholly owned subsidiary.

During the year, there were consultancy fees of £18,000 (2016: £15,200) charged by Sallork Legal and Commercial Consulting Limited ("Sallork") and included in trade payables at the year-end is £6,674 (2016: £nil) 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 2017.

	2017	2016
	£	£
Edward Dawson	**-**	13,660

16. EVENTS AFTER THE REPORTING PERIOD

Placing

In January 2018, the Company, raised £1,200,000, before expenses, via a placing of 200,000,000 ordinary shares of £0.001 each (the "New Ordinary Shares") at a price of 0.6 pence per New Ordinary Share.

The net proceeds of the Placing should ensure Prospex is fully funded for its basic 2018 work programmes across its portfolio of investments in late stage European onshore oil and gas projects.

END

MSCGLGDLBUGBGII