RNS Number : 6848N
Prospex Oil and Gas PLC
22 May 2020

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

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

2019 Final Results

Prospex Oil and Gas Plc, the AIM quoted investment company, is pleased to announce its audited annual results for the year ended 31 December 2019.

Advancing a portfolio of late stage, onshore European gas projects focused on the foredeep play

Portfolio Overview

- €€€ *Podere Gallina Exploration Permit, onshore Italy - first production at Selva gas field ('Selva') at an initial rate of up to 150,000 scm/day expected early 2021*
    - Preliminary award of production concession from the Italian Government in January 2019
    - Post period end, formal technical environmental approval for the development of Selva from the Italian Environment Ministry
    - Awaiting final sign off by Ministerial decree, the issuing of the required INTESA (intergovernmental agreement) and the final grant of a production concession from Italy's Economic Development Ministry
    - Expect early discussions regarding non equity funding of Prospex's c. €400,000 share of Selva development costs to mature as permitting process progresses
    - Updated CPR confirming reserves and additional contingent resources at Selva's North and South flanks provides significant follow-up development opportunities

- €€€ *EIV-1 Suceava Concession, onshore Romania - revenue at Bainet field in line with expectations*
    - Revenue in line with 2019 budgeting - higher prices offset slightly lower than expected average production of 14,000m3 per day
    - Enlargement of Suceava Exploration Concession to 984 sq.km
    - Bainet-2 well targeting Bainet West, a lookalike Bainet gas prospect, drilled at all in cost of €260,000 net to Prospex - no commercial hydrocarbons encountered
    - Ongoing evaluation of the concession's gas prospectivity to determine licence extension and next drilling targets

- €€€ *Tesorillo Gas Project, onshore Spain - de-risking up to 830 billion cubic feet ('Bcf') of gas (Best Estimate) of gross un-risked prospective resources*
    - Multiple potential gas traps identified following reprocessing and interpretation of historic 2D

seismic data

- o Four promising leads identified in the northern half of the concession following integration of new structural maps and cross sections with well reinterpretation and satellite images
- o Working towards decision to drill and increase stake to 49.9% from current 15%

•€€€ *El Romeral, onshore Spain - integrated gas and power project*

- o Acquisition of 49.9% interest in El Romeral for net consideration of €375,000 includes existing gas production, multiple development opportunities, and operational power station
- o Significant potential to increase gas production via two development locations with 5 Bcf of gross contingent resources and 11 prospects with 90 Bcf of gross, unrisked prospective resources with high Chance of Success of >70% (in most cases)
- o Power plant currently constrained to operating at c. 22% capacity due to current wells' tail production - offers significant upside potential from future discoveries

Financial Overview

•€€€ Total Assets of £6,341,890 as at 31 December, providing significant asset backing

•€€€ Administrative expenses, slightly down to £1,091,871 (2018: £1,103,279), other operating income £198,528 (2018 £99,729)

•€€€ £800,000 raised via placing of 400,000,000 new ordinary shares to fund the Company's share of costs for the 2019 Suceava work programme, including drilling Bainet-2 well

•€€€ Post period end, £720,000 raised via an oversubscribed placing of 600,000,000 new ordinary shares to help fund the Company's acquisition of a 49.9% indirect stake in El Romeral

- o Certain Directors acquired new shares in the Company with an aggregate value of £140,000 as part of the Placing

Edward Dawson, Managing Director of Prospex, said, "The acquisition of a 49.9% interest in a fourth core asset, the integrated El Romeral gas and power project in Spain; the participation in the drilling of a fourth well, Bainet-2 in Romania; the assignment of maiden 2P reserves, which today stand at 2.97 bcf of gas - the momentum behind the Company that has been building in recent years was maintained during the year under review. Thanks to the progress made, a roadmap setting out a clear path towards a step-up in Prospex's net gas production and internally generated revenues is in place and as a result, 2020 has the potential to be another year of major progress.

"Of course, there is no way of knowing what the true impact will be of the ongoing Covid-19 pandemic on the global economy and how long it will take for societies to recover. Timeframes for the development of certain of our projects may well therefore have to be extended. Since the turn of year Prospex has been in discussions with the various project operators who are adjusting to the current environment and taking a cautious approach to discretionary expenditure. Prospex itself has cut costs to its general and administrative since the start of March. This has been helped by a one third deferment of salaries from April to last during COVID-19 lockdown. Importantly the COVID-19 situation appears to be improving in Italy and Spain and reassuringly operators report continued dialogue and progress with regulators throughout the various lock down periods.

"Subject to final award of a production concession, the roadmap to a significant step-up in production and revenues is expected to start with the Selva gas field in Italy coming online early next year at an initial rate of up to 150,000 scm/day. As the final permitting process progresses, we will look to secure our c€400,000 share of the capital expenditure. The ambition, believed possible thanks to the low capital cost, the short payback from production, even in a depressed price environment, and Selva's booked reserves, is to access non equity funding for the project, in line with common industry practice. If achievable on reasonable terms this would be a good option for all stakeholders.

"Once this milestone has been achieved, and following the acquisition of a 49.9% interest in El Romeral, Prospex's portfolio of producing wells will stand at five which, combined, have the potential to produce over 7,800,000 scm net to Prospex in 2021. This in turn would generate material revenues which we would then look to deploy to fund further growth opportunities across our portfolio including the drilling of additional gas wells at El Romeral to bring electricity generation at the power plant closer to its 100% capacity. Together with multiple follow-up targets identified in Italy and Romania and potentially up to 830 Bcf of un-risked prospective gas resources to go for at Tesorillo in Spain, our existing portfolio offers much run room to grow the Company further. What gives us considerable confidence is that we now have a clear path to build a highly cash flow generative platform with which to capitalise on these opportunities."

*** * ENDS * ***

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

Edward Dawson	Prospex Oil and Gas Plc	Tel: +44 (0) 20 3948 1619
Rory Murphy Ritchie Balmer Jack Botros	Strand Hanson Limited	Tel: +44 (0) 20 7409 3494
Colin Rowbury Jon Belliss	Novum Securities Limited	Tel: +44 (0) 20 7399 9427
Duncan Vasey	Peterhouse Corporate Finance	Tel: +44 (0) 20 7469 0932
Frank Buhagiar Cosima Akerman	St Brides Partners Ltd	Tel: +44 (0) 20 7236 1177

Chairman's Report

12 months ago, Prospex Oil & Gas had a portfolio of three core onshore European projects; a 50% interest in one producing gas well on the Suceava Concession in Romania; a 17% interest in the Selva gas discovery onshore Italy; and significant development potential in the form of net 2C resources / prospective resources of 2.40 Bcf / 15.56 Bcf in Italy and 830 Bcf gross prospective gas resources at the Tesorillo Project onshore Spain. Thanks to the progress made during the year under review, notably the acquisition

of a 49.9% indirect stake in El Romeral, an integrated gas and power project in southern Spain, today, Prospex is on course to have a portfolio of four core onshore European projects; an interest in four producing gas wells and an operational 8.1 MW power station; net 2P reserves of 3.0 Bcf; and multiple low cost development opportunities, not just reflected in the increase in net contingent and prospective resources to 4.9 bcf and 475.5 bcf respectively, but also the potential to materially increase electricity generation at the El Romeral power plant.

Of course, it is not just Prospex that has undergone substantial change over the last 12 months; the world today is a far different place to what it was a year ago. The global COVID-19 pandemic has led to measures, unprecedented during peacetime, being taken by governments all over the world to stem the spread of the virus. Countries across Europe including Italy, home to the Podere Gallina licence, and Spain, where the Tesorillo and El Romeral Projects are located, have been subject to enforced lockdowns. How long the extreme measures will be in place, what percentage of the respective populations will be infected and over what timescale, plus what damage will be inflicted on the global economy are just a few of the many unknowns at this point in time. What we can say is that we, along with our partners across our asset base, take the health and safety of all our employees and also the local communities in which we operate seriously and will at all times endeavour to follow the latest advice of the relevant government authorities. With this in mind, the situation on the ground across our licences will undoubtedly be fluid and as a result, the impact on the timescales of the work programmes we have planned across our asset base for the year ahead and beyond is, at this stage, not clear.

In Italy the focus is very much on monetising the 13.3 Bcf (2P) gross gas reserves at the Selva Malvezzi Gas-Field ('Selva') by bringing the field back into production at the earliest opportunity - between 1960 and 1984 Selva produced 83 Bcf of gas. Based on an initial daily production rate of up to 150,000 cubic metres (5.3 mmscf/d) from two gas-bearing reservoirs of the Porto Garibaldi formation, Selva has the potential to generate substantial annual revenues net to Prospex's 17% economic interest in the 331km Podere Gallina Exploration Permit, even in the current low gas price environment.

Post period end in January 2020, a major milestone was achieved with the award of formal technical environmental approval for the development of Selva from the Italian Environment Ministry. Environmental approval is a precursor to final sign off by Ministerial decree, the issuing of the required INTESA (intergovernmental agreement) and the final grant of a production concession from Italy's Economic Development Ministry. This latest milestone follows last year's preliminary award of a production concession for Selva by the Italian Government (see announcement of 15 January 2019 for further details).

We, along with our partners in the licence, had hoped that all would be in place to commence production at Selva later this year. The severity of the COVID-19 outbreak in Italy, the measures taken to suppress the virus, and the decision by the partners to defer capital expenditure, have combined to push out expectations of first gas at the field to early 2021. Under the proposed development plans for Selva, which have an estimated cost of €400,000 net to Prospex, a fully automated gas plant will initially be installed at the location of the successful Podere Maiar 1dir well, along with a one-kilometre long pipeline to connect the well with the nearby Italian National Gas Grid. Importantly, the planned Selva development has a small footprint of less than half a hectare and will result in zero emissions arising from any future gas production.

Once the Selva field is brought into production, there is much more to go for across the licence. In addition, to reserves assigned to the Selva field, a CPR produced by geophysical services consultancy, CGG Services (UK) Limited ('CGG') estimates Selva's two historic gas producing North Flank and South Flank reservoirs have a 60% - 70% chance of holding gross contingent resources ('2C') of 14.1 Bcf. There are also four large prospects (East Selva, Fondo Perino, Cembalina, and Riccardina) which are estimated to hold aggregate gross prospective resources (best estimate) of 91.5 Bcf. Crucially, the additional targets would fall under the production concession for the Selva field, which could potentially speed up any future permitting process.

Once on stream, Selva is expected to generate free cash that can help fund the exploration and development of targets not just at Podere Gallina but across Prospex's wider portfolio including the recently acquired El Romeral project. Here, the major area of focus is to increase gas production and, in turn, electricity generation. El Romeral is comprised of three production licences on which three wells supply gas to a Project-owned 8.1 MW power station. The plant, which was constructed in 2001-2002 at a cost of c. €10 million, is currently limited to operating at c. 22% of capacity due to the maximum gas productivity of the existing late life wells. Electricity is sold to the Spanish electricity grid.

The revenues that El Romeral can generate without any further discoveries are of course welcome, but the real attraction of the asset lies in the 5 Bcf gross contingent resources and 90 Bcf gross prospective gas resources that have been identified at two development locations and 11 very-low risk prospects. These provide considerable scope to increase electricity generation at the plant towards its full capacity, which we believe could be achieved with the successful drilling of just one new well. As elsewhere in Europe, electricity prices in Spain have fallen as a result of the COVID-19 induced downturn. Subject to pricing returning to the historic average electricity price in Spain of €70 per MWh (including subsidy) and assuming an electricity generation rate of c. 60,000 MWh gross per annum, we estimate the power station operating at full capacity has the potential to deliver annual revenues and profit before tax of €4.2 million and €2.4 million respectively (€1.8 million profit after tax). With numbers like these, we are keen to commence the planning and permitting process for a three-well campaign at the earliest opportunity. Low cost preparatory work is already underway in tandem with ongoing discussions with the regulator regarding the transfer of the asset to our Spanish affiliate, Tarba Energia ('Tarba'). Due to the severity of the COVID-19 outbreak in Spain, the transfer is likely to be delayed but Tarba has been in frequent dialogue with the authorities throughout the lockdown period and is confident this process will be completed as soon as it is practicable to do so.

Even before any new drilling campaign, the acquisition of a 49.9% interest in El Romeral and its three existing gas wells will lead to a step-up in Prospex's production profile to four producing wells which, once Selva is brought online, will increase to five. We calculate these five wells have the potential to produce over 7,800,000 scm net to Prospex in 2021. We are confident we can build on this considerably thanks to the above development opportunities at Podere Gallina and El Romeral, and also the potential that has been identified at our two remaining projects, Suceava in Romania and Tesorillo in Spain.

In Romania, over the course of the year under review, the Bainet field, which was discovered in 2017/2018, generated revenues from the production of gas in line with assumptions made for budgetary purposes. We, along with our partner Raffles Energy S.R.L, are keen to add to the Bainet discovery and build a hub of small producing gas fields on the Suceava Concession, which lies in an area of multiple historic discoveries and production. With this in mind, in March 2019 we were granted an enlargement of the Exploration Concession which in turn added a lookalike Bainet prospect, Bainet West, to our existing inventory of targets. Thanks to the highly efficient permitting process in Romania, we were able to drill the Bainet-2 well to test Bainet West as early as the summer of 2019. While the well, which had an all-in cost of €260,000 net to Prospex, failed to encounter commercial volumes of hydrocarbons, the technical data gained from the drilling operation is informing an ongoing evaluation of the Concession's gas prospectivity to determine follow-up drilling targets. In addition to holding multiple prospects, Suceava also holds the Granicesti-SE1 discovery, which we can also look to bring on stream.

Despite holding historic discoveries, including the 1957 Almarchal-1 discovery well, the 38,000ha Tesorillo Project in southern Spain is at an earlier stage of development when compared with our other assets. In 2015, a report by Netherland Sewell and Associates estimated Tesorillo could hold gross un-risked Prospective Resources of 830 Bcf of gas (Best Estimate), with upside in excess of 2 Tcf. These are company-making resources and combined with a location in a proven hydrocarbon region warrant serious investigation. Our ongoing work programme at Tesorillo is focused on identifying and de-risking high grade targets for drilling ahead of taking them through the permitting process.

To date results of technical and field activity, which has included reprocessing and interpreting historic 2D seismic data, have increased our confidence about the subsurface geometry of the exploration target - the Aljibe sandstone in the Lowermost Miocene. The results show this consists of several folds and thrust ramps of 3km to 5km length, which could be potential gas traps. In addition, work to integrate new structural maps and cross sections with well reinterpretation and satellite images has led to the identification of four very promising leads in the northern half of the concession. Further studies are required to enable the better imaging of the subsurface, but the initial results have been encouraging. The results of the work programme will inform our decision to take up the option to increase Prospex's interest in Tesorillo from 15% to 49.9%, though this does not have to be made until after a new location is ready for drilling.

In light of volatile markets, specifically the sharp fall in global crude prices seen in recent weeks, it is worth pointing out that all of our projects are gas focused. This is significant as historically gas prices have been less volatile than oil benchmarks, which has proved to be the case in today's markets. The relative outperformance of gas is partly down to the fuel typically being sold to local markets at prices agreed in multi-year contracts, providing a degree of visibility to revenues. In addition, as the cleanest hydrocarbon in terms of carbon emissions when combusted, gas is increasingly viewed as an important transition fuel as the world moves towards net zero emissions. In view of our focus on gas, it is intended that a resolution will be put forward to shareholders at the forthcoming AGM to change the Company's name to Prospex Energy. The Board believes the new name better reflects Prospex's focus on gas production, gas being the European transition fuel of choice, our desire to be increasingly aware of Environmental, Social and Governance issues on behalf of shareholders and, once the transfer of the El Romeral asset has been completed, electricity generation.

Financial Review

The Company is reporting Total Assets of £6,341,890 (2018: £6,847,881), a reduction of 7% for the year ended 31 December 2019. This movement includes revaluations of the Company's investments ('the Investments') and movements (repayments and advances) on loans receivable from those investments.

Unrealised losses arising on revaluation of Investments at fair value totalled £270,220 (2018: gains - £1,710,418).

As at the 31 December 2019, the bulk of the Investments is comprised of the Company's investment in PXOG Marshall Ltd, the vehicle for the Company's Italian assets. In determining year end valuations, the Company takes a number of criteria into account at both a macro and micro level. At the macro level Europe short-dated energy prices have been volatile and decreased to a varying degree over the period. Whilst long-dated energy prices have decreased, the fall has been significantly less than spot and near-dated contracts. Marking to market has resulted in a write down of an Italian unit of gas by c.5%. This drop has been more than offset by the inclusion of Selva's additional Contingent Resources that were attributed to the permit for the first time during the year in the CPR.

Aside from the nominal cost of equity shares for the Company's Romanian and Spanish investments, which are included in Investments, as at 31 December 2019 the bulk of the carrying value of these assets is represented within loans made by the Company to the respective investment vehicles for the Romanian and Spanish assets and other receivables.

In Romania, the failure of the Bainet-2 well to find commercial gas prompted a significant, but prudent, write down of the investment in, and partial write down of loan, to the Company's investment vehicle for the Romanian asset - PXOG Massey Ltd. This investment had been written up in 2018, largely based on the low risk and prospective nature of the opportunity. PXOG Massey continues to repay the loan provided by the Company, for the successful Bainet-1 well, out of the net proceeds of gas sales.

As at 31 December 2019, the fair value of the Company's investments stood at £3,998,388 (2018: £4,307,617), with a further £2,218,326 (2018: £2,248,898) of loans to investee companies expected to be repaid in due course. The latter is after a provision of £203,705 (2018: £nil). The combined value of these equity investments and current and non-current loans is £6,216,714 (2018: £6,556,515). The Company continues to have significant asset backing relative to its market capitalisation.

Administrative expenses for the year totalled £1,091,871 (2018: £1,103,279), highlighting the success of management's ongoing strategy to keep a tight rein on the Company's cost base. These administrative costs include £95,416 (2018: £nil) paid to third parties for work relating to future investments, including evaluating the El Romeral opportunity, that are expensed and not capitalised. The administrative expenses also include a bad debt provision taken against amounts due from subsidiary undertakings of £14,539 (2018: £nil). This relates to the final liquidation of the Company's Polish interests. During the period other operating income was £198,528 (2018: £99,729). This growing source of income is predominantly comprised of recoveries of in-house technical costs made from joint venture partners to the Company's investments.

The Company is reporting a net loss after taxation from continuing operations of £1,300,669 (2018: profit -

£779,904).

In March 2019, the Company raised £800,000 gross via an oversubscribed placing of 400,000,000 new ordinary shares primarily to fund the Company's share of costs for the 2019 work programme at Suceava including the drilling of the Bainet-2 well. As at 31 December 2019, the Company held cash and cash equivalents of £69,387 (2018: £233,138). Post period end in January 2020, the Company raised £720,000 gross via an oversubscribed placing of 600,000,000 new ordinary shares to help fund the Company's acquisition of a 49.9% indirect stake in El Romeral. Certain Directors of the Company took part in the Placing, acquiring new shares in the Company with an aggregate value of £140,000.

Outlook

Over the last few years, Prospex has been transformed into a multi-project, asset-backed, gas focused investment company. While not all our onshore European projects currently produce, all hold multiple growth opportunities that have the potential, both individually and collectively, to lead to a step-change in the Company's revenue profile. A number of these opportunities, specifically the development of Selva, are well advanced and low cost. We are keen to realise the underlying potential of our portfolio at the earliest opportunity and we remain confident Selva can be brought online in early 2021, although clearly exact timings will be determined by the course of the COVID-19 pandemic.

We will of course adhere to prevailing government advice to ensure the safety of our employees. This may have an impact on planned field work, however, with multiple projects in our portfolio, there is much deskwork for us to be getting on with such as mapping and de-risking prospectivity and, where appropriate, commencing the permitting process for new drilling activity. Our aim is to ensure that when it is safe to do so, we are in a position to move quickly on multiple fronts to deliver the step-change in our production and revenues that we are targeting, and in the process generate substantial value for our shareholders.

Finally, I would like to take this opportunity to thank the Board and the management team for their continued hard work and support over the course of the year. I look forward to providing further updates on the Company's activities in the year ahead. In the meantime, I wish all our shareholders and stakeholders well during these unprecedented times.

Bill Smith

Non-executive Chairman

21 May 2020

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

	2019	2018

	£	£
CONTINUING OPERATIONS		
Other operating income	**198,528**	99,729
Administrative expenses	**(1,091,871)**	(1,103,279)
OPERATING LOSS	**(893,343)**	(1,003,550)
(Loss)/gain on revaluation of investments	**(473,925)**	1,710,418
Profit/(loss) on disposal of investment	**40,462**	(8,407)
	(1,326,806)	698,461
Finance income	**76,612**	92,283
Finance costs	**(50,475)**	(10,840)
(LOSS)/PROFIT BEFORE INCOME TAX	**(1,300,669)**	779,904
Income tax	**-**	-
(LOSS)/PROFIT AFTER INCOME TAX	**(1,300,669)**	779,904
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR	**(1,300,669)**	779,904
(LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED	**(0.08p)**	0.06p

Statement of Financial Position
31 December 2019

	2019	2018
	£	£
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	**-**	-
Investments	**3,998,388**	4,307,617
Loans and other financial assets	**1,048,978**	1,013,129
Trade and other receivables	**808,360**	897,371
	5,855,726	6,218,117
CURRENT ASSETS		
Trade and other receivables	**416,777**	396,626
Cash and cash equivalents	**69,387**	233,138
	486,164	629,764
TOTAL ASSETS	**6,341,890**	6,847,881

EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	**6,435,587**	6,035,587
Share premium	**10,095,358**	9,756,759
Merger reserve	**2,416,667**	2,416,667
Capital redemption reserve	**43,333**	43,333
Retained earnings	**(13,260,713)**	(11,955,212)
TOTAL EQUITY	**5,730,232**	6,297,134
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities - borrowings		
- Interest bearing loans and borrowings	**386,523**	360,000
CURRENT LIABILITIES		
Trade and other payables	**96,294**	70,747
Financial liabilities - borrowings		
- Interest bearing loans and borrowings	**128,841**	120,000
	225,135	190,747
TOTAL LIABILITIES	**611,658**	550,747
TOTAL EQUITY AND LIABILITIES	**6,341,890**	6,847,881

Statements of Changes in Equity
for the year ended 31 December 2019

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Total
	£	£	£	£	£	£
Balance at 1 January 2018	5,835,587	8,862,779	2,416,667	43,333	(12,735,116)	4,423,250
Changes in equity						
Profit for the year	-	-	-	-	779,904	779,904
Issue of shares	200,000	1,000,000	-	-	-	1,200,000
Costs of shares issued	-	(106,020)	-	-	-	(106,020)
Balance at 31 December 2018	6,035,587	9,756,759	2,416,667	43,333	(11,955,212)	6,297,134
Changes in equity						
Loss for the year					(1,300,669	(1,300,66

	-	-	-	-	)	9)
Issue of shares	400,000	400,000	-	-	-	800,000
Costs of shares issued	-	(66,233)	-	-	-	(66,233)
Lapse of share options	-	10,142	-	-	(10,142)	-
Equity-settled share based payments	-	(5,310)	-	-	5,310	-
Balance at 31 December 2019	**6,435,587**	**10,095,358**	**2,416,667**	**43,333**	**(13,260,713)**	**5,730,232**

Prospex Oil and Gas Plc

Statement of Cash Flows
for the year ended 31 December 2019

	2019	2018
	£	£
Cash flows from operations		
(Loss)/profit before income tax	**(1,300,669)**	779,904
Depreciation of property, plant and equipment	**-**	429
Decrease/(increase) in trade and other receivables	**105,929**	(1,057,746)
Increase/(decrease) in trade and other payables	**10,436**	(1,439)
(Profit)/loss on sale of investments	**(40,462)**	8,407
Loss/(gain) on revaluation of fixed asset investments and loans	**473,925**	(1,710,418)
Finance income	**(76,612)**	(92,283)
Finance costs	**50,475**	10,840
Net cash outflow from operations	**(776,978)**	(2,062,306)
Cash flows from investing activities		
Proceeds from sale of investments	**119,014**	67,223
Purchase of fixed asset investments	**-**	(246,040)
Interest received	**-**	2
Dividend received	**-**	5,261
Net cash outflow from investing activities	**119,014**	(173,554)
Cash flows from financing activities		
New loan notes	**-**	480,000
Loan (payment)/repayments	**(239,554)**	44,958
Share issue	**800,000**	

		1,200,000
Costs of shares issued	**(66,233)**	(106,020)
Net cash inflow from financing activities	**494,213**	1,618,938
Decrease in cash and cash equivalents	**(163,751)**	(616,922)
Cash and cash equivalents at beginning of year	**233,138**	850,060
Cash and cash equivalents at end of year	**69,387**	233,138

Notes to the financial information

Year ended 31 December 2019

1 Basis of preparation and Accounting Policies

Prospex Oil and Gas Plc is a public limited company, is registered in England and Wales and is quoted on the AIM Market of the London Stock Exchange Plc. The Company's registered office address is Stonebridge House, Chelmsford Road, Hatfield Heath, Essex CM22 7BD.

The audited financial information set out in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 31 December 2018, as defined in section 434 of the Companies Act 2006.

Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered in due course. The Company's auditors, Adler Shine LLP, have reported on the 2019 accounts; their report was unqualified and did not contain statements under s498 (2) or (3) Companies Act 2006. Their report included a statement of material uncertainty relating to going concern, drawing attention to the Going Concern policy below, the reliance on future fund raising to continue the company's activities as budgeted and the significant doubt on the ability to continue as a going concern, should future fund raining be unsuccessful. Their opinion is not modified in this respect. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards as adopted by the EU

("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

The principal accounting policies used in preparing this preliminary results announcement are those that the Company applies in its statutory accounts for the year ended 31 December 2019 and are unchanged from those disclosed in the Company's Annual Report and Accounts for the year ended 31 December 2018 except for the adoption of new standards effective 1 January 2019 relating to IFRS 16 Leases. The adoption of IFRS 16 did not have a material impact on the financial statements.

2 Going concern

The current economic environment is challenging, and the Company has reported an operating loss for the year of £893,343. These losses are expected to continue in the current accounting year to 31 December 2020.

The Company regularly carries out fund-raising exercises in order that it can provide the necessary working capital and investment funds for the Company. Since the year end, the Company has raised £720,000 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 Group's development, primarily from the issue of further shares or if available on suitable terms, debt finance.

Furthermore, the directors have evaluated the impact to the company in respect of the COVID-19 (Coronavirus) pandemic ongoing at the time of approving these financial statements. The company's investment activities through its subsidiary undertakings take place in countries that have been impacted by the virus. Beyond a short-term energy price drop, mid to long term prices remain only marginally affected. The business has been affected but has been able to transfer office-based activities to a "working from home" in host countries in lock down. Fields activities so far have not been affected but are minimal anyway. The industry by its nature does, and is required to, interface with its regulators; to date regulators in host countries are still engaging, via email. Whilst it remains hard to assess the impact on timelines, the fact that civil servants remain engaged is taken as a positive in a negative environment. Financial markets remain volatile but have settled down from the extremes seen in March and April 2020. The company notes that the COVID-19 situation appears to be improving in Italy and Spain and the UK is a few weeks behind. Whilst market conditions, largely attributed to COVID-19, are currently tough the directors believe the quality and long-term nature of the underlying assets in the subsidiary undertakings will enable further financing as required. As a result, the directors do not consider there to be a material uncertainty to the company's ability to continue as a going concern as a result of COVID-19.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Company together with known receivables will be sufficient to support the current level of activities into the fourth quarter of 2020. The Directors are continuing to explore sources of finance available to the Company and based upon initial discussions with a number of existing and potential investors they have a reasonable expectation that they will be able to secure sufficient cash inflows for the Company to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis.

3 (Loss)/earnings per share

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

		2019	2018
		£	£
Basic:			
(Loss)/profit for the financial period		**(1,300,669)**	779,904
Weighted average number of shares		**1,536,880,807**	1,202,086,287
(Loss)/earnings per share		**(0.08p)**	0.06p

The loss and the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. The outstanding share options and share warrants would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 'Earnings per Share'.

4 Publication of report and accounts

Full financial statements for the year ended 31 December 2019 will be posted to shareholders in due course and are now available on the company's website www.prospexoilandgas.com.