

19 December 2017

Prospex Oil and Gas Plc ('Prospex' or the 'Company')
Acquiring up to 49.9% of proven gas project in southern Spain

Prospex Oil and Gas Plc, the AIM quoted investment company, is pleased to announce it has agreed to acquire up to a 49.9% interest in the Tesorillo Project ('Tesorillo' or 'the Project') in southern Spain ('the Acquisition'). Tesorillo contains a known gas discovery, which a Competent Person's Report undertaken by Netherland Sewell and Associates ("NSAI") in 2015 estimated could hold gross unrisks Prospective Resources of 830 billion cubic feet of gas (Best Estimate), with upside in excess of 2 Tcf. The Acquisition is in line with the Company's strategy to build a portfolio of high impact onshore and shallow offshore European opportunities with short timelines to production. This year the Company has acquired interests in three onshore European projects and participated in the drilling of two new wells, both of which have resulted in gas discoveries.

Tesorillo: multiple development/appraisal gas plays with company-making potential

- Comprised of two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, covering 38,000ha in a proven hydrocarbon region in the Cadiz Province of southern Spain
- Tesorillo contains the Almarchal-1 discovery well ('Almarchal' or 'the Well'), which was drilled in 1956 by Spanish operator Valdebro
 - The Well intersected a thick section of possible gas pay including some zones which flowed gas to surface on testing
 - Located on a gravity and seismically delineated thrust ramp anticline, with closure area exceeding 70 km² and multi-Tcf potential
 - Drillstem tests and log analysis confirm 48m of gas pay from two Miocene Aljibe Formation sandstone intervals, with a further 492m of potential gas pay interpreted from logs but unconfirmed by testing
- Ruedalabola contains 1957 Puerto de Ojen-1 well, 15km to the east of Almarchal which displayed similar gas shows to Almarchal but could not be tested for mechanical reasons
- Large Resource: unrisks prospective resource of 830 Bcf (Best Estimate), with upside in excess of 2 Tcf independently certified by NSAI in May 2015 (see table below for further details)
- Excellent access to infrastructure: Project located 3.9 km from the North African Maghreb gas pipe line European landing point providing access to high priced European gas markets

Three stage acquisition process

- Acquiring up to 49.9% of Schuepbach Energy Espania S.R.L. ("SEE"), which has a 100% interest in Tesorillo, from Schuepbach Energy International LLC ("SEI") in three tranches:
 - Stage 1: buy 2.50% for €48,750, effective immediately
 - Stage 2: option to buy another 12.50% for €280,000 (increasing stake to 15%)
 - Stage 3: option to buy a further 34.9% for €1,725,000 when drilling of a well is due to commence (increasing stake to 49.9%)
- Prospex's take up of the Stage 2 and 3 options will be based on the results of an upcoming work programme planned by SEE to further delineate and de-risk the Project's prospectivity. It is envisaged that on acquisition of the third tranche a drill programme would have been agreed

Similar geology to existing portfolio of investments in European onshore projects

- Tesorillo is a much larger variant of the fore-deep play which Prospex successfully tested with two recent discoveries in Romania and in Italy
 - Bagnet gas discovery on Suceava in Romania due to commence production in Q2 2018
 - Podere Maiar-1d well in the Po Valley of Italy where flow testing is due to commence shortly

Prospex Exploration Manager, Carlos Venturini, said, "The external sector of the Western Baetic Cordillera of Spain is possibly the final under explored basin with conventional hydrocarbons potential in the country. Exploring this area will allow us to test gas bearing sandstone sequences which are already known, within a variant of the fore-deep play which we have successfully tested with two recent discoveries in Romania and in Italy."

Prospex non-executive Chairman, Bill Smith, said, "Tesorillo offers the potential for very significant growth during 2018 and 2019 and caps a highly active and successful year for Prospex. In line with our strategy we have acquired interests in three onshore European projects and participated in the drilling of two new wells, both of which have resulted in gas discoveries. As with our Suceava Concession in Romania and the Podere Gallina Exploration Permit in Italy, Tesorillo offers multiple development and appraisal gas opportunities. With independently certified unrisks prospective resource of 830 Bcf (Best Estimate), with upside in excess of 2 Tcf, the company-making potential of our latest investment is clear. We are confident our in-house experience and wide European industry network will provide invaluable knowledge in assisting SEE to take this very exciting project to the next stage and beyond.

"We expect to build on the momentum behind the Company in the year ahead. This will see the Bagnet gas discovery brought on line in Romania; flow testing at the Podere Maiar-1d well in Italy and the commencement of a work programme at Tesorillo to de-risk further the prospectivity that has already been mapped. In parallel with this, we continue to evaluate

additional projects that match our criteria, as we look to build a pipeline of value trigger events each of which have the potential to generate significant value for our shareholders and a re-rating of the Company. We look forward to keeping our shareholders updated on progress in the New Year.”

Acquisition Details:

PXOG Muirhill Ltd ("Muirhill"), a wholly owned subsidiary of Prospex, has entered into a Share Purchase Agreement ("SPA") with SEI to acquire up to 44,910 ordinary shares of SEE ("SEE Ordinary Shares"). The shares not acquired are owned by SEI. The initial purchase of 2,250 SEE Ordinary Shares is for a consideration €48,250. The SPA provides for Muirhill, at its sole discretion to acquire a further and second tranche of 11,250 SEE Ordinary Shares for a consideration of €280,000 by 31 December 2018. Purchase of the second tranche of SEE Ordinary Shares would take Muirhill's total holding to 15% of the entire issued share capital of SEE. The SPA provides for Muirhill at its sole discretion to acquire a further tranche of 31,410 SEE Ordinary Shares for a consideration of €1,725,000 before the mid-way point of the sixth year of the licence. Purchase of the third tranche of SEE Ordinary Shares would take Muirhill's total holding to 49% of the entire issued share capital of SEE. The SPA restricts the issuance of new SEE Ordinary Shares or options over such shares in the period to acquisition of the third tranche and contains the usual provisions and warranties for an agreement of this nature.

As part of the arrangements Muirhill will enter into a secured loan facility with SEI to provide SEI with initial funds for its share of SEE's working capital of up to €126,750. The security to be provided is 5,100 SEE Ordinary Shares held by SEI. The loan facility will incur interest at 3 per cent per annum, to accrue until repayment of the principal. The loan amount is repayable at the Second Closing (as defined in the SPA), when the acquisition of the second tranche of shares completes. Muirhill, SEI and SEE have entered into a detailed Shareholders' Agreement ("SHA") to regulate the future relationship between SEE and its shareholders.

Under the terms of the SHA the parties have agreed to fund their share of the costs going forward in line with their respective proportional ownership. The SHA is consistent with others recently entered into by Prospex and its subsidiaries. It contains usual industry standard provisions for sole risk, default and for the operations and directional control of SEE.

ASX quoted Petrel Energy Limited (ASX Code: PRL), an Australian based petroleum exploration, development and production company, owns 63% of SEI, with Schuepbach International Holdings LLC holding the remaining 37%. Schuepbach International Holdings LLC is a Delaware corporation and is part of the Schuepbach Energy Group, a private equity back group with activities in United States, Spain, Switzerland and Uruguay.

Further details on the Permits:

The permits received Royal Decree on December 2010 and following partial relinquishment in 2014 cover a combined area of 382 square km. The permits were awarded for an initial six-year term, 4 + 2, but in July 2016 the Ministry of Energy ordered that the clock stopped in October 2013, toward the end of the third year. The annual work commitment for the first term has been met. The remaining work commitment is one well.

In May 2015 Netherland Sewell and Associates (“NSAI”) independently certified an unrisked Prospective Resource of 830 billion cubic feet of gas (best estimate) with upside in excess of 2 TCF for the Tesorillo Project as outlined below:

Tesorillo	Prospective Resource BCF (Gross)	Original Gas In Place BCF (Gross)
Low Estimate (P90)	220	734
Best (Median) Estimate (P50)	830	1,661
High Estimate (P10)	2,289	3,270

The estimates of gross volumes for each prospect were determined by Mr Dan Walker, of Netherland, Sewell and Associates Inc., Dallas, Texas, USA, on 5 May 2015, in accordance with Petroleum Resources Management System guidelines.

SEE expects to restart activities on the permits shortly with the passive MT survey, the work for which already has government approval.

Carlos Venturini, Fellow of the Geological Society of London, Exploration Manager has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.

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

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Notes

Prospex Oil and Gas Plc is an AIM quoted investment company focused on high impact onshore and shallow offshore European opportunities with short timelines to production. The Company's strategy is to acquire undervalued projects with multiple, tangible value trigger points that can be realised within 12 months of acquisition and then applying low cost re-evaluation techniques to identify and de-risk prospects.