

Prospex Energy PLC/ Index: AIM / Epic: PXEN / Sector: Oil and Gas

Prospex Energy PLC ('Prospex' or the 'Company')
Divestment of PXOG Massey

Prospex Energy PLC, the AIM quoted investment company focused on European gas and power projects, is pleased to announce it has signed a sale and purchase agreement ('SPA') with H2Oil Limited ('H2Oil') regarding the sale of the entire issued share capital of the Company's wholly owned subsidiary, PXOG Massey Limited ('Massey'). Massey's sole asset is its 50% interest in the economic rights of the EIV-1 Suceava Concession, onshore Romania ('Suceava'). Under the terms of the SPA, the Company will receive up to £215,000 in cash in respect of historical debt owed to the Company by Massey and nominal consideration for shares in Massey of which 85% of the funds (£182,650) has already been received by Prospex.

The sale of Massey follows a strategic review by the Board of Prospex's portfolio of late stage European onshore gas projects, which was instigated at the time of the Company's acquisition of a 49.9% interest in the EI Romeral gas and power project in Spain earlier this year. Following the sale of Massey, Prospex will concentrate on advancing its three core projects:

- €€€ The Podere Gallina Exploration Permit, onshore Italy** where first production at the Selva gas field at an initial rate of up to 150,000 scm/day remains on course for H1 2021
- €€€ The EI Romeral integrated gas and power project, onshore Spain** where the Company is focused on increasing power generation at the existing 8.1 MW plant towards its 100% capacity via the drilling of low cost, low risk wells - operating at 100% capacity and selling electricity at Spain's historic average price of €70 per MWh (including subsidy) has the potential to generate annual revenues and profit before tax of €4.2 million and €2.4 million, respectively
- €€€ The Tesorillo Gas Project, onshore Spain** where up to 830 Bcf of gas (Best Estimate) of gross un-risked prospective resources have been identified

Edward Dawson, Managing Director of Prospex, said, "The sale of our 50% interest in Suceava follows a long-term strategic review of our extensive portfolio. With the acquisition of EI Romeral at the start of the year and with it the proposed addition of another 11 high quality, very low risk prospects it became clear that Suceava would be less core as time progressed. As well as providing useful capital, the sale will therefore bring more focus to the remaining core projects in our portfolio, all of which have the potential to hold company-making volumetrics and, importantly, multiple targets that could unlock the substantial resources we have identified.

"At Podere Gallina, in addition to 13.3 Bcf gross gas reserves at the soon to be producing Selva field, there

are a further 14.1 Bcf of gross contingent resources at the two historical gas producing North Flank and South Flank reservoirs, as well as four large prospects, which are estimated to hold aggregate gross prospective resources (best estimate) of 91.5 Bcf. At El Romeral, two development locations and 11 prospects, which have been assigned gross contingent resources of 5 Bcf and gross prospective gas resources of 90 Bcf respectively, provide significant scope to increase gas production and in the process increase the operational capacity of the 8.1 MW power station up to 100% from the current 22% level. Finally, at the Tesorillo Gas Project in Spain, up to 830 Bcf of gas (Best Estimate) of gross un-risked prospective resources have been identified and are in the process of being de-risked.

"With the Selva gas field in Italy on course to commence production in H1 2021 and the El Romeral acquisition advancing towards final government sign-off, which is expected to trigger a step-up in preparations for a low cost drilling campaign, we have a roadmap in place to progress our considerable resource base up the development curve, and in the process generate significant value for shareholders. I look forward to providing further updates on our progress. In the meantime, we wish H2Oil well with the asset as it makes its first steps in the Romanian E&P market. We also wish to place on record our thanks to the operator, Raffles Energy, who we have very much enjoyed working with."

Further Information

In August 2017, the Company acquired a 50% economic interest in the Exploration Area of the EIV-1 Suceava Concession in North East Romania, through Massey its 100% owned subsidiary. Suceava holds the Bainen field, which was discovered in late 2017. As reported in the Company's recent half year statement to 30 June 2020, average daily production levels in H1 2020 were 15,000m³ per day, 1,000m³ above 2019's daily production levels. In 2019, the Company participated in the non-commercial Bainen-2 exploration well. Primarily due to write downs associated with Bainen 2, a loss of £788,799 was reported for Massey for the year ended 31 December 2019. As at 31 December 2019, the carrying value of the investment in Massey on Prospex's balance sheet had been written down to zero.

The Economic Date of the sale is 1 September 2020. Under the terms of the SPA, Prospex has already received 85% of the funds (£182,650) in settlement of historical debt owed by Massey to the Company. Of the remaining £32,350, approximately half will be released subject to a production milestone at Bainen. Monthly production at Bainen is currently lower than usual due to a recent failure of a third party compressor outside the concession. Repairs are ongoing but hindered by the COVID-19 pandemic. These residual funds will be released to the Company once normal operations have resumed. Similarly, the other half is to be retained against general warranties given by the Company and will be released should no claims arise in the 6 months once normal operations have resumed.

The completion of the sale of Massey is subject to a number of typical conditions including Romanian government regulatory sign-offs and approval of the change of control of Massey. The Company and H2Oil hope to complete the transaction at the earliest opportunity. In the meantime, Edward Dawson has resigned as director of Massey and Brendan Daley has assumed the position as director as H2Oil's representative. Pending completion there are a number of customary interim obligations and there are provisions for a reversion of the transaction in certain circumstances. The Company and H2Oil are confident of completion in due course.

About H2Oil

H2Oil Limited - part of the H2Oil group of companies - provides upstream oil and gas services including well testing, well site supervision, full scope equipment supply and packaged services. The transaction with Prospex Energy plc is the group's initial entry into the upstream production sector. www.h2oil.co.uk

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