

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

17 December 2018

**Prospex Oil and Gas Plc ('Prospex' or the 'Company')  
Increases interest in proven gas project in southern Spain to 15%**

**Highlights**

- Acquiring a further 12.5% interest Tesorillo Project for a net consideration of €153,250
- Part of three stage process to acquire a 49.9% interest in Tesorillo which holds a gas discovery and potentially 830BCF of gross unrisked prospective resources
- Follows completion of 2018 field programme which is focused on de-risking targets ahead of drilling
- Tesorillo is a much larger variant of the fore-deep play which has already yielded commercial gas discoveries in Prospex's Romanian and Italian assets

Prospex Oil and Gas Plc, the AIM quoted investment company, is pleased to announce it has exercised its option to increase its interest in the Tesorillo Project ('Tesorillo' or 'the Project') in southern Spain to 15% from 2.5% ('the Exercise'). The Exercise is in line with the Company's strategy to expose shareholders to onshore and shallow offshore European opportunities with short timelines to production. Tesorillo covers 38,000ha in a proven hydrocarbon region and contains a known gas discovery, which a Competent Person's Report undertaken by Netherland Sewell and Associates ("NSAI") in 2015 estimated could hold gross unrisked Prospective Resources of 830 billion cubic feet of gas (Best Estimate), with upside in excess of 2 Tcf.

As announced in December 2017, Prospex originally secured a 2.5% interest in Tesorillo, along with an option to increase this to up to 49.9% in two stages. Prospex currently holds interests in three onshore European projects. In addition to Tesorillo, it holds a 50% interest in Suceava in Romania where gas production recently commenced following the drilling of a successful well in 2017; and a 17% interest in the Podere Gallina Permit in the Po Valley region of Italy where Prospex, alongside its partners, is advancing the Podere Maiar gas discovery through the permitting process towards first production.

**Prospex non-executive Chairman, Bill Smith, said,** "The decision to increase our interest in Tesorillo to 15% for a net consideration of €153,250 was an easy one. With 830 billion cubic feet of gross unrisked Prospective Gas Resources and the presence of an historic gas discovery, Tesorillo is a much larger variant of the fore-deep play which Prospex successfully tested in Romania and in Italy. With this in mind, we look forward to progressing our ongoing work programme in Tesorillo, which is centered on further de-risking the company-making potential resources already identified on the licence, ahead of a future drilling programme.

"Today's Exercise caps an excellent year for the Company, one which included confirmation of a significant commercial gas discovery onshore Italy, the commencement of gas production in Romania and the generation of our first cashflow. Shareholders can expect more of the same in 2019, as we look to advance all our assets, add new projects to our portfolio and expose our shareholders to more value trigger events, such as drilling or first production."

### Further Information

Tesorillo is comprised of two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, treated as one by the Regulator, which together cover 38,000ha in a proven hydrocarbon region in the Cadiz Province of southern Spain.

The Tesorillo Permit 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. 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.

The Ruedalabola Permit contains the Puerto de Ojen-1 well, which was drilled in 1957, and lies 15km to the east of Almarchal-1. Puerto de Ojen-1 displayed similar gas shows to Almarchal-1 but could not be tested for mechanical reasons.

In May 2015 Netherland Sewell and Associates ("NSAI") independently certified an unrisks 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:

<b>Tesorillo</b>	<b>Prospective Resource BCF (Gross)</b>	<b>Original Gas In Place BCF (Gross)</b>
<b>Low Estimate (P90)</b>	220	734
<b>Best (Median) Estimate (P50)</b>	830	1,661
<b>High Estimate (P10)</b>	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.

Tesorillo has excellent access to infrastructure being located 3.9 km from the North African Maghreb gas pipe line European landing point providing access to high priced European gas

markets.

The 2018 field programme has now been concluded and was focused on three strands. In addition, whilst this was being undertaken other important historic information has been gathered that will influence the Project going forward.

The first strand of the recent programme consisted of general field studies to provide information that is required to populate the Environmental and Social Impact Assessment ('ESIA') report. It is estimated that ca.70% of the overall fieldwork required for the ESIA is complete now. The final steps e.g. the hydrogeology, are well location dependent. These will be completed once the new drilling location is decided.

The second strand was a detailed surface structural geology mapping exercise by a leading structural geologist from Granada University. The new map and related cross-sections show that the structural subsurface geometry of the exploration target (The Aljibe sandstone in the Lowermost Miocene) is formed by possibly several folds and thrust ramps of 3 to 5 km length which are inferred to be potential gas traps.

The results have been formally presented to the Energy Resources Section of the Spanish Geological Survey (IGME), during a recent meeting in Madrid.

The third strand, an Audio Magneto Telluric survey, was hampered and delayed by poor access to the study areas after the summer. The appointed contractors have now completed multiple tests over important areas and the raw field data is being processed now. Dependent on these results, and the accessing of the original raw seismic data, see below, the Company may seek to complete the full programme in 2019.

The Company recently found in national archives the original 2D raw data of four seismic profiles acquired by Repsol in 1991. One line intersects the Almarchal-1 well drilled in 1957. Prior to this the seismic data used had been processed with older techniques and limited surface geology knowledge. The Company will reprocess the retrieved data using modern depth migration routines available in the coming months.

The findings of second and third strands of work plus the reprocessed seismic data will be used to underpin the location of new gas exploration wells within the licence.

The Company will update the market as new data is integrated into the geological interpretation of the licence.

### **Terms of the Exercise**

As announced on 19 December 2017, Prospex has the option to acquire up to 49.9% of Schuepbach Energy Espania S.R.L., renamed Tarba Energia S.L ("Tarba"), which has a 100% interest in Tesorillo, from Schuepbach Energy International LLC ("SEI") in three tranches. Since

the announcement SEI's interest in Tarba has been transferred to Petrel Energy Limited ("Petrel") a shareholder of SEI.

In line with this, PXOG Muirhill Ltd ("Muirhill"), a wholly owned subsidiary of Prospex, entered into a Share Purchase Agreement ("SPA") with SEI to acquire up to 44,910 ordinary shares of Tarba ("Tarba Ordinary Shares"). The shares not acquired are owned by Petrel. The initial purchase of 2,250 Tarba Ordinary Shares was for a consideration €48,250. The SPA provided for Muirhill, at its sole discretion to acquire a further and second tranche of 11,250 Tarba Ordinary Shares for a consideration of €280,000 by 31 December 2018, which increases Muirhill's total holding to 15% of the entire issued share capital of Tarba. The SPA provides for Muirhill at its sole discretion to acquire a further tranche of 31,410 Tarba 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 Tarba Ordinary Shares would take Muirhill's total holding to 49% of the entire issued share capital of Tarba. The SPA restricts the issuance of new Tarba 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 entered into a secured loan facility with Petrel to provide Petrel with initial funds for its share of TARBA's working capital of up to €126,750. The security provided was 5,100 TARBA Ordinary Shares held by Petrel. The loan facility incurred interest at 3 per cent per annum. Under the terms of the loan facility, the loan amount is repayable at the Second Closing (as defined in the SPA), when the acquisition of the second tranche of shares completes. In settlement of the acquisition of a further 11,250 TARBA Ordinary Shares, Muirhill is therefore paying Petrel €280,000 minus the €126,750 principal of the loan facility, representing a net payment of €153,250. This will be drawn from the Company's existing cash resources.

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.

**\*\* ENDS \*\***

For further information visit [www.prospexoilandgas.com](http://www.prospexoilandgas.com) or contact the following:

Edward Dawson	Prospex Oil and Gas Plc	Tel: +44 (0) 20 3848 1619
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 Priit Piip	St Brides Partners Ltd	Tel: +44 (0) 20 7236 1177

**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.

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