17 September 2018

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

Prospex Oil and Gas Plc, the AIM quoted investment company, is pleased to announce its Interim Results for the six months ended 30 June 2018.

HIGHLIGHTS

- Rapid progress being made across three key investment assets, with over 2Tcf of prospective gas resources
- Set to commence imminent production at Bainet-1 well in Romania – to be achieved within just over a year of initial project acquisition and 10 months of drilling the exploration well
  - Follows successful completion of development permitting and installation of a flowline to achieve access to existing Bilca production facility
- Podere Maiar-1d well in Italy a significant gas discovery
  - Peak flow rates of 148,136 scm/day (5.2mmscf/d) and 129,658 scm/day (4.6 mmscf/d) achieved respectively from two gas-bearing reservoirs
  - Production concession applications submitted and targeted to commence in Q1/Q2 2020
- Defined work programmes to de-risk up to 830 billion cubic feet of gas (Best Estimate) of gross unrisked Prospective Resources with upside in excess of 2 Tcf resource at the Tesorillo Project in Spain
  - Multistrand work programme underway
  - Garnered strong local and regional support through community engagement programmes

Edward Dawson, Managing Director of Prospex, said, "Prospex has built a highly strategic portfolio based on its investment criteria of acquiring undervalued, late stage projects in proven European hydrocarbon jurisdictions that can be rapidly advanced into low cost production thanks to the availability of historic data and established infrastructure. Through this development approach, within less than a year we have established prospective resources of over 2Tcf of gas and we are now on the verge of commencing commercial production. We look forward to delivering on this historic milestone alongside a number of other key developments in the coming months."

CHAIRMAN'S STATEMENT

The second half of 2017 saw us acquire three core projects in Romania, Italy and Spain, each of which offer significant value uplift via near-term development. 2018 has so far been extremely active as we focus on further developing the prospectivity of these assets, each of which by their nature are multi-facetted. Accordingly, as we propel the gas discoveries in Romania and Italy towards production we continue to advance additional targets, including our interest in potential large scale resources in Southern Spain, to build long-term value. Thanks to the progress made, we are confident that the remainder of the year will be suitably active for the Company, as we endeavour to unlock meaningful value for our shareholders.

Looking at our interest in Romania; Prospex's wholly-owned subsidiary PXOG Massey Limited has a 50% non-operated interest in the EIV-1 Suceava Concession in onshore Romania, which is located in a proven hydrocarbon basin. Having acquired this interest just over a year ago in August 2017 a fast-tracked drilling programme was implemented which culminated in a commercial gas discovery at the Bainet-1 well in November 2017.

Since this time the focus has been on commercialising the discovery. I am pleased to report success on two fronts; a 2.2km long flowline has now been laid, allowing the indirect connection of Bainet-1 to the existing Bilca production facility, here there is the onwards connection to Romania's national gas grid, owned by Transgaz, but by utilising established facilities significant cost and time savings have been made. Furthermore, we have received the relevant Government approvals, providing us with the regulatory green-light to commence production. We now look forward to the final works being completed so that production can commence. Crucially, this milestone event is expected in the very near term and we look forward to keeping shareholders updated on this exciting development.

Bainet-1 provides proof of concept for our development model; namely advance high-impact assets into production within a short time-frame. Once we have this well in production the intention in Romania is to build a larger production profile. In support of this, a number of prospective targets have already been identified with a similar size potential and similarly very low cost to drill. Bainet-1 was drilled and tied into production in line with its original estimated cost of €800,000.

Alongside rapid developments in Romania, 2018 has seen significant news flow from the Podere Gallina Permit in Italy, that contained the Selva Gas field which historically produced 83Bcf of gas between 1960 and 1984 and in which Prospex holds a 17% interest. Attention at the project is currently centred on the Podere Maiar-1d appraisal/redevelopment well, which was confirmed to have made a significant gas discovery following flow testing in January 2018. Peak flow rates of 148,136 scm/day (5.2mmscf/d) and 129,658 scm/day (4.6 mmscf/d) on a 3/8 inch choke were achieved respectively from two gas-bearing reservoirs, C1 and C2, with methane gas content of 99.1% recorded, greatly exceeding expectations.

A production concession application has since been submitted to the Italian Ministry in May 2018 to develop a high return gas field covering 80.8km^2 at Selva, with first phase production targeted to commence in Q1/Q2 2020 at a rate of up to 150,000 cubic metres (5.3 mmscf/day) a day from the C1 and C2 reservoirs. This production plan is based on installing a fully automated gas plant at a cost of EUR2.4m, with a 1km long pipeline due to be fitted to connect Podere Maiar to the nearby Italian National Grid connection, which is located just 600 metres away. We had initially expected the application to be considered for preliminary award at the Italian Ministry Hydrocarbon Commission meeting due in July 2018, however the commission did not meet at this point and are instead expected to meet later this month. Accordingly, we look forward to sharing further updates in due course.

In parallel with this work, the project operator Po Valley Energy Limited ('PVE') is preparing documentation for the requisite Environmental Impact Assessment so as to be able to commence the next stage of environmental approval following preliminary award of the production application. Furthermore, it is worthwhile noting that the production concession application covers the full Selva area, not just the area in the vicinity of the Podere Maiar well, and includes other highly prospective prospects, such as Selva East, each of which has the potential to significantly increase the size of the overall Selva Gas-Field.

The third major element to our bow is the 38,000ha Tesorillo Project in the Cadiz Province, southern Spain. This is the newest addition to our portfolio, having acquired an initial 2.5% interest in December 2017, with the option to increase this to 49.9% based on the results of current work programmes. Whilst this project is at the earliest stage of development, we believe the potential is substantial.

Tesorillo is located in a proven hydrocarbon region and includes two petroleum exploration permits, Tesorillo and Ruedalabola, but is considered by the Regulator as one single licence. Tesorillo hosts the Almarchal-1 discovery well, which was drilled in 1956 and has multi-Tcf potential over a thick section of possible gas pay, including some zones which flowed gas to surface on testing. Drill stem tests and log analysis also confirmed 48m of gas pay from two Miocene Aljibe Formation sandstone intervals, whilst a further 492m of potential gas pay has been interpreted from logs but unconfirmed by testing. Ruedalabola contains the 1957 Puerto de Ojen-1 well, which is located 15km to the east of Almarchal and has displayed similar gas reservoir zones to Almarchal but could not be tested for mechanical reasons.

A report undertaken by Netherland Sewell and Associates in 2015 estimated that the total project could hold gross unrisked Prospective Resources of 830 billion cubic feet of gas (Best Estimate), with upside in excess of 2 Tcf. The focus is now on proving up the resource potential of the project in support of this target.

As part of the rejuvenation process, we have actively engaged with central, regional and local government and stakeholders at large. The project was relaunched to the Almarchal local community in July at a well-attended local meeting, which included the local municipality mayor who led the meeting and expressed his support for the project. As part of this engagement we have also built a dedicated website for the project in Spanish, which can be viewed here: http://tarbaenergia.com/.

Alongside this engagement we have launched a multi-stranded summer field programme that is ongoing. The first strand is the field study elements that are required to populate the Environmental and Social Impact Assessment ('ESIA') report that has been commissioned from a well recognised environment consultancy group from Seville. The ESIA is a critical report required for future drilling permitting. The second strand is a detailed surface structural geological mapping exercise by a leading structural geologist from Granada University. The third strand is for a passive Audio-Magnetotellurics ('AMT') survey. This will help evaluate the subsurface geology of the permit area and test for resistivity as a further indication of the presence of hydrocarbons to build upon historic results. In July 2018 contracts were awarded to two leading European AMT contractors, GeoProSys and GeoGnosia and preparatory work is nearing completion, with final permissions for land access now being sought.

These permissions have taken slightly longer than anticipated to receive as much of the land surrounding the project is farmland and unseasonable weather this year has resulted in an exceptionally late harvesting season.

We are however confident that all necessary permissions will be received whilst we await the start of this survey. The equipment has been demonstrated to the local community and well received.

The second and third strands will increase our geological and geophysical understanding of the permit and the final results will likely be fed into an updated Competent Person's Report in due course. We are looking to permit two wells, the first is likely to twin the Almarchal-1 discovery. In support of this, and as part of our permitting applications, technical discussions with potential drilling and completion contractors are on-going.

We look forward to providing further updates on these ongoing work programmes in due course as we look to realise value from Tesorillo. Furthermore, it is worth reminding shareholders, Tesorillo has excellent access to infrastructure which will aid future development as the project is located 3.9 km from the European landing point of the North African Maghreb gas pipe line, providing access to high priced European gas markets.

Financial Review

During the period in 2018, the Company raised £1.2million via an oversubscribed placing of 200,000,000 ordinary shares at a price of 0.6 pence per New Ordinary Share. These funds have been put to use across the Company's portfolio. This included the successful flow testing of the Podere Maiar well in Italy in Q1 2018; the tie in at the Bainet gas discovery in Romania in Q2 2018; and work to further delineate the gas discovery at Tesorillo in Spain.

Outlook

Our investment model is centred on acquiring undervalued, late stage projects located in proven European hydrocarbon jurisdictions where considerable legacy data and established infrastructure is available to create value at low cost within short time-frames. With over 2Tcf of prospective gas resources and three key assets all progressing at pace, one of which is set to commence production imminently, our model is firmly proven.

While our current objectives are undoubtedly centred on commencing production in Romania, finalising permitting applications in Italy and commencing critical survey work in Spain, all of which we expect to be in a position to provide updates on in the coming months, we continue to evaluate additional growth opportunities in line with our investment criteria. Accordingly, I expect the next few months and beyond will not be short of news flow.

To be at this exciting and historic point in our development thanks must finally go to the management team, our advisers and of course our shareholders for their continued hard work and support.

Bill Smith
Non-Executive Chairman

FINANCIAL RESULTS

Consolidated statement of comprehensive income

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2018	2017	2017
	(unaudited)	*(unaudited)*	*(audited)*
	£	£	£
Administrative expenses	(538,680)	(380,968)	(2,547,518)
Other income	18,472	-	-
	(520,208)	(380,968)	(2,547,518)
Financial assets at fair value through profit and loss	(20,553)	(2,468,476)	(613,723)
Loss before income taxation	(540,761)	(2,849,444)	(3,161,241)
Income tax expense	-	-	-
Loss for the period and total comprehensive income attributable to owners of the parent for the period	(540,761)	(2,849,444)	(3,161,241)
Loss per share			
- Basic and diluted	(0.04)p	(0.70)p	(0.58)p

Consolidated statement of financial position

As at 30 June 2018

	30 June	30 June	31 December
	2018	2017	2017
	(unaudited)	*(unaudited)*	*(audited)*
	£	£	£
ASSETS			
NON_CURRENT ASSETS			
Property, plant and equipment	219	639	429
Investment	2,406,236	258,130	2,426,789
Loans and other financial assets	2,107,546	1,357,642	1,062,587
	4,514,001	1,616,411	3,489,805
CURRENT ASSETS			
Trade and other receivables	37,740	42,077	149,231
Cash and cash equivalents	489,497	895,291	850,060
	527,237	937,368	999,291
TOTAL ASSETS	5,041,238	2,553,779	4,489,096
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	6,035,587	5,277,779	5,835,587
Share premium account	9,756,759	7,336,844	8,862,779
Capital redemption reserve	43,333	43,333	43,333
Merger reserve	2,416,667	2,416,667	2,416,667
Retained earnings	(13,275,877)	(12,585,034)	(12,735,116)
TOTAL EQUITY	4,976,469	2,489,589	4,423,250
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	64,769	64,190	65,846
TOTAL LIABILITIES	64,769	64,190	65,846
TOTAL EQUITY AND LIABILITIES	5,041,238	2,553,779	4,489,096

Statement of changes in equity

For the six months ended 30 June 2018

	Share capital £	Share premium £	Retained earnings £	Capital redemption reserve £	Merger reserve £	Total £
Unaudited						
At 1 January 2018	5,835,587	8,862,779	(12,735,116)	43,333	2,416,667	4,423,250
Total comprehensive income for the period	-	-	(540,761)	-	-	(540,761)
Issue of shares	200,000	1,000,000	-	-	-	1,200,000
Costs in respect of shares issued	-	(106,020)	-	-	-	(106,020)
At 30 June 2018	6,035,587	9,756,759	(13,275,877)	43,333	2,416,667	4,976,469
Unaudited						
At 1 January 2017	5,107,779	6,740,144	(9,754,371)	43,333	2,416,667	4,553,552
Total comprehensive income for the period	-	-	(2,849,444)	-	-	(2,849,444)
Issue of shares	170,000	680,000	-	-	-	850,000
Costs in respect of shares issued	-	(83,300)	-	-	-	(83,300)
Equity settled share-based payment	-	-	18,781	-	-	18,781
At 30 June 2017	5,277,779	7,336,844	(12,585,034)	43,333	2,416,667	2,489,589
Audited						
At 1 January 2017	5,107,779	6,740,144	(9,754,371)	43,333	2,416,667	4,553,552
Total comprehensive income for the year	-	-	(3,161,241)	-	-	(3,161,241)
Issue of shares	727,808	2,372,193	-	-	-	3,100,001
Costs in respect of shares issued	-	(239,416)	-	-	-	(239,416)
Equity-settled share-based payments	-	(10,142)	180,496	-	-	170,354
At 31 December 2017	5,835,587	8,862,779	(12,735,116)	43,333	2,416,667	4,423,250

Cash flow statement

For the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited) £	Six months ended 30 June 2017 (unaudited) £	Year ended 31 December 2017 (audited) £
Operating activities			
Loss before income taxation	(540,761)	(2,849,444)	(3,161,241)
Depreciation of property plant and equipment	210	210	420
Loss on revaluation of investments	20,553	2,468,476	613,723
Equity-settled share-based payment	-	18,781	170,354
Decrease/(increase) in trade and other receivables	111,491	(10,311)	(117,465)
Decrease in trade and other payables	(1,077)	(23,486)	(21,830)
Bad debt provision	-	-	1,543,888
Net cash used in operating activities - continuing operations	(409,584)	(395,774)	(972,151)
Capital expenditure			
Payments to acquire investments	-	(48)	(500,200)
Loan (payments)/repayments	(1,044,959)	58,000	(1,004,587)
Net cash (outflow)/inflow for capital expenditure	(1,044,959)	57,952	(1,504,787)
Financing activities			
Issue of share capital	1,200,000	850,000	3,100,001
Costs in respect of share issue	(106,020)	(83,300)	(239,416)
Net cash generated from financing activities	1,093,980	766,700	2,860,585
Net increase in cash and cash equivalents	(360,563)	428,878	383,647
Cash and cash equivalents at start of period	850,060	466,413	466,413
Cash and cash equivalents at end of period	489,497	895,291	850,060

1 General information

Prospex Oil and Gas Plc is a company incorporated in the United Kingdom, which is listed on the Alternative Investment Market of the London Stock Exchange Plc. The address of its registered office is Stonebridge House, Chelmsford Road, Hatfield Heath, Essex CM22 7BD. The Group is primarily involved in investing in oil and gas.

2 Financial information

The interim financial information for the six months ended 30 June 2018 has not been audited or reviewed and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2017 has been derived from the audited financial statements for that period. A copy of those statutory financial statements for the year ended 31 December 2017 has been delivered to the Registrar of Companies. The report of the independent auditors on those financial statements was unqualified and did not contain a statement under Sections 498 (2) or (3) of the Companies Act 2006.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and under the historical cost convention. They have also been on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2018 and which are also consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2017, except for the adoption of new standards and interpretations.

3 Taxation

On the basis of these accounts there is no tax charge for the period.

4 Earnings per share

The earnings and number of shares used in the calculation of earnings per share are as follows:

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2018	2017	2017
	(unaudited)	*(unaudited)*	*(audited)*
Basic and diluted			
Loss for the financial period	(540,761)	(2,849,444)	(3,161,241)
Weighted average number of shares	1,205,858,239	407,885,284	544,580,539
Loss per share	(0.04)p	(0.70)p	(0.58)p

There was no dilutive effect in respect of the share options and warrants outstanding during the period.

5 Non-current investment

	Shares in group undertakings	Investments		Totals
		Listed	Unlisted	
	£	£	£	£
Unaudited				
At 1 January 2018	2,143,247	183,542	100,000	2,426,789
Revaluations	-	(20,553)	-	(20,553)
At 30 June 2018	**2,143,247**	**162,989**	**100,000**	**2,406,236**
Unaudited				
At 1 January 2017	2,308,600	131,712	100,000	2,540,312
Revaluations	(2,308,600)	26,418	-	(2,282,182)
At 30 June 2017	-	158,130	100,000	258,130
Audited				
At 1 January 2017	2,308,600	131,712	100,000	2,540,312
Additions	500,200	-	-	500,200
Revaluations	(665,553)	51,830	-	(613,723)
At 31 December 2017	2,143,247	183,542	100,000	2,426,789

The investments in subsidiary undertakings are accounted for at fair value through the profit and loss, as the Company is deemed to be an Investment Entity.

6 Dividends

The directors do not propose to declare a dividend for the period.

7 Copies of interim results

Copies of the interim results can be obtained from the website www.prospexoilandgas.com. From this site you may access our financial reports and presentations, recent press releases and details about the company and its operations.

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

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

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Notes

Prospex Oil and Gas Plc is an AIM quoted investment company focussed 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.