

Prospex Oil and Gas Plc / Index: AIM / Epic: PXOG / Sector: Oil and Gas
27 September 2017

**Prospex Oil and Gas Plc ('Prospex' or the 'Company')
Half Year Report**

Prospex Oil and Gas Plc, the AIM quoted investment company, announces its results for the six months ended 30 June 2017.

Highlights:

- Delivering on strategy to build a leading oil and gas investment company focused on high impact European opportunities with short timelines to production
- Post period end acquired a 50% economic interest in the Exploration Area of the EIV-1 Suceava Concession, which is located in a producing hydrocarbon basin in North East Romania:
 - a proven field with multiple low cost, low risk opportunities to rapidly start production in the short term
 - on track to drill at least one well in 2017 – targeting the Bainet gas prospect
- Strong cash position of £0.895m – £0.85m raised during the period and £0.65m post
- Continued focus on corporate overheads to ensure as much of the Company's funds as possible are invested in value adding activities
- Evaluating multiple investment opportunities that meet management's investment criteria

Edward Dawson, Managing Director of Prospex, said, "Thanks to a low cost base, supportive shareholders and a management team with a proven track record of value creation within the oil and gas sector, Prospex is able to act swiftly to not only identify and secure new projects that match our investment criteria, but also to progress these towards value trigger events such as drilling. This is what we have done in Romania, where drilling operations at the Bainet gas prospect at the producing Suceava field remain on track to commence in the near term. In tandem with this, we continue to evaluate additional projects that represent highly attractive opportunities on a risk/reward basis. I look forward to providing further updates on our progress, as we look to build a multi-project, European focused oil and gas investment company."

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

Edward Dawson

Prospex Oil and Gas Plc

Tel: +44 (0) 203 766 0325

Rory Murphy Ritchie Balmer Jack Botros	Strand Hanson Limited	Tel: +44 (0) 20 7409 3494
Jon Belliss	Beaufort Securities Limited	Tel: +44 (0) 20 7382 8300
Lucy Williams Charles Goodfellow Eran Zucker	Peterhouse Corporate Finance	Tel: +44 (0) 20 7469 0932
Frank Buhagiar Charlotte Page	St Brides Partners Ltd	Tel: +44 (0) 20 7236 1177

Chairman's Statement

Our strategy is to build a leading multi-asset oil and gas investment company focused on high impact European projects at various stages of the development cycle and which represent highly attractive opportunities on a risk / reward basis. Our objective is to expose our shareholders to value trigger events. For junior oil and gas companies, drilling is one such value trigger. In 2016, we participated in the drilling of the Boleslaw prospect, onshore Poland. In 2017, thanks to the work we put in during the half year culminating in the post-period end acquisition of a 50% interest in the Exploration Area of the EIV-1Suceava Concession ('Suceava') in Romania, shareholders will be exposed to another potential value trigger in H2, the drilling of an exploratory well targeting a gas prospect in Romania.

Suceava is located on a proven play and close to markets in North East Romania, a country with a rich heritage of oil and gas production. Several discoveries (excluded from the acquisition), prospects and leads have already been mapped on existing seismic, including Bainet, a shallow, 600m biogenic gas target covered by 3D seismic, which the Company and its partner Raffles Energy SRL ('Raffles') intend to drill in the near term. Bainet has an excellent location, lying on trend with similar fields which are producing from Sarmatian reservoirs on Suceava, as well as with analogue gas fields producing conventional high-calorific value natural gas in the adjoining Bilca Gas Production Area on the bordering EIII-1 Brodina Block. Bainet has internal gross prospective resources of approximately 1.5bcf recoverable and subject to success, Raffles plans to get Bainet on production via a short tie in to the flow line which connects Suceava's existing Climauti gas field to the Bilca gas processing plant. Once all relevant permits are in place, this process is expected to take approximately three months to complete.

In addition to Bainet, and subject to securing land access in time, we intend to workover and recomplete as a gas producer an existing discovery well on Suceava. The Grancesti SE-1 well, which

was originally drilled in 2005, flowed gas at a rate of 1.2MMscf/d over a limited short test from the Sarmatian reservoir at a depth of ca 550m. Importantly it is located close to a high pressure pipeline grid operated by Transgaz. Furthermore, there remains significant scope to drill further low cost, low risk gas wells at Suceava in 2018 and beyond, subject to licence extension.

Based on the €750,000 cost for our 50% interest and commitments of up to €550,000, for our share of H2 2017's work programme that includes €400,000 (net) for drilling a well at Bainet, completed for production, Suceava represents a highly attractive opportunity on a risk/reward basis.

Subject to successful outcomes at both Bainet and Grancesti, Prospex could be generating material cash flows from gas production in the near term. For a small company with tight cost controls in place, these cash flows will go far and will enable us to invest in additional work programmes at Suceava and / or new projects. Suceava therefore has the potential to be an excellent platform with which to build a significant presence, not only in a country with prolific petroleum systems and a diverse range of hydrocarbon plays, but also in the wider region.

Suceava is just one of a number of projects we have been evaluating during the period and we continue to pursue a number of these in line with our strategy to build a portfolio of European oil and gas investments. As it stands today, Suceava sits alongside our first oil and gas investment: a 49% interest in Hutton Poland Limited, the holder of the Kolo licence, onshore Poland. In December 2016, drilling operations commenced at the low cost Boleslaw-1 well targeting a conventional gas prospect, which was described by AGR TRACS in a Competent Person's report as "a worthwhile and attractive exploration opportunity". Operations at Boleslaw were completed on time and on budget in January 2017, but unfortunately not all of the ingredients were in place for a commercial discovery to be made. However, the Boleslaw-1 well serves to demonstrate how management is able to identify, evaluate and advance projects in short order to the point of a potential value driving event, such as drilling. As with Suceava, the Kolo licence is not a one prospect play. Additional prospectivity exists, including a deeper oil lead, the case for which was not dependant on a positive outcome at Boleslaw. Our interest in Kolo therefore remains high.

Financial Review

At the time of our 2016 final results we assigned a carrying value of £3,910,388 to the Company's investment in the Kolo licence in Poland. Following the result of the Boleslaw-1 well in January 2017, the Company has taken the decision to write down the carrying value of its Investment in Hutton Poland to £1,442,011, resulting in an exploration write-off during the six months to 30 June 2016 of £2,494,794. This accounts for the lion share of the £2,849,444 loss we are reporting for the period, the difference being £380,968 in administrative expenses incurred which, in our view, highlight Prospex's credentials as a low cost investment company.

Outlook

The six months under review encapsulate what we are trying to achieve with Prospex. At the beginning of the period, we were participating in drilling operations onshore Poland. Six months later and after much due diligence we secured another investment, which will see Prospex participate in at least one new well in Romania before the end of 2017. Our tight control over costs, strong capital base, and low monthly cash burn allow Prospex to act swiftly to secure projects, undertake technical analysis and then if appropriate commence drilling activity. We are building a pipeline of drilling opportunities, which are based on robust technical work, are attractive on a risk / reward basis and which have the potential to serve as the value trigger event we are focused on exposing our shareholders to. With a strong technical case based on an extensive dataset, its location on a proven play, and low drilling costs, the upcoming Baintet well is one such opportunity and I look forward to providing further updates on our progress in the weeks ahead.

Finally, I would like to take this opportunity to thank our shareholders for their support of the Company and team during the period.

Bill Smith

Non-Executive Chairman

Consolidated statement of comprehensive income

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2017	2016	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	£	£	£
Administrative expenses	(380,968)	(198,163)	(778,093)
Operating loss	(380,968)	(198,163)	(778,093)
Financial assets at fair value through profit and loss	(2,468,476)	2,374,650	2,345,557
(Loss)/profit before income taxation	(2,849,444)	2,176,487	1,567,464
Income tax expense	-	-	-
Loss/(profit) for the period and total comprehensive income attributable to owners of the parent for the period	<u>(2,849,444)</u>	<u>2,176,487</u>	<u>1,567,464</u>

(Loss)/earnings per share

- Basic and diluted

(0.70)p3.61p0.96p**Consolidated statement of financial position
As at 30 June 2017**

	<u>30 June</u> 2017 <i>(unaudited)</i> £	<u>30 June</u> 2016 <i>(unaudited)</i> £	<u>31 December</u> 2016 <i>(audited)</i> £
ASSETS			
Non-current assets			
Property, plant and equipment	639	35,383	849
Investment	<u>1,615,772</u>	<u>3,819,736</u>	<u>4,142,200</u>
Total non-current assets	<u>1,616,411</u>	<u>3,855,119</u>	<u>4,143,049</u>
Current assets			
Trade and other receivables	42,077	45,702	31,766
Cash and cash equivalents	<u>895,291</u>	<u>523,392</u>	<u>466,413</u>
Total current assets	<u>937,368</u>	<u>569,094</u>	<u>498,179</u>
Total assets	<u>2,553,779</u>	<u>4,424,213</u>	<u>4,641,228</u>
LIABILITIES			
Current liabilities			
Trade and other payables	<u>(64,190)</u>	<u>(108,015)</u>	<u>(87,676)</u>
Total liabilities	<u>(64,190)</u>	<u>(108,015)</u>	<u>(87,676)</u>
Net current assets/(liabilities)	<u>873,178</u>	<u>461,079</u>	<u>410,503</u>
Net assets	<u>2,489,589</u>	<u>4,316,198</u>	<u>4,553,552</u>
EQUITY			
Equity attributable to owners of the parent			
Called up share capital	5,277,779	4,403,234	5,107,779
Share premium account	7,336,844	6,667,901	6,740,144
Capital redemption reserve	43,333	43,333	43,333
Merger reserve	2,416,667	2,416,667	2,416,667
Retained earnings	<u>(12,585,034)</u>	<u>(9,214,937)</u>	<u>(9,754,371)</u>
Total equity	<u>2,489,589</u>	<u>4,316,198</u>	<u>4,553,552</u>

**Statement of changes in equity
For the six months ended 30 June 2017**

	Share capital	Share premium	Retained earnings	Capital redemption reserve	Merger reserve	Total
	£	£	£	£	£	£
<i>Unaudited</i>						
Balance 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
Balance at 30 June 2017	<u>5,277,779</u>	<u>7,336,844</u>	<u>(12,585,034)</u>	<u>43,333</u>	<u>2,416,667</u>	<u>2,489,589</u>
<i>Unaudited</i>						
Balance at 1 January 2016	2,657,234	6,732,714	(11,391,424)	43,333	2,416,667	458,524
Total comprehensive income for the period	-	-	2,176,487	-	-	2,176,487
Issue of shares	1,746,000	-	-	-	-	1,746,000
Costs in respect of shares issued	-	(64,813)	-	-	-	(64,813)
Balance at 30 June 2016	<u>4,403,234</u>	<u>6,667,901</u>	<u>(9,214,937)</u>	<u>43,333</u>	<u>2,416,667</u>	<u>4,316,198</u>
<i>Audited</i>						
Balance at 1 January 2016	2,657,234	6,732,714	(11,391,424)	43,333	2,416,667	458,524
Total comprehensive income for the year	-	-	1,567,464	-	-	1,567,464
Issue of shares	2,450,545	70,455	-	-	-	2,521,000
Costs in respect of shares issued	-	(63,025)	-	-	-	(63,025)
Equity settled share based payment	-	-	69,589	-	-	69,589
Balance at 31 December 2016	<u>5,107,779</u>	<u>6,740,144</u>	<u>(9,754,371)</u>	<u>43,333</u>	<u>2,416,667</u>	<u>4,553,552</u>

Cash flow statement
For the six months ended 30 June 2017

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2017	2016	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	£	£	£
Operating activities			
Operating loss	(380,968)	(198,163)	(778,093)
Depreciation of property plant and equipment	210	8,400	425
(Increase)/decrease in trade and other receivables	(10,311)	110,207	124,143
(Decrease)/increase in trade and other payables	(23,486)	27,140	6,701
Equity-settled share based payment	18,781	-	69,589
Net cash used in operating activities - continuing operations	<u>(395,774)</u>	<u>(52,416)</u>	<u>(577,235)</u>
Capital expenditure			
Payments to acquire investments	(48)	(1,445,086)	(1,796,543)
Loan repayments	58,000	-	-
Payments to acquire property, plant and equipment	-	(42,509)	-
Net cash inflow/(outflow) for capital expenditure	<u>57,952</u>	<u>(1,487,595)</u>	<u>(1,796,543)</u>
Financing activities			
Issue of share capital	850,000	1,746,000	2,521,000
Costs in respect of share issue	(83,300)	(64,813)	(63,025)
Net cash generated from financing activities	<u>766,700</u>	<u>1,681,187</u>	<u>2,457,975</u>
Net increase in cash and cash equivalents	428,878	141,176	84,197
Cash and cash equivalents at start of period	<u>466,413</u>	<u>382,216</u>	<u>382,216</u>
Cash and cash equivalents at end of period	<u><u>895,291</u></u>	<u><u>523,392</u></u>	<u><u>466,413</u></u>

Notes to the interim financial statements

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 the exploration for gold.

2 Financial information

The interim financial information for the six months ended 30 June 2017 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 2016 has been derived from the audited financial statements for that period. A copy of those statutory financial statements for the year ended 31 December 2016 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 2017 and which are also consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2016, 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
	2017	2016	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Basic and diluted			
(Loss)/profit for the financial period	(2,849,444)	2,176,487	1,567,464
Weighted average number of shares	407,885,284	60,327,994	163,085,489
Loss per share	<u>(0.70)p</u>	<u>3.61p</u>	<u>0.96p</u>

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

5 Non-current investment

	<u>30 June</u>	<u>30 June</u>	<u>31 December</u>
	2017	2016	2016
	£	£	£
Cost/valuation			
Balance brought forward	4,142,200	100	100
Additions	48	1,444,986	1,796,543
Repayments	(58,000)	-	-
Fair value movement	<u>(2,468,476)</u>	<u>2,374,650</u>	<u>2,345,557</u>
Balance carried forward	<u><u>1,615,772</u></u>	<u><u>3,819,736</u></u>	<u><u>4,142,200</u></u>

The Group owns 49% of the equity share capital of Hutton Poland Limited. The investment is accounted for at fair value through the profit and loss, as the Company is deemed to be an Investment Entity.

The carrying value of the Group's investment in Hutton Poland was as follows:

	<u>30 June</u>	<u>30 June</u>	<u>31 December</u>
	2017	2016	2016
	£	£	£
Valuation			
Investment in Hutton Poland	<u><u>1,357,594</u></u>	<u><u>3,621,756</u></u>	<u><u>3,910,388</u></u>

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.

**** ENDS ****