MX Oil / Ticker: MXO / Index: AIM / Sector: Oil & Gas

13 July 2015

MX Oil plc ("MX Oil" or the "Company")

Investment in near term production oil and gas asset, placing and issue of new equity

MX Oil plc, the AIM quoted oil and gas investment company, is pleased to announce it has agreed to invest in an indirect, non-operated, 5% revenue interest in the OML 113 licence, offshore Nigeria, which includes the Aje Field ("Aje"), a substantial development stage project with proven, flow tested discoveries where production is expected by January 2016. This investment is in line with the Company's strategy to acquire high impact near term production assets in proven oil and gas jurisdictions to build a cash generative platform.

In addition, the Company announces the issue of 133,333,333 new ordinary shares via a placing at 4.5p per share to raise £6 million before expenses to provide additional working capital and funding for future capital expenditure and investment.

Investment highlights

Aje Field

- Aje is an oil, condensate and liquids-rich gas discovery on licence OML 113 which has been appraised and is anticipated to commence production by January 2016 – located offshore Nigeria, a prolific hydrocarbon jurisdiction
- Initial targeted peak production of 11,000 bopd rising to 19,000 bopd in Phase 2
- Four wells have previously been drilled on Aje - two have been production flow tested
- Seven prospects identified from historic seismic data as key exploration targets to drive reserves on OML 113 in the post-rift, middle cretaceous section, with two additional prospects in the syn-rift
- Potential for OGO discovery structure on contiguous block OPL 310, which has P50 gross recoverable resources estimated at 774mmboe, to extend into OML 113 - based on historic seismic data
- Near term milestones in Q3 2015 include:
    - Drilling of a new oil production well, Aje 5, which is due to be announced in the near term
    - **R**e-entry into Aje 4 which is scheduled for the end of September
    - The results of the interpretation of new 3-D seismic data to determine the possible extension of the OGO discovery over the OML 113 acreage which has the potential to have a material impact on OML 113's reserve numbers
- Two additional producers will be drilled in Phase 2, targeting the same proven oil reservoir as the Phase 1 wells, which are expected to extend the production plateau of the initial oil development. Phase 2 will target an increase in production at Aje to 19,000 bopd
- Phase 3 of the development, which will target the development of the Turonian gas condensate reservoir, is currently in the planning stage

Assessed economics of Aje Field

- Low breakeven oil price of US$31 at 0% discount rate or US$45 using 10% discount rate
- Interest valued at US$55.1 million NPV (0) or US$31.5 million NPV (10) based on a recently completed CPR assuming US$70 oil price
- Short lead time to first oil production and cash inflows expected by January 2016
- US$11.5 million of additional funds budgeted to be spent by MX Oil to cover the capital expenditure to get to first oil. Phase 2 and Phase 3 will require additional investment, much of which is anticipated to come from revenue from oil sales

Transaction

The interest in OML 113 is currently held by Jacka Resources Limited, <ASX: JKA> ("Jacka"), a resources company listed on the ASX, through wholly owned subsidiaries. Jacka acquired this for $16 million in 2011 and has subsequently invested a further AU$11 million into the project to date by way of loans to its asset holding subsidiary. This debt will be assigned to MX Oil for US$3 million to be satisfied by the issue of 43,380,325 new ordinary shares in MX Oil at the placing price of 4.5p per share (the "Investment Shares") and the assignment of rights to invest into the asset holding company to fund the development to first oil. This right was acquired from Jacka, by Cornhill Asset Management ("Cornhill") and an associated investor. In consideration for the acquisition of this right to fund the project and therefore the benefit from any future cash flows to MX Oil form OML 113, the Company will make certain conditional payments to Cornhill. The first payment of $800,000 will return the funds invested by Cornhill and an associated investor into Jacka and is conditional on the spudding of the next production well in Aje. A success fee of $1 million is due to Cornhill upon the commercial production of hydrocarbons from the Aje field. These payments, will comprise a related party transaction by virtue of Andrew Frangos being a director of Cornhill and the Company.

This investment right enables MX Oil to continue to fund the asset holding company in place of Jacka, which, if funded in full to commercial oil production, would result in MX Oil having the economic benefit of Jacka's interest in OML 113.

The Company intends to raise additional funds prior to first oil and for Phase 2 and Phase 3 development. The additional capital expenditure for Phase 1 is expected to be financed by way of a non-dilutive debt facility. The Company is in advanced discussions with regard to such a facility and will announce details of this once secured.

The future phases of development are also dependent on the project partners meeting their commitments in respect to funding. In the event of a future potential change of control of the holding company that owns the interest in OML 113, Nigerian ministerial consent will be needed.

Details of the Placing

The Company has raised £6 million (£5,530,000 after expenses) through the issue of 133,333,333 new ordinary shares (the "Placing Shares") at a price of 4.5 pence per share (the "Placing Price") conditional upon admission of the Placing Shares to AIM (the "Placing"). The net proceeds of the Placing will be used to provide working capital and funding for future capital expenditure in both Nigeria and Mexico.

The Placing Shares and Investment Shares will rank *pari passu* in all respects with the Company's existing ordinary shares. The Placing does not require share holder consent as sufficient authority already exists. Application has been made for the Placing Shares and Investment Shares to be admitted to trading on AIM ("Admission"), and Admission is expected to occur, and dealings are expected to commence on or around 17 July 2015.

Related Party Transaction

In consideration for acquiring the exclusive right to fund the asset holding company in place of Jacka, and subject to the spudding of the next Aje production well, a payment of US$800,000 will be due to Cornhill. A further $1 million will be payable on the commercial production of hydrocarbons from the Aje field. Of this, US$800,000 would represent the repayment of funds previously invested into Jacka by Cornhill and an associated investor with the balance comprising a transaction success fee. Pursuant to Rule 13 of the AIM Rules for Companies, this transaction is a related party transaction by virtue of common directorships of Cornhill and the Company held by Andrew Frangos. The independent directors, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

Total Voting Rights

The current issued share capital of the Company consists of 201,332,079 ordinary shares of 1p per share. The Company has no ordinary shares held in treasury. The total number of voting rights in the Company following the Placing and issue of the Investment Shares to Jacka will be 378,045,737. This figure may therefore be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure and Transparency Rules.

MX Oil's Chief Executive Officer Stefan Olivier said, "We are highly encouraged by the reaction this acquisition has received from both existing and new investors, and we are pleased to now have institutions on our register, alongside our historic and supportive retail shareholder base. Aje, as an investment, ticks all the boxes: compelling economics in the current low oil price environment; a defined development plan in place targeting near term production; considerable exploration upside; located in a prolific hydrocarbon jurisdiction close to existing infrastructure; and acquired at a highly attractive price. To have been able to secure this acquisition on these terms is testament to the MX Oil management's ability to source and secure interests in assets with company-making potential. We are looking forward to announcing a spud date for our Aje production well in the near term, and are excited by the prospect of bringing this field into production with our new partners and beginning to realise Aje's excellent potential.

"This is a game-changing acquisition for MX Oil. It accelerates our transformation into a highly cash generative oil and gas investment company, and it provides a platform from which to fund the development of the conventional onshore concessions we are looking to secure in Mexico as part of the on-going Bid Round 1 licensing round. In Mexico, we have already been granted access to the data room and we are currently carrying out due diligence alongside our local partner Geo on a number of blocks. Concessions are due to be awarded in Mexico in December this year and we remain confident of winning two or more oil-producing blocks. Alongside expected production in Nigeria by January 2016, the next six months promise a great deal of newsflow which should excite our shareholders, as we look to create a leading oil and gas company."

Further information

OML 113 covers an area of 835 sq km offshore Nigeria close to the Benin border and holds the Aje field as well as a number of exploration prospects. Aje, which was discovered in 1997, has multiple oil, gas and gas condensate reservoirs in the Turonian, Cenomanian and Albian sandstones, similar to the producing Jubilee field offshore Ghana. To date four wells have been drilled: Aje-1 and Aje-2 both flow tested oil and gas condensate at high rates, while Aje-4 intersected significant pay in four productive reservoirs.

The Government of Nigeria approved the Aje Field Development Plan ("FDP") in March 2014 and by October 2014, the Final Investment Decision ('FID') for the project was agreed. The FDP involves a three phase development programme. Phase 1 will focus on the Aje Cenomanian oil reservoir and include the drilling of two subsea wells and a leased Floating Production Storage and Offloading vessel ("FPSO"). Initial Production of 41° API oil from these two wells is estimated at 11,000 bopd and is due to commence by January 2016. Phase 2 of the FDP will see two further wells drilled which is expected to increase total Cenomanian oil production to 19,000 bopd. Phase 3, which will target the development of the Turonian gas condensate reservoir, is currently in the planning stage. Phase 1 is underway with works on the FPSO and subsea equipment on-going. Drilling of the new well is on course to commence in the near term 2015, after which production equipment will be installed, ahead of first oil, by year end.

In tandem with the development of the field, work is on-going to interpret the newly acquired 3-D seismic data. This new data will be used for planning Phases 2 and 3 on Aje and also to fully evaluate the exploration potential over the whole of the OML 113 licence, including the syn-rift exploration play that has been significantly de-risked following the 2013 Ogo discovery on contiguous block OPL 310.

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Glossary of terms

"Bopd"	Barrel of oil per day

"BOEPD"	Barrels of oil equivalent per day, gas is converted at its energy equivalent of 6000 cubic feet per barrel of oil
"M"	Thousand
"MM"	Million
"NPV"	Net Present Value
"P50"	At least a 50% probability that the quantities recovered will equal or exceed the estimate. This is a measure of uncertainty not geological or commercial risk