Prospex Energy Plc / Index: AIM / Epic: PXEN / Sector: Energy

# Prospex Energy Plc ('Prospex' or the 'Company')

## Half Year Report

Prospex Energy Plc, the AIM quoted investment company, is pleased to announce its Interim unaudited Results for the six months ended 30 June 2021.

### Overview:

Financial

- £129,356 net profit after taxation from continuing operations (H1 2020 loss: £1,027,875).
- 13.48% increase in the net book value of investments to £4,109,225 (Full Year 2020: £3,620,890).
- £488,335 gain on revaluation of investments and loans (H1 2020 loss: £664,949).
- £417,126 administrative expenses (H1 2020: £416,885).
- £750,000 raised via placing completed in March 2021 to fund the Company's acquisition of a 49.9% indirect stake in the El Romeral asset, an integrated gas production and power station operation located in Southern Spain

Operational

- In March 2021, the Company announced the acquisition of the El Romeral project in southern Spain from a subsidiary of Naturgy. This acquisition has resulted in the Company earning increasing income throughout the year from electricity generation. Subsequent to the end of the period, there have been significant increases in electricity revenues with record prices being realised from the sale of electricity.
- In May 2021, an application was submitted to convert the Tesorillo Project exploration permit into an exploitation concession before Spain's Climate Change Act came into force.
- Subsequent to the end of the period, the Company signed a Sale & Purchase Agreement for the conditional acquisition of 20% of Podere Gallina licence in Italy. The acquisition is conditional on the transaction being financed, which the Company is progressing. Prospex's holding in the licence would increase from 17% to 37%. The transaction would add a further 2.7 billion cubic feet ("Bcf") of 2P gas reserves to Prospex's portfolio, increasing its share in Selva's 2P gas reserves to 5 Bcf. At Selva the Podere Maiar well was successfully drilled in 2018 and this well is expected to come into production by Q2 2022.

- Subsequent to the end of the period, the Company approved the budget for Tarba Energia to proceed with a well workover and data acquisition programme on the El Romeral gas wells.

**Mark Routh, CEO of Prospex, said,** "Prospex has made significant strides during the period to expand and develop its position as an energy production and electricity generation company focussed on Europe. This strategy is being driven by the team's deep understanding of the upstream gas and resources industry, experience in the jurisdictions in which we are working and also by the positive working relationships that we have built with our partners and the relevant authorities.

"As shareholders will be aware, the landscape for European-focussed energy production companies has never been so positive in terms of pricing, and whilst we appreciate that the current pricing environment is unsustainable, we do recognise that there remains a critical need for indigenous energy resources to be unlocked in order to deliver accessible, reliable and affordable energy across Europe. The team at Prospex is working judiciously with our partners and the relevant authorities in Spain and Italy to set a benchmark for sustainable energy production and to help bridge this crucial energy gap alongside the proliferation of renewable sources.

"Since taking up the position of CEO at Prospex I laid out a clear plan for the future of the company in a detailed letter to all shareholders at the end of August 2021 which builds on solid foundations laid by the Company's founders.

"The Company's forward-plan and strategy is to focus on upstream gas developments and production and electricity generation in North-West Europe. We are an energy company, not an oil company, with the ambition to expand our portfolio with further gas-to-power projects and in time, blue hydrogen and other initiatives. The Company will target appraisal and development assets not exploration. We will be evaluating assets already in production for acquisition at fair market value.

"Despite the recent corporate disruptions, stemming from a group of shareholders requisitioning a General Meeting to remove the Board, we have continued to make solid progress as evidenced from the recent El Romeral well workover update provided to shareholders. We expect this forward momentum to continue once the General Meeting is resolved and I look forward to providing further updates on both our operational and debt financing developments in the coming weeks."

## CHAIRMAN'S STATEMENT

### Operational Report

The first six months of 2021 has seen key progress in both of the Company's key investments in Italy and Spain.

In Italy, March saw the full environmental approval from Italy's Ecological Transition Ministry for production development at the Selva field with the final Environmental Impact Assessment ('EIA') decree. This paves the way for the grant of a full production licence from Italy's Economic Development Ministry. The operator, Po Valley Energy Limited, continues to work the various strands that support its application for a full production licence for Selva which is currently expected in the fourth quarter of 2021. This includes applying for an INTESA (intergovernmental agreement) between the regional and national governments, which is a standard development procedure for onshore gas fields in Italy.

1 March 2021 was a significant day for Tarba Energia ('Tarba'), the Company through which Prospex holds its Spanish investments, with the completion of the El Romeral transaction. The El Romeral asset is a producing gas to power station selling electricity into the Spanish grid. Therefore, Tarba has successfully transferred from an exploration company into a production and generation company with net income. The plant and its employees have seamlessly transferred over to Tarba, following much preparation, which significantly bolstered the team and broadened its capabilities. Plant operations have been without incident and production hours are up on the prior year under the previous owners. Tarba, with collaboration from its shareholders has continued to review operations, both above and below ground at El Romeral, with the intention of increasing utilisation of the generating capacity at the power station. There have been several operational upgrades to the plant operation and there is ongoing work to optimise the generation capacity. Two of the three generators are operational, and work is planned to recommission the third generator in preparation for increased gas production expected from well interventions and workovers and the future infill well drilling campaign. The first well workover on one of the suspended wells (Rio Corbones) is planned for October. The permitting process for the infill wells is underway.

During the period, on 22 May 2021 Spain passed its Climate Change and Energy Transition Act 7/2021 (the "Climate Change Act"). Tarba sought advice from specialist legal advisors in the country. Based on this advice, an application was submitted to convert the vast majority of the existing Tesorillo Project to an exploitation concession. This application was submitted to MITECO on 12 May 2021 together with a field development plan for approval and all of the necessary supporting documents. The application was submitted before the Climate Change Act came into force. The outcome of this application will not be known for some time. Whilst the new legalisation states that no new hydrocarbon permits or licences will be granted in Spain, it specifically excluded existing permits. This confirmed that applications from existing permits prior to the Climate Change Act coming into force maintain their validity under the new law. Tarba's application is being considered by the regulators at a time of significantly rising prices for gas and LNG imports in Spain, which the Board believes should work in the Company's favour. The El Romeral exploitation concessions at which Tarba operates its gas to power plant are in force and are unaffected by the Climate Change Act.

The Tarba team has continued to liaise with various government agencies to progress drilling and environmental approvals for both El Romeral and Tesorillo. Tarba is targeting conventional sandstone gas reservoirs. There are no financial or drilling commitments attached to the Tesorillo Project Exploitation Concession application.

## Financial Review

For the six months ended 30 June 2021, the Company is reporting a net profit after taxation from continuing operations of £129,356 (H1 2020: loss - £1,027,875). Unrealised gains arising on revaluation of financial assets at fair value totalled £488,335 (H1 2020: loss - £664,949). These unrealised gains are dominated by a revaluation of the Company's share in its subsidiary PXOG Marshall (in which the assets in the Podere Gallina licence in Italy are held), where the underlying licence valuation has been updated to reflect positive changes in the forward curve of European gas prices.

Administrative expenses of £417,126 for the year-to-date, compares with £416,885 for the six-month period ended 30 June 2020.

In March 2021, the Company raised £750,000 gross via an oversubscribed placing primarily to fund the planned programmes at El Romeral and the Podere Gallina licence.

In June the 2021 Company refinanced 83% of its outstanding 2018 Loan Notes. £321,681 of the then £386,017 outstanding loan notes were rolled over into the 2021 Loan note instrument, whilst increasing the interest rate to 12% the repayment dates have been extended by 18 months.

At 30 June 2021, the Company held cash and cash equivalents of £458,591 (30 June 2020: £170,866)

## Outlook

The outlook for Prospex is one of consolidation and growth. With a shortage of gas across Europe, markets are experiencing record high gas and electricity prices. These prices are unlikely to be sustainable longer term. The drive to convert energy supply towards renewable energy sources must continue but cannot be achieved quickly. Local indigenous onshore gas is the optimum energy source to fulfil the energy gap whilst the transition to renewables gains pace. Prospex is well positioned to grow its business into this undeniable market opportunity, while using the strength of our team and our assets to invest in appropriate alternative energy sources

Following the Annual General Meeting of shareholders, the team leading your company has changed with Mark Routh becoming CEO and a director and Alasdair Buchanan joining as an additional non-executive director. These two individuals bring a significant depth of experience to the Board and management and have a thorough understanding of the existing assets and joint venture partners as well as bringing skills and experience to implementing new opportunities. Ed Dawson, former Managing Director and a founder of the company was instrumental in building the asset base of the Company to what it is today – a strong platform to build upon in Italy and Spain. James Smith, a former director, contributed technical strength and governance experience to the Board. I would like to extend my thanks to these individuals for the considerable work they put in to establishing the strong platform for growth that we now have.

Bill Smith
Non-Executive Chairman

Prospex Energy Plc
Interim results
For the six months ended 30 June 2021

Statement of profit or loss and other comprehensive income

| | Six months ended 30 June 2021 (unaudited) £ | Six months ended 30 June 2020 (unaudited) £ | Year ended 31 December 2020 (audited) £ |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Other income | 61,335 | 136,292 | 247,143 |
| Administrative expenses | (417,126) | (416,885) | (870,018) |
| Share-based payment charge | - | (102,175) | (102,175) |
| OPERATING LOSS | (355,791) | (382,768) | (725,050) |
| Gain/(loss) on revaluation of investments and loans | 488,335 | (664,949) | (1,121,815) |
| | 132,544 | (1,047,717) | (1,846,865) |
| Finance income | 50,093 | 47,334 | 91,362 |
| Finance costs | (53,281) | (27,492) | (50,989) |
| PROFT/(LOSS) BEFORE INCOME TAX | 129,356 | (1,027,875) | (1,806,492) |
| Income tax | - | - | - |
| PROFIT/(LOSS) AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | 129,356 | (1,027,875) | (1,806,492) |
| Earnings/(loss) per share | | | |
| - Basic and diluted | 0.11p | (1.24)p | (2.10)p |

Statement of financial position
As at 30 June 2021

| | 30 June 2021 (unaudited) £ | 30 June 2020 (unaudited) £ | 31 December 2020 (audited) £ |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | - | - | - |
| Investment | 4,109,225 | 3,983,439 | 3,620,890 |
| Loans and other financial assets | - | 359,717 | - |
| Trade and other receivables | 1,058,766 | 921,643 | 989,645 |
| | 5,167,991 | 5,264,799 | 4,610,535 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 921,364 | 766,662 | 917,058 |
| Cash and cash equivalents | 458,591 | 170,866 | 220,618 |
| | 1,379,955 | 937,528 | 1,137,676 |
| TOTAL ASSETS | 6,547,946 | 6,202,327 | 5,748,211 |
| EQUITY | | | |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 7,085,589 | 7,035,589 | 7,035,589 |
| Share premium account | 10,855,416 | 10,185,819 | 10,185,819 |
| Capital redemption reserve | 43,333 | 43,333 | 43,333 |
| Merger reserve | 2,416,667 | 2,416,667 | 2,416,667 |
| Retained earnings | (14,835,674) | (14,186,413) | (14,965,030) |
| TOTAL EQUITY | 5,565,331 | 5,494,995 | 4,716,378 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Financial liabilities - borrowings | | | |
| Bank loans | 40,195 | 49,632 | - |
| Interest bearing loans and borrowings | 321,680 | 265,848 | 579,998 |
| | 361,875 | 315,480 | 579,998 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 152,574 | 143,011 | 164,262 |
| Financial liabilities - borrowings | | | |
| Bank loans | 9,437 | - | - |
| Interest bearing loans and borrowings | 458,729 | 248,841 | 287,573 |
| | 620,740 | 391,852 | 451,835 |
| TOTAL LIABILITIES | 982,615 | 707,332 | 1,031,833 |
| TOTAL EQUITY AND LIABILITIES | 6,547,946 | 6,202,327 | 5,748,211 |

Statement of changes in equity
For the six months ended 30 June 2021

| | Share capital | Share premium | Retained earnings | Capital redemption reserve | Merger reserve | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *Unaudited* | | | | | | |
| At 1 January 2021 | 7,035,589 | 10,185,819 | (14,965,030) | 43,333 | 2,416,667 | 4,716,378 |
| Total comprehensive income for the period | - | - | 129,356 | - | - | 129,356 |
| Issue of shares | 50,000 | 700,000 | - | - | - | 750,000 |
| Costs in respect of shares issued | - | (54,900) | - | - | - | (54,900) |
| Equity settled share-based payment | - | 24,497 | - | - | - | 24,497 |
| **At 30 June 2021** | 7,085,589 | 10,855,416 | (14,835,674) | 43,333 | 2,416,667 | 5,565,331 |
| | | | | | | |
| *Unaudited* | | | | | | |
| At 1 January 2020 | 6,435,587 | 10,095,358 | (13,260,713) | 43,333 | 2,416,667 | 5,730,232 |
| Total comprehensive income for the period | - | - | (1,027,875) | - | - | (1,027,875) |
| Issue of shares | 600,002 | 119,998 | - | - | - | 720,000 |
| Costs in respect of shares issued | - | (29,537) | - | - | - | (29,537) |
| Equity settled share-based payment | - | - | 102,175 | - | - | 102,175 |
| **At 30 June 2020** | 7,035,589 | 10,185,819 | (14,186,413) | 43,333 | 2,416,667 | 5,494,995 |
| | | | | | | |
| *Audited* | | | | | | |
| At 1 January 2020 | 6,435,587 | 10,095,358 | (13,260,713) | 43,333 | 2,416,667 | 5,730,232 |
| Total comprehensive income for the year | - | - | (1,806,492) | - | - | (1,806,492) |
| Issue of shares | 600,002 | 119,998 | - | - | - | 720,000 |
| Costs in respect of shares issued | - | (29,537) | - | - | - | (29,537) |
| Equity settled share-based payments | - | - | 102,175 | - | - | 102,175 |
| **At 31 December 2020** | 7,035,589 | 10,185,819 | (14,965,030) | 43,333 | 2,416,667 | 4,716,378 |

Statement of Cash Flows
For the six months ended 30 June 2021

| | Six months ended 30 June 2021 (unaudited) £ | Six months ended 30 June 2020 (unaudited) £ | Year ended 31 December 2020 (audited) £ |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(loss )before income tax | 129,356 | (1,027,875) | (1,806,492) |
| (Gain)/loss on revaluation of investments and loans | (488,335) | 664,949 | 377,498 |
| Provision against loan to subsidiary undertaking | - | - | 744,317 |
| Finance income | (50,093) | (47,334) | (91,362) |
| Finance costs | 53,281 | 27,492 | 50,989 |
| **Operating loss** | (355,791) | (382,768) | (725,050) |
| Increase in trade and other receivables | (23,334) | (415,834) | (590,204) |
| (Decrease)/increase in trade and other payables | (11,688) | 41,824 | 67,968 |
| Share-based payment charge | 24,497 | 102,175 | 102,175 |
| Issue of loan notes to settle liabilities | - | - | 38,250 |
| **Net cash used in operating activities** | (366,316) | (654,603) | (1,106,861) |
| **Investing activities** | | | |
| Interest paid | (53,281) | (23,274) | (51,664) |
| **Net cash used in from investing activities** | (53,281) | (23,274) | (51,664) |
| **Financing activities** | | | |
| New loan notes in period | - | - | 265,000 |
| New bank loans in period | - | 49,632 | 49,632 |
| Loan (payments)/repayments in period | (37,530) | 39,261 | 304,661 |
| Issue of share capital | 750,000 | 720,000 | 720,000 |
| Costs in respect of share issue | (54,900) | (29,537) | (29,537) |
| **Net cash generated from financing activities** | 657,570 | 779,356 | 1,309,756 |
| **Net increase in cash and cash equivalents** | 237,973 | 101,479 | 151,231 |
| Cash and cash equivalents at start of period | 220,618 | 69,387 | 69,387 |
| **Cash and cash equivalents at end of period** | 458,591 | 170,866 | 220,618 |

## Notes to the interim financial statements

### 1 General information

Prospex Energy 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, and the production of, natural gas.

### 2 Financial information

The interim financial information for the six months ended 30 June 2021 and 2020 have not been audited or reviewed and do 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 2020 has been derived from the audited financial statements for that period. A copy of those statutory financial statements for the year ended 31 December 2020 has been delivered to the Registrar of Companies. The report of the independent auditors on those financial statements was unqualified, drew attention to a material uncertainty relating to going concern 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the six months ended 30 June 2021 and as applied in accordance with the provisions of the Companies Act 2006 and under the historical cost convention or fair value where appropriate. They have also been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2021 and which are also consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2020.

The interim financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 3 Taxation

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

### 4 Earnings/loss per share

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

| | Six months ended 30 June 2021 *(unaudited)* | Six months ended 30 June 2020 *(unaudited)* | Year ended 31 December 2020 *(audited)* |
|---|---|---|---|
| **Basic and diluted** | | | |
| Profit/(loss) for the financial period | 129,356 | (1,027,875) | (1,806,492) |
| Weighted average number of shares | 116,168,109 | 83,137,132 | 85,855,239 |
| Loss per share | 0.11p | (1.24)p | (2.10)p |

The profit/loss and the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. The exercise prices of the outstanding share options and share warrants are above the average market price of the shares and would therefore not be dilutive under IAS 33 'Earnings per Share.'.

## 5 Non-current investment

| | Shares in Group undertakings £ | Unlisted investments £ | Totals £ |
|---|---|---|---|
| *Unaudited* | | | |
| At 1 January 2021 | 3,570,890 | 50,000 | 3,620,890 |
| Revaluations | 488,335 | - | 488,335 |
| **At 30 June 2021** | **4,059,225** | **50,000** | **4,109,225** |
| *Unaudited* | | | |
| At 1 January 2020 | 3,948,388 | 50,000 | 3,998,388 |
| Revaluations | (14,949) | - | (14,949) |
| **At 30 June 2020** | 3,933,439 | 50,000 | 3,983,439 |
| *Audited* | | | |
| At 1 January 2020 | 3,948,388 | 50,000 | 3,998,388 |
| Revaluations | (377,498) | - | (377,498) |
| **At 31 December 2020** | 3,570,890 | 50,000 | 3,620,890 |

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.prospex.energy. From this site you may access our financial reports and presentations, recent press releases and details about the company and its operations.