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

**Prospex Energy Plc (‘Prospex’ or the ‘Company’)**

**Half Year Report**

***Increase in Net Profit After Tax and gain on investments and loans***

Prospex Energy Plc, the AIM quoted investment company, is pleased to announce its unaudited Interim Results for the six months ended 30 June 2022.

**H1 2022 Financial and Corporate Highlights**

* £5,120,408 net profit after taxation from continuing operations (H1 2021 profit: £129,356)
* An increase in the net book value of investments to £14,343,285 (31 December 2021: £6,697,305).
* £7,645,980 gain on revaluation of investments and loans (H1 2021 gain: £488,335). This increase in the value of investments brings the valuation of the additional 20% of the Podere Gallina licence acquired in the current period in-line with the valuation of the 17% already held at 31 December 2021.
* £501,967 administrative expenses (H1 2021: £417,126)
* Increased its stake in the Selva Gas Field in Po Valley to 37% following a successful fundraise of £2,455,000. The fundraising was supported by existing institutional and retail investors, as well as Directors of the Company.
* VSA Capital Ltd appointed as its Joint Corporate Broker and Joint Financial Adviser.

**Post period end:**

* Successfully raised £2,370,000, in aggregate, through the issue of two separate unsecured Convertible Loan Notes to existing and new investors, with participation of all of the directors of the Company in the first issue. The debt/equity hybrid financing, plus the exercise of remaining warrants and some outstanding options, allows the Company to fund all expected development costs to first gas expected in Q2 2023.

**Commenting on the half-year results Mark Routh, CEO of Prospex, said:**

“Prospex has had a very busy year with outstanding progress made across both our investments, Selva and El Romeral. The Company’s acquisition of the El Romeral gas concessions has proved to be an outstanding success. Operational improvements, including the full automation of the plant, have allowed us to run the plant 24 hours a day 7 days a week, increasing output and revenues at a time when electricity prices were averaging more than four times the prices achieved for the same period last year.

“At Selva, we are one step closer to production following the approval of the Production Concession by the Italian authorities and the appointment of building contractors. Recent funding during and post-period, allowed us to increase our stake in Selva to 37% and also, along with the operator Po Valley, have sufficient funds to achieve first gas in the second quarter of 2023.

“Looking ahead, the Company is in a strong financial position to deliver on its strategy as well as identify and invest in new opportunities. I would like to thank our investors, directors, and staff for their continued support, and congratulate our project partners and operators for their achievements during the last six months.”

**Operational Highlights:**

The Company made significant progress in the first six months of the financial year:

**Selva Field in Italy (37% interest)**

* Installation of the seismic monitoring network by Po Valley, the operator, starts ahead of schedule.
* Received approval from the Ministry of Ecological Transition (“MITE”) for the acquisition of 100% of UOG Italia increasing the Company’s share of Selva’s independently verified 2P gas reserves from 2.3 Bcf to 5.0 Bcf[1].
* Po Valley received the penultimate approval for production at the Podere Gallina licence from the Emilia Romagna Regional Council. This local government approval was a prerequisite for Italy’s MITE to grant the Final Production Concession at Selva Malvezzi.

**Post period end:**

* Production concession granted from MITE
* Po Valley appoints TESI Srl (‘TESI’) an Italian engineering firm to install the gas plant and pipeline to connect the suspended Podere Maiar-1 well at Selva to Italy’s gas grid. The contract secures development costs and timing with construction costs €130,000 (£110,000) less than previously forecast. Construction is scheduled for completion in the first quarter of 2023.
* First gas expected in Q2 of 2023.

**El Romeral in Spain (49.9% interest)**

* Operational improvements lead to 24 hours a day 7 days a week production, boosting income at a time when electricity prices in Spain rose to an all-time high
* Tarba repays loans to its two shareholders of €289,577, plus accrued interest of €19,092.97, equalling a total of €308,669.97. Prospex’s share of this was €153,698.64.
* Start of Project Apollo, the first of two solar projects at the El Romeral power plant, aimed at increasing and diversifying generation. Payback from Project Apollo is estimated to be approximately four years.
* In June 2022, the Spanish government announced that it would invoke a gas price cap for companies selling gas for electricity generation of €48.8/MWhr. As a result, Spanish daily electricity prices were expected to average €150/MWhr for the next 12 months. Average prices have remained or exceeded this level to date.

**Post period end:**

* Completion of Project Apollo which powers part of the ancillary services at the El Romeral plant, thereby leading to reduced self-consumption and increased sales of electricity. Project Apollo gives valuable experience to Tarba in managing solar plants, which will be useful learning for Project Helios.

**Selva**

The most significant event was the granting of the decree by MITE, the Italian regulatory authorities on 29July 2022 to approve the Production Concession at Selva Malvezzi in the Po Valley onshore northern Italy, where our operator Po Valley is actively progressing the field development work to allow production from the Podere Maiar-1 suspended well on the concession. This entails the installation of a small gas processing facility at the well site location, the installation of a 1,000m 4-inch pipeline to export the gas to the nearby high pressure gas grid network operated by SNAM and the connection to that gas grid network which must be procured and executed by the SNAM engineers. Prospex subsidiaries paid Po Valley their 37% share of the €757,000 SNAM Bond (€280,090 net to Prospex) necessary to procure the connection to the national gas grid.

All this work is now underway following the appointment of TESI on 8August 2022. The TESI contract secures development costs and timing with construction costs €130,000 (£110,000) less than previously forecast. Significantly for both Prospex and the operator Po Valley, both parties have sufficient funds to complete this work to achieve first gas production from the newly awarded concession in the second quarter of 2023.

This has not been without its challenges. The global supply chain costs have escalated significantly with energy costs in particular but also labour costs seeing unprecedented inflation. The equity capital markets have been very subdued in the period with fund raises only possible at deep discounts to quoted share prices. The backdrop of the negative attitude of investing in any stocks related to fossil fuels has not helped. So it is in this context that the Company raised sufficient funds to get us to first gas at Selva and the substantial cash flows that are forecast at gas prices which are likely to remain strong for the foreseeable future. This funding by the Company via Convertible Loan Notes from our existing network of shareholders and supporters over the years plus a number of new subscribers was undertaken without issuing warrants, with no fees to brokers and at the prevailing market share price at the time or at a small premium. A total of £4,825,000 was raised during and post period via the issue of Convertible Loan Notes and new equity. The interest and capital repayments on the Convertible Loan Notes have been conservatively scheduled to fall well within the expected post-tax, post-royalty cash flows from Selva. Part of the remaining cash flow will be earmarked for future drilling and seismic data acquisition on our existing permits in both Italy and Spain.

Another significant event in this period was the completion of the acquisition of 20% of the Podere Gallina licence in April 2022 to bring the Company’s working interest in the licence in which sits the Selva gas field, to 37%. The funds for this acquisition were achieved from the placing in February 2022 which raised £2.455 million, before fees, at 3.5p per share, equivalent to a 16.7% discount to the prevailing share price at that time. This transaction increased the Company’s share of Selva’s independently verified 2P gas reserves from 2.3 Bcf to 5.0 Bcf[1]. The other 63% participant in the licence and operator is Po Valley Operations Limited (“Po Valley”), a wholly-owned subsidiary of Po Valley Energy Limited (ASX:PVE).

The increase in the net book value of investments to £14,343,285 from £6,697,305 at the end of last year reflects the after-tax effect of a revaluation of the 37% (from 17%) of the Podere Gallina licence which brings the valuation of the additional 20% acquired in the current period in-line with the valuation of the 17% already held at 31 December 2021. We have applied the same valuation methodology and assumptions which were applied in the audited financial statements at 31 December 2021, including the forward prices as at that date. The current forward prices for European gas at the date of preparation of these interim results remain at several multiples of those at 31 December 2021, so we believe the valuations are appropriately conservative and adequately cater for the effects of any possible significant future reductions in gas prices, or the imposition of a European gas price cap. We anticipate that a further upward revaluation at 31 December 2022 is likely to be appropriate.

[1] Source: “Competent Person’s Report Podere Gallina Licence, Italy” prepared by CGG Services (UK) Limited in January 2019 <https://bit.ly/3nZNfYf>

**Tarba**

The Company’s acquisition of the El Romeral gas concessions and its connected and operating power plant near Carmona in southern Spain has also been an outstanding success. Electricity prices in March of this year were averaging more than four times the prices that were being achieved at the time of the completion of the El Romeral acquisition in March 2021. Spot market prices have since reduced following the imposition of a gas price cap in Spain, but the power plant is still seeing average spot prices at more than three times the prices in March 2021.

Income at the plant has been reinvested in a number of projects to enhance and increase electricity output while we await the permissions to drill further wells in the concessions to bring the power plant back up to its 100% output capacity from its current 30%. These projects include; the full automation of the plant allowing remote operations 24 hours a day 7 days a week; the installation of solar panels on the power plant roof (Project Apollo); the commencement of a larger 5MW solar project adjacent to the plant (Project Helios); investigations to connect Tarba’s local intra-field gas pipeline network to the nearby 26-inch gas network pipeline operated by Enagas; and studies to use some of the suspended wells on the concession for gas storage.

**Gas as the Transition Fuel**

There is now a growing acceptance that natural gas is the transition fuel to move us towards a greater proportion of Europe’s energy supply from renewables and less carbon intensive energy sources. The EU has declared that natural gas should be considered a green energy source in this energy transition journey. It is no mistake that Prospex is focussed on natural gas and now an increasing mix of renewable energy sources from its portfolio of onshore assets. Locally sourced, indigenous onshore gas has a carbon footprint some thirty times lower than the transportation of Liquefied Natural Gas (LNG) between continents, once the carbon footprint of the liquefication, transportation and regasification of LNG is added to the equation.

**Business Development**

With the current shortage of gas across Europe, markets have experienced historically high gas and electricity prices. The Prospex Board recognises that current energy prices are not sustainable in the long term, so, whilst benefiting from the increased demand and pricing, Prospex has continued to apply a conservative approach when looking at forward energy prices in the valuation of its assets. In the current environment, governments are rightly taking steps to find alternative energy sources, improve energy security and reduce energy costs to end consumers.

Prospex is well positioned to contribute positively in all these areas. There is growing recognition that natural gas will be required and that local indigenous onshore gas is the optimum source to meet this need. With the strength of our team and our assets, Prospex is dedicated to shareholder value gained in a responsible manner. The outlook for Prospex is growth in cash flow creating growth in opportunity. With Selva expected to commence production in Q2-2023 as well as the other organic opportunities, the year ahead promises to see major progress.

**CHAIRMAN’S STATEMENT**

**Operational Report**

The first six months of 2022 have seen exciting progress in the Company’s key investments in Italy and Spain.

Prospex has benefitted from the significant increases in electricity prices in Spain during the period and with the Selva field coming on stream in Q2 2023, will experience greatly increased cash flows from the sale of natural gas in Italy. There has been a significant increase in the pricing of both electricity and natural gas due to world events and your Company has budgeted very conservatively as pricing can be impacted by any number of events, including direct regulation by governments as well as supply and demand issues. The Company has some opportunities for investment on attractive terms within its existing portfolio in both Italy and Spain subject to economic and regulatory conditions. The continued focus is natural gas onshore in Europe in accordance with our view of natural gas as a transition fuel. Other investment opportunities in renewable energy or ancillary projects may also be sought. Several business development opportunities have been and are being evaluated in a disciplined manner given price volatility, which make it even more challenging to secure attractive opportunities.

**Financial Review**

For the six months ended 30 June 2022, the Company is reporting a net profit after taxation from continuing operations of £5,120,408 (H1 2021: profit - £129,356). Unrealised gains arising on revaluation of financial assets at fair value totalled £7,645,980 (H1 2021: gain - £488,335). The 2021 unrealised gains is 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 had been updated to reflect positive changes in the forward curve of European gas prices.

Administrative expenses of £501,967 for the year-to-date, compares with £417,126 for the six- month period ended 30 June 2021.

In February 2022, the Company raised £2,455,000 gross via an oversubscribed placing primarily to fund the acquisition of a further 20% in the Podere Gallina licence.

At 30 June 2022, the Company held cash and cash equivalents of £181,628 (30 June 2020: £458,591).

**Outlook**

The outlook for our Company is very bright. With significant levels of cash to be generated from Selva and El Romeral and existing organic opportunities in Spain and Italy, the Company can confidently execute on new investment opportunities.

As long-term shareholders are aware, the assets are now, or soon will be, generating substantial revenues that have taken years to develop and have been subject to delays due to regulatory constraints and other issues. As an Investment Company, Prospex relies on its operating partners – currently Tarba in Spain and Po Valley Energy in Italy. Both these companies, and in Tarba’s case our co-owner Warrego, are excellent partners, well-staffed, diligent, experienced, and currently well-funded. The internal team at Prospex is small but very capable of identifying good opportunities with good partners and contributing to project development.

Your Company has examined many new opportunities with new partners and is working with our partners to develop new projects on our existing assets. We are making investment in solar power generation in Spain and learning from that experience may provide additional opportunities in alternative energy. The Prospex board and team have excellent industry connections in multiple jurisdictions which may lead to corporate investment opportunities as well as ‘ground level’ ones. New opportunities take some period of time to develop as it is our belief that investment in the ‘right’ project is a better route to follow, than investment in whatever comes our way.

Executing new investments is subject to external conditions including the ongoing recovery from the COVID pandemic; general economic conditions such as recession and inflation; international and local political issues including regulation and taxation; volatile commodity pricing; and climate change mitigation initiatives including restricting access to capital. These are outside the control of the Company but must be assessed and mitigated prior to an investment decision. The current commodity pricing limits the number of external projects which will provide appropriate rates of return in the medium to long term.

We are confident that there are many opportunities for the Company to continue to enhance shareholder value. I look forward to reporting on progress.

I would like to take this opportunity to thank our investors whose support has enabled the Company to achieve a level of success and to our current and past directors and staff who have contributed so much to enable us to get here.

**Bill Smith**

**Non-Executive Chairman**

**Prospex Energy Plc**

**Interim results**

**For the six months ended 30 June 2022**

**Statement of profit or loss and other comprehensive income**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Note** | **Six months ended** |  | **Six months ended** |  | **Year ended** |
|  |  | **30 June** |  | **30 June** |  | **31 December** |
|  |  | 2022 |  | 2021 |  | 2021 |
|  |  | *(unaudited)* |  | *(unaudited)* |  | *(audited)* |
|  |  | £ |  | £ |  | £ |
|  |  |  |  |  |  |  |
| **CONTINUING OPERATIONS** |  |  |  |  |  |  |
| Other income |  | - |  | 61,335 |  | 86,604 |
| Administrative expenses |  | (501,967) |  | (417,126) |  | (891,676) |
| Share-based payment charge |  | (201,774) |  | - |  | - |
|  |  |  |  |  |  |  |
| **OPERATING LOSS** |  | (703,741) |  | (355,791) |  | (805,072) |
|  |  |  |  |  |  |  |
| Gain on revaluation of investments and loans |  | 7,645,980 |  | 488,335 |  | 3,076,415 |
|  |  |  |  |  |  |  |
|  |  | 6,942,239 |  | 132,544 |  | 2,271,343 |
|  |  |  |  |  |  |  |
| Finance income |  | 116,314 |  | 50,093 |  | 109,618 |
|  |  |  |  |  |  |  |
| Finance costs |  | (26,200) |  | (53,281) |  | (80,771) |
|  |  |  |  |  |  |  |
| **PROFIT BEFORE INCOME TAX** |  | 7,032,353 |  | 129,356 |  | 2,300,190 |
|  |  |  |  |  |  |  |
| Income tax |  | (1,911,945) |  | - |  | (40,394) |
|  |  |  |  |  |  |  |
| **PROFIT AND TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD** |  | 5,120,408 |  | 129,356 |  | 2,259,796 |
|  |  |  |  |  |  |  |
| **Earnings per share** |  |  |  |  |  |  |
| - Basic earnings | **4** | 2.24p |  | 0.11p |  | 1.61p |
|  |  |  |  |  |  |  |
| - Diluted earnings | **4** | 2.18p |  | 0.11p |  | 1.61p |

**Statement of financial position**

**As at 30 June 2022**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Note** | **30 June** |  | **30 June** |  | **31 December** |
|  |  | 2022 |  | 2021 |  | 2021 |
|  |  | *(unaudited)* |  | *(unaudited)* |  | *(audited)* |
|  |  | £ |  | £ |  | £ |
| **ASSETS** |  |  |  |  |  |  |
| **NON-CURRENT ASSETS** |  |  |  |  |  |  |
| Property, plant and equipment |  | - |  | - |  | - |
| Investment | **5** | 14,343,285 |  | 4,109,225 |  | 6,697,305 |
| Trade and other receivables |  | 3,463,038 |  | 1,058,766 |  | 1,225,570 |
|  |  | 17,806,323 |  | 5,167,991 |  | 7,922,875 |
|  |  |  |  |  |  |  |
| **CURRENT ASSETS** |  |  |  |  |  |  |
| Trade and other receivables |  | 710,447 |  | 921,364 |  | 841,502 |
| Cash and cash equivalents |  | 181,628 |  | 458,591 |  | 220,060 |
|  |  | 892,075 |  | 1,379,955 |  | 1,061,562 |
|  |  |  |  |  |  |  |
| **TOTAL ASSETS** |  | 18,698,398 |  | 6,547,946 |  | 8,984,437 |
|  |  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |  |
| **SHAREHOLDERS' EQUITY** |  |  |  |  |  |  |
| Called up share capital |  | 7,200,272 |  | 7,085,589 |  | 7,124,355 |
| Share premium account |  | 14,051,552 |  | 10,855,416 |  | 11,599,333 |
| Capital redemption reserve |  | 43,333 |  | 43,333 |  | 43,333 |
| Merger reserve |  | 2,416,667 |  | 2,416,667 |  | 2,416,667 |
| Fair value reserve |  | 11,801,302 |  | - |  | 6,067,267 |
| Retained earnings |  | (19,181,498) |  | (14,835,674) |  | (18,748,005) |
| **TOTAL EQUITY** |  | 16,331,628 |  | 5,565,331 |  | 8,502,950 |
|  |  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |  |
| **NON-CURRENT LIABILITIES** |  |  |  |  |  |  |
| Financial liabilities - borrowings |  |  |  |  |  |  |
| Bank loans |  | 28,768 |  | 40,195 |  | - |
| Interest bearing loans |  | 107,226 |  | 321,680 |  | 247,232 |
| Deferred taxation |  | 1,952,339 |  | - |  | 40,394 |
|  |  | 2,088,333 |  | 361,875 |  | 287,626 |
|  |  |  |  |  |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |  |  |
| Trade and other payables |  | 51,566 |  | 152,574 |  | 52,892 |
| Financial liabilities - borrowings |  |  |  |  |  |  |
| Bank loans |  | 9,736 |  | 9,437 |  | - |
| Interest bearing loans |  | 217,135 |  | 458,729 |  | 140,969 |
|  |  | 278,437 |  | 620,740 |  | 193,861 |
|  |  |  |  |  |  |  |
| **TOTAL LIABILITIES** |  | 2,366,770 |  | 982,615 |  | 481,487 |
|  |  |  |  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  | 18,698,398 |  | 6,547,946 |  | 8,984,437 |

**Statement of changes in equity**

**For the six months ended 30 June 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Capital** |  |  |  |  |  |  |
|  |  | **Share** |  | **Share** |  | **Retained** |  | **redemption** |  | **Merger** |  | **Fair value** |  |  |
|  |  | **capital** |  | **premium** |  | **earnings** |  | **reserve** |  | **reserve** |  | **reserve** |  | **Total** |
|  |  | £ |  | £ |  | £ |  | £ |  | £ |  | £ |  | £ |
| *Unaudited* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 1 January 2022 |  | 7,124,355 |  | 11,599,333 |  | (18,748,005) |  | 43,333 |  | 2,416,667 |  | 6,067,267 |  | 8,502,950 |
| Total comprehensive profit for the period |  | - |  | - |  | 5,120,408 |  | - |  | - |  | - |  | 5,120,408 |
| Issue of shares |  | 75,917 |  | 2,542,682 |  | - |  | - |  | - |  | - |  | 2,618,599 |
| Costs in respect of shares issued |  | - |  | (112,103) |  | - |  | - |  | - |  | - |  | (112,103) |
| Equity settled share-based payment |  | - |  | 21,640 |  | 180,134 |  | - |  | - |  | - |  | 201,774 |
| Transfer to fair value reserve |  | - |  | - |  | (5,734,035) |  | - |  | - |  | 5,734,035 |  | - |
| **At 30 June 2022** |  | 7,200,272 |  | 14,051,552 |  | (19,181,498) |  | 43,333 |  | 2,416,667 |  | 11,801,302 |  | 16,331,628 |
| *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 |
| *Audited* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 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 year |  | - |  | - |  | 2,259,796 |  | - |  | - |  | - |  | 2,259,796 |
| Issue of shares |  | 88,766 |  | 1,492,910 |  | - |  | - |  | - |  | - |  | 1,581,676 |
| Costs in respect of shares issued |  | - |  | (54,900) |  | - |  | - |  | - |  | - |  | (54,900) |
| Equity-settled share-based payments |  | - |  | (24,496) |  | 24,496 |  | - |  | - |  | - |  | - |
| Transfer to fair value reserve |  | - |  | - |  | (6,067,267) |  | - |  | - |  | 6,067,267 |  | - |
| **At 31 December 2021** |  | 7,124,355 |  | 11,599,333 |  | (18,748,005) |  | 43,333 |  | 2,416,667 |  | 6,067,267 |  | 8,502,950 |

**Statement of Cash Flows**

**For the six months ended 30 June 2022**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended** |  | **Six months ended** |  | **Year ended** |
|  |  | **30 June** |  | **30 June** |  | **31 December** |
|  |  | 2022 |  | 2021 |  | 2021 |
|  |  | *(unaudited)* |  | *(unaudited)* |  | *(audited)* |
|  |  | £ |  | £ |  | £ |
| **Operating activities** |  |  |  |  |  |  |
| Profit before income tax |  | 7,032,353 |  | 129,356 |  | 2,300,190 |
| Gain on revaluation of investments and loans |  | (7,645,980) |  | (488,335) |  | (3,076,415) |
| Finance income |  | (116,314) |  | (50,093) |  | (109,618) |
| Finance costs |  | 26,200 |  | 53,281 |  | 80,771 |
| **Operating loss** |  | (703,741) |  | (355,791) |  | (805,072) |
| Increase in trade and other receivables |  | (1,990,099) |  | (23,334) |  | (50,751) |
| Decrease in trade and other payables |  | (1,326) |  | (11,688) |  | (85,419) |
| Equity-settled share-based payment charge |  | 201,774 |  | 24,497 |  | - |
|  |  |  |  |  |  |  |
| **Net cash used in operating activities** |  | (2,493,392) |  | (366,316) |  | (941,242) |
|  |  |  |  |  |  |  |
| **Investing activities** |  |  |  |  |  |  |
| Interest paid |  | (26,200) |  | (53,281) |  | (106,722) |
|  |  |  |  |  |  |  |
| **Net cash used in from investing activities** |  | (26,200) |  | (53,281) |  | (106,722) |
|  |  |  |  |  |  |  |
| **Financing activities** |  |  |  |  |  |  |
| Bank loan repayment |  | (3,890) |  | - |  | (7,238) |
| Loan repayments |  | (21,446) |  | (37,530) |  | (56,294) |
| Issue of share capital |  | 2,618,599 |  | 750,000 |  | 1,165,838 |
| Costs in respect of share issue |  | (112,103) |  | (54,900) |  | (54,900) |
|  |  |  |  |  |  |  |
| **Net cash generated from financing activities** |  | 2,481,160 |  | 657,570 |  | 1,047,406 |
|  |  |  |  |  |  |  |
| **Net increase in cash and cash equivalents** |  | (38,432) |  | 237,973 |  | (558) |
|  |  |  |  |  |  |  |
| Cash and cash equivalents at start of period |  | 220,060 |  | 220,618 |  | 220,618 |
|  |  |  |  |  |  |  |
| **Cash and cash equivalents at end of period** |  | 181,628 |  | 458,591 |  | 220,060 |

**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 60 Gracechurch Street, London EC3V 0HR. The Group is primarily involved in the development, exploration and the production of natural gas and the generation of electricity.

1. **Financial information**

The interim financial information for the six months ended 30 June 2022 and 2021 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 2021 has been derived from the audited financial statements for that period. A copy of those statutory financial statements for the year ended 31 December 2021 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 2022 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 2022 and which are also consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2021.

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

1. **Taxation**

On the basis of these accounts the only charge to taxation is the deferred taxation arising on the revaluation of the company’s investments.

1. **Earnings per share**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six months ended** |  | **Six months ended** |  | **Year ended** |
|  |  | **30 June** |  | **30 June** |  | **31 December** |
|  |  | 2022 |  | 2021 |  | 2021 |
|  |  | *(unaudited)* |  | *(unaudited)* |  | *(audited)* |
| **Basic and diluted** |  |  |  |  |  |  |
| Profit for the financial period |  | 5,120,408 |  | 129,356 |  | 2,259,796 |
| Weighted average number of shares for basic EPS |  | 228,138,764 |  | 116,168,109 |  | 140,431,111 |
| Potentially dilutive share options |  | 6,807,636 |  | - |  | 200,265 |
| Weighted average number of shares for diluted EPS |  | 234,946,400 |  | 116,168,109 |  | 140,631,376 |
|  |  |  |  |  |  |  |
| Basic earnings per share |  | 2.24p |  | 0.11p |  | 1.61p |
|  |  |  |  |  |  |  |
| Diluted earnings per share |  | 2.18p |  | 0.11p |  | 1.61p |

The exercisable share options and warrants are deemed to be dilutive in nature where their exercise price is less than the average share price for the period.

1. **Non-current investment**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Shares in** |  |  |  |  |
|  |  | **Group** |  | **Unlisted** |  |  |
|  |  | **Undertakings** |  | **investments** |  | **Total** |
|  |  | **£** |  | **£** |  | **£** |
| *Unaudited* |  |  |  |  |  |  |
| At 1 January 2022 |  | 6,647,305 |  | 50,000 |  | 6,697,305 |
| Revaluations |  | 7,645,980 |  | - |  | 7,645,980 |
| **At 30 June 2022** |  | **14,293,285** |  | **50,000** |  | **14,343,285** |
|  |  |  |  |  |  |  |
| *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 |
|  |  |  |  |  |  |  |
| *Audited* |  |  |  |  |  |  |
| At 1 January 2021 |  | 3,570,890 |  | 50,000 |  | 3,620,890 |
| Revaluations |  | 3,076,415 |  | - |  | 3,076,415 |
| **At 31 December 2021** |  | 6,647,305 |  | 50,000 |  | 6,697,305 |

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.

1. **Dividends**

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

1. **Copies of interim results**

Copies of the interim results can be obtained from the website [www.prospex.energy](http://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.