14 July 2023

OIL & GAS

Flashnote

Marketing Communication (Connected Research)

Prospex Energy Plc#

BBG Ticker: PXEN LN *Price: 6.1p* *Mkt Cap: £17.4m* **BUY**

Italy First Gas

Prospex Energy (PXEN LN) is an investment company with exposure to European gas and power markets. The company has recently reported full year results delivering net profit in 2022 of £7.14m as underlying investments generated profits and capital gains. These from an operating gas to power plant in Spain (49.9%) and gas assets in Italy (37%) which have just achieved the major milestone of first gas.

Strong Funding Position and Upcoming Catalysts

With first gas completed, positive revenue and cashflows are due imminently from Selva of which a portion will be allocated to exploration of the wider licence area. In Spain, permitting is being submitted to drill up to five wells, of which two are needed to take the plant from 30% capacity utilisation to 100%. Plant revenues in 2022 were €3.4m. Successful receipt of permits and the following exploration of key short to medium-term catalysts in addition to rising earnings from the Italian assets. The company is also actively reviewing business development opportunities within its core markets.

PXEN finished 2022 with cash of £1.5m; fundraising for equity and convertible loans during the year enabled an increase in interest of 20% in Selva in Italy and a pro rata contribution to development costs. Warrant exercises through the year yielded £0.8m. Since the year end, the completion of the plant construction in Italy means that a bond held by the construction contractors has been returned to PXEN and its operating partner **PO Valley Energy (PVE AU)**.

Recommendation and Target Price

PXEN now provides exposure to two producing assets, each with considerable development potential. The structural rationale for domestic gas supply in Europe remains with warmer weather being the main driver for recent demand reduction and lower prices. The supply side remains constrained and highly dependent on ex-European LNG and therefore the market is exposed to future price volatility.

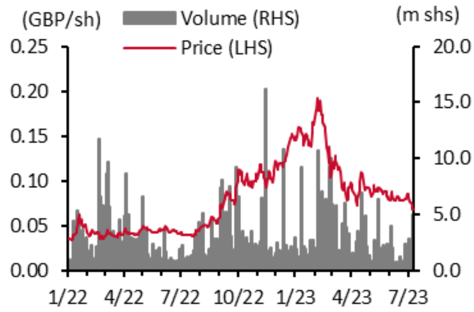
Aside from exposure to profitable producing assets, we believe there are a number of potential catalysts arising from development of the surrounding exploration licences now that the core asset has derisked their development: permit awards in Spain to enable drilling and greater capacity utilisation at the El Romeral gas to power plant as well as the potential development of a solar project.

We reiterate our Buy recommendation and increase our target price to 21.5p/sh..

Company Description

Investment company with interests in producing gas assets in Spain and Italy.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	-23.8%	-15.9%	56.4%
12mn high/low:			19.3p/3.4p

SOURCE: Eikon, as of 13 July 2023 close

Market:	LSE AIM
Price target:	21.5p
Shares in issue diluted:	291.3m
Free float:	64.9%
Net cash (End 2023F):	£1.5m
Enterprise value:	£15.9m

Major shareholders	
Colin Wilson	7.0%
James & Olga Simmons	6.0%
Simon Chantler	5.0%

Oliver O'Donnell, CFA, Natural Resources

+44 (0)20 3005 5005 | oodonnell@vsacapital.com

Selva, Italy (37%)

The company has achieved the impressive milestone of first gas, executing with minimal slippage to time and budget. The final safety sign-off was delayed marginally as the Fire Department were held up by flooding in the local area. However, since the sign-off was completed, the operational team has moved quickly and successfully delivered gas production which is being sold via the marketing agreement with BP announced in February.

Since our initiation in September 2022, the company and its partner **Po Valley Energy (PVE AU)** have secured the necessary permitting and commenced construction which required a bond to be placed with **Snam** the Italian infrastructure group tasked with the construction. This was a gross €757,000 (€280,090) net to PXEN which has been returned to the company.

Our production forecasts are based on the 2022 CPR, updating the 2019 CPR. These indicate initial production levels of about 36.5MMscm per annum with a 14-year life of reservoir. Peak production is expected to be sustained for five to six years before dropping at a decline rate of around 10%. The operator will optimise production levels in the coming months as commissioning progresses.

The field development is designed to produce at a maximum rate of 150,000scmpd (5.3mmscf/day), however, subsequent analysis has indicated that targeted production of around two thirds of this will enable effective reservoir management in the early phases of production which correlates with our peak production forecast that is sustained between year two and six.

Therefore, the development implies impressive cash generation potential. Using an 8% discount rate, this implies a post-tax NPV of €49m on our adjusted price deck which net to PXEN is €18m.

The company has indicated that at current price levels, net revenues after royalties and taxes are likely to be around £300k per month and we highlight that this is the seasonally lower period for pricing with higher pricing likely to come later in the year.

Gross costs per annum were forecast at €0.3mpa and now stand at €0.6mpa; highlighting the near-term margin currently being realised. After year four, it is expected that compression will be required, adding an additional €0.03/m^3. Development costs were assumed at €4.3m on a gross basis with abandonment costs of €2.7m at the end of life. The development costs came in just €132,000 over budget which in the current environment is an impressive achievement.

Further Onshore Prospects Closer to Realisation

Our valuation and DCF were based purely on the Podere Maiar-1 well that had been shut in since 2017. The company has a broader interest in the region's potential; Selva North and South, Fondo Perino, East Selva and Riccardina. We believe that the successful commissioning of PM-1 shows that these other targets have been derisked to some extent, particularly from a licensing and permitting perspective and we note the change of name of the MITE (Ministry for Ecological Transition) to the Ministry Environment and Energy Security. This implies a change of direction which should improve the ability to secure permitting underpinned by the EU's designation of natural gas as a transition fuel while exploration funding is likely to be generated by PM-1.

Selva North and South have contingent resources of 8.9BCF and 5.2BCF respectively; these resources were defined off the back of the successful well drilling at the main Selva field in 2017 and are based on the same stratigraphic pinch-out concept. Given this is targeting remaining updip gas and previously produced commercially, these resources are contingent rather than prospective. A relatively high chance of success is applied in the CPR of 60-70%.

Fondo Perino is between the Selva-1 and 23 wells and is the updip gas-bearing level tested on Selva-1. East Selva has positive characteristics and is similar to the main Selva reservoirs, however, the estimates are based on limited seismic data compared to the other targets.

Riccardina is 5km from the PM-1 test well and was identified by ENI in 2004 and tested although this test encountered water-bearing sands. PVE has reinterpreted the seismic and believe that this test narrowly missed the prospect, hitting the wrong side of a thrust fault that defines the gas boundary. A follow up 3D seismic survey is proposed to better understand this theory, previous seismic understanding is based on 2D seismic alone.

Summary of Gas Prospective Resources

	MMscm			BCF		
Prospect	**Low**	**Best**	**High**	**Low**	**Best**	**High**
East Selva	824.1	985.6	1,149.8	29.1	34.8	40.6
Riccardina	367.2	1,097.8	3,651.5	13.0	38.8	128.9
Fondo Perino	288.9	413.5	580.6	10.2	14.6	20.5

SOURCE: *Company Data, VSA Capital Research.*

El Romeral, Spain (49.9%)

El Romeral is a gas-to-power project located in Southern Spain close to Carmona. Oil and gas have been found in a handful of sedimentary basins in Spain of which the Guadalquivir is one, where El Romeral is located.

Prospex Energy holds 49.9% of the El Romeral gas-to-power project in Spain with **Warrego Energy** holding the balance. A plant with three gas-fired turbines was built in 2001 and has been operational since. One of the three turbines is mothballed. It has a capacity of around 60MWh of which currently around 30% is used consistently and cost around €10m to construct, financed by the prior owners. The plant sells electricity into the Spanish grid at spot market prices. Asset level revenues totalled €3.4m in 2022 with over 20,000MWh produced. We expect that profit into Tarba the project level company was around €1m after tax last year.

Permitting for drilling could be approved as soon as Q4 2023. This would enable production ramp up to 100% capacity utilisation or c.60MWh in 2024, generating long term annual cashflow in excess of €1mpa at normal pricing levels and in excess of €5mpa at more than €175/MWh. Royalties and taxes are, however, relatively high and on a net basis our NPV8 value for the asset is €7.5m.

There are three generators at the power plant of which one is currently operating at any one time. Full capacity could be achieved from drilling just two of the five wells the company is seeking to permit.

Permitting for the wells has been submitted on the proposed wells, however, there is no prescribed date for a government response. We have assumed some time in 2023 with first production in 2024. Once permitting is secured for the El Romeral concession wells, the Spanish regulator has agreed to reconsider the Tesorillo permit which is currently suspended and to which we ascribe no value currently. Clearly a reversal of this decision would unlock value, in our view.

El Romeral had been in a Catch 22 situation for the last few years; running below capacity and generating limited income only when power prices were high enough, thereby delaying the investment needed to improve efficiency and output. However, in 2021, the company made the necessary investment to install new remote monitoring and control systems, which was completed in December. This meant reduced manual intervention and gave management the ability to have the optionality to operate on a 24/7 basis, switching between the two operational generators as required.

Although completed in late 2021 as prices were rising, optimisation of reservoir understanding was required given the long history of production to ensure that the appropriate balance between maximising near-term earnings and maintaining the reservoir life was achieved. Consequently, between December and March while this process was undertaken, capacity utilisation increased only to 24/6. Since April, the plant has been operating on a 24/7 basis with management confident that this will not deplete the reservoir too aggressively. The completion of this upgrade work has been a vital step in enabling the company to take full advantage of the increase in power pricing. The plant is now operating at 30% of capacity and greater gas volumes are now necessary to increase capacity utilisation subject to permitting and the drilling of two new wells.

Solar Progress

As well as gas-related strategies, the company also recently announced the rollout of solar projects. The first project, installing panels on the roof of the plant, was small-scale and deployed at a cost of €50,000. It enabled El Romeral plant to limit turbine-generated electricity used for running the operation in daylight hours, freeing up greater capacity for sales.

Following the success of this initial project, the company is now advancing towards a Final Investment Decision (FID) on a 5MW solar panel field in a 20-hectare plot now leased for an initial two years at a cost of €800 per hectare for an initial two years with a break clause should FID not be positive. The lease rate will increase to €2,000 per hectare once the authorisations are received rising by CPI for the next 25 years. There is an option to extend the lease by a further ten years after this.

The installation of the panels is currently out to tender but is expected to take 12 months including procurement once commenced. This would mean that in around a year the company could significantly increase its revenue generating capacity. Currently, gas is generating around 2.7MW of the available 8.2MW capacity while the maximum output of the solar plant would be an incremental 5MW. The company highlights that there is grid capacity available using existing infrastructure and up to 20,000 local homes could benefit.

Future revenues from solar are not currently included in our forecasts although full utilisation of the current gas capacity is dependent on further drilling for which the company submitted applications in March 2023 and is now undertaking the EIA. We note that Spain already has significant solar capacity which means that there is a large spread between day and night pricing, but this is a known factor that will have been incorporated into PXEN's studies.

We highlight that this is not simply about the economics of the solar project as the progress to date means that the company has already been re-categorised by the authorities as an integrated energy company because of its use of renewables. This should, in our view, be supportive the company's case to gain new permitting for the gas assets.

Financial Results Highlights

During the last twelve months, **Prospex Energy (PXEN LN)** has completed a number of major milestones which substantially derisk the stock and we believe position it for a significant rerating. In Spain where PXEN has a 49.9% interest in the El Romeral assets, investment last year in upgrading the gas to power plant to improve operational efficiency has enabled production to increase from 15 hours per day, six days a week to 24/7 and make the plant ready to receive higher volumes of gas from the planned drill programme. Since April 2022, the plant has been operating 24 hours a day, 7 days a week albeit using 30% of total capacity.

At Selva, Italy the project was successfully permitted, and post-period end construction was completed in May 2023. This was achieved on time and on budget with first gas achieved in July 2023. We believe that this successful commissioning means that the broader portfolio of assets in the local region are now being opened up with permitting more likely given the change of Government (highlighted by the change of Ministry from Ecological Transition to Energy Security).

Financial Highlights, £

	2021	2022
Operating Loss	(805,072)	(1,163,142)
Gain on Investments	3,076,415	9,367,435
Net finance Costs	28,847	151,029
Net Income	2,259,796	7,136,907
Cash	220,060	1,482,762
Borrowings	388,201	2,611,889
Investments Value	6,697,305	16,064,640

SOURCE: *Company data, VSA Capital Research.*

Since PXEN is an investment company and the holdings are below 50%, the company does note report revenue from the underlying investments. SG&A was up 9.4% YoY but remained modest at £0.98m and with share-based payments of £0.19m, the operating loss was £1.16m. The company reported a gain on revaluation of investments of £9.37m, up from £3.1m in 2021. The £9.37m gain primarily came from the increase in interest in the Italian asset supported by higher gas prices. Net finance costs were £0.15m taking profit before tax to £8.36m which after tax resulted in net income of £7.14m.

This a result of the operational improvements at El Romeral where gas to power production was taken up to 24/7 late in 2021 with the company then able to fully benefit from the rising power prices in Spain which peaked at over €180/MWh in March 2022 leading to monthly revenues in excess of €0.5m ahead of the power price cap that was implemented in Spain. The profitable performance enabled the underlying company to repay shareholder loans to PXEN totalling €0.59m. The asset is operating at around 30% capacity with new gas wells needed to increase output subject to permitting which PXEN intends to obtain. Asset level revenues totalled €3.4m in 2022 with over 20,000MWh produced. We expect that profit into Tarba the project level company was around €1m after tax.

At Selva the company acquired an additional 20% in February 2022, taking its interest to 37%. The company and its operating partner received all the necessary permits to commence construction over this period, updated the CPR and made all the other necessary preparations for construction which was recently completed with first gas due imminently. Capex came in broadly in line with the 2022 estimate and PXEN has been repaid its share of the €0.76m bond held by the contractor during construction.

The company's balance sheet strengthened considerably through the year as a result of a combination of successful fundraising activity, repayment of shareholder loans from the underlying investments and the exercise of warrants. The company finished the year with cash of £1.48m, up from £0.2m at year end 2021. £2.45m was raised in equity and £2.37m was raised via convertible loan notes with a further £0.8m through the exercise of warrants. The exercise of 3p/sh. warrants in particular has cleared a perceived overhang in the stock and has supported recent trading performance, in our view.

The convertible loans notes are convertible at 4.25p/sh. and 5.5p/sh. and repayable in three equal tranches, September 30 2023, 31 December 2023 and 31 March 2024 unless previously converted. The company highlights that net cashflows from Selva are due to be received in advance of the scheduled repayment dates. Initially these will be in the form of loan repayments along with interest repaying PXEN for capital advanced for the construction phase; there is therefore a clear mechanism to deliver near term cashflows from the project level to the topco.

European Gas

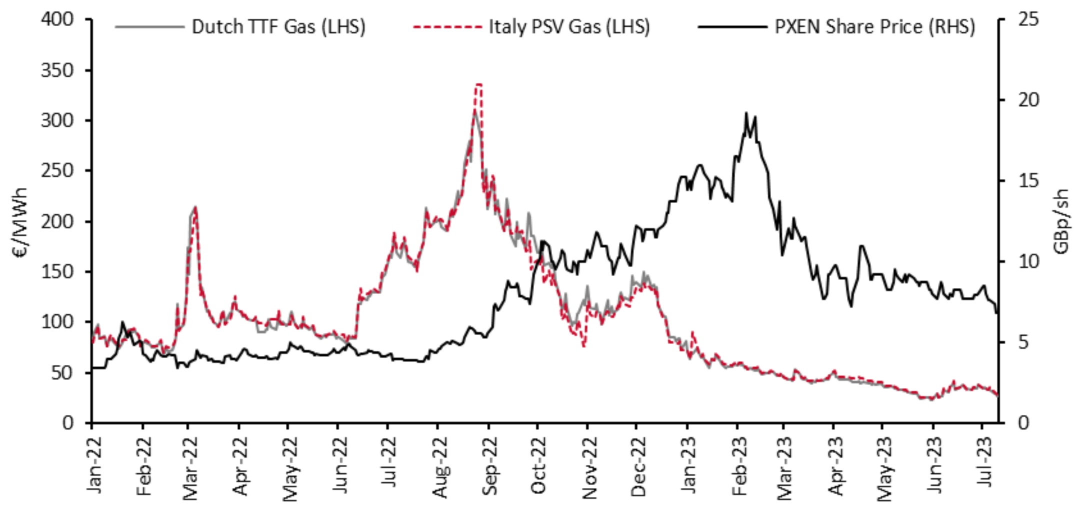
Gas prices have pulled back significantly from the peak in August 2022 above €340/MWh when there was strong buying in anticipation of Winter demand. However, the milder than expected winter has left Europe with seasonally higher inventories; storage is 65% full which is around 20% above the previous five-year average, meaning decreased pressure on the upcoming restocking season. At this time last year storage was at 37%. This means that prices have fallen and are now close to €30/Mwh on the Dutch TTF benchmark, we note that prices on other benchmarks including Italy's PSV have been trading at a modest premium to this. However, we are now in the period where prices are usually seasonally lower.

Despite the current inventory position and pullback in prices, this performance has largely been driven by the weather as materially increasing domestic supply is a process which takes time and significant investment. Russia previously supplied around 40% of EU gas and this has fallen by 90%; there remains a risk that the remaining flows are halted. Purchases of LNG primarily from the US, Qatar, and Nigeria (26% over January to November 2022) have provided the backstop but when commodity markets are this tight, even small disruptions can lead to significant changes in price. **Equinor's** Q1 2023 gas output was broadly unchanged, up 1% YoY and the Norwegian state has increased permitting for production capacity to ensure that companies can maximise their output in the near term. That said, the UK's windfall taxes and uncertain outlook on North Sea permits has limited investment into new projects.

Aside from the constraints on increasing domestic output the dramatic increase in LNG import volumes means that Europe is close to its limits on regasification capacity. The Netherlands, Germany, Finland and Estonia are all increasing floating storage regasification units (FSRUs) with combined capacity of 23-27bcm but this also has a lead time. Global LNG export capacity is expected to grow in 2023 by less than 10bcm excluding Russia against EU consumption of 360bcmpa.

Although the higher starting point for inventories is a far stronger picture than many expected this time last year, the structural backdrop remains tight, and storage can quickly be drawn down. A different weather backdrop in H2 2023 could result in a different outcome for pricing over the next winter. Consequently, whilst we have adjusted our near-term forecasts to reflect lower spot pricing given the lack of structural change and the supply risks which remain, our longer-term outlook is unchanged.

PXEN Share Price vs. Dutch TTF & Italy PSV



SOURCE: *Eikon, VSA Capital Research.*

Valuation

Our valuation is based on a sum of the parts methodology using DCF-based valuations for the producing and near-producing assets. These results are used to derive analogue-based valuations for the adjoining prospects in both Spain and Italy. To the advanced projects, we have reduced the risk factors to reflect the fact first gas has now been achieved and there is now funding coming being allocated to exploration of the wider licence area. We continue to exclude Tesorillo from our valuation, however, successful permitting on the El Romeral assets could prove indicative of the view of the Government on permitting.

Our base case for Selva continue to use long-term pricing of €60/MWh, however, we have adjusted near term forecasts to reflect that gas prices have pulled back substantially from extreme levels. They remain at levels to deliver strong profitability and with this being the period of seasonal weakness we expect stronger pricing towards the year end. Pricing next Winter again is likely to be largely dependent on the weather as Europe's structural gas dependence has changed little in the last six months.

Selva NPV Sensitivity

Gas Price, €/MWh	40	100	150	200	250	300	350
100% NPV8, €m	25	73	106	140	173	206	239
37% NPV8, €m	10	28	40	53	65	77	89

SOURCE: *Company data, VSA Capital Research*.

Our earlier sensitivity analysis remains valid demonstrating strong upside if prices rally.

Operational Snapshot

	2023 F	2024 F	2025 F	2026 F
Selva				
Production (100%), scf	1.5	3.8	3.8	3.8
Net Income	2,094	7,020	13,695	8,977
Capex	(2,550)	(50)	(50)	(50)
FCF	189	7,526	14,125	9,342
Production (Net 37%)	0.6	1.4	1.4	1.4
Net Income	775	2,597	5,067	3,321
Capex	(944)	(19)	(19)	(19)
FCF	70	2,784	5,226	3,457
El Romeral				
Production (100%), MWh	22,366	22,366	61,508	61,508
Net Income	721	679	2,683	1,765
Capex	(50)	(3,050)	(50)	(50)
FCF	755	(2,231)	2,753	1,818
Production (Net 49.9%)	11,161	11,161	30,692	30,692
Net Income	360	339	1,339	881
Capex	(25)	(1,522)	(25)	(25)
FCF	377	(1,113)	1,374	907

***SOURCE:** Company data, VSA Capital Research.*

Being an investment company, we do not forecast group level financials as redistribution of asset level cash is based on agreement with the other operating partners beyond the repayment of the loans advanced for capital development. These have been repaid at El Romeral and are due to be repaid at Selva following first gas.

The company undertook a financing round raising gross proceeds of £1.87m in September last year via the issue of unsecured convertible loan notes. These are convertible at 4.25p/sh. at any time and interest is payable quarterly and compounded monthly. This was followed by an announcement in early September that a further £0.5m was raised in the form of Convertible Loan notes with a conversion price of 5.5p/sh with 15% interest on the same payment terms as the earlier loans.

The strengthened cash position as a result of the loan agreements has taken the company through to first gas at Selva and the backdrop of gas pricing and indication that the company was fully funded to first gas was a key catalyst for the stock price in the latter part of 2022. This enabled a large proportion of the outstanding warrants exercisable at 2.25p/sh., 3p/sh. to be exercised netting the company an additional £530k in the period. Aside from bringing in new capital this has removed an overhang and sufficiently enhanced the perception and trading of the stock.

Valuation Summary, £'000

NAV			**Unrisked**	**Equity**	**Net unrisked**	**CoS**	**Net risked**	**EMV**	**EMV**	**Net unrisked**	**Net risked**
Asset Name	**Stage**	**Timing**	BCF	%	BCF	%	BCF	€/mscf	€m	€m	per/sh (GBp)
Selva	**Producing**	**2023**	**12.2**	**37%**	**4.5**	**100%**	**4.5**	**4.0**	**18**	**18**	**5.7**
Selva North & South	Contingent Resources	TBD	8.9	37%	3.3	60%	2.0	4.0	8	13	2.5
Fondo Perino	Contingent Resources	TBD	9.2	37%	3.4	60%	2.0	4.0	8	14	2.6
East Selva	Contingent Resources	TBD	21.9	37%	8.1	60%	4.9	4.0	20	33	6.1
Riccardina	Contingent Resources	TBD	24.4	37%	9.0	60%	5.4	4.0	22	36	6.8
El Romeral	**Producing / Development**	**Production**	**5.2**	**50%**	**2.6**	**85%**	**2.2**	**1.9**	**4**	**5**	**1.3**
El Romeral	Resources	TBD	89.8	50%	44.8	10%	4.5	0.9	4	42	1.3
El Tesorillo	Suspended License	N/A	0.0	50%	0.0	0%	0.0	0.0	0.0	0.0	0.0
Adjustments									£m		
	SG&A (£)								(6.7)		(2.3)
	Debt (£)								(0.8)		(0.3)
	Cash, £ (YE23)								0.5		0.2
Total									77.1		23.8
								DLOC	**10%**		**21.5**

***SOURCE:** Company Data, VSA Capital Research.*

Given the performance of the stock there have been some conversions of the CLNs totalling £383k. The remaining outstanding figure to be repaid is £1.987m plus interest while the latest share capital position is 291.3m ordinary shares outstanding. We do not yet reflect the conversion in our valuation.

The loan principal for both convertibles if not converted is to be paid in three tranches in September 2023, December 2023, and March 2024 which should be possible in cash given the outlook for the underlying assets and targeted first production at Selva in H1 2023. In addition, the company has outstanding non-convertible loans totalling £321k payable in equal instalments of £107,226 every six months to December 2023.

Our twelve-month target price is 21.5p/sh. implying 253% upside potential.

Historical Financials

Profit & Loss , £'000 December Year End

Income Statement (GBP 000's)	**Dec-20**	**Dec-21**	**Dec-22**
Revenue	–	–	–
Cost of Sales	–	–	–
Gross Profit	**–**	**–**	**–**
SG&A	(972,193)	(891,676)	(975,725)
D&A	–	–	–
Other Operating	247,143	86,604	(187,417)
EBIT	**(725,050)**	**(805,072)**	**(1,163,142)**
Interest Payable	(50,989)	(80,771)	(173,023)
Interest Receivable	91,362	109,618	324,052
Net Interest	40,373	28,847	151,029
Gain / Loss from Investments	(1,121,815)	3,076,415	9,367,435
Impairment Charge	–	–	–
PBT	**(1,806,492)**	**2,300,190**	**8,355,322**
Tax Expense	–	(40,394)	(1,218,415)
Net Income	(1,806,492)	2,259,796	7,136,907
EBIT	(725,050)	(805,072)	(1,163,142)
Depreciation	–	–	–
Amortisation	–	–	–
EBITDA	**(725,050)**	**(805,072)**	**(1,163,142)**

SOURCE: *Company data, VSA Capital Research.*

Balance Sheet, £’000 December Year End

Balance Sheet (GBP 000's)	Dec-20	Dec-21	Dec-22
Current Assets			
Cash and cash equivalents	220,618	220,060	1,482,762
Trade and Other Receivables	917,058	841,502	5,515,237
Inventory	-	-	-
Other	-	-	100
Total	**1,137,676**	**1,061,562**	**6,998,099**
Non-Current Assets			
Investments	3,620,890	6,697,305	16,064,640
Intangible assets	-	-	-
PP&E	-	-	-
Other	989,645	1,225,570	-
Total	**4,610,535**	**7,922,875**	**16,064,640**
TOTAL ASSETS	**5,748,211**	**8,984,437**	**23,062,739**
Current Liabilities	-	-	-
Borrowings	287,573	140,969	1,812,744
Trade creditors	164,262	52,892	41,440
Other	-	-	-
Total	**451,835**	**193,861**	**1,854,184**
Non-Current Liabilities			
Borrowings	579,998	247,232	799,145
Deferred tax	-	40,394	1,258,809
Other	-	-	-
Total	**579,998**	**287,626**	**2,057,954**
TOTAL LIABILITES	**1,031,833**	**481,487**	**3,912,138**
NET ASSETS	**4,716,378**	**8,502,950**	**19,150,601**
Equity			
Paid-in capital	7,035,589	7,124,355	7,225,893
Retained earnings	-14,965,030	-18,748,005	-20,141,952
Other	12,645,819	20,126,600	32,066,660
Total	**4,716,378**	**8,502,950**	**19,150,601**

SOURCE: *Company data, VSA Capital Research.*

Cashflow Statement, £'000 December Year End

Cashflow Statement (GBP 000's)	**Dec-20**	**Dec-21**	**Dec-22**
Operating Activities			
EBIT	(725,050)	(805,072)	(1,163,142)
D&A	–	–	–
Changes in WC	(522,236)	(136,170)	(3,137,812)
Changes in Other CA and CL	–	–	–
Income tax paid	–	–	–
Other	140,425	–	187,417
Cash flow from operations	**(1,106,861)**	**(941,242)**	**(4,113,537)**
Investing Activities			
Capital Expenditure	–	–	–
Increase in intangibles	–	–	–
Change in NCA and NCL	(51,664)	(106,722)	(122,091)
Cash flow from investing	**(51,664)**	**(106,722)**	**(122,091)**
Financing Activities		–	–
New issuance of shares	720,000	1,165,838	3,414,181
Net Debt (Repayment) / drawdown	619,293	(63,532)	2,196,253
Net interest charges	–	–	–
Other	(29,537)	(54,900)	(112,104)
Cash flow from financing	**1,309,756**	**1,047,406**	**5,498,330**
Net change in cash	151,231	(558)	1,262,702
Beginning cash balance	69,387	220,618	220,060
FX differences	–	–	–
Ending cash balance	**220,618**	**220,060**	**1,482,762**

SOURCE: *Company data, VSA Capital Research.*

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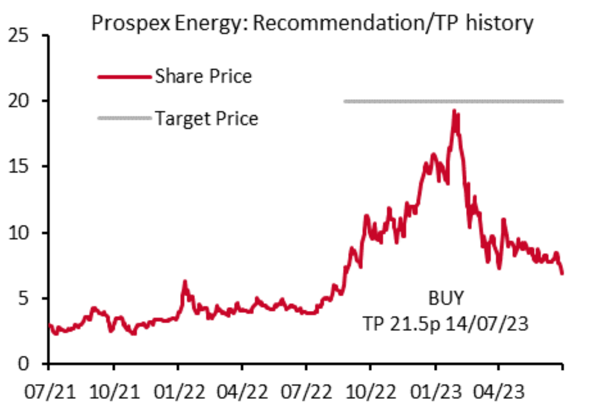
Equities breakdown: 14/07/23	BUY	SPEC BUY	HOLD	SELL
Overall equities coverage	84%	16%	0%	0%
Companies to which VSA has supplied investment banking services	100%	100%	n/a	n/a

Recommendation and Target Price History



***SOURCE**: Eikon, VSA Capital Research.*

Valuation basis

Our valuation is derived from a risked NAV for the producing assets and analogue derived resource valuations for the contingent resources.

Risks to that valuation

Risks to our valuation include possible disappointing drilling results delays to farm-outs and oil price uncertainty.

This recommendation was first published on 6 September 2022.