24 December 2020

Prospex Energy PLC (‘Prospex’ or the ‘Company’)
El Romeral Approval Granted & Issue of CLN

Prospex Energy PLC, the AIM quoted investment company focused on European gas and power projects, is pleased to announce, further to previous notifications, that regulatory approval has been received for the acquisition of a 49.9% interest in El Romeral, an integrated gas production and power station operation in southern Spain (‘El Romeral’ or ‘Project’).

In addition, the Company announces the issue of a £415,838.28 convertible loan note and associated warrants to new and certain existing investors, along with certain members of the Board and staff in settlement of deferred stipends and salaries as a result of the COVID-19 pandemic.

El Romeral
Tarba Energia ('Tarba') has informed its shareholders that both the Ministerial and Regional authorities sign-off has been received for the transfer of El Romeral to the company. This represents the final regulatory approval required for the acquisition of El Romeral, which can now proceed to completion. Completion is now expected on 31 January 2021. Prospex owns a 49.9% interest in Tarba’s B shares with its partner Warrego Energy Limited owning the balance.

Existing gas and electricity production and significant low risk development potential

El Romeral is an operational gas and power project which includes three producing wells that supply gas, through its own network, to a 100% project-owned 8.1 MW power station. El Romeral, which is comprised of three production licences, has significant development potential and holds two development locations and 11 very-low risk prospects with gross contingent and prospective gas resources of 5Bcf and 90Bcf, respectively. There is the potential to increase the number of generating days at the Project (historically equivalent to five days per week) and in the medium-term increase utilisation of the generation equipment (current 22%) by increasing onsite gas production. When gas was not a limiting factor, the power station regularly produced c. 60,000 Mwh per annum.

Next steps
Following completion of the acquisition, Tarba will assume the day-to-day management and control of El Romeral and will look to implement a number of short-term operational enhancements and efficiencies. Whilst there is no committed work programme, Tarba’s medium-term target is to increase gas production and, in turn, electricity generation at the Project’s power plant towards its nameplate capacity via the drilling of new wells targeting

already identified development locations / prospects. Tarba will also carry out a review of existing wells to evaluate the potential to undertake workovers to enhance recovery rates.

Convertible Loan Note and Warrants

The Company has raised £265,000 via the issue of unsecured convertible loan notes ('CLN'), with denomination of £1, to new and certain existing investors, the net proceeds of which will be used for general working capital purposes.

The CLN will pay 10% interest per annum with the first six monthly payment due in June 2021. The term of the CLN is 18 months with capital repayment of unconverted amounts due on 30 June 2022. The CLN grants the subscribers the right but not the obligation to convert the loan, on notice, into new ordinary shares in the Company each at 2.05 pence per share, which represents a 11% premium to the latest closing price of an Ordinary Share on 23 December 2020. The Company can elect at any time to repay the CLNs early in cash.

In addition, certain holders of the Company's 2018 unsecured loan note have ('2018 Notes') have agreed to rollover the partial capital repayment due in December 2020 into the CLN. Under the 2018 Notes instrument, holders are entitled to ¼ of the outstanding capital returned in December 2020. There is a total of £514,689 of 2018 Notes in issue and therefore a potential payment of £128,672 to noteholders. However, holders of £112,588 (87%) of the 2018 Notes have elected to roll into the CLN. Following this roll and the December 2020 quarterly payment, the outstanding amount of the 2018 Notes will stand at £386,016.76 (see announcement of 12 October 2018 for further details of the 2018 Notes).

A further £38,250 of the CLN has been issued to certain Directors and staff in settlement of deferred stipends and salaries as a result of the COVID-19 pandemic.

A total of £415,838.28 of the CLN has therefore been issued to all the above subscribers, each of whom will also be issued with 44.4444 warrants ('the Warrants') for each £1 of the CLN subscribed. A total of 18,481,694 Warrants have been issued to the subscribers. Each Warrant confers to the subscriber the right to acquire one Ordinary Share at 2.25p, a premium of 22 to the latest closing price of the Ordinary Shares. Save for certain events triggering an earlier expiry, including 5 consecutive days of the ordinary shares closing above 3.375p the Warrants will expire in December 2022. The subscriber group is made up of 13 individuals or their pension funds, including certain Directors as detailed below.

Directors Interest

The 2018 Notes are held by the following Directors in following amounts:

Director	**Amount**
Bill Smith	£53,613.45
Richard Mays (and family)	£53,613.45

James Smith	£26,806.73

Capital repayment due on 31 December 2020 and rollover into the CLN:

Director	Amount
Bill Smith	£13,403.37
Richard Mays (and family)	£13,403.37
James Smith	£6,701.69

The Directors interests in the CLN as a result of 2018 Notes rollover into CLN and additional subscriptions:

Director	Rollover	Additional	Total
Bill Smith	£13,403.37	£13,500 [1]	£26,903.37
Richard Mays (and family)	£13,403.37	£0	£13,403.37
James Smith	£6,701.69	£15,000 [2]	£21,701.69

Notes:

1 in lieu of stipend

2 further subscription

Related Party Transaction

The issue of the CLN to Bill Smith, Richard Mays (and family) and James Smith constitutes a related party transaction pursuant to Rule 13 of the AIM Rules for Companies. Accordingly, Edward Dawson, independent Director in relation to the issue of the CLN, having consulted with the Company's Nominated Adviser, Strand Hanson Limited, considers that the terms of the Directors' participation in the CLN (with associated warrants) are fair and reasonable insofar as the Company's shareholders are concerned.

Prospex non-executive Chairman, Bill Smith, said, *"Ministerial sign-off for the acquisition of El Romeral sees Prospex become an integrated gas and power investment company. For €374,250 we have acquired a 49.9% interest in a gas-to-power project that can generate significant revenues from the 8.1MW power station and which cost €10 million to construct. It was not only the excellent value however that attracted us to El Romeral but also the significant growth potential. Gross contingent and prospective gas resources of 5Bcf and 90Bcf respectively at two development locations and 11 prospects provide multiple low risk opportunities to increase the volumes of gas supplied to the power station which, when gas was not a limiting factor, regularly produced c. 60,000 Mwh per annum. Based on historic average prices revenue per Mwh, this would equate to annual revenues of over €4.2 million.*

"We are not the only ones to see El Romeral's potential, so too, in our view, do the subscribers to the CLN. As well as the advancement of El Romeral, in 2021 these subscribers along with our existing shareholders can expect to see the commencement of production at the Selva gas field on the Podere Gallina permit in Italy at an initial rate of up to 150,000 scm/day. Together

with El Romeral, our annual gas production has the potential to reach 7,800,000 scm in 2021. This would translate into a material revenue stream for the Company which we will look to reinvest into further development activity across our existing asset base. With this in mind, I look forward to providing further updates on our progress in the year ahead."

Qualified Person sign off

Carlos Venturini, Fellow of the Geological Society of London, Exploration Manager has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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Notes

Prospex Energy PLC is an AIM quoted investment company focussed on high impact onshore and shallow offshore European opportunities with short timelines to production. The Company's strategy is to acquire undervalued projects with multiple, tangible value trigger points that can be realised within 12 months of acquisition and then applying low cost re-evaluation techniques to identify and de-risk prospects.