

**20 September 2023**

**Prospex Energy Plc (“Prospex” or the “Company”)  
Half-Year Report**

Prospex Energy Plc, the AIM quoted investment company, is pleased to announce its unaudited Interim Results for the six months ended 30 June 2023.

**H1 2023 Financial and Corporate Overview:**

Financial

- The Company reports a £888,473 loss after taxation from continuing operations for the six-months ended 30 June 2023 (H1 2022 profit: £5,120,408).
- This includes a £489,037 unrealised loss on revaluation of financial assets at fair value (H1 2022 unrealised gain: £7,645,980).
- The loss on revaluation in the current reporting period takes account of forward gas prices and exchange rates at 30 June 2023. The revaluation gain in H1 2022 was attributable to the revaluation, on a basis consistent with the 17% already held, of the additional 20% working interest in Selva Malvezzi production concession acquired during that period.
- The revaluation at 30 June 2023 resulted in a reduction in the net book value of investments to £15,575,603 (31 December 2022: £16,064,640).
- Administrative expenses during the period were £461,322 (H1 2022: £501,967).
- Loan capital repayments in the period were £107,227 and interest payments were £162,739. Convertible loan notes converted to equity in the reporting period totalled £195,006.
- In April 2023, the Company strengthened the board of directors with the appointment of Andrew Hay as a Non-Executive Director.
- Fox-Davies Capital appointed as Joint Corporate Broker in June 2023.

**Post period end:**

- First gas sales receipts from gas sales in Italy during July were received in August 2023.
- As at 12 September 2023, a further £1,407,723 of convertible loan notes have been converted to equity.
- The Company and its investment vehicles are expected to be fully funded to meet all existing operational and financial commitments.

**Mark Routh, CEO of Prospex, said:**

“During the first half of 2023, Prospex laid the groundwork for the Company to become an onshore gas producer in its second European country. Post period-end, we delivered gas through our new gas processing facilities at the Selva field in Italy and the Joint Venture is selling the gas via BP Gas Marketing. Being a gas producer from two assets in stable countries puts Prospex on a sound footing both operationally and financially to enable further growth opportunities to be evaluated.

“The El Romeral power plant in Carmona is already a significant producer of gas for electricity generation in southern Spain with the ability to increase this further once the necessary permits to drill further wells are granted. The permits to drill five further wells on the concessions are currently with the Spanish regulatory authorities and we hope to update shareholders in the not so distant future.

“We also have the opportunity to develop our assets on the Selva Malvezzi production concession near Bologna in Italy and the Joint Venture is actively pursuing the necessary steps to drill at least three further wells on the concession to boost our proven developed producing reserves.

“Prospex is very conscious of its HSE responsibilities, and it is notable that operations both in Italy and in Spain have been executed this year with no Health and Safety events, lost time incidences nor any reportable environmental issues.”

**Operational Highlights:**

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

**Selva**

- In February 2023, the Operator of the Selva Malvezzi production concession in the Po Valley region of northern Italy, in which Prospex has a 37% working interest, signed an 18-month gas sales agreement (“GSA”) with BP Gas Marketing Limited to offtake and sell gas from the Selva field in Italy.
- During the period, development work was also completed at Selva field by Po Valley Energy (ASX:PVE) (“Po Valley” or the “Operator”). Construction of the new gas plant facilities at the Podere Maiar-1 (“PM-1”) well site was completed on schedule and with just a 3% cost difference to budgeted expenditure. The connections to the gas grid operated by SNAM were completed, enabling the delivery of gas to the Italian gas grid.
- With the SNAM connection and transmission arrangements finalised, Po Valley Operations recovered the €757,000 performance bond funds (€280,090 net to Prospex), previously deposited with SNAM.
- Final inspection and production commencement at the new gas plant was delayed due to

severe flooding in the Emilia Romagna region. Inspections and approvals were finally received at the end of June 2023.

- In February 2023, the 12-month background seismic monitoring programme was completed – the final environmental regulatory hurdle prior to the commencement of gas production.

### **El Romeral**

- Operations continued at El Romeral in Andalucía, southern Spain where the Company's investment is in the operator, Tarba Energía s.l.
- The Romeral power plant continues to be cash generative and self-sustaining. However, no further development can be committed to in Spain until progress is made with the relevant Spanish authorities on the permitting of up to five new wells on the Romeral licenses.
- Significant effort is focussed on securing permitting for additional wells at Romeral as well as conversion of the Tesorillo exploration permit to an exploitation permit. Drilling permit applications were resubmitted in early 2023.
- Gross monthly electricity sales from the El Romeral power plant averaged €160,677 between January and June 2023.
- The El Romeral production concessions officially run until 28 July 2024. On 12 May 2021, Tarba requested, under the provisions of article 36 of Law 21/1974, the extension of the El Romeral production concessions for two successive periods of ten years. On 9 December 2022, Tarba received a draft of the Royal Decree in which the first ten-year extension was granted until 28 July 2034. The draft Royal Decree was approved by the Spanish Ministry and forwarded to the Council of Ministers on 4 April 2023, and we are now waiting for the official publication. This step has not yet been taken by the Council of Ministers and we look forward to an early completion of this matter.

### **Post period end:**

- PM-1 commenced gas production and delivered first gas on 4 July 2023.
- The four-week ramp-up and commissioning programme at the PM-1 production facility was completed during the week ended 4 August 2023 and daily production of about 72,000 standard cubic metres per day (scm/d) achieved since.

### **Business Development**

The Company is actively evaluating a number of assets for potential investment. The assets under consideration are all onshore in North-West Europe and include high impact exploration targets. The Company will keep shareholders updated as these projects come to fruition.

## **CHAIRMAN'S STATEMENT**

### **Operational Report**

The first six months of 2023 was a period of consolidation for the Company. The main event was the completion of construction and permitting of the new gas processing facilities at the PM-1 well site of the Selva field in northern Italy. This secured the delivery of first gas sales post period end commencing on 4 July 2023, with first receipts the following month.

In Spain, electricity generation continued at El Romeral with prices achieved during the period averaging more than €100/MWh. This is more than double the price of electricity at the time of the El Romeral asset acquisition in March 2021. Further investments made at the power plant have increased revenue, improved efficiency and have diversified the source of electricity being generated to include photovoltaic. Surplus funds generated since acquisition are being retained in the joint-venture vehicle (Tarba Energía) to fund future development and diversification.

Prospex is now a company with a reliable income stream from onshore assets in Europe. As a result, the Company is expected to be fully funded to meet all existing operational and financial commitments.

### **Financial Review**

For the six months ended 30 June 2023, the Company is reporting a net loss after taxation from continuing operations of £888,473 (H1 2022: profit £5,120,408). Included in this is an unrealised loss of £489,037 arising on revaluation of financial assets at fair value (H1 2022: gain £7,645,980).

The 2023 unrealised loss results from a revaluation of the Company's share in its subsidiary PXOG Marshall Limited in which the assets in the Podere Gallina licence in Italy are held. This loss reflects the impact on the underlying asset valuation caused by the decline in the forward curve of European gas prices and a weaker EUR:GBP exchange rate at 30 June 2023. Applying a conservative view on European gas prices in valuations performed at prior reporting dates has successfully limited the impact of extreme volatility seen in this market since 2021.

Administrative expenses of £461,322 were incurred in H1 2023, compared with £501,967 in the same period last year.

At 30 June 2023, the Company held cash and cash equivalents of £395,202 (30 June 2022: £181,628).

### **Outlook**

Subsequent to 30 June 2023, a further significant proportion of the interest-bearing debt of the Company in the form of convertible loan notes has been converted to equity. As a result and combined with a return of funds invested in Italy enabled by first gas sales there, we expect a strengthening of the Company's balance sheet during the course of 2023.

The Board and management continues to focus on developing and growing the Company's portfolio of assets and income streams, both by increasing the productivity and profitability of existing assets, and through active search and investigation of new investment opportunities which meet the Company's discerning investment criteria.

**Bill Smith**

**Non-Executive Chairman**

Prospex Energy Plc  
Interim results  
For the six months ended 30 June 2023

Statement of profit or loss and other comprehensive income

	Six months ended 30 June 2023 <i>(unaudited)</i> £	Six months ended 30 June 2022 <i>(unaudited)</i> £	Year ended 31 December 2022 <i>(audited)</i> £
<b>CONTINUING OPERATIONS</b>			
Other income	36,936	-	-
Administrative expenses	(461,322)	(501,967)	(975,725)
Share-based payment charge	(191,757)	(201,774)	(187,417)
<b>OPERATING LOSS</b>	<b>(616,143)</b>	<b>(703,741)</b>	<b>(1,163,142)</b>
(Loss)/gain on revaluation of investments and loans	(489,037)	7,645,980	9,367,435
	<b>(1,105,180)</b>	6,942,239	8,204,293
Finance income	257,187	116,314	324,052
Finance costs	(162,739)	(26,200)	(173,023)
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>	<b>(1,010,732)</b>	7,032,353	8,355,322
Income tax	122,259	(1,911,945)	(1,218,415)
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD</b>	<b>(888,473)</b>	5,120,408	7,136,907
<b>(Loss)/profit per share</b>			
- Basic earnings <i>(note 4)</i>	(0.31)p	2.24p	2.88p
- Diluted earnings <i>(note 4)</i>	(0.31)p	2.18p	2.66p

## Statement of financial position – As at 30 June 2023

	30 June 2023	30 June 2022	31 Dec 2022
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	£	£	£
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	-	-
Investment ( <i>note 5</i> )	15,575,603	14,343,285	16,064,640
Trade and other receivables	-	3,463,038	-
	<u>15,575,603</u>	<u>17,806,323</u>	<u>16,064,640</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	6,229,986	710,447	5,515,237
Investments	100	-	100
Cash and cash equivalents	395,202	181,628	1,482,762
	<u>6,625,288</u>	<u>892,075</u>	<u>6,998,099</u>
<b>TOTAL ASSETS</b>	<u><u>22,200,891</u></u>	<u><u>18,698,398</u></u>	<u><u>23,062,739</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	7,232,065	7,200,272	7,225,893
Share premium account	15,100,654	14,051,552	14,850,928
Capital redemption reserve	43,333	43,333	43,333
Merger reserve	2,416,667	2,416,667	2,416,667
Fair value reserve	14,388,954	11,801,302	14,755,732
Retained earnings	<u>(20,471,890)</u>	<u>(19,181,498)</u>	<u>(20,141,952)</u>
<b>TOTAL EQUITY</b>	<u><u>18,709,783</u></u>	<u><u>16,331,628</u></u>	<u><u>19,150,601</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Bank loans	-	28,768	-
Interest bearing loans and borrowings	-	107,226	799,145
Deferred taxation	1,136,550	1,952,339	1,258,809
	<u>1,136,550</u>	<u>2,088,333</u>	<u>2,057,954</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	44,902	51,566	41,440
Financial liabilities - borrowings			
Bank loans	-	9,736	-
Interest bearing loans and borrowings	2,309,656	217,135	1,812,744
	<u>2,354,558</u>	<u>278,437</u>	<u>1,854,184</u>
<b>TOTAL LIABILITIES</b>	<u><u>3,491,108</u></u>	<u><u>2,366,770</u></u>	<u><u>3,912,138</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>22,200,891</u></u>	<u><u>18,698,398</u></u>	<u><u>23,062,739</u></u>

**Statement of changes in equity**  
**For the six months ended 30 June 2023**

	Share capital £	Share premium £	Retained earnings £	Capital redemption reserve £	Merger reserve £	Fair value reserve £	Total £
<i>Unaudited</i>							
At 1 January 2023	7,225,893	14,850,928	(20,141,952)	43,333	2,416,667	14,755,732	19,150,601
Total comprehensive income for the period	-	-	(888,473)	-	-	-	(888,473)
Issue of shares	6,172	249,726	-	-	-	-	255,898
Share-based payment charge	-	-	191,757	-	-	-	191,757
Transfer to fair value reserve	-	-	366,778	-	-	(366,778)	-
<b>At 30 June 2023</b>	<b>7,232,065</b>	<b>15,100,654</b>	<b>(20,471,890)</b>	<b>43,333</b>	<b>2,416,667</b>	<b>14,388,954</b>	<b>18,709,783</b>
<i>Unaudited</i>							
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 income for the period	-	-	5,120,408	-	-	-	5,120,408
Issue of shares	75,917	2,542,682	-	-	-	-	2,618,599
Costs of shares issued	-	(112,103)	-	-	-	-	(112,103)
Share-based payment charge	-	21,640	180,134	-	-	-	201,774
Transfer to fair value reserve	-	-	(5,734,035)	-	-	5,734,035	-
<b>At 30 June 2022</b>	<b>7,200,272</b>	<b>14,051,552</b>	<b>(19,181,498)</b>	<b>43,333</b>	<b>2,416,667</b>	<b>11,801,302</b>	<b>16,331,628</b>
<i>Audited</i>							
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 income for the year	-	-	7,136,907	-	-	-	7,136,907
Issue of shares	101,538	3,333,893	-	-	-	-	3,435,431
Costs of shares issued	-	(112,104)	-	-	-	-	(112,104)
Lapse of share options	-	29,806	(29,806)	-	-	-	-
Share-based payments charge	-	-	187,417	-	-	-	187,417
Transfer to fair value reserve	-	-	(8,688,465)	-	-	8,688,465	-



At 31 December 2022

<u>7,225,893</u>	<u>14,850,928</u>	<u>(20,141,952)</u>	<u>43,333</u>	<u>2,416,667</u>	<u>14,755,732</u>	<u>19,150,601</u>
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Statement of Cash Flows  
For the six months ended 30 June 2023

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2023	2022	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	£	£	£
<b>Operating activities</b>			
(Loss)/profit before income tax	(1,010,732)	7,032,353	8,355,322
Loss/(gain) on revaluation of investments and loans	489,037	(7,645,980)	(9,367,435)
Finance income	(257,187)	(116,314)	(324,052)
Finance costs	162,739	26,200	173,023
<b>Operating loss</b>	<b>(616,143)</b>	<b>(703,741)</b>	<b>(1,163,142)</b>
Increase in trade and other receivables	(461,870)	(1,990,099)	(3,126,358)
Increase/(decrease) in trade and other payables	3,462	(1,326)	(11,454)
Share-based payment charge	191,757	201,774	187,417
<b>Net cash outflow from operating activities</b>	<b>(882,794)</b>	<b>(2,493,392)</b>	<b>(4,113,537)</b>
<b>Cash flows from investing activities</b>			
Interest received	4,308	-	2,247
Interest paid	(159,862)	(26,200)	(124,338)
<b>Net cash outflow from investing activities</b>	<b>(155,554)</b>	<b>(26,200)</b>	<b>(122,091)</b>
<b>Cash flows from financing activities</b>			
New loan notes	-	-	2,370,000
Bank loan repayment	-	(3,890)	(42,394)
Loan repayments	(107,227)	(21,446)	(131,353)
Issue of share capital	58,015	2,618,599	3,414,181
Costs in respect of share issue	-	(112,103)	(112,104)
<b>Net cash (outflow)/generated from financing activities</b>	<b>(49,212)</b>	<b>2,481,160</b>	<b>5,498,330</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,087,560)</b>	<b>(38,432)</b>	<b>1,262,702</b>
Cash and cash equivalents at start of period	1,482,762	220,060	220,060
<b>Cash and cash equivalents at end of period</b>	<b>395,202</b>	<b>181,628</b>	<b>1,482,762</b>

## 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.

### 2 Financial information

The interim financial information for the six months ended 30 June 2023 and 2022 has not been audited or reviewed and does 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 2022 has been derived from the audited financial statements for that period. A copy of those statutory financial statements for the year ended 31 December 2022 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 2023 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 2023 and which are also consistent with those set out in the statutory accounts of the Company for the year ended 31 December 2022.

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 the only charge to taxation is the deferred taxation arising on the revaluation of the company's investments.

#### 4 Loss/earnings per share

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

	Six months ended <u>30 June</u>	Six months ended <u>30 June</u>	Year ended <u>31 December</u>
	2023	2022	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Basic EPS</b>			
(Loss)/profit for the financial period	(888,473)	5,120,408	7,136,907
<b>Effect of dilutive securities on loss /profit</b>			
Options and warrants	-	-	-
Convertible loan notes	-	-	129,734
Adjusted (loss)/earnings	<u>(888,473)</u>	<u>5,120,408</u>	<u>7,266,641</u>
<b>Basic EPS</b>			
Weighted average number of shares for basic EPS	283,657,000	228,138,764	247,635,519
<b>Effect of dilutive securities on number of shares</b>			
Options and warrants	-	6,807,636	3,057,387
Convertible loan notes	-	-	22,291,906
Weighted average number of shares for diluted EPS	<u>283,657,000</u>	<u>234,946,400</u>	<u>272,984,812</u>
Basic (loss)/earnings per share	<u>(0.31)p</u>	<u>2.24p</u>	<u>2.88p</u>
Diluted (loss)/earnings per share	<u>(0.31)p</u>	<u>2.18p</u>	<u>2.66p</u>

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 and the dilution would reduce the earnings per share or increase the loss per share.

## 5 Non-current investment

	Shares in group undertakings £	Unlisted investments £	Total £
<i>Unaudited</i>			
At 1 January 2023	16,014,640	50,000	16,064,640
Revaluations	(489,037)	-	(489,037)
<b>At 30 June 2023</b>	<b>15,525,603</b>	<b>50,000</b>	<b>15,575,603</b>
<i>Unaudited</i>			
At 1 January 2022	6,647,305	50,000	6,697,305
Revaluations	7,645,980	-	7,645,980
<b>At 30 June 2022</b>	<b>14,293,285</b>	<b>50,000</b>	<b>14,343,285</b>
<i>Audited</i>			
At 1 January 2022	6,647,305	50,000	6,697,305
Revaluations	9,367,435	-	9,367,435
Reclassified to current asset investments	(100)	-	(100)
<b>At 31 December 2022</b>	<b>16,014,640</b>	<b>50,000</b>	<b>16,064,640</b>

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](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.

### Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "envisage", "estimate", "intend", "may", "plan", "potentially", "expect", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future

events or results expressed or implied in these forward-looking statements. Persons receiving and reading this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.