Prospex Energy

H1'25 activity report highlights PM-1 well's outperformance and Viura's restart in sight

GICS Sector	Energy
Ticker	AIM: PXEN
Market cap 30-Jul-25 (US$mm)	23.9
Share price 30-Jul-25 (GBp)	4.1

Selva Malvezzi's PM-1 well exceeds expectations and drives H1'25 revenues

Prospex Energy ("Prospex") has delivered stronger-than-forecast H1'25 production, with the Podere Maiar-1 ("PM-1") well, located on Italy's Selva Malvezzi gas field, averaging ~2.73mmcf/d in Q1'25 and 2.82mmcf/d in Q2'25, versus our forecast of 2.67mmcf/d. Prospex owns a 37% working interest ("WI") resulting in a net production rate of ~1mmcf/d. Furthermore, Prospex realised 3-5% higher pricing compared to TTF spot gas pricing: Q1 - €48.3/MWh (US$13.2/mcf) and Q2 - €37.7/MWh (US$10.3/mcf). This higher run-rate and robust gas pricing generated net revenues of €2.3mm during H1, highlighting Prospex's strong cash generation capabilities despite headwinds from Viura and El Romeral. We value Selva's 2P reserves alone at €14mm or 3.7p/sh. Prospex also has a stable offtake agreement with bp which provides clear price realisation and visibility.

Viura to restart shortly providing material reserve and cash flow upside

At the Viura gas field in northern Spain, the operator HEYCO Energia ("HEI") has repaired the tubing leak on the Viura-1B well, which was found in June 2025. During completion tests, HEI found a mud blockage; a coil-tubing unit from Poland is expected by mid-August to clear the remaining mud. Production should resume shortly thereafter at ~5.9mmcf/d (0.9mmcf/d net to Prospex). The company holds a 7.24% WI in Viura; however, given Prospex is funding the initial development, it is entitled to a 14% WI until HEI pays back the carry. Viura-1B has already produced 1.1bcf gross since it started in December 2024 and we carry an unrisked NPV of €5.2mm just from Viura-1B. Two further wells on Viura should unlock ~90bcf of 2P reserves and are worth a further €11mm unrisked net to Prospex. Viura is set to contribute ~€3mm in net revenues to Prospex in 2025, growing to €11mm in 2028 once all three wells are brought onstream.

Multi-well Selva expansion underway

Beyond PM-1, Selva's operator Po Valley is advancing four high impact wells in its Selva Development Programme (Casale Guida 1d, Ronchi 1d, Selva Malvezzi-1, and Bagnarola 1d). Revised Environmental Impact Assessment work addressing flood-risk studies and well-pad relocations requested by local authorities will be resubmitted shortly, keeping the project on track for 3D seismic acquisition in October 2025. The planned drilling sequence targets low-risk step-outs around existing infrastructure on Selva North and Selva South (14bcf of gross 2C resources or 5.2bcf net), Selva East (32bcf gross, 12bcf net), and Riccardina (37bcf gross, 13.7bcf net) by 2026-27. Together these hold an unrisked potential of €59mm or €20mm risked (5.2p/sh).

El Romeral downtime compensated; option value from new licences

In southern Spain, the El Romeral gas-to-power plant (100% WI) has been offline since 1 July while a rented transformer is replaced. The operator, Tarba, is receiving ~€4k/day in compensation which more than offsets lost generation margins while expecting the new unit to be installed during August. Elsewhere, Prospex is maintaining strict capital discipline while screening new onshore gas prospects; licence applications in proven Polish basins have now moved to the public gazetting stage, offering additional medium-term growth optionality at minimal upfront cost.

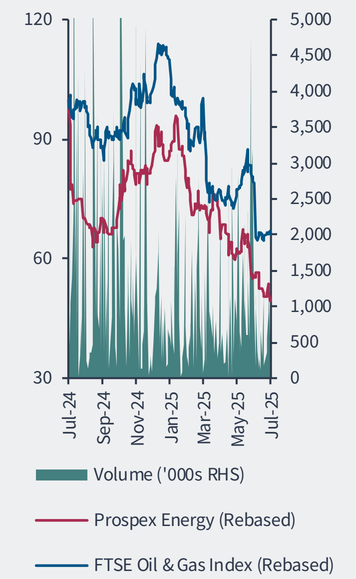
Valuation: Risked NAV provides a ~290% upside to the current share price

Our risked NAV is unchanged at 16.8p/sh. Prospex is trading on a discount to our 2P reserves valuation, with further upside from the development of contingent resources. Prospex's unrisked value is €40.6p/sh, >9x the current share price.

NAV summary (p/sh)

Asset	Unrisked	Risked
Cash & other	-0.1	-0.1
2P+2C	10.6	9.0
Exploration	30.1	8.0
Total NAV	**40.6**	**16.8**

Source: H&Pe



Source: S&P CapIQ

Anish Kapadia
Research Analyst
T +44 (0) 207 907 8500
E anish@hannam.partners

Roger Bell
Managing Director, Research
T +44 (0) 207 907 8534
E rb@hannam.partners

Taher Shehabi
Research Analyst

Leif Powis
Partner
T +44 (0) 207 907 8580
E lp@hannam.partners

H&P Advisory Ltd
7-10 Chandos Street
London W1G 9DQ

Investment Case

Prospex's strategy is to build an energy investment portfolio focused on high impact, onshore and shallow offshore, European natural gas opportunities, in proven hydrocarbon systems. Prospex has a solid financial foundation with no debt and low overheads. The geological characteristics of its target areas, such as foreland basins, often present low geological risk with shallow, therefore inexpensive drilling and avoiding projects needing stimulation. Prospex targets mature markets within Europe that have existing infrastructure and available capacity, low capital intensity opportunities, particularly late-stage exploration, reworking existing fields, or applying new technologies to failed exploration targets. It favours politically stable European countries with a desire to reduce foreign energy dependency on LNG imports. It also has a focus on electricity generation and is exploring renewable energy sources: Prospex views natural gas as a transition fuel in Europe's move towards less carbon-intensive energy sources. Prospex has successfully transitioned to a company with a reliable income stream from its onshore assets in Europe, providing a foundation for further growth and new investments. Prospex had Q1'25 net production of 2.7mmcf/d, 2P reserves of ~13bcf (14-year reserve life) and its assets generated €2.9mm in EBITDA in 2024.

Valuation: We see Prospex trading at an 56% discount to its discovered resource (2P plus 2C) risked valuation of 9p/sh. We see a further 6.6p/sh of risked upside from its planned 8 exploration wells over the next year, which would be worth 19p/sh unrisked. Our risked NAV, on a fully diluted basis, is 16.8p/sh, which implies 292% upside to the current share price.

Focus on European natural gas – Prospex is one of the few listed European oil and gas companies, which is almost exclusively exposed to European gas prices. Given the current dynamics around European gas, we see this as a key positive attribute. Since Russia's invasion of Ukraine, there has been a significant shift in Europe's priorities towards ensuring energy security and affordability, moving away from the previous focus on decarbonising energy markets. Prospex recognises the role of natural gas as a transition fuel in the move away from more carbon-intensive sources of electricity generation. It aims to help bridge the crucial energy gap while the proliferation of renewable sources continues. For example, onshore gas wells in Spain are considered to have a minimal environmental impact compared to imported LNG. Operating in stable European countries with a focus on indigenous energy security provides a strong investment proposition.

Attractive fiscal terms and low-cost assets – Both Italy and Spain have simple fiscal regimes with low government take, especially for existing producing regions. Royalty rates are low, and companies simply pay corporate tax – there is no extraordinary tax on oil and gas as seen in other countries such as the UK and Norway. In Spain, there is an additional 7% tax ("IVPEE") on the electricity produced and fed into the grid. Onshore gas assets typically have lower opex because they require simpler processing, less equipment, and minimal handling compared to oil. We see high NPV/boe valuations due to the combination of low fiscal take and low costs – for example on Selva at US$10/mcf gas pricing, we estimate a US$23/boe NPV10 on the 2P reserves, which is higher than the valuations on many oil assets.

Growth Potential Through Development and Acquisitions: Prospex is actively pursuing growth through further drilling and potential acquisitions in onshore Europe. It has plans for drilling multiple new gas wells in its existing concessions in Italy (Selva Malvezzi) and Spain (El Romeral and Viura). Last year's acquisition of a stake in the producing Viura gas field has substantially increased its reserves. Prospex is also exploring opportunities for acquisitions in other European nations such as Poland. The acquisition of the remaining 50.1% of Tarba (owner of El Romeral) demonstrates further momentum in building Prospex's investment strategy in European gas: it aligns with the Company's focus on acquiring undervalued projects with tangible value trigger points.

Investment Company Structure: Operating as an AIM-quoted investment company allows it to hold a portfolio of interests rather than solely operating assets directly. This provides flexibility in investment decisions. The company maintains low overhead costs, which are comfortably covered by production income.

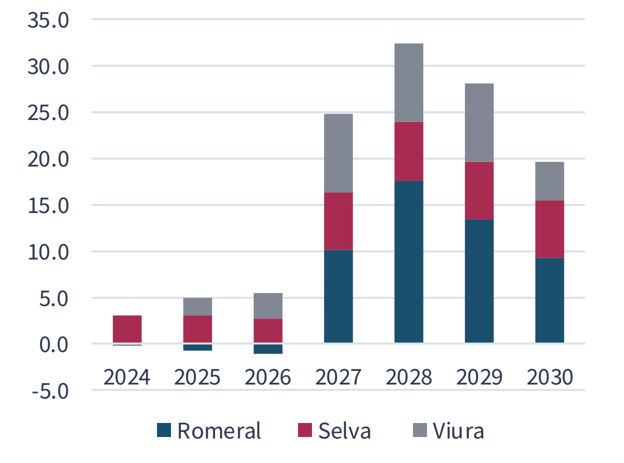
Debt-Free Status: Prospex is currently debt free, which provides a financial advantage compared to peers with substantial debt burdens, allowing it to invest more readily in growth opportunities. We also see the opportunity to take on debt at attractive terms either at the corporate level or individual asset level given the potential for long-term stable production levels and offtake contracts.

Experienced Management Team: Prospex has a highly experienced team of technically-led professionals with a proven track record in the oil and gas industry, including CEO Mark Routh's extensive experience and history of successfully growing energy companies. The team's deep understanding of the upstream gas and resources industry and experience in their operating jurisdictions are crucial. The team has demonstrated an ability to identify and evaluate new investment opportunities that align with their strategy and investment criteria.

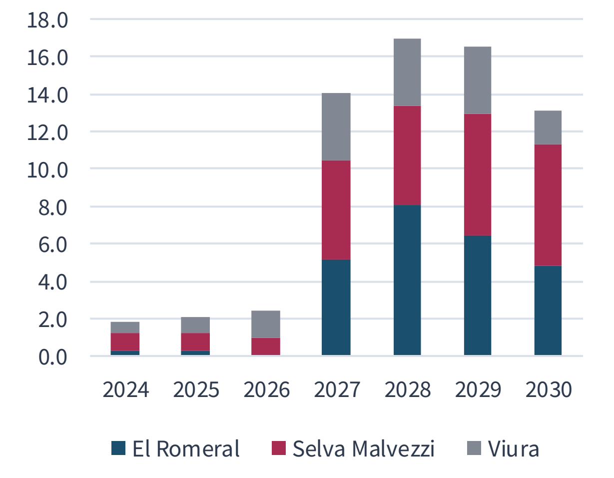
Strong Partnerships and local knowledge: Prospex has built positive working relationships with its partners (like Heyco and Po Valley Energy) and the relevant authorities in Spain and Italy, which is essential for project development and sustainable energy production.

Current assets production and EBITDA potential to 2030

Pro-forma EBITDA (€mm)



Gas production (mmcf/d)



Source: H&Pe; All figures above are net to Prospex

Selva gas field: most valuable asset with most unrisked upside - Prospex has a 37% non-operated stake in the Italian Selva gas field which is producing ~2.8mmcf/d gross. This is an asset with potential flat production from existing 2P reserves of 12bcf (alone worth 3.7p/sh) for a further decade that is generating ~€3mm in net EBITDA at current gas prices given low opex (€1.1/mcf) and taxes. There is potential for further development with plans for drilling four more wells on the Selva Malvezzi concession and already oversized infrastructure. The 2C resource of 14bcf, which is expected to be brought online in 2026 and double production levels, is worth 3.2p/sh unrisked and a further two planned exploration wells targeting ~70bcf are worth 12.4p/sh unrisked (2.8p/sh risked). If just one of these is successful alongside the 2C development, it could take production to ~10mmcf/d gross and EBITDA to >€11mm net to Prospex in 2027.

Viura gas field: producing asset with significant reserves - Prospex has a net 7.24% stake in Spain's largest producing gas field which contains gross 2P reserves of 90bcf with material upside potential. ~US$90mm has been spent on the field and associated infrastructure to date, of which ~US$6.5mm has been invested by Prospex. The field is currently shut-in with production expected to resume later in August-September following workovers of the 1B well with the potential to ramp up to close to 10mmcf/d of gross production again. Establishing stable rates from the field will facilitate negotiations with the banking syndicates for project financing. The plan is to bring one or two further wells online in 2026-27 potentially taking production to 30mmcf/d and growing revenues to >€100mm/y gross. Ahead of this, there will be a well test of a deeper zone that was encountered last year and could contain incremental resource. Prospex entered the asset with an attractive farm-in where it earns interest on its carry and is repaid by taking 15% of the production income. We see the 2P reserves at Viura worth 4.3p/sh unrisked or 3.4p/sh risked

El Romeral: high margin gas and power growth opportunities: El Romeral produces gas that fuels a power plant, generating electricity sold to the grid in Spain. The existing production is approaching end of life, however there are applications submitted to permit five further wells on the El Romeral concessions. These are low-cost wells (total drilling programme cost of €5.5mm), targeting prospects with an average size of 3.6bcf and a high (simple) average chance of success of 75% (more akin to appraisal than exploration). In total they are worth 6.3p/sh unrisked or 3.5p/sh risked with further upside if there is a successful attempt to reduce the overriding royalty. There is also potential to connect directly to the national gas grid, potentially selling at a higher margin. Generally selling gas directly reaps a higher price, given the low efficiency of the power plant but there is also the opportunity to arbitrage the volatile gas and power pricing in Spain. Investments in solar PV projects at El Romeral are diversifying the revenue streams.

Tesorillo: Considerable potential if Prospex receives authorisation to drill - Tesorillo is a gas exploration project in southern Spain with substantial prospective resources based on a historical gas discovery. While currently under permit suspension, plans are in place for future exploration and potential development, leveraging nearby gas infrastructure for monetisation. This is a low probability asset with very high potential if the restrictions are lifted: on an unrisked basis the 831bcf of prospective resources could be worth €0.8bn based on €1/mcf NPV10.

Investment risks: We believe that other than macroeconomic risks such as global energy price fluctuations, currency volatility, and broader economic downturns, the main risks to the company are as follows: operational execution challenges, regulatory and permitting uncertainties, financing and capital allocation issues, and potential delays in project timelines. Prospex attempts to mitigate these risks through careful opportunity review, thorough due diligence, diversification of investments, active engagement with operators, and maintaining positive relationships with regulatory authorities.

Valuation and NAV

We view Prospex as undervalued on several metrics with plenty of catalysts outlined above to unlock value over the next year. We see the current producing assets as more than underpinning the current share price, with further upside from the significant low risk growth potential of its undeveloped reserves and resources, as wells as exploration potential.

We forecast that Selva alone will generate €3.1mm in proforma EBITDA in 2025 for Prospex (implying an EV/EBITDA of ~6x) and we see this underpinning Prospex's current valuation given this field should produce flat at this rate for a decade. Our risked valuation of the discovered resource at Selva is 6.1p/sh (48% premium to the current share price). Furthermore, we see Viura generating €1.8mm of proforma EBITDA in 2025 from existing producing well, growing to €8.4mm in 2027 from the development of the 2P reserves. Our risked valuation of the discovered resource at Viura is 3.4p/sh.

Just through the development of its 2P and 2C reserves and resources plus the El Romeral exploration prospects (75% geological COS), Prospex has the potential to grow production by >8x by 2027 from an estimated 2.1mmcf/d in 2025, which would see EBITDA expand to €25mm from €4mm in 2025E. Using the current EV of €22mm and stable production level (in 2027), Prospex would trade on an EV/EBITDA multiple of ~1x which is a deep discount to producing small cap European E&P players that trade at 2-4x.

There is strong leverage to European gas prices, and we have taken a conservative forecast for 2026 onwards of €9.1/mcf or €30/MWh, which is ~30% below the average year to date in 2025. A 10% increase to our forecast 2026+ price would raise our risked NAV by 9% to 18.3p/sh and our 2027 EBITDA forecast by 10% to €27.2mm.

We see Prospex trading at an 56% discount to its discovered resource (2P plus 2C) risked valuation of 9p/sh. We see a further 6.6p/sh of risked upside from its planned 8 exploration wells over the next year, which would be worth 19p/sh unrisked. Our risked NAV, on a fully diluted basis, is 16.8p/sh, which implies 292% upside to the current share price. Our risked NAV on a basic share basis would be 17.4p/sh. Overall, we estimate that Prospex's unrisked value is €40.6p/sh which is >9x the current share price.

On a reserves and resources basis, Prospex trades at €8.8/boe of its 2P and 2C reserves of 18bcf (3mmboe) that are producing or expected to be developed next year. This compares to the average reserves NPV10 of €14/boe.

Financial ratios and multiples	2025	2026	2027	2028	2029
Market capitalisation (€mm)	18	18	18	18	18
Net debt/(cash)	-1	-1	-1	-1	-1
EV	17	17	17	17	17
EV/EBITDA	4.1x	3.8x	0.7x	0.5x	0.6x
EV/CFFO	5.8x	5.4x	0.9x	0.7x	0.8x
FCF yield	-4%	-56%	44%	136%	117%
EV per kboe/d	47.1	40.7	7.0	5.8	6.0
EBITDA per kboe/d	11.5	10.8	10.5	11.4	10.1
P/E	11.4x	11.8x	1.2x	0.9x	1.1x

Source: H&Pe

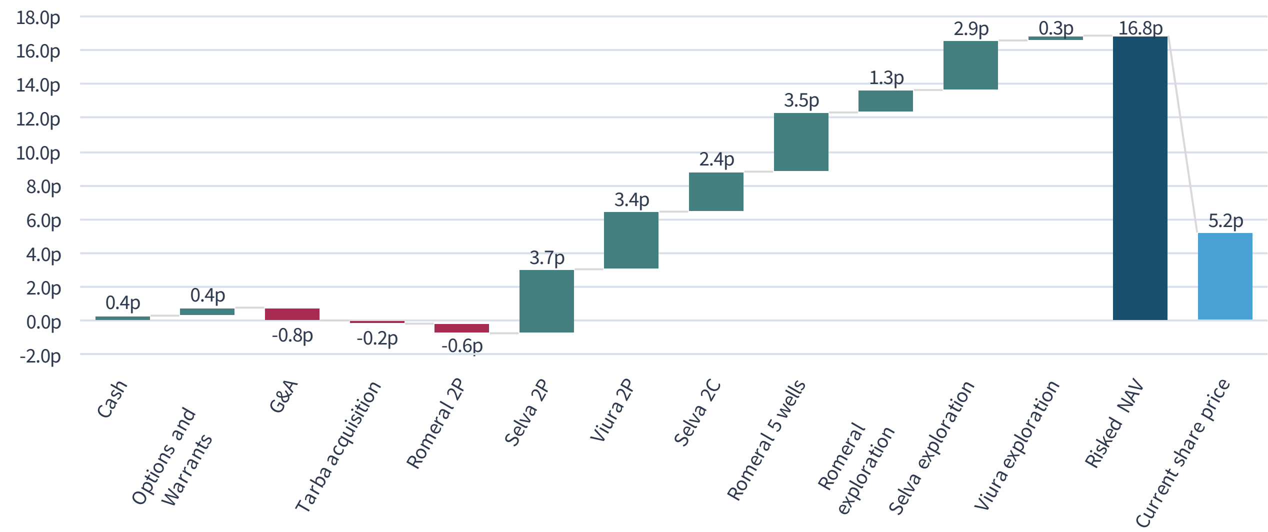
Risked NAV

Our favoured valuation methodology is a bottom-up risked NAV, modelling out the various fields and prospects and applying a geological and commercialisation risk to each. In our base-case scenario, we use a gas price of €35/MWh (€10.3/mcf) in 2025 and a long-term flat gas price of €30/MWh (€8.8/mcf) from 2026, an NGL price of €42/bbl for 2025 onwards and electricity price of €80/MWh in 2025 and a long-term flat price of €75/MWh. We use a USD/EUR FX rate of 1.18 and a USD/GBP FX rate of 1.35 and a 10% discount rate.

Asset	Gross bcf	Propsex W.I.	Net bcf	NPV €/mcf	Unrisked €mm	Unrisked p/sh	Geo. CoS	Comm. CoS	Risked €mm	Risked p/sh
Cash					**€1.4**	**0.4p**			**€1.4**	**0.4p**
Options and Warrants					**€1.7**	**0.4p**			**€1.7**	**0.4p**
Capitalised G&A @2x					**-€2.9**	**-0.8p**			**-€2.9**	**-0.8p**
Tarba acquisition					**-€0.7**	**-0.2p**			**-€0.7**	**-0.2p**
Romeral 2P	0.1	100%	0.1	-€21.9	-€2.2	-0.6p	100%	100%	-€2.2	-0.6p
Viura 2P (well 1B)	22	12.9%	2.9	€1.8	€5	1.4p	100%	90%	€4.7	1.2p
Viura 2P (well 3B)	38	7.8%	3.0	€1.9	€6	1.5p	100%	75%	€4.3	1.1p
Viura 2P (well 3A)	23	10.5%	2.4	€2.2	€5	1.4p	100%	75%	€4.0	1.1p
Selva 2P	12	37%	4.5	€3.2	€14	3.7p	100%	100%	€14.2	3.7p
Selva 2C	14	37%	5.2	€2.4	€12	3.2p	100%	75%	€9.1	2.4p
Total 2P and 2C	**110**	**16%**	**18.0**	**€2.2**	**€40.6**	**10.6p**	**100%**	**84%**	**€34.2**	**9.0p**
Romeral: Sevilla 3 East	0.9	100%	0.9	€1.3	€1.2	0.3p	85%	96%	€1.0	0.3p
Romeral: Santa Clara 2	2.3	100%	2.3	€1.3	€3.0	0.8p	80%	95%	€2.3	0.6p
Romeral: Nuevo Gamo	1.5	100%	1.5	€1.3	€2.0	0.5p	72%	95%	€1.3	0.4p
Romeral: Santa Rita	3.8	100%	3.8	€1.3	€5.0	1.3p	86%	86%	€3.7	1.0p
Romeral: Romeral 2S	9.7	100%	9.7	€1.3	€12.7	3.3p	51%	78%	€5.0	1.3p
Romeral: Exploration Upside	60.2	100%	60.2	€0.5	€30.1	7.9p	34%	49%	€5.1	1.3p
Selva East	32	37%	11.9	€1.9	€23	6.0p	40%	75%	€6.9	1.8p
Selva: Riccardina	37	37%	13.7	€1.8	€24	6.4p	21%	75%	€3.8	1.0p
Selva: Fondo Perino	14	37%	5.3	€2.0	€11	2.8p	34%	10%	€0.4	0.1p
Viura Ullitras B	25.0	7%	1.8	€1.5	€2.7	0.7p	50%	75%	€1.0	0.3p
Total exploration value	**187**	**59%**	**111**	**€1.0**	**€115**	**30.1p**			**€30.5**	**8.0p**
Total NAV	**297**		**129**	**€1.2**	**€155**	**40.6p**			**€64.3**	**16.8p**

Source: H&Pe

Risked NAV build-up



Source: H&Pe

Our valuation shows that Prospex's project economics are heavily influenced by the prevailing gas prices. We have sensitised Prospex's risked value to our long-term gas price estimate and discount rate to show the range of values based on movements in the macro environment.

Sensitivity of risked NAV to gas price and discount rate

		Long term gas price				
€/mcf		€2.9	€5.9	€8.8	€11.7	€14.7
€/MWh		€10	€20	€30	€40	€50
Discount Rate	5.0%	5.7p	14.4p	22.7p	30.7p	38.2p
	7.5%	4.7p	12.2p	19.4p	26.3p	32.7p
	10.0%	3.9p	10.5p	**16.8p**	22.8p	28.4p
	12.5%	3.3p	9.1p	14.7p	20.0p	24.9p
	15.0%	2.8p	8.0p	13.0p	17.7p	22.0p

Sensitivity of risked 2P reserves valuation to gas price and discount rate

		Long term gas price (€/MWh)				
		€10	€20	€30	€40	€50
Discount Rate	5.0%	0.6p	4.7p	8.3p	11.6p	14.5p
	7.5%	0.5p	4.1p	7.4p	10.3p	12.8p
	10.0%	0.4p	3.6p	**6.6p**	9.2p	11.3p
	12.5%	0.4p	3.3p	5.9p	8.2p	10.2p
	15.0%	0.3p	2.9p	5.3p	7.4p	9.1p

Sensitivity of risked 2P+2C reserves valuation to gas price and discount rate

		Long term gas price (€/MWh)				
		€10	€20	€30	€40	€50
Discount Rate	5.0%	1.3p	6.7p	11.8p	16.5p	20.7p
	7.5%	1.0p	5.8p	10.2p	14.3p	18.0p
	10.0%	0.8p	5.0p	**9.0p**	12.6p	15.8p
	12.5%	0.6p	4.4p	7.9p	11.1p	13.9p
	15.0%	0.4p	3.8p	7.0p	9.9p	12.4p

Source: H&Pe

Disclaimer

This Document has been prepared by H&P Advisory Limited ("H&P"), which is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667) and is incorporated in England & Wales with no. 11120795. The Document is protected by international copyright laws and may not be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed (in whole or in part) without H&P's prior written permission.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction where such an offer or solicitation would be illegal, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document, or any other written or oral information made available in connection with it, be considered as investment advice or as a sufficient basis on which to make investment decisions. This Document does not constitute a personal recommendation and, if appropriate, you should seek professional advice, including tax advice, before making investments decisions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources such as credit rating agencies) and has not been independently verified. The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

Marketing Communication

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority ("FCA Rules"). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

Statements Relating to Performance

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P's own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs, or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. Past performance cannot be relied on as a guide to future performance.

Distribution Restrictions

This document is directed only at persons who: (i) are Qualified Investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, (as amended); and (ii) have professional experience in matters relating to investments who fall within the definition of "Investment Professionals" contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or are persons falling within Article 49(2)(a) to (d) (High Net Worth Companies, Unincorporated Associations, etc.) of the Order, or fall within another exemption to the Order (all such persons referred to in (i) and (ii) above together being referred to as "Relevant Persons"). This Document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

Valuation Assumptions/Risks

Please note our valuation estimates provide an assessment of the value of the issuer at a specific point in time, based on public information as well as assumptions and forecasts made by H&P, which are subject to change at any time. It should be noted that the prices of listed equities often deviate significantly from assessments of their fundamental value. Our valuation estimates should not be interpreted as a prediction of the price at which the issuer's shares will trade in future.

Company/Issuer Disclosures

H&P may from time to time have a broking, corporate finance advisory, or other relationship with a company which is the subject of or referred to in the Document.