Prospex Energy

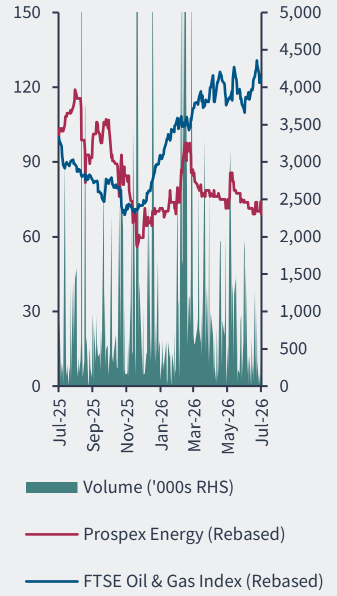
Q2'26 Operational Update: Higher Revenues Driven by Stronger Gas Prices; Sharp fall in Opex

GICS Sector	Energy
Ticker	AIM: PXEN
Market cap 31-Jul-26 (US$mm)	16.2
Share price 31-Jul-26 (GBp)	2.9

NAV summary (p/sh)

Asset	Unrisked	Risked
Cash & other	0.0	0.0
2P+2C	8.6	7.3
Exploration	31.5	8.2
Total NAV	**40.1**	**15.4**

Source: H&Pe



Source: S&P CapIQ

Selva drives higher Q2 revenues on stronger European gas prices

Prospex Energy ("Prospex") provided a Q2'26 update with a focus on strong cash generation and lower opex. Given its set up as an investment company the focus is on cash receipts: it generated £1.2mm (+32% q/q), as stronger gas prices and timing of cash payments lifted the Selva Malvezzi contribution. The realised gas price was US$15.8/mcf, +12% q/q, reflecting a supportive European gas environment. This more than offset a 3% q/q decline in Selva's net production to ~1mmcf/d, which remains in line with our 2026 forecast of 1mmcf/d, while Selva's H1'26 net revenue of €2.4mm tracks our FY'26E of €5.7mm. Opex (mainly Selva and overheads) fell 32% q/q to €547k as Propex's focus on cost cutting bears fruit. Prospex's end Q2'26 cash position of £0.85mm was broadly flat q/q after absorbing Selva's 2025 royalty and tax settlements alongside initial Polish licence fees (in total an additional €500k q/q). The operator lodged the Environmental Impact Assessment for the four-well Selva drilling programme, while 3D seismic processing continued, ahead of a CPR expected in H2'26. We see the CPR as a key near-term catalyst as improved imaging could support a reclassification of Selva East's prospective resources to contingent, while an independently verified reserve base is intended to underpin asset-level debt, reducing the equity required for the 2027 drilling programme.

El Romeral: generation ramp-up sharply reduces the cash drain

At El Romeral, a series of extended production tests lifted generation from 4hrs/day to 15hrs/day by late June and into July, which, combined with stronger Spanish wholesale power prices, took Romeral's revenue from ~€20k in April to ~€73k in June. This materially reduces the monthly funding requirement that has been a persistent drag on group cash: Prospex's loans to Tarba fell to £267k in Q2 from £292k in Q1, and management expects the reduction to continue into Q3. The permanent transformer has now been manufactured and will be installed in September, replacing the rental unit and cutting overheads further. On our estimates, eliminating the ~£1.1mm annualised Tarba funding requirement would free up the discretionary investment capacity generated by Selva's cash flow, which could be redeployed into Poland. The five-well drilling permits remain with the Spanish authorities and are the key catalyst for the asset. Separately, Prospex agreed a research collaboration under which an international scientific drilling programme funds coring of those wells.

Viura output weakens; Poland licences secured

Viura production was weak during the quarter, with gross gas sales falling 45% q/q to 2.2mmcf/d from 4.1mmcf/d and condensate down 40% to ~1.7kbbl. The decline was concentrated in April, when the field was still running the production trials used to calibrate the operator's reservoir model, where wells were run at varying rates rather than for maximum output, with production recovering from May once steady-state operations resumed. Water production, however, did not fall with the gas, holding broadly flat. HEYCO (operator) advanced its dynamic reservoir model during Q2 and defined several development scenarios for further drilling activity in 2027. In Poland, Prospex was awarded and accepted both the San and Dunajec licences, paying £177k of initial permit fees in the quarter. Integration of historic data lifted the company's view of the Mniszów oil discovery to 3.7mmbbl of recoverable oil, and management sees the asset as a near-term opportunity for a farmout.

Valuation: Risked NAV provides a ~430% upside to the current share price

Our risked NAV has dropped 4% to €15.4p/sh after including the dilution effect from the new share options issued in Jun'26. Our risked NAV on a basic share basis would be 18.9p/sh. Prospex trades at a 2026E EV/EVITDA of 2.8x dropping to 0.5x in 2027 once it reaches stable production.

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) 750 0864 478
E lp@hannam.partners

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

Valuation and NAV

We view Prospex as undervalued on several metrics with plenty of catalysts 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 €4.7mm in proforma EBITDA in 2026 for Prospex (implying an EV/EBITDA of ~3x) 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 4.8p/sh (65% premium to the current share price). Furthermore, we see Viura generating €1.5mm of proforma EBITDA in 2026 from existing producing well, growing to €10.5mm in 2028 from the development of the 2P reserves. Our risked valuation of the discovered resource at Viura is 2.6p/sh.

Just through the development of its 2P and 2C reserves and resources plus the 5-wells exploration prospects at El Romeral (65% geological COS), Prospex has the potential to grow production by >8x by 2028 from an estimated 1.7mmcf/d in 2026, which would see EBITDA expand to €29mm from €5mm in 2026E. Using the current EV of €15mm and stable production level (in 2028), Prospex would trade on an EV/EBITDA multiple of 0.5x 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 2027 onwards of €10.9/mcf or €36/MWh, which is ~20% below the average year to date in 2026. A 10% increase to our forecast 2027+ price would raise our risked NAV by 9% and our 2028 EBITDA forecast by 10% to €32mm.

We see Prospex trading at a 60% discount to its discovered resource (2P plus 2C) risked valuation of 7.3p/sh. We see a further 5.8p/sh of risked upside from its planned exploration wells over the next year, which would be worth 22p/sh unrisked. There is a further 2.4p risked upside from the Polish oil assets. Our risked NAV, on a fully diluted basis, is 15.4p/sh, which implies ~430% upside to the current share price. Our risked NAV on a basic share basis would be 18.9p/sh. Overall, we estimate that Prospex's unrisked value is €40.1p/sh which is ~14x the current share price.

On a reserves and resources basis, Prospex trades at €3/mcf of its 2P and 2C reserves of ~18bcf (3mmboe) that are producing or expected to be developed next year.

Financial ratios and multiples	**2026**	**2027**	**2028**	**2029**
Market capitalisation (€mm)	15	15	15	15
Net debt/(cash)	0	0	0	0
EV	**15**	**15**	**15**	**15**
EV/EBITDA	**2.8x**	**2.5x**	**0.5x**	**0.4x**
EV/CFFO	**3.9x**	**3.7x**	**0.7x**	**0.5x**
FCF yield	20%	1%	75%	125%
EV per kboe/d	49.7	31.7	6.3	4.8
EBITDA per kboe/d	17.9	12.5	12.5	12.7
P/E	6.4x	6.1x	0.8x	0.6x

Source: H&Pe

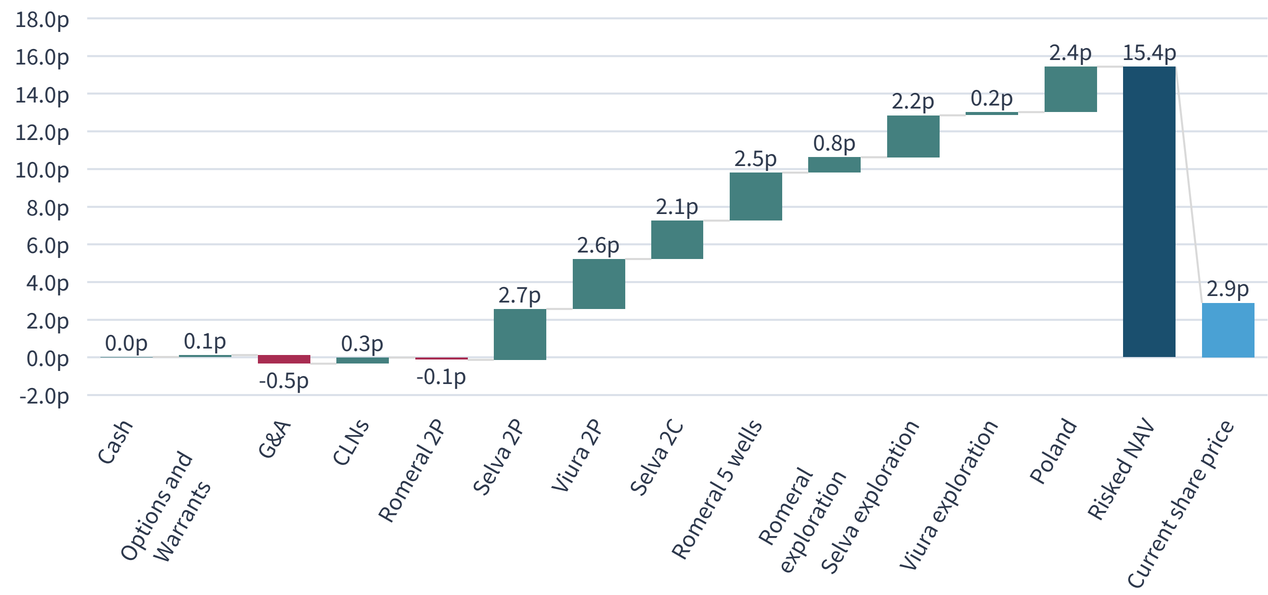
Risked NAV

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 €50/MWh (€15.2/mcf) in 2026 and a long-term flat gas price of €36/MWh (€10.9/mcf) from 2027, an NGL price of €43/bbl for 2026 onwards and electricity price of €100/MWh in 2026 and a long-term flat price of €75/MWh. We use a USD/EUR FX rate of 1.16 and a USD/GBP FX rate of 1.34 and a 10% discount rate.

Asset	Gross bcf	W.I.	Net bcf	NPV €/mcf	Unrisked €mm	Unrisked p/sh	Geo. CoS	Comm. CoS	Risked €mm	Risked p/sh
Cash					**€0.2**	**0.0p**			**€0.2**	**0.0p**
Options and Warrants					**€0.6**	**0.1p**			**€0.6**	**0.1p**
Capitalised G&A @2x					**-€2.9**	**-0.5p**			**-€2.9**	**-0.5p**
CLNs (Dec 2025)					**€2.0**	**0.3p**			**€2.0**	**0.3p**
Romeral 2P	0.2	100%	0.2	-€3.8	-€0.7	-0.1p	100%	100%	-€0.7	-0.1p
Viura 2P	85	9.2%	7.8	€2.6	€20	3.3p	100%	80%	€16.4	2.6p
Selva 2P	12	37%	4.5	€3.8	€17	2.7p	100%	100%	€16.8	2.7p
Selva 2C	14	37%	5.2	€3.3	€17	2.7p	100%	75%	€12.7	2.1p
Total 2P and 2C	**111**	**16%**	**17.6**	**€3.0**	**€53.6**	**8.6p**			**€45.2**	**7.3p**
Romeral: 5 Wells	18	100%	18.3	€1.6	€29.0	4.7p	65%	84%	€15.8	2.5p
Romeral: Other	60	100%	60.2	€0.5	€30.1	4.8p	34%	49%	€5.1	0.8p
Selva	82	37%	30.2	€2.5	€74.0	11.9p	31%	61%	€13.8	2.2p
Viura	25	7%	1.8	€1.5	€2.7	0.4p	50%	75%	€1.0	0.2p
Poland - oil	22.5	100%	22.5	€2.7	€60.0	9.7p	50%	50%	€15.0	2.4p
Total exploration value	**208**	**64%**	**133**	**€1.5**	**€196**	**31.5p**			**€51**	**8.2p**
Total NAV	**318**		**151**	**€1.7**	**€249**	**40.1p**			**€96**	**15.4p**

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 (€/MWh)						
€/mcf		€7.3	€8.8	€10.6	€11.7	€14.7	€17.6	€20.5
€/MWh		€25	€30	€36	€40	€50	€60	€70
Discount Rate	5.0%	15.2p	17.5p	20.6p	22.6p	27.7p	32.8p	37.9p
	7.5%	13.1p	15.1p	17.7p	19.5p	23.9p	28.3p	32.7p
	10.0%	11.4p	13.1p	**15.4p**	17.0p	20.9p	24.7p	28.6p
	12.5%	10.0p	11.5p	13.6p	15.0p	18.4p	21.8p	25.3p
	15.0%	8.9p	10.2p	12.1p	13.3p	16.4p	19.5p	22.5p

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

		Long term gas price (€/MWh)						
		€25	€30	€36	€40	€50	€60	€70
Discount Rate	5.0%	4.2p	5.1p	6.5p	7.4p	9.6p	11.9p	14.2p
	7.5%	3.8p	4.6p	5.8p	6.6p	8.6p	10.6p	12.6p
	10.0%	3.5p	4.1p	**5.2p**	6.0p	7.8p	9.6p	11.4p
	12.5%	3.1p	3.8p	4.8p	5.4p	7.0p	8.7p	10.3p
	15.0%	2.9p	3.5p	4.3p	4.9p	6.4p	7.9p	9.4p

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

		Long term gas price (€/MWh)						
		€25	€30	€36	€40	€50	€60	€70
Discount Rate	5.0%	6.1p	7.4p	9.3p	10.5p	13.7p	16.8p	19.9p
	7.5%	5.4p	6.5p	8.2p	9.3p	12.0p	14.8p	17.5p
	10.0%	4.8p	5.8p	**7.3p**	8.3p	10.7p	13.1p	15.6p
	12.5%	4.3p	5.2p	6.5p	7.4p	9.6p	11.8p	13.9p
	15.0%	3.9p	4.7p	5.9p	6.7p	8.6p	10.6p	12.6p

Source: H&Pe

Proforma Financials

As Prospex is as an investment company, the reported financials are not representative of the underlying earnings and cashflow. Therefore, we have created pro-forma financials (net to Prospex) to show the contribution from the 2P and 2C resources as well as production from the exploration assets at Romeral only given the high geological chance of success (on average 75%).

Operational data	2026	2027	2028	2029	2030
Gas production (mmcf/d)					
El Romeral	0.3	0.3	4.9	8.0	6.4
Selva Malvezzi	1.0	1.0	5.3	6.5	6.5
Viura	0.5	1.4	3.6	3.6	1.8
Total production	**1.7**	**2.7**	**13.8**	**18.1**	**14.7**
El Romeral: Electricity produced (GWh)	6	10	71	71	71
Viura: NGL production (mmcf/d)	0.0	0.1	0.1	0.1	0.1

Pro forma Income Statement (€mm)	2026	2027	2028	2029	2030
Romeral	0.6	0.7	15.8	27.7	21.4
Selva	5.7	4.1	9.0	9.0	9.0
Viura	2.6	5.3	13.4	13.4	6.7
Gross Revenue	**8.9**	**10.1**	**38.3**	**50.2**	**37.2**
Romeral	0.0	-0.1	-3.2	-5.5	-4.3
Selva	-0.6	-0.4	-0.9	-0.9	-0.9
Viura	-0.1	-0.3	-0.8	-0.8	-0.4
Royalty	**-0.7**	**-0.9**	**-4.9**	**-7.2**	**-5.6**
Romeral	0.6	0.6	12.7	22.1	17.2
Selva	5.1	3.7	8.1	8.1	8.1
Viura	2.4	5.0	12.6	12.7	6.3
Net Revenue	**8.1**	**9.3**	**33.4**	**42.9**	**31.6**
Romeral	-1.5	-1.8	-1.8	-1.8	-1.8
Selva	-0.5	-0.5	-0.5	-0.5	-0.5
Viura	-0.9	-1.3	-2.1	-2.1	-1.1
Opex	**-2.9**	**-3.5**	**-4.4**	**-4.4**	**-3.3**
Romeral	-0.9	-1.2	10.9	20.4	15.4
Selva	4.7	3.2	7.7	7.7	7.7
Viura	1.5	3.7	10.5	10.5	5.2
EBITDA	**5.2**	**5.8**	**29.1**	**38.6**	**28.3**
Romeral	-0.1	-0.1	-1.4	-2.2	-1.8
Selva	-1.1	-1.1	-1.1	-1.3	-1.2
Viura	-0.4	-0.4	-0.7	-0.9	-0.4
Depreciation	**-1.6**	**-1.7**	**-3.2**	**-4.4**	**-3.4**
Romeral	-1.0	-1.2	9.6	18.2	13.6
Selva	3.6	2.1	6.5	6.3	6.5
Viura	1.1	3.3	9.8	9.6	4.8
Pre-tax Income	**3.7**	**4.1**	**25.9**	**34.1**	**24.9**
Romeral	0.0	0.0	-2.4	-4.5	-3.4
Selva	-1.0	-0.6	-1.9	-1.8	-1.8
Viura	-0.4	-1.1	-3.4	-3.4	-1.7
Income Tax	**-1.4**	**-1.7**	**-7.7**	**-9.7**	**-6.9**
Romeral	-1.0	-1.2	7.2	13.6	10.2
Selva	2.6	1.5	4.7	4.5	4.6
Viura	0.7	2.1	6.4	6.3	3.1
Net Income	**2.3**	**2.4**	**18.2**	**24.4**	**18.0**

Source: H&Pe

Pro forma Cashflow (€mm)	2026	2027	2028	2029	2030
Romeral	-0.9	-1.2	8.5	15.8	12.0
Selva	3.6	2.6	5.7	5.8	5.7
Viura	1.1	2.6	7.1	7.1	3.6
Post tax cashflow	**3.8**	**4.0**	**21.3**	**28.8**	**21.3**
Romeral	-0.4	0.0	-5.5	-9.0	0.0
Selva	-0.4	0.0	-2.1	-1.5	0.0
Viura	0.0	-3.8	-2.8	0.0	0.0
Capex and decommissioning	**-0.8**	**-3.8**	**-10.3**	**-10.5**	**0.0**
Romeral	-1.3	-1.2	3.1	6.8	12.0
Selva	3.2	2.6	3.6	4.3	5.7
Viura	1.1	-1.2	4.3	7.1	3.6
Free cashflow	**3.0**	**0.2**	**11.0**	**18.2**	**21.3**

Source: H&Pe

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