Prospex Energy

Flywheel turning.

Charles Archer

Aug 20, 2026

Good Morning Team.

Back in June, I laid out the case for Prospex Energy — a multi-asset, multi-jurisdiction European gas investment company that the market has spent the best part of two years ignoring.

The thesis then was straightforward - producing assets generating real cash, a development pipeline sitting on top of that cash flow, a new management team with the right instincts, and a macro backdrop for domestic European gas that has arguably never been more supportive.

Since then, we've had a CEO interview that filled in a lot of the texture behind the numbers, and — more importantly — various updates that let us mark the thesis against reality.

The good news is that we're more or less on track.

Some things are running ahead of where I expected. One thing is running a little behind. And one apparent delay isn't really a delay at all — it's just August in Spain, where nothing happens by design, not by accident.

Let's go through it asset by asset, because that's the only way this company makes sense.

Selva Malvezzi: Doing What It's Supposed To

Selva Malvezzi remains the foundation of the entire investment case, and it continues to behave exactly as a foundation should — unglamorously and with a growing pile of cash attached to it.

On 26 June, operator Po Valley Energy filed the Environmental Impact Assessment for the four-well drilling programme with Italy's Ministry of Environment and Energy Security (MASE).

This is the gateway document that determines whether the Selva North, Selva South, East Selva and Riccardina targets — collectively holding gross prospective resources in the region of 88 Bcf, against 14 Bcf of certified 2C contingent resources currently — can be drilled.

Reynolds was explicit in our conversation that he sees the political mood in Italy as firmly supportive - officials in Rome have been actively soliciting industry on how to accelerate energy security projects, not throwing up barriers to them.

Alongside the EIA filing, the 3D seismic survey covering 140 square kilometres continued processing through the quarter, with interpretation to come.

That data, once digested, should narrow the gap between the conservative 14 Bcf contingent resource figure and the much larger 88 Bcf prospective case — and feed directly into an updated Competent Person's Report, which is itself the prerequisite for approaching lenders about debt financing at the Selva level.

On the numbers - Q2 gross production averaged 77,127 scm per day, a touch softer than Q1's 80,687 scm per day, which is normal field variability rather than anything structural. What matters more is price. Realised gas prices climbed to €0.48 per scm in Q2, up from €0.43 in Q1 and €0.33 in Q4 2025 — a function of strengthening European gas fundamentals amid ongoing energy security concerns.

Net revenue to Prospex's 37% share came in at €1.255 million for the quarter. Reynolds told me directly that he expects the Podere Maiar-1 well alone to deliver north of €4.5 million to Prospex over the course of 2026.

That's funding everything else the company wants to do.

The mechanism Reynolds keeps returning to — and it's a useful mental model for the whole portfolio — is the 'flywheel effect.'

Cash flow from producing assets funds the next increment of development, which produces more cash flow, which funds the increment after that. Selva is the clearest illustration of it currently in motion.

El Romeral: Outperformer

If Selva is the steady foundation, El Romeral has become the pleasant surprise.

Back in June, the story here was recovery — the plant had been offline from July 2025 following a transformer failure, a rental unit was finally installed in January, and generation resumed in February.

Solid, but hardly thrilling.

But the Q2 numbers tell a different story.

Generation hours increased from just 4 hours per day to 15 hours per day by late June and into July, driven by a deliberate series of extended production tests alongside strengthening electricity prices.

The revenue impact has been dramatic in percentage terms - from €20,000 in April to €73,000 in June — very close to a fourfold increase in two months. That has reduced Tarba's net monthly funding requirement from the wider group, freeing up cash that would otherwise have been tied up supporting the subsidiary, and the company expects that trend to continue into Q3.

The permanent replacement transformer — the manufacture of which was complicated by the unusual voltage specification of the original equipment — is now complete and scheduled for installation in September, which should further reduce overheads once the rental unit is decommissioned.

The bigger prize at El Romeral remains the five-well drilling programme — Sevilla-3E, Santa Clara-2, Nuevo Gamo, Santa Rita and Romeral 2S — targeting around 18.2 Bcf of prospective resources at a reported 75% average geological chance of success.

The EIA consultation for this programme completed without a single objection from any statutory consultee, regulator, NGO or member of the public — an unusual outcome for an energy development application anywhere in Europe, and one that speaks to the quality of the original submission and the fact that this isn't a greenfield site asking a community to accept something new.

However, the permit itself is still pending.

Reynolds acknowledged in our June conversation that the company was *'at the end of the legislative guidance window'* — the 90-to-180-day period the Ministry had indicated for a decision — without a permit in hand.

The August RNS update simply notes that Prospex *'continues to engage'* with the Spanish government.

Some context.

It's August.

The Spanish government administration effectively shuts for the month. A permit decision landing in August was never a realistic expectation, seasonal Ministry timetables being what they are.

I expect September onwards.

Alongside the permit itself, Tarba has also applied to connect directly to the Enagas 26-inch national trunkline, which would allow gas to be exported directly rather than converted to electricity on-site first — improving margins by capturing full gas pricing rather than the electricity conversion rate, and removing exposure to the very real problem of Spain's solar-driven midday price troughs suppressing the economics of gas-fired generation.

Reynolds confirmed this application is sitting on the same desk, on the same timeline, as the five-well permit.

And then there's IMMAGE — the international scientific drilling collaboration investigating the Messinian Salinity Crisis, which is contributing up to $1.5 million, funded through the International

Continental Scientific Drilling Program, to cover coring and logging costs across a subset of the Romeral wells.

A third party is effectively subsidising part of the capital cost of a drilling programme Prospex was going to run anyway, in exchange for scientific access. Reynolds was clear in our conversation that this is exactly the kind of *'non-traditional'* capital source he wants shareholders to understand exists — the market's assumption that the only money available to Prospex comes from dilutive placings or CLN raises to existing shareholders is, in his words, simply not the case.

Expressions of interest from prospective farm-in partners at El Romeral remain live, spanning what Reynolds described as a mix of Spanish-domiciled sophisticated investors and family-office-style groups, alongside international private-equity-backed entities with prior Spanish energy experience.

None of this has converted into a signed deal yet. But the pipeline of interest, combined with the operational improvement in generation and the clean permitting consultation, makes this one aspect to watch.

Viura: Waiting Game

Viura's dynamic reservoir modelling — the exercise of running deliberate production trials under varying parameters to calibrate a model against real-world well performance, so that model can then be used predictively to plan the Viura-3A and 3B development wells — was originally targeted for completion by the end of April.

As of our mid-June conversation, Reynolds acknowledged it was still being closed out, with HEI expected to sit down and digest the results as June turned into July. The August RNS confirms the model was *'advanced'* and several development scenarios *'defined'* during Q2 — which is progress, but it's not the completed history-match that was originally pencilled in for the spring.

This matters because the modelling outcome is the direct precursor to an independent reserves report, which is in turn the precursor to the debt facility HEI is pursuing at the asset level — financing that would fund the 3A and 3B wells without diluting Prospex shareholders.

A slower model means a slower reserves report means a slower financing conversation.

On the plus side, Q2 production data shows volumes moving — 1.96 million cubic metres of sales gas in June alone, with the operator explicitly managing the production strategy to maximise cash generation while European gas prices remain elevated — so this isn't a dormant asset.

It's simply a development timeline that has slipped by a matter of months.

Poland: Free Optionality

Poland was described in my original piece as new frontier territory the market was assigning essentially no value to. That's become slightly less true.

Through Q2, the team compiled and integrated historical well and log data across the San and Dunajec licences, and the headline output was a material upward revision to the Mniszów oil discovery - the Company's view of potentially recoverable resource has increased to 3.7 million barrels, up from the roughly 2 million barrels originally estimated at the field's 1966 discovery under much older, less efficient vertical-drilling recovery assumptions.

That upgraded figure was presented as part of the *'full potential'* analysis at the June AGM.

Reynolds' framing of Poland in our conversation is worth repeating because it's a useful contrast with the Spanish permitting experience - political will, regulatory process, and licensing authority are all aligned toward development in Poland, in a way that simply isn't the case in Spain currently (though this is changing).

Worth flagging too that Poland's current left-leaning coalition faces a general election within the next six to nine months, and there's a reasonable case that a change of administration shifts energy policy further in Prospex's favour rather than against it, given the direction of travel on energy security across the region regardless of who's in office.

Add a long-established domestic oilfield services industry and a deep well of historic subsurface data to piece together, and you have a jurisdiction where Prospex can plausibly move faster and more cheaply than in either of its Spanish assets.

The near-term plan remains data compilation and historical review, with a drilling plan targeted for H1 2027.

Cash Discipline Continues

Group cash stood at £852,000 at the end of Q2, down modestly from £907,000 at Q1. That dip reflects the payment of initial licence fees for the new Polish acreage and the settlement of Selva's 2025 production royalty and tax obligations, both one-off or periodic items rather than any sign of operational cash burn.

Selva's rising realised gas price, and the sharp reduction in El Romeral's net funding requirement from the group, both point the trajectory back in the right direction heading into H2.

On governance, Simon Ashby-Rudd's appointment as non-exec has been formally confirmed, bringing 35 years of energy banking and capital markets experience to a board that is being deliberately reshaped for a phase where non-dilutive financing and strategic partnerships matter as much as operational delivery.

Management also flagged an extensive review of the group's cost base, with active measures in place to minimise overhead while continuing to develop the assets — a sensible discipline given how much capital the 2027 multi-well programmes across Selva, Viura and El Romeral will eventually require.

And in a detail I think is important for investor engagement - the company has committed to a series of asset-focused online presentations beginning in September, walking through the detailed investment case for each part of the portfolio individually.

The sequencing looks sensible too - the opening session is expected to lead with the Mniszów upgrade in Poland — the freshest, most self-contained story in the portfolio, and the one easiest to follow up on with real confidence once the historical data review is further along.

I continue to believe that the complexity of this company's structure is the single biggest reason Prospex trades at such a wide discount to net asset value - so a sustained effort to explain each piece in isolation strikes me as exactly the right response.

Actually, it's what I did in my original piece.

Where This Leaves the Thesis

Stack it up, and the picture across the summer is one of a company doing what it said it would do, at a pace that's mostly on schedule and in a couple of places ahead of it.

Selva Malvezzi has cleared a real permitting milestone with the EIA filing and remains on track for its updated CPR later this year.

El Romeral has moved from limping recovery to a genuine, multiples-scale improvement in generation and revenue, while its permit sits exactly where the calendar says it should — paused for the Spanish summer.

Waiting on a permit used to mean waiting while the asset quietly drained group cash. With generation now running at 15 hours a day and Tarba's monthly funding requirement from the wider group falling sharply, the wait itself costs the company far less than it would have back in February — this isn't the same kind of delay it would have been six months ago.

Poland has delivered a positive resource upgrade before a single well has been drilled.

Cash remains adequate, with the near-term capex commitments explicitly covered and the heavier 2027 requirements still the subject of active, if not yet closed, farm-out and debt discussions.

The one asset behind its own internal schedule is Viura, where the dynamic modelling work has taken longer than originally flagged.

That has a knock-on effect on the timeline for the debt facility that's meant to fund the 3A and 3B wells — worth watching, not worth panicking about, given the well continues to produce and generate cash in the meantime.

It's also worth considering what that financing actually commits the company to - this is a right, not an obligation, to fund the forward programme. If the economics on 3A and 3B don't stack up against other calls on capital elsewhere in the portfolio, management can simply choose not to fund that specific programme and accept dilution there rather than being forced into it — which says something about capital discipline as much as it does about financing mechanics.

None of this changes the fundamental valuation argument. Hannam & Partners' risked NAV of roughly 13.6p per share, built on a €36/MWh long-term gas price assumption that Reynolds himself describes as conservative given a forward curve currently sitting north of €45 through mid-2027, still sits a long way above where the shares have traded.

If anything, the Q2 data — rising realised prices at Selva, a resource upgrade in Poland, and a step-change in El Romeral's generation economics — nudges the inputs to that valuation model in the right direction rather than the wrong one.

The catalyst to watch now is September - the asset-by-asset investor presentations opening with Mniszów in Poland, the installation of El Romeral's permanent transformer, the reopening of the Spanish permitting machinery after the summer recess, and — hopefully — the point at which farm-out and debt-financing conversations that have been 'ongoing' for months start converting into signed terms.

Like several other ideas, watch this space.