Prospex Energy

Record Selva cash generation and current gas prices strengthen funding flexibility ahead of 2027 drilling

Selva delivers record revenue; permitting advances and gas prices strengthen
Propsex Energy's Selva Malvezzi asset achieved record monthly revenue in August, on continued strength in European gas prices and stable production. It produced 3mmcf/d gross, with realised pricing of US$22/mcf. Current European gas prices have increased further to almost US$25/mcf, with Prospex heavily geared into this. Revenue reached the equivalent of €618k net to Prospex's 37% interest, which we estimate at €7mm in annualised net EBITDA. The partners signed a new gas sales agreement with Hera Trading for the 26/27 gas year. Meanwhile, Italy's regulator confirmed admissibility of the four-well Environmental Impact Assessment (EIA), with the 60-day public consultation period now underway, representing an important permitting milestone ahead of the planned 2027 drilling campaign.

3D seismic and CPR underpin Selva growth plans
Schlumberger delivered a preliminary processed 3D seismic volume covering Selva, with interpretation work now commencing. The data should allow the JV to refine landing positions, update volumetrics and improve risk assessment across the planned drilling inventory, while existing permits and surface locations remain unchanged. Following interpretation, the partners intend to commission an updated CPR, which we view as one of the key near-term catalysts for the company. We currently attribute 2.3p/sh of risked value (12.2p/sh unrisked) to Selva's prospective resource inventory beyond the existing 2P and 2C volumes, highlighting the material leverage to drilling success and resource upgrades that could emerge from the new seismic interpretation and CPR process.

El Romeral reaches cash self-sufficiency as power revenues strengthen
Electricity generation at El Romeral continues to benefit from strong Spanish power prices and consistent operations, delivering August revenue of €179k. Importantly, Tarba has been cash self-sufficient during both July and August, eliminating the need for funding from Prospex and marking a significant improvement from earlier in the year. The permanent transformer is expected to be installed during September, replacing the rental unit and reducing operating costs further. We view the elimination of El Romeral's cash requirement as strategically important, as it allows a greater proportion of cash generated from Selva to be directed towards development and growth opportunities elsewhere in the portfolio.

Viura and Poland advance development opportunities and partner discussions
Viura continued to demonstrate operational reliability during Q2, with 92 consecutive days of production, no shut-ins and 100% plant availability, generating €4.2mm of gross cash revenue versus €3.6mm of opex. The successful recovery of the previously lost tool string preserves the option to access the lower Utrillas B discovery, while plans remain on track to test water injection at ST3 during Q4 and evaluate further drilling opportunities in 2027. In Poland, Prospex continues to focus on well and completion design for the Mniszów oil discovery and is evaluating advanced completion techniques suitable for fractured carbonate reservoirs. Management has reiterated its focus on securing non-dilutive funding partners ahead of the 2027 programme, creating a stronger platform from which to advance both the Selva and Polish opportunities while preserving shareholder value.

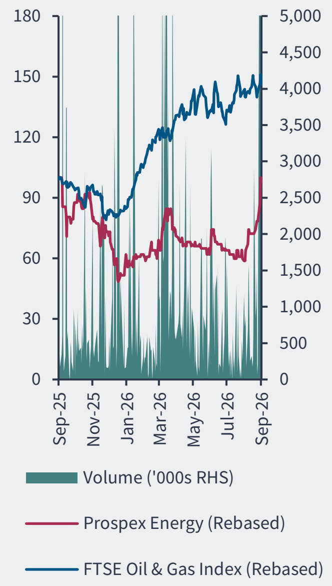
Valuation: Risked NAV provides ~230% upside to the current share price
Our risked NAV has increased 6% to 16.4p/sh. Stronger futures pricing has led us to increase our European gas price forecasts to US$18.6/mcf for 2026 (+10%) and US$17/mcf for 2027 (+35%), although both assumptions remain below prevailing forward curves. Prospex trades at a '26E EV/EVITDA of 4.2x dropping to 0.9x in '28 once it reaches stable production.

GICS Sector	Energy
Ticker	AIM: PXEN
Market cap 04-Sep-26 (US$mm)	28.4
Share price 04-Sep-26 (GBp)	5.0

NAV summary (p/sh)

Asset	Unrisked	Risked
Cash & other	0.1	0.1
2P+2C	9.3	7.9
Exploration	32.4	8.4
Total NAV	**41.8**	**16.4**

Source: H&Pe



Source: S&P CapIQ

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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 €5.2mm in proforma EBITDA in 2026 for Prospex (implying an EV/EBITDA of ~5x) 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 5.1p/sh (which is alone roughly equal to the current share price). Furthermore, we see Viura generating €1.8mm of proforma EBITDA in 2026 from the 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 2.9p/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. Using the current EV of €25mm and our forecast production level in 2028, Prospex would trade on an EV/EBITDA multiple of 0.8x which is a deep discount to producing small cap European E&P players that trade at 2-4x.

European TTF winter '26/27 prices (US$/mcf)

Source: Bloomberg

There is strong leverage to European gas prices, and we have taken a conservative forecast for 2028 onwards of €10.9/mcf or €36/MWh compared to prices over the last six months. A 10% increase to our forecast 2028+ price would raise our risked NAV by 9% and our 2028 EBITDA forecast by 10% to €32mm.

We see Prospex trading at a 36% discount to its discovered resource (2P plus 2C) risked valuation of 7.9p/sh. We see a further 8.4p/sh of risked upside from its planned exploration wells over the next few years, which would be worth 32p/sh unrisked. Our risked NAV, on a fully diluted basis, is 16.4p/sh, which implies ~230% upside to the current share price. Our risked NAV on a basic share basis would be 19.4p/sh. Overall, we estimate that Prospex's unrisked value is €42p/sh which is ~8x the current share price.

On a reserves and resources basis, Prospex trades at €1.5/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)	25	25	25	25
Net debt/(cash)	0	0	0	0
EV	**25**	**25**	**25**	**25**
EV/EBITDA	**4.2x**	**2.8x**	**0.9x**	**0.7x**
EV/CFFO	**5.9x**	**4.1x**	**1.2x**	**0.9x**
FCF yield	14%	10%	43%	72%
EV per kboe/d	86.1	54.9	10.9	8.3
EBITDA/boe	56.0	54.2	34.3	34.8
P/E	9.0x	5.4x	1.4x	1.0x

Source: H&Pe

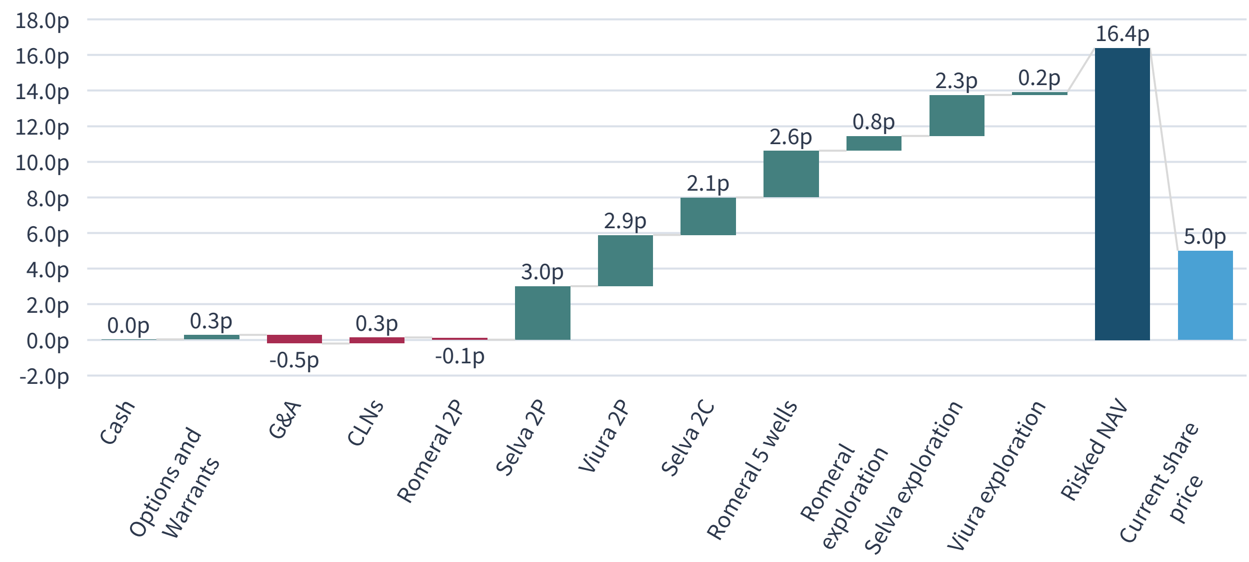
Risked NAV

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 €55/MWh (US$18.6/mcf) in 2026, €50/MWh (US$17/mcf) in 2027 and a long-term flat gas price of €36/MWh (US$12/mcf) from 2028, an NGL price of €43/bbl (US$50/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					**€1.6**	**0.3p**			**€1.6**	**0.3p**
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	€2.8	€22	3.6p	100%	80%	€17.4	2.9p
Selva 2P	12	37%	4.5	€4.1	€18	3.0p	100%	100%	€18.1	3.0p
Selva 2C	14	37%	5.2	€3.3	€17	2.8p	100%	75%	€12.7	2.1p
Total 2P and 2C	**111**	**16%**	**17.6**	**€3.2**	**€56.2**	**9.3p**			**€47.6**	**7.9p**
Romeral: 5 Wells	18	100%	18.3	€1.6	€29.0	4.8p	65%	84%	€15.8	2.6p
Romeral: Other	60	100%	60.2	€0.5	€30.1	5.0p	34%	49%	€5.1	0.8p
Selva	82	37%	30.2	€2.5	€74.0	12.2p	31%	61%	€13.8	2.3p
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	9.9p	50%	50%	€15.0	2.5p
Total exploration value	208	64%	133	€1.5	€196	32.4p			€51	8.4p
Total NAV	**318**		**151**	**€1.7**	**€253**	**41.8p**			**€99**	**16.4p**

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)						
US$/mcf		U$8	U$10	U$12	U$14	U$17	U$20	U$24
€/MWh		€25	€30	€36	€40	€50	€60	€70
Discount Rate	5.0%	16.2p	18.7p	21.7p	23.7p	28.7p	33.7p	38.7p
	7.5%	14.0p	16.2p	18.7p	20.5p	24.8p	29.1p	33.4p
	10.0%	12.3p	14.1p	**16.4p**	17.9p	21.7p	25.4p	29.2p
	12.5%	10.9p	12.5p	14.5p	15.8p	19.1p	22.5p	25.8p
	15.0%	9.7p	11.2p	12.9p	14.1p	17.1p	20.0p	23.0p

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%	4.7p	5.8p	7.1p	7.9p	10.0p	12.1p	14.2p
	7.5%	4.3p	5.2p	6.3p	7.1p	8.9p	10.8p	12.6p
	10.0%	4.0p	4.8p	**5.8p**	6.4p	8.0p	9.7p	11.3p
	12.5%	3.6p	4.4p	5.3p	5.8p	7.3p	8.8p	10.2p
	15.0%	3.4p	4.0p	4.8p	5.4p	6.7p	8.0p	9.3p

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%	6.7p	8.2p	9.9p	11.1p	14.1p	17.1p	20.1p
	7.5%	6.0p	7.2p	8.8p	9.8p	12.4p	15.1p	17.7p
	10.0%	5.4p	6.5p	**7.9p**	8.8p	11.1p	13.4p	15.7p
	12.5%	4.9p	5.9p	7.1p	7.9p	9.9p	12.0p	14.0p
	15.0%	4.4p	5.3p	6.4p	7.1p	9.0p	10.8p	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	6.3	5.7	9.0	9.0	9.0
Viura	2.8	7.3	13.4	13.4	6.7
Gross Revenue	**9.7**	**13.8**	**38.3**	**50.2**	**37.2**
Romeral	0.0	-0.1	-3.2	-5.5	-4.3
Selva	-0.6	-0.6	-0.9	-0.9	-0.9
Viura	-0.2	-0.4	-0.8	-0.8	-0.4
Royalty	**-0.8**	**-1.1**	**-4.9**	**-7.2**	**-5.6**
Romeral	0.6	0.6	12.7	22.1	17.2
Selva	5.7	5.1	8.1	8.1	8.1
Viura	2.7	6.9	12.6	12.7	6.3
Net Revenue	**8.9**	**12.6**	**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	5.2	4.7	7.7	7.7	7.7
Viura	1.8	5.6	10.5	10.5	5.2
EBITDA	**6.0**	**9.1**	**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	4.1	3.5	6.5	6.3	6.5
Viura	1.3	5.1	9.8	9.6	4.8
Pre-tax Income	**4.4**	**7.4**	**25.9**	**34.1**	**24.9**
Romeral	0.0	0.0	-2.4	-4.5	-3.4
Selva	-1.2	-1.0	-1.9	-1.8	-1.8
Viura	-0.5	-1.8	-3.4	-3.4	-1.7
Income Tax	**-1.6**	**-2.8**	**-7.7**	**-9.7**	**-6.9**
Romeral	-1.0	-1.2	7.2	13.6	10.2
Selva	2.9	2.6	4.7	4.5	4.6
Viura	0.8	3.3	6.4	6.3	3.1
Net Income	**2.8**	**4.7**	**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	3.9	3.6	5.7	5.8	5.7
Viura	1.3	3.8	7.1	7.1	3.6
Post tax cashflow	**4.3**	**6.2**	**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	3.5	3.6	3.6	4.3	5.7
Viura	1.3	0.0	4.3	7.1	3.6
Free cashflow	**3.5**	**2.4**	**11.0**	**18.2**	**21.3**

Source: H&Pe

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