

29 September 2026

OIL & GAS



Flashnote

Marketing Communication (Connected Research)

Prospex Energy Plc[#]

BBG Ticker: PXEN LN

Price: 5.7p

Mkt Cap: £24.5m

BUY

Half Year Results

Capitalising on Stronger Prices

During H1 2026 **Prospex Energy (PXEN LN)** recorded a net profit of £132k, underpinned by a £629k fair value gain on investments and supported by net finance income of £445k on intercompany loans. Cash at 30 June 2026 stood at £525k. During the period, the company used funding secured at the start of the year to normalise operations helping the company to build momentum and capitalise on strong tailwinds from increasing European gas prices. Selva Malvezzi achieved the strongest monthly revenue in three years, El Romeral reached cash self-sufficiency in July and August following transformer installation, and the combined portfolio monthly revenue reached €796k in August. The Selva EIA was confirmed admissible by Italy's MASE ministry in July, and the Mniszów development concept has been progressed.

Growth Programme Taking Shape

European gas prices have moved materially in PXEN's favour since our last note, with TTF front-month contracts trading up to €84/MWh in September 2026, and the impact is now visible in the reported numbers. Selva Malvezzi's realised gas price improved from €0.43/scm in Q1 to €0.48/scm in Q2, and reached €0.67/scm in August, driving the strongest monthly Selva revenue in over three years and contributing to the £629k fair value recovery recorded in the H1 accounts. The permitting decision on El Romeral's direct gas programme is the nearest-term catalyst. At Selva Malvezzi, the four-well drilling programme is now in a public consultation phase, with a Competent Person's Report to follow preliminary 3D seismic interpretation. At Viura, reservoir modelling conclusions are expected ahead of a 2027 development well. In Poland, at Mniszów the development concept is being progressed, and 2D seismic is planned for Q1 2027. Across El Romeral and Poland in particular, full ownership provides the flexibility to introduce partner capital through farm-out, and management has indicated this is actively being pursued as a means of accelerating development while limiting direct dilution to PXEN shareholders.

Recommendation and Target Price

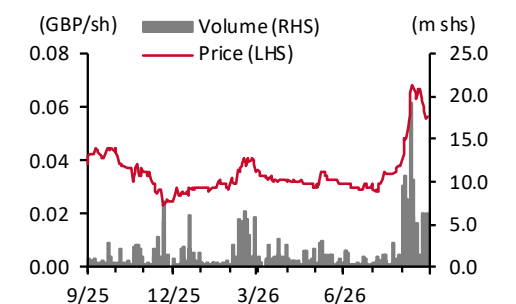
The share price is up 115% YTD, however, has pulled back 17% since a peak of 6.8p/sh. in September when gas prices passed €80/MWh. Now at €72/MWh and with Europe entering Winter with below usual gas storage levels PXEN is positioned for continued earnings strength from its portfolio of producing European gas assets. The growth programmes planned across the portfolio will further enable the company to capitalise on higher prices and Europe's structural shortage of domestic gas production.

We reiterate our Buy recommendation and increase our target price to 20p/sh.

Company Description

Investment company with interests in producing gas assets in Spain and Italy and development licences in Poland.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	79.9%	76.6%	34.5%

12mn high/low: 6.9p/2.4p

SOURCE: Workspace, as of 28 September 2026 close

Market:	LSE AIM
Price target:	20p
Shares in issue diluted:	433.8m
Free float:	61.9%
Cash (June 2026):	£0.5m
Enterprise value:	£24.0m

Major shareholders

Heyco Energy Group	10.64%
Simon Chantler	6.02%
Colin Wilson	4.63%

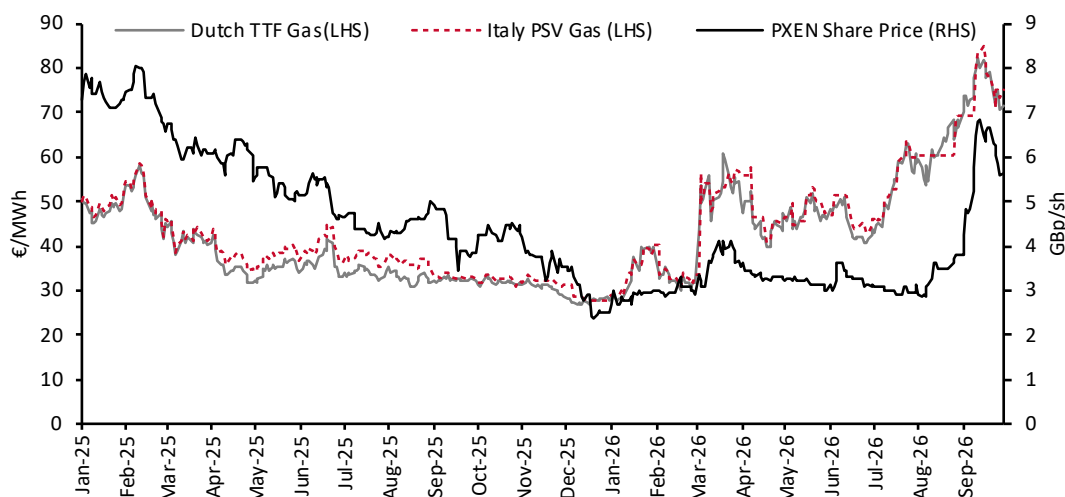
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[#]VSA Capital acts as Joint Broker to Prospex Energy.

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Although PXEN's performance has remained correlated to the gas price benchmarks to which it is exposed, having underperformed in late 2025, the combination of normalised operations at Viura and El Romeral and a breakout in gas prices has enabled the company to rerate. The improved financial performance is a reflection of this and should continue to strengthen particularly with Winter approaching.

PXEN Share Price vs. Dutch TTF & Italy PSV



SOURCE: Eikon, VSA Capital Research.

The company has an active growth programme across the portfolio and is providing clarity on how it expects to advance development, with a particular focus on finding partners.

Operational Forecast Highlights, €'000

	2026 F	2027 F	2028 F	2029 F
Selva				
Production (100%), mmscfd	2.9	2.9	3.6	5.8
Net Income	10,100	9,189	7,805	14,160
Capex	(1,200)	(6,900)	(5,700)	(100)
FCF	9,488	3,824	4,265	15,911
Production (Net 37%)	1.1	1.1	1.3	2.1
Net Income	3,737	3,400	2,888	5,239
Capex	(444)	(2,553)	(2,109)	(37)
FCF	3,510	1,415	1,578	5,887
El Romeral				
Production (100%), MWh	22,366	11,183	0	0
Production (100%), mmscfd	0.0	4.9	7.2	4.2
Net Income	(252)	15,895	22,955	12,985
Capex	0	(15,000)	(10,000)	0
FCF	(191)	1,285	13,511	13,458
Viura				
Production (Gross), BCF	1.8	5.0	10.0	10.0
Net Income (Gross)	26,386	78,973	116,180	109,272
Capex (Gross)	0	(44,160)	(300)	(300)
FCF (Gross)	26,386	34,813	115,880	108,972
Production (Net)	0.1	0.4	0.8	0.8
Capex (Net)	0	(6,624)	(45)	(45)
FCF (Net)	1,919	(547)	8,476	7,969

Source: Company data, VSA Capital Research. *At Viura Gross reflects 100% at the asset level while net reflects PXEN's 7.24% exposure.

Selva Update

Selva Malvezzi delivered consistent production through the first half of 2026, with gross output of 14.28MMscm (5.28MMscm net to Prospex at 37% WI) sold at an average realised price of €0.46/scm, generating €2.41m net revenue for the period. The 3D seismic dataset, acquired in late 2025 and processed by Schlumberger Italy, has delivered a preliminary output which will be used to confirm drilling locations for the planned four-well development programme. Post period, the EIA for the four-well programme was declared admissible by Italy's MASE, triggering a 60-day public observation period, and a new 12-month gas sales agreement was signed with Hera Trading effective 1 October 2026. Realised pricing has strengthened materially since period end, with August 2026 recording a field revenue record at €0.67/scm, benefiting from the broader European gas price recovery. The seismic interpretation will be used to commission an updated CPR providing independent verification of the licence resource position ahead of the planned 2027 drilling campaign.

Selva Production and Earnings Highlights, €'000

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Production PM1 -100% (kscm)	6,724	7,260	7,249	6,971	7,262	7,019
Production PM1 - Net to PXEN (37%) (kscm)	2,488	2,686	2,682	2,579	2,687	2,597
Revenue PM1 -100% €	3,338	2,865	2,681	2,302	3,122	3,393
Revenue PM1 - Net to PXEN (37%) €	1,235	1,060	992	852	1,155	1,255

SOURCE: Company data, VSA Capital Research.

Viura Update

Viura has returned to consistent production with the Viura-1B well achieving 92 consecutive days of production with no shut-ins and 100% plant availability, albeit under longer term target production rates. At the HEI level, Q2 2026 generated €4.15m of revenue against €3.59m of cash operating expenditure, in a quarter still characterised by sub-plateau production trial rates. The dynamic reservoir model, which underpinned the deliberate flow rate management seen through Q1 2026, is now informing development scenarios for the next phase of activity. Planning for the 2027 development programme is ongoing, including a water injection test on the shut-in ST3 well targeted for Q4 2026, which will inform both water handling strategy and the potential role of ST3 in future production. A development well is planned for 2027, with the supporting reserves report expected to underpin a debt facility at the HEI level, limiting the direct capital call on Prospex to its 15% participation right.

Despite the setback in 2025, the potential impact on production and cash flows net to PXEN following the development remains significant. Given the ongoing reservoir modelling, we expect HEI and PXEN to provide more detailed guidance on the near-term operational requirements and timelines and the impact of this on the next phases of drilling.

El Romeral

El Romeral's operational performance has improved materially through the first half of 2026 and beyond. Following installation of the rental transformer in January, well management extended generation activity from four hours per day to 16 hours per day by the end of June. Gross invoiced electricity sales in H1 totalled €146,333 at an average price of €107.13/MWh. Post period, July and August combined delivered €315,272 of gross invoiced sales at an average price of €160.31/MWh, and Tarba has operated without funding support from the topco since July, a significant operational milestone for the asset.

The permanent replacement transformer was successfully installed in September, removing the rental cost of approximately €14,000 per month. The strategic collaboration with IMAGE, under which up to US\$1.5m will be contributed toward coring and logging costs in a subset of the planned five wells at no cost to PXEN, was confirmed during the period. The Company's revised strategy of targeting direct gas export via connection to the Enagas pipeline, rather than reliance on the existing gas-to-power plant, remains subject to the five-well drilling permit decision, which is expected in the coming months. Our updated valuation is based on this strategy.

For the five-well programme plus grid infrastructure, we assume all-in-costs that average at €1.5m per well. Tie-in distances are short at 0.8-4.4km across the five wells, also limiting the additional capital required, but requiring modest additional permitting. Total estimated capex for phase 1 is expected to be €15m including tie ins therefore although based on projected cashflows this could likely fund future well programmes for phases 2 and 3. Our forecasts reflect the vendor royalty as well and still the new economics appear attractive. PXEN's 100% ownership of the asset provides farm-out flexibility to introduce partner capital for the drilling programme.

Poland

The San and Dunajec licences were formally awarded to PXEN during the period, with technical work focusing primarily on the Mniszów oil discovery within the Dunajec licence. A site visit to both licence areas was completed in mid-September, followed by a detailed investor presentation on 21 September setting out the base case development plan and economics.

Internal mapping of data from over 30 historical wells has identified two accumulations, Mniszów North (OWC at 430m TVDSS, 4mmbbl OIP) and Mniszów South (OWC at 505m TVDSS, 9mmbbl OIP), giving a combined STOIP estimate of 13mmbbl and assessed recoverable reserves of 3.7mmbbl, both company estimates pending the independent CPR planned for Q4 2026. The development concept is a three-phase programme of eight wells targeting an initial production rate of 300 bbl/d per well and an EUR of up to 450,000 bbl, using a modern horizontal well design with a vertical section cased to approximately 650m and a coiled tubing open-hole lateral of around 400m targeting natural fractures. The approach draws directly on the adjacent Grobla and Plawowice field analogues, both producing upper Jurassic fractured carbonate reservoirs with the same geological configuration as Mniszów, where 100+ bbl/d has been achieved from basic vertical wells, and on international horizontal drilling analogues including the Salt Flat (Edwards) field in Texas where transition to lateral wells increased production from 6 bbl/d to approximately 3,000 bbl/d.

The project timeline calls for 2D seismic acquisition in Q1 2027 to refine structural mapping ahead of a pilot well targeted for Q4 2027, with partnership investor confirmation the first key investment decision point targeted for Q4 2026. The base case economics imply an NPV10 of approximately €54m at €60/bbl (€15.6/bbl), with an initial well cost of €4.5m assuming capital efficiencies across the programme. We apply a riskied valuation materially below this, reflecting the company-estimate status of the resource base, the absence of an independent CPR, and the assumption that a farm-out will dilute Prospex's ultimate working interest. The broader Miocene gas prospectivity across San and Dunajec remains outside our core valuation pending further technical work.

Financial Results

As an investment company, PXEN's reported financial performance remains largely a function of updated accounting assumptions rather than a direct reflection of underlying project cash flows and operational outcomes. PXEN cannot consolidate the net revenues of its underlying investments, meaning group-level figures are shaped by valuation adjustments and holding company costs rather than operating income.

Highlights Table Results, £

	2023	2024	2025	H1 2026
Operating Loss	(1,371,768)	(1,359,840)	(1,179,490)	(904,777)
Gain on Investments	(469,709)	713,583	(2,541,311)	628,789
Net Finance Costs	278,926	614,433	906,826	445,171
Net Income	(1,231,400)	(46,759)	(2,795,169)	131,941
Cash	3,186	1,185,386	38,935	524,643
Borrowings	168,487	—	536,971	1,802,436
Investments Value	15,594,931	16,310,197	13,768,886	14,397,675

SOURCE: Company Data, VSA Capital Research

For the six months ended 30 June 2026, PXEN reported an operating loss of £905k, an increase on the prior period loss of £631k. Administrative expenses rose to £881k (H1 2025: £631k), with £196k of non-recurring items relating to the management transition and the CLN fundraise; on an underlying basis the increase is more modest. Net finance income was £445k (H1 2025: £424k net), reflecting continued accrual of interest on intercompany shareholder loans.

PXEN recorded a fair value gain of £629k on its investment portfolio in the period. This reflects a partial recovery in the carrying value of the Group's interests, principally the Italian assets, as TTF gas prices firmed materially from their late-2025 lows. As a result, PXEN returned a small net profit of £132k for the period (H1 2025: loss of £180k). The investment portfolio was carried at £14.40m (FY2025: £13.77m).

The balance sheet showed improvement relative to year-end 2025. Cash at 30 June 2026 stood at £525k (FY2025: £39k), following the completion in Q1 2026 of the £2.0m CLN programme. Total CLN borrowings outstanding at the period end were £1.80m, carrying a 12% coupon and convertible at 3p per share, with repayment structured across three tranches between December 2027 and June 2028.

Valuation

Having strengthened its balance sheet at the start of the year and used that cash to support the normalisation of operations at El Romeral and Viura, management repositioned the company enabling it to benefit fully from the strong rally in gas prices validating the rationale for the portfolio and PXEN's investment case. The share price is up 115% YTD, however, whilst the rising gas price was the catalyst, the starting point reflected the now resolved tight funding position and now resolved operational disruption. With this momentum as the company advances its growth programme, we see multiple catalysts of the company's making as it executes its growth programme notwithstanding the impact of higher prices on asset level performance.

Valuation Summary

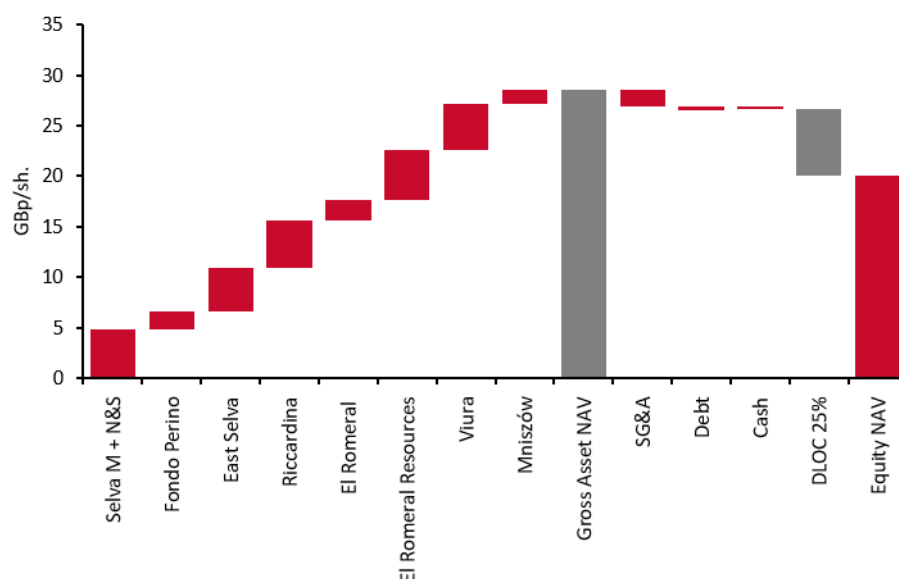
NAV		Unrisked	Equity	Net unrisked	CoS	Net risked	EMV	EMV	Net unrisked	Net risked
Asset Name	Stage	BCF	%	BCF	%	BCF	€/mscf	€m	€m	p/sh (GBP)
Selva M plus North & South	Producing	21.3	37%	7.9	80%	6.3	4.3	27	34	4.8
Fondo Perino	Contingent Resources	9.2	37%	3.4	70%	2.4	4.3	10	15	1.8
East Selva	Contingent Resources	21.9	37%	8.1	70%	5.7	4.3	25	35	4.3
Riccardina	Contingent Resources	24.4	37%	9.0	70%	6.3	4.3	27	39	4.7
El Romeral	Producing / Development	10.8	100%	10.8	50%	5.4	2.1	11	23	2.0
El Romeral	Resources	89.8	100%	89.8	30%	26.9	1.1	29	95	5.0
El Tesorillo	Suspended Licence	0.0	100%	0.0	0%	0.0	0.0	0.0	0.0	0.0
Viura	Producing	90.0	7.5%	6.8	90%	6.1	4.3	26	29	4.5
		BOE		BOE						
Mniszow	Contingent Resources	2.2	100.0%	2.2	25%	0.6	15.1	8	34	1.5
Adjustments								£m		
	SG&A (£)							(8.3)		(1.7)
	Debt (£)							(2.0)		(0.4)
	Cash, £ (YE26)							0.9		0.2
Total								154.9		26.6
							DLOC	25%		20.0

SOURCE: Company Data, VSA Capital Research.

Our valuation methodology remains a risked sum-of-the-parts, built on DCF-based valuations for the producing and near-producing assets (Selva Malvezzi, El Romeral and Viura), with analogue-based valuations applied to adjoining prospects

in Spain and Italy where direct DCF modelling is not yet supportable. Our approach incorporates the convertible bonds on a fully diluted basis.

Waterfall Chart Target Price



SOURCE: Company Data, VSA Capital Research.

Full ownership of both El Romeral and in Poland gives Prospex flexibility to introduce partner capital through farm-out, reducing the capital intensity of the growth programme. Each one has low-cost well programmes with relatively low technical risk that correspond to attractive cash generation profiles funding subsequent phases.

We reiterate our Buy recommendation with a revised target price of 20p/sh.

Risks

- **Commodity Prices.** The company is primarily exposed to natural gas and electricity prices and unexpected changes to commodity prices are likely to affect our valuation.
- **Political Risk.** Changes to the political regime and energy codes in Italy, Spain and Poland would potentially alter the risk profile.
- **Macro Risk.** Unexpected moves in the GBPEUR and higher than expected inflationary pressure may significantly impact the company's earnings.
- **Operational Risk.** The potential for delays and operating issues is an inherent industry risk.
- **Permitting Risk.**
- **Construction and Execution Risk.** Where PXEN holds non-operated interest, PXEN does not have control over operational decisions.
- **Financing Risk.** Access to financing is a perennial challenge for junior E&P companies.

Historical Financials

Profit & Loss , £'000 December Year End

Income Statement (GBP 000's)	Dec-22	Dec-23	Dec-24	Dec-25
Revenue	–	36,936	–	–
Cost of Sales	–	–	–	–
Gross Profit	–	36,936	–	–
SG&A	(975,725)	(1,112,513)	(1,263,452)	(1,179,490)
D&A	–	–	–	–
Other Operating	(187,417)	(296,191)	(96,388)	–
EBIT	(1,163,142)	(1,371,768)	(1,359,840)	(1,179,490)
Interest Payable	(173,023)	(241,056)	(7,053)	(8,558)
Interest Receivable	324,052	519,982	621,486	915,384
Net Interest	151,029	278,926	614,433	906,826
Gain / Loss from Investments	9,367,435	(469,709)	713,583	(2,541,311)
Impairment Charge	–	–	–	–
PBT	8,355,322	(1,562,551)	(31,824)	(2,813,975)
Tax Expense	(1,218,415)	331,151	(14,935)	18,806
Net Income	7,136,907	(1,231,400)	(46,759)	(2,795,169)
EBIT	(1,163,142)	(1,371,768)	(1,359,840)	(1,179,490)
Depreciation	–	–	–	–
Amortisation	–	–	–	–
EBITDA	(1,163,142)	(1,371,768)	(1,359,840)	(1,179,490)

SOURCE: Company data, VSA Capital Research.

Balance Sheet, £'000 December Year End

Balance Sheet (GBP 000's)	Dec-22	Dec-23	Dec-24	Dec-25
Current Assets				
Cash and cash equivalents	1,482,762	3,186	1,185,386	38,935
Trade and Other Receivables	5,515,237	6,201,093	8,262,184	10,701,269
Inventory	-	-	-	-
Other	100	100	100	100
Total	6,998,099	6,204,379	9,447,670	10,740,304
Non-Current Assets				
Investments	16,064,640	15,594,931	16,310,197	13,768,886
Intangible assets	-	-	-	-
PP&E	-	-	-	-
Other	-	-	-	-
Total	16,064,640	15,594,931	16,310,197	13,768,886
TOTAL ASSETS	23,062,739	21,799,310	25,757,867	24,509,190
Current Liabilities	-	-	-	-
Borrowings	1,812,744	168,487	-	-
Trade creditors	41,440	126,117	225,120	108,511
Other	-	-	-	-
Total	1,854,184	294,604	225,120	108,511
Non-Current Liabilities				
Borrowings	799,145	-	-	536,971
Deferred tax	1,258,809	927,658	942,593	923,787
Other	-	-	-	-
Total	2,057,954	927,658	942,593	1,460,758
TOTAL LIABILITIES	3,912,138	1,222,262	1,167,713	1,569,269
NET ASSETS	19,150,601	20,577,048	24,590,154	22,939,921
Equity				
Paid-in capital	7,225,893	7,279,630	7,349,585	7,375,755
Retained earnings	-	-	-	-
Other	20,141,952	20,938,603	21,587,622	21,074,703
Other	32,066,660	34,236,021	38,828,191	36,638,869
Total	19,150,601	20,577,048	24,590,154	22,939,921

SOURCE: Company data, VSA Capital Research.

Cashflow Statement, £'000 December Year End

Cashflow Statement (GBP 000's)	Dec-22	Dec-23	Dec-24	Dec-25
Operating Activities				
EBIT	(1,163,142)	(1,371,768)	(1,359,840)	(1,179,490)
D&A	—	—	—	—
Changes in WC	(3,137,812)	(86,135)	(1,343,004)	(1,640,990)
Changes in Other CA and CL	—	—	—	—
Income tax paid	—	—	—	—
Other	187,417	296,191	96,388	—
Cash flow from operations	(4,113,537)	(1,161,712)	(2,606,456)	(2,820,480)
Investing Activities				
Capital Expenditure	—	—	(1,683)	—
Increase in intangibles	—	—	—	—
Change in NCA and NCL	(122,091)	(161,427)	(4,651)	680
Cash flow from investing	(122,091)	(161,427)	(6,334)	680
Financing Activities				
New issuance of shares	3,414,181	58,017	4,197,323	1,177,658
Net Debt (Repayment) / drawdown	2,196,253	(214,454)	(168,487)	575,000
Net interest charges	—	—	—	—
Other	(112,104)	—	(233,846)	(79,309)
Cash flow from financing	5,498,330	(156,437)	3,794,990	1,673,349
Net change in cash	1,262,702	(1,479,576)	1,182,200	(1,146,451)
Beginning cash balance	220,060	1,482,762	3,186	1,185,386
FX differences	—	—	—	—
Ending cash balance	1,482,762	3,186	1,185,386	38,935

SOURCE: Company data, VSA Capital Research.

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VSA Capital Limited uses the following stock rating system to describe its equity recommendations. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the research report contains more complete information concerning the analyst's views, investors should carefully read the entire research report and not infer its contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock or investment fund should depend on individual circumstances and other considerations.

VSA Capital Limited's recommendations are defined as follows:

- BUY: The stock is expected to increase by in excess of 10% in absolute terms over the next twelve months.
- HOLD: The price of the stock is expected to move in a range between -10% and +10% in absolute terms over the next twelve months.
- SELL: The stock is expected to decrease by in excess of 10% in absolute terms over the next twelve months.

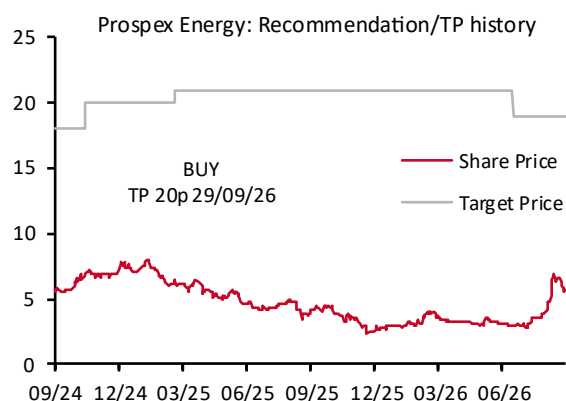
In addition, on occasion, if the stock has the potential to increase by in excess of 10%, but on qualitative grounds rather than quantitative, a SPECULATIVE BUY may be used.

Distribution of VSA Capital Limited's Equities Recommendations

VSA Capital Limited must disclose in each research report the percentage of all securities rated by the member to which the member would assign a "BUY", "HOLD", or "SELL" rating, and also the proportion of relevant investments in each category issued by the issuers to which the firm supplied investment banking services during the previous twelve months. The said ratings are updated on a quarterly basis.

Equities breakdown: 29/09/26	BUY	SPEC BUY	HOLD	SELL
Overall equities coverage	78%	12%	0%	0%
Companies to which VSA has supplied investment banking services	100%	100%	n/a	n/a

Recommendation and Target Price History



SOURCE: Workspace, VSA Capital Research.

Valuation basis

Our valuation is derived from a risk-adjusted NAV for the producing assets and analogue derived resource valuations for the contingent resources.

Risks to that valuation

Risks to our valuation include possible disappointing drilling results, delays to farm-outs, and oil price uncertainty.

This recommendation was first published on 6 September 2022.