28 October 2026

OIL & GAS

Flashnote | Marketing Communication (Connected Research)

Prospex Energy Plc#

BBG Ticker: PXEN LN | *Price: 6.1p* | *Mkt Cap: £26.5m* | **BUY**

Q3 2026 Update

Profits Across the Board

During Q3 2026, **Prospex Energy (PXEN LN)** delivered a strong operational quarter, with group revenue of £1.70m driven by a material step-up in Selva Malvezzi gas prices to a weighted average of €0.69/scm and a net cash contribution of £105k from El Romeral following the asset reaching operating self-sufficiency. Group cash rose 78% over the quarter to £1.52m highlighting the impact of reduced reliance on the parent company for working capital. YTD group revenue stands at £3.82m. Post period, Selva gas prices have continued to strengthen with October pricing above €0.80/scm. The Selva EIA public observation period is ongoing, and HEI has commenced interference and water injection testing at Viura with encouraging early results.

Solid Operational Performance

At Selva, the PM-1 well has encountered initial formation water, which is expected at this stage of field life and is being managed through a well management plan that has stabilised water output at around 80 to 90 litres per day. The production impact is being offset by gas prices, and the operator plans to increase flow rates once stability is confirmed. Furthermore, with the growth programme progressing and the four-well EIA in its 60-day public observation period, multiple production wells will reduce this risk in time. At Viura, production has been stable with strong gas prices supporting cash generation. At both Viura and El Romeral, the time and spend invested over the last twelve months to fix asset level issues is now being reflected in stronger financial performance. In Poland, planning activity for Mniszów 2D seismic acquisition in Q1 2027 and a pilot well in Q4 2027 is continuing.

Recommendation and Target Price

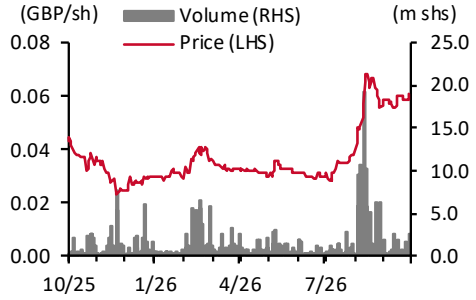
European gas prices have moved further in PXEN's favour since our last note, with TTF pricing now approaching €100/MWh; however, PXEN's share price has lagged. Cash is accumulating, operational self-sufficiency has been achieved across the producing portfolio, and the growth programme is advancing on multiple fronts. Management has reiterated its focus on partner capital, and we highlight that with respect to the growth programme, PXEN retains significant control over the pace and sequencing of capital deployment. Our risked asset level valuations effectively account for the addition of partners and in this environment, we expect strong interest. We believe today's results should provide confidence in PXEN's outlook and support a continued rerating.

We reiterate our Buy recommendation and target price of 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
	94.3%	90.6%	45.2%

12mn high/low: 6.9p/2.4p

SOURCE: Workspace, as of 27 October 2026 close

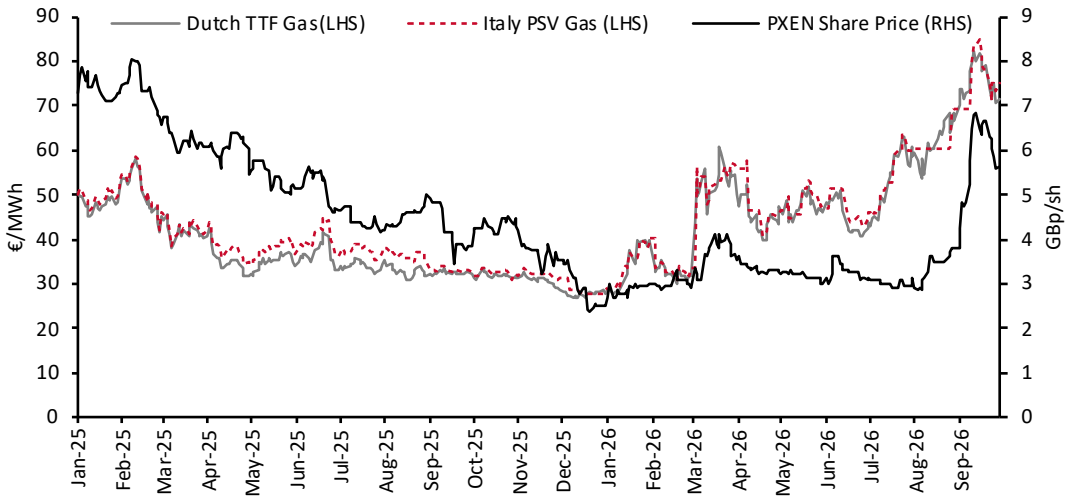
Market:	LSE AIM
Price target:	20p
Shares in issue diluted:	433.8m
Free float:	61.9%
Cash (October 2026):	£1.5m
Enterprise value:	£24.9m

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

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PXEN Share Price vs. Dutch TTF & Italy PSV



SOURCE: *Eikon, VSA Capital Research.*

Selva Update

Selva Malvezzi delivered robust production results in Q3 2026, with a modest decrease in production offset by significantly stronger prices delivering record quarterly revenue. The weighted average realised gas price was €0.69/scm, with revenue of €4,566k gross (€1,689k net), up 35% QoQ and 70% YoY. The price outlook remains positive, with the 30 September price at €0.75/scm and current pricing approaching €100/MWh.

PM-1 averaged 74,955 scm/d down 2.8% QoQ as output was intentionally reduced towards the end of the quarter following an increase in formation water production. This is an expected development in the reservoir and to manage this and determine a stable long-term output, the rate was cut in the second half of September to approximately 60,000–62,000 scm/d to allow detailed monitoring of well performance and protect long-term recovery. Management plans to raise the rate to 62,000–65,000 scm/d at the end of October if water production and pressures remain as stable as they were from 15 to 30 September. A further increase may follow an additional monitoring period, subject to well performance and technical data.

A decline in production was modelled in our analysis but with the North and South wells now incorporated into our DCF, the change in output in combination with the current price environment means a negligible impact on our model. In terms of the growth progress, the 3D seismic dataset acquired in late 2025 and processed by Schlumberger Italy, has delivered a preliminary output that will be used to confirm drilling locations for the planned 2027 four-well development programme. The EIA for the programme has been declared admissible by Italy's MASE, and the 60-day public observation period is underway.

Selva Production and Earnings Highlights, €'000

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Production PM1 -100% (kscm)	6,724	7,260	7,249	6,971	7,262	7,019	6,746
Production PM1 - Net to PXEN (37%) (kscm)	2,488	2,686	2,682	2,579	2,687	2,597	2,496
Revenue PM1 -100% €	3,338	2,865	2,681	2,302	3,122	3,393	4,566
Revenue PM1 - Net to PXEN (37%) €	1,235	1,060	992	852	1,155	1,255	1,689

SOURCE: *Company data, VSA Capital Research.*

Viura Update

Viura also benefitted from stronger gas pricing during the period. Q3 2026 sales gas totaled c.4.7m Nm³ (c.65,300 MWh), with 1,352 bbl of condensate, down from 7.9m Nm³ (79,200 MWh) in Q2 2026. The restoration of stable production has

returned Viura to modest profitability meaning cashflow that can be used to fund future growth, eliminating any immediate cash calls and reducing the growth capex requirement.

HEI also prepared for an interference and water re-injection test to validate the reservoir dynamic model and assess the existing Viura-1 ST3 well as a produced water disposal well. Testing began in October, and initial results are encouraging. Establishing sustainable water injection at Viura would improve reserves recovery, opex and cash generation.

El Romeral

Operational improvements continued at El Romeral, where the permanent transformer was delivered and commissioned in September, removing the rental cost of approximately €14,000 per month. The swing to profit means that PXEN is no longer required to fund working capital for Tarba, the El Romeral subsidiary, which has operated without funding support from the parent company since July, a significant milestone.

Gas production and electricity generation continued throughout the quarter against a backdrop of strong Spanish power prices. However, intraday spreads remain significant due to the significant daytime contribution from solar which depresses midday prices. This has been exacerbated by rising gas prices and October's maximum spread was €262/MWh compared to the July record of €148/MWh. This indicates stronger earnings to come following the positive net cash contribution of £105,000 for Q3 2026.

Poland

Following the award of the San and Dunajec licences in Q2, technical work during the quarter focused on developing a drilling and completion strategy for the Mniszów oil discovery within the Dunajec licence, working with a team of specialist contractors. During a site visit in September, management toured the licence area and met local seismic and drilling service providers, an early step towards execution.

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 STOIIP 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.

Valuation

Having strengthened its balance sheet at the start of the year and deployed that capital to normalise operations at El Romeral and Viura, management has repositioned the company to benefit fully from the rally in European gas prices, validating the investment case for the portfolio. This is now being reflected in materially stronger asset level performance, reducing reliance on the parent company for working capital and enabling a focus on growth.

The four-well Selva drilling programme, the El Romeral direct gas permitting decision, the Viura development well, and the Mniszów pilot well programme each represent catalysts of the company's own making, and management retains significant control over the pace and sequencing of capital deployment. By risking our asset valuations, we have in effect captured farm-out risk which should give comfort to investors that the addition of a strong partner should be accretive to our valuation.

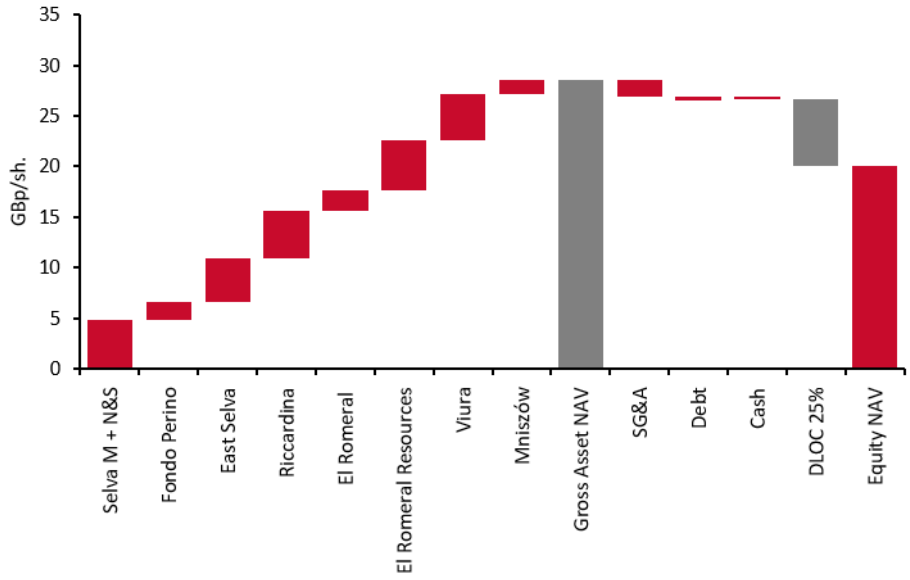
Valuation Summary

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 and 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	–	–
Gross Profit	**–**	**36,936**	**–**	**–**
SG&A	(975,725)	(1,112,513)	(1,263,452)	(1,179,490)
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)
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)
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
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
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
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 LIABILITES	**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	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)
Changes in WC	(3,137,812)	(86,135)	(1,343,004)	(1,640,990)
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)	–
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
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
Ending cash balance	**1,482,762**	**3,186**	**1,185,386**	**38,935**

SOURCE: *Company data, VSA Capital Research.*

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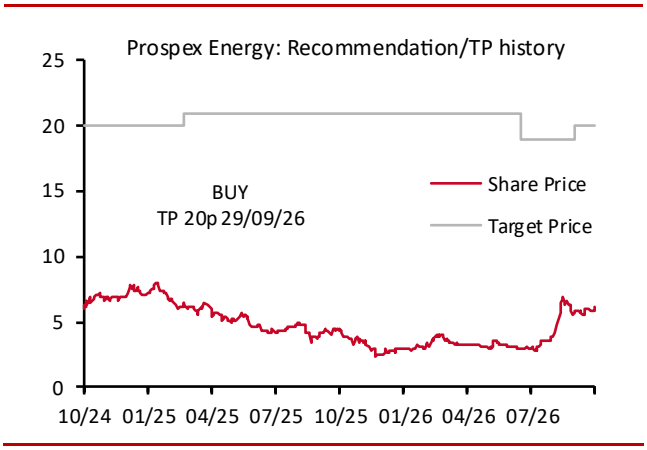
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Equities breakdown: 28/10/26	BUY	SPEC BUY	HOLD	SELL
Overall equities coverage	77%	23%	0%	0%
Companies to which VSA has supplied investment banking services	100%	100%	n/a	n/a

Recommendation and Target Price History



***SOURCE**: Workspace, VSA Capital Research.*

Valuation basis

Our valuation is derived from a risked 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.

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