Prospex Energy

Q3'26: Record Selva Revenue Lifts YTD Cash Receipts Above FY'25 Levels on Strong European Gas Prices

Record Selva revenue drives 41% q/q rise in receipts; cash up 78%

Prospex Energy has released its Q3'26 update, with group cash receipts of £1.7mm (+41% q/q), taking year-to-date receipts to £3.8mm, already exceeding FY'25. With no new financing, receipts comfortably covered outgoings of £1.1mm, lifting end-Q3'26 cash by 78% q/q to £1.5mm. Selva was the main driver, delivering record net revenue of ~£1.5mm (+35% q/q) on a realised gas price of ~US$23/mcf, up 44% q/q and ~10% above our FY'26 assumption, more than offsetting a 3% q/q fall in gross production to ~2.6mmcf/d. In mid-September the operator cut PM-1's flow rate to ~2.1mmcf/d after a rise in water production; subsequent testing found stable water rates, normal pressures and no sand and the rate is due to rise to ~2.2–2.3mmcf/d by end-October. With October prices above ~US$26/mcf, we expect Q4 revenue to hold up despite the initial lower rate in October. In our view, Q3 shows Prospex can fund its corporate costs from operations, strengthening its negotiating position as it seeks asset-level partners to fund the 2027 Selva drilling and the Poland development.

El Romeral turns cash positive; Viura injection test is the next step

At El Romeral, steady production and strong Spanish power prices allowed Tarba to generate a positive net cash contribution of £105k in Q3, with no funding required from Prospex in August or September, compared with £267k of loans to Tarba in Q2. The permanent transformer has been installed, allowing the rental unit to be returned and cutting fixed opex by ~£12k per month, with the cost funded from Tarba's own cash flow. Management now expects current generation levels to continue until at least Q3'27, with potential to extend further. At Viura, operator HEYCO continued to run the field to maximise cash generation, although Q3 sales gas fell ~40% q/q to ~1.8mmcf/d gross as water output stayed high. In October, HEYCO began testing whether the water produced alongside the gas can be pumped back underground through the existing Viura 1 ST3 well, with encouraging initial results. If successful, this would remove the very high cost of taking the water off site for disposal, improve gas recovery and support further drilling at Viura from 2027.

Catalysts: Poland farm-out, Selva EIA and 2027 drilling

A key value driver for Prospex is Poland where the company has developed a production plan for the Mniszów oil discovery on the Dunajec licence, using lateral drilling techniques that have worked in other fractured carbonate reservoirs. The plan targets ~3.7mmbbl of recoverable oil from eight horizontal wells (see our detailed note on Poland from 24th September 2026 for more details). Prospex plans to shoot 2D seismic in Q1'27, followed by a preliminary CPR. It then aims to bring in a partner ahead of a final investment decision around end-Q1'27, with the first pilot well planned for Q4'27. Prospex intends to fund its medium-term spending by bringing in partners at the asset level rather than issuing new shares and says it is in discussions with several interested parties. In Italy, the Ministry of Environment and Energy Security has confirmed that the Environmental Impact Assessment (EIA) for the four-well Selva drilling programme is admissible and a 60-day public consultation is now underway. Approval of the EIA is the key bottleneck before drilling can start. In parallel, the new 3D seismic survey is being interpreted to confirm well locations for the 2027 drilling campaign, which aims to add further producing wells to the concession.

Valuation: Risked NAV provides ~170% upside to the current share price

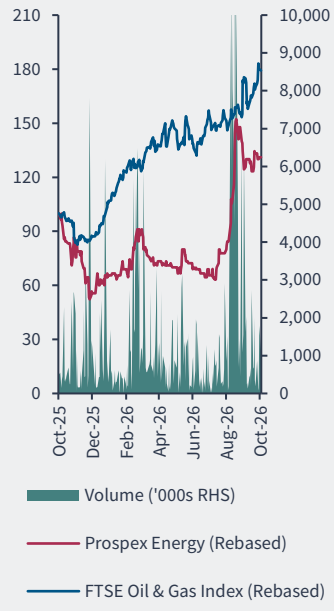
Our risked NAV is unchanged at 16.4p/sh. Higher realised pricing at Selva offsets the lower PM-1 rate in the near term. Prospex trades at a '26E EV/EBITDA of 5.1x dropping to 1.1x in '28 once it reaches stable production.

GICS Sector	Energy
Ticker	AIM: PXEN
Market cap 27-Oct-26 (US$mm)	35
Share price 27-Oct-26 (GBp)	6.1

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 ~6x) 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 alone is ~85% of 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 €31mm and our forecast production level in 2028, Prospex would trade on an EV/EBITDA multiple of 1.1x 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 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 8% and our 2028 EBITDA forecast by 10% to €32mm.

We see Prospex trading at a 22% 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 ~170% 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 ~7x the current share price.

On a reserves and resources basis, Prospex trades at €1.7/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)	31	31	31	31
Net debt/(cash)	0	0	0	0
EV	**31**	**31**	**31**	**31**
EV/EBITDA	**5.1x**	**3.4x**	**1.1x**	**0.8x**
EV/CFFO	**7.1x**	**4.9x**	**1.4x**	**1.1x**
FCF yield	11%	8%	36%	59%
EV per kboe/d	104.6	66.7	13.2	10.1
EBITDA/boe	56.0	54.2	34.3	34.8
P/E	10.9x	6.6x	1.7x	1.3x

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	21.6	100%	21.6	€2.8	€60.2	9.9p	50%	50%	€15.0	2.5p
Total exploration value	207	64%	132	€1.5	€196	32.4p			€51	8.4p
Total NAV	**317**		**150**	**€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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