

13 October 2021

To all Prospect Energy Shareholders.

I am writing to you all to re-confirm the Board's plans and vision for Prospect Energy which we believe will achieve the common aim of growing the Company and increasing value for all shareholders. Now that the requisitioned general meeting is behind us, we need to move forward at pace. As a Board we are determined to grow Prospect with an aim to become an operator focussing on development and production gas assets across Europe at a time of unprecedentedly high gas and electricity prices. We have also reviewed our working practices, consulting with our advisers, to improve our corporate governance.

Forward-plan and strategy

Prospect is focused on upstream gas developments & production and electricity generation in North-West Europe.

We intend to expand our portfolio, which includes our currently producing gas-to-power facility at El Romeral and our advanced stage gas interests, with further gas-to-power projects and other suitable energy projects.

The Company will target appraisal and development assets not exploration. We will be evaluating assets already in production for acquisition at fair market value. We are now underway with optimising the assets already in the portfolio.

Deal Activity

Prospect's current portfolio is a springboard for further growth opportunities. Organic growth is happening and new investments are being considered.

All our assets are onshore. We would however look at offshore gas projects but access to infrastructure for gas export is the key to securing economic returns. A technically led subsurface evaluation process will be central to delivering successful deals.

Investment and acquisition size will vary according to the available production linked financing. We will look to achieve optimum debt levels, common practice in this industry, in order to increase returns to shareholders with minimal risk.

After the general meeting, the Company has re-engaged with our debt financiers to provide appropriately leveraged financing that would limit the use of equity as far as possible and therefore result in less shareholder dilution.

Spain

The El Romeral gas to power station in southern Spain (Prospect 49.9% working interest) is about to undergo significant low-cost optimisation and upgrade work alongside a well workover programme which we believe has a high chance of more than doubling electricity generation output. I am visiting the plant and the well sites next week to meet the team and the operational staff delivering our plans. Top of my agenda will be to reaffirm a culture which can deliver our strategic objectives whilst upholding industry leading safety standards and minimising potential impact on the environment. I always ensure that I visit operational sites to see for myself any issues or opportunities that may be evident from the ground upwards.

I shall also be re-engaging with the relevant local and national regulators and authorities on the status of the Tesorillo permit (with estimated 831 Bcf (gross) of unrisks prospective resource and in which Prospex has a 15% working interest) now that any leadership uncertainties at Prospex are behind us.

The forward plan remains the same, to drill a low cost well on the concession with a view to converting prospective resources into proven reserves justified for development. Spain urgently needs local onshore indigenous natural gas to fill the gap as the energy transition process moves forward.

Italy

The Selva field in Italy is heading for first gas in the first half of 2022. The Italian authorities are well advanced in the process of approving the transfer of the planned 20% acquisition of Selva from UOG. The transaction is by way of a corporate acquisition. Prospex and UOG have firm legal advice that the acquisition is not subject to pre-emption. Financing this development and the acquisition is now back on track. It will be delivered via a balance of both equity and debt finance. There is a firm income stream predicted from the suspended well which flowed gas at a commercial rate, thereby achieving an independently verified proven gas reserve. The upside on the rest of the Podere Gallina licence will be the next appraisal activity in our Italian portfolio. I refer you to my letter to shareholders in August for the detail on the development, the transaction and its financing which is based on the January 2019 Competent Persons Report, which can be found on our website.

Outlook

I will not repeat the comments made in my August letter to you all on ESG and the European Energy situation which are still valid. Actually, the situation has become even more serious and the outlook for companies such as Prospex has become even more positive.

The income stream from the current production at El Romeral over the past four months has exceeded all prior targets and predictions and will increase further after the current work programmes complete. This, together with our near-term production forecast from our existing and proposed increased share in the Selva field means that we remain well positioned to grow this company which should then be reflected in its valuation.

I look forward to your support in the coming months and I will continue to maintain an open and constructive dialogue with all shareholders.

Yours faithfully

Mark Routh
CEO
Prospect Energy plc
www.prosper.energy

13 October 2021