

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

PROSPEX ENERGY PLC

(incorporated and registered in England and Wales under company registration number 03896382)

NOTICE OF GENERAL MEETING

Notice of a General Meeting of the Company to be held at Company's registered office at Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR at 10.00 a.m. on 23 February 2022 is set out at the end of this document.

A Form of Proxy for use at the General Meeting is enclosed. To be valid, the Form of Proxy must be completed, signed and returned in accordance with the instructions printed on it to the Company's registrars, Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, B62 8HD as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 21 February 2022. Completion of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting.

DEFINITIONS

The following definitions apply through this document unless the context requires otherwise.

"2006 Act"	the Companies Act 2006, as amended consolidated or re-enacted from time to time
"General Meeting"	the general meeting of the Company convened for 23 February 2022 pursuant to the Notice of General Meeting
"Board" or "Directors"	the directors of the Company as at the date of this document
"Broker Option Shares"	as further described at paragraph 3 of the Chairman's Letter
"Company"	Prospex Energy PLC
"Form of Proxy"	the form of proxy accompanying this document for use in connection with the General Meeting
"New Ordinary Shares"	the 68,428,572 Ordinary Shares proposed to be allotted and issued in the Placing and Subscription pursuant to the Resolutions
"Notice of General Meeting"	the notice of General Meeting which is set out at the end of this document
"Novum"	Novum Securities Limited, broker to the Company
"Ordinary Shares"	ordinary shares of 0.1 pence each in the capital of the Company
"Peterhouse"	Peterhouse Capital Limited, broker to the Company
"Placing"	the placing undertaken by Peterhouse and Novum with certain proposed investors for New Ordinary Shares at the Placing Price
"Placing Agreement"	the placing agreement dated 4 February 2022 between (1) the Company, (2) Novum and (3) Peterhouse relating to the Placing and Subscription
"Placing Price"	3.5p pence per New Ordinary Share
"Placing and Subscription"	the conditional placing and subscription of the New Ordinary Shares
"Resolutions"	the resolutions set out in the Notice of the General Meeting
"Shareholders"	holders of Ordinary Shares
"Subscription"	the subscription by the Directors for New Ordinary Shares at the Placing Price

PROSPEX ENERGY PLC

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Directors:

Mark Routh (CEO)
Richard Mays (Non-Executive director)
Bill Smith (Non-Executive Chairman)
Alasdair Buchanan (Independent Non-Executive director)

Registered office:

60 Gracechurch Street
London
EC3V 0HR

7 February 2022

Dear Shareholder

Proposed Conditional Placing and Subscription of New Ordinary Shares at 3.5 pence per share and Notice of General Meeting

1. Introduction

On 7 February 2022, the Company announced a conditional placing and subscription of, in aggregate, 68,428,572 New Ordinary Shares of £0.001 each at a price of 3.5 pence per share, raising gross proceeds of £2.395 million before expenses, with certain existing and new institutional and other investors and the Directors. (The “**Placing and Subscription**”.)

The net proceeds of the Placing and Subscription, (being approximately £2.32million) together with certain of the Company’s existing cash resources and income, will be used to enable the Company to fund the development of its 17% share of the Selva field in Italy and to fund the proposed 20% acquisition of the Selva field in Italy, together with the associated 20% share of the development costs.

In addition, any proceeds raised from the broker option scheme will be used to fund several business development activities, including providing funds to accelerate the planning and execution in Q4 2022 of the first infill well in the Company’s El Romeral power project in Southern Spain through its 49.9% shareholding in Tarba Energía (“**Tarba**”). If the income generated by the El Romeral power project, which is passed onto Tarba shareholders throughout 2022, does not cover the overheads of the Company, then certain of the proceeds may be used for general working capital purposes.

The Placing and Subscription and Broker Option are subject to, *inter alia*, the receipt of Shareholder approval of the necessary Resolutions to enable the issue of the New Ordinary Shares free of pre-emption rights. Accordingly, the Company is convening a General Meeting to seek Shareholder approval of relevant authorities to allot shares in the Company and to disapply pre-emption rights. These authorities will enable the Directors to complete the Placing and Subscription and Broker Option.

The Company is convening the requisite General Meeting for 10:00 a.m. on 23 February 2022 at the Company’s registered office at Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR to approve the necessary resolutions in respect of the Placing and Subscription and Broker Option. If the Resolutions are not passed, the Placing and Subscription and Broker Option will not proceed.

This document explains, inter alia, the background to and reasons for the Placing and Subscription and Broker Option, and why the Directors consider the Placing and Subscription and Broker Option to be in the best interests of the Company and its Shareholders as a whole and recommend that shareholders vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. Details of the Placing

The Placing Price represents a discount of 16.7 percent to the closing middle market price of 4.2 pence per Ordinary Share on 4 February 2022, being the last business day prior to the announcement of the Placing and the Subscription.

The New Ordinary Shares to be issued pursuant to the Placing have been conditionally placed by the Company and by Peterhouse and Novum as agents of the Company, with certain existing and new institutional and other investors pursuant to the Placing Agreement, subject to the passing of Resolutions 1 and 2.

Under the terms of the Placing Agreement, conditional on Admission, Peterhouse and Novum will receive commission from the Company on the funds they introduce. The Company has given an indemnity and certain customary warranties and undertakings to Peterhouse and Novum in relation, *inter alia*, to its business and the performance of their duties under the Placing Agreement.

3. Broker Option Shares

To provide existing shareholders who did not participate in the Placing and Subscription with the opportunity to do so, the Company will also offer "Broker Option Shares" via Peterhouse, subject to the completion of the Placing, representing a number of Ordinary Shares up to 10% of the New Ordinary Shares offered in the proposed Placing and Subscription. In order to satisfy the demand for Broker Option Shares, the facility may be increased by agreement between the Board, Peterhouse and Novum. This is a facility to allow existing shareholders to acquire Ordinary Shares at the Placing Price after the Placing and Subscription have closed. The Company, Peterhouse and Novum will prioritise valid orders from existing shareholders. As far as is practical, participation in the Broker Option Shares will be prioritised for shareholders (direct or indirect) on the register at the close of business on 4 February 2022.

The broker option will be available to existing shareholders until 16:30 on Tuesday 8 February 2022.

The Broker Option Shares will rank *pari passu* with the Company's Ordinary Shares and the New Ordinary Shares.

The ability of the Company to offer Broker Option Shares is conditional on the passing of the Resolutions.

To subscribe for Broker Option Shares, investors should communicate their bid to Peterhouse via their stockbroker as Peterhouse cannot take direct orders from individual private investors. Existing Shareholders or other interested parties who wish to register their interest in participating in the Broker Option Shares should instruct their stockbroker to call Peterhouse on STX: 76086 or 020 7469 0938 or 020 7469 0936 or 020 7220 9797. Each bid should state the number of Broker Option Shares the investor wishes to subscribe for at the Placing Price.

4. Directors' participation in the Subscription and Related Party Transaction

The following Directors are subscribing for New Ordinary Shares pursuant to the Subscription for an investment, in aggregate, of approximately £0.135 million. Their subscription for New Ordinary Shares is taking place on the same terms and conditions as the Placing.

Director	No of New Ordinary Shares subscribed for pursuant to the Subscription	Resulting holding of Ordinary Shares	Resulting % of Ordinary Share Capital following the Placing and Subscription
William Smith	430,000	5,636,797	2.29%
Richard Mays	571,429	1,933,356	0.79%
Alasdair Buchanan	1,428,571	3,428,571	1.40%
Mark Routh	1,428,571	1,428,571	0.58%

5. Related Party Transaction

The participation in the Subscription by the Directors constitutes a related party transaction under the AIM Rules. Due to the participation by all of the directors in the Subscription, there is not a director, or directors, independent of the Subscription to provide the necessary AIM Rule 13 related party transaction opinion. Accordingly, Strand Hanson Limited, the Company's Nominated Adviser, confirms it is satisfied that the terms of the Subscription are fair and reasonable insofar as the Company's shareholders are concerned.

6. Resolution 1 - Allotment of Ordinary Shares

Resolution 1 (to be proposed as an ordinary resolution): proposes that authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of one hundred and twenty-five thousand pounds (£125,000) representing an authority to allot approximately 70.5 percent of the Company's issued ordinary share capital as at 4 February 2022 (being the latest practicable date before publication of this document) during the period following the passing of this Resolution until the conclusion of the next Annual General Meeting.

Resolution 1 will be proposed as an ordinary resolution. This means that for Resolution 1 to be passed, at least 50% of the votes cast must be in favour of the resolution.

7. Resolution 2 - Disapplication of Statutory Pre-Emption Rights

Resolution 2 (to be proposed as a special resolution): to dis-apply the pre-emption rights pursuant to the provisions of section 570 of the Act in respect of the allotment of shares up to a maximum nominal value of one hundred and twenty-five thousand pounds (£125,000), representing an authority to allot approximately 70.5 percent of the issued ordinary share capital of the Company as at 4 February 2022 (the latest practicable date before publication of this document) and shall expire upon the expiry of the general authority conferred by Resolution 1.

Resolution 2 will be proposed as a special resolution. This means that for Resolution 2 to be passed, at least 75 % of the votes cast must be in favour of the resolution.

The Board is proposing Resolutions 1 and 2 in order to achieve the Placing and Subscription. The Placing and Subscription is conditional on the passing of Resolutions 1 and 2. Accordingly, if Resolution 1 is not passed, the Placing and Subscription and Broker Option will not proceed.

8. Proposed use of authorities

In addition to fulfilling the Placing and Subscription, together with sufficient headroom to cover the Broker Option Shares, the Company is seeking authority to be able to raise funds, if needed, through the issue of equity without pre-emption to be able to execute transactions, if and when needed, without having to call a further general meeting.

The Board believes that Prospex's current portfolio is a springboard for further growth opportunities. Organic growth is already happening and corporate acquisitions will also be considered

Investment and acquisition size will vary according to the available production linked financing and the Company intends to leverage the optimum debt levels, a common practice in the industry, in order to increase returns to shareholders with minimal risk.

The Company is looking at onshore asset divestments in Northwest Europe and elsewhere. The Company is also talking to debt financiers and others to limit the use of equity and shareholder dilution, but future deals are likely to comprise an element of both debt and equity. Therefore, the Company proposes to ask shareholders for the ability to raise funds to grow the Company through the issue of shares to finance future deals that are in line with the Company's stated vision and strategy.

The share authorities being granted by Resolutions 1 and 2 will provide the Company with sufficient share authorities to cover its growth opportunities in addition to the Placing and Subscription and any issue of Broker Option Shares. The authorities will also allow the Company to issue 25 million warrants at 3p per share and 1.92 million warrants at 2.25p share to honour a historic commitment to the brokers and placees in the March 2021 fundraise as announced on 9 March 2021.

9. Irrevocable undertakings

The top twelve registered shareholders including the eight 'TR-1 holders' as appearing on the 'AIM Rule 26' of the Company's website have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not one of them) in respect of their beneficial holdings totaling, in aggregate, 100,362,386 Ordinary Shares, representing approximately 56.61 percent of the voting rights of the Existing Ordinary Shares.

Together with the Board directors who hold in aggregate 8,568,724 Ordinary Shares, the total votes in favour of the Resolutions will be approximately 61.41 percent of the voting rights of the Existing Ordinary Shares.

10. General Meeting

A notice convening the General Meeting to be held at the Company's registered office at Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR 23 February 2022 at 10:00 a.m., is set out at the end of this document.

11. Action to be taken by Shareholders

You will find enclosed with this document a reply-paid form of proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete this form in accordance with the instructions printed on it as soon as possible. To be valid, completed forms of proxy must be received by Neville Registrars, by no later than 10.00 a.m. on 18 February 2022.

Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the General Meeting if you so wish.

Shareholders are reminded that the Placing and Subscription and Broker Option are conditional on the passing of Resolutions 1 and 2 to be proposed at the General Meeting.

Should Resolutions 1 and 2 not be passed, the Placing and Subscription and Broker Option will not proceed and the monies in respect of the New Ordinary Shares will be returned to investors.

12.Recommendation

The Directors consider the passing of Resolutions 1 and 2 and the completion of the Placing and Subscription and Broker Option to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that all Shareholders vote in favour of the Resolutions, as they intend to do, or procure to be done, in respect of their own beneficial shareholdings, being at the Latest Practicable Date, in aggregate, 8,568,724 Ordinary Shares, representing approximately 4.83 percent of the Existing Issued Ordinary Share Capital.

Yours faithfully

BILL SMITH

Chairman

PROSPEX ENERGY PLC

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Prospex Energy PLC (the **Company**) will be held at the Company's registered office at Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR at 10:00 a.m. on 23 February 2022 for the following purposes. Resolution 1 will be proposed as an ordinary resolution. Resolution 2 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. **THAT** the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the 2006 Act to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £125,000, provided that this authority shall expire after the conclusion of the next Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted, as the case may be, after such expiry and the directors may allot shares or grant Rights in pursuance of any such offer or agreement as if the authority in question had not expired.

SPECIAL RESOLUTION

2. **THAT** the directors be and are empowered, in accordance with section 570 and 573 of the 2006 Act, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by Resolution 1 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £125,000, and shall expire upon the expiry of the authority conferred by Resolution 1 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

By order of the Board

Bill Smith
Chairman

Registered Office
60 Gracechurch Street
London
EC3V 0HR

7 February 2022

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by the member. A proxy need not be a member of the Company.
2. A form of proxy is enclosed with this notice and instructions are shown on the form. To be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney) by the Company's registrar, Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, B62 8HD no later than 48 hours before the time for holding the meeting excluding any day that is not a business day. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
3. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
4. To change your proxy instructions, you may return a new proxy appointment using the hard copy proxy form. Please contact Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, B62 8HD to request a new hard copy proxy form. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
5. The Company specifies, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, that only those shareholders registered in the register of members of the Company as at 6 p.m. on 18 February 2022 (or, if the meeting is adjourned, at 6 p.m. on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting, in respect of the number of shares registered in their respective names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. As at 4 February 2022 (being the latest practicable day before the publication of this Notice), the Company's issued ordinary share capital consisted of 177,310,283 ordinary shares carrying one vote each. As at the date of this letter the Company holds 7,361 Ordinary Shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company are 177,302,922.