Stock Data

Share Price:	3.20p
Market Cap.:	£67.22m
Shares in issue:	2,100.72m
52 week high/low:	5.84p/2.30p

Company Profile

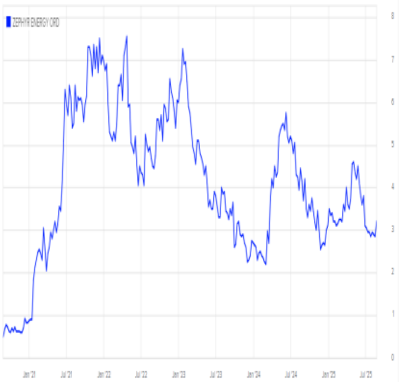
Sector:	Oil & Gas
Ticker:	ZPHR, ZOHRF
Exchange:	AIM, OTCQB

Activities

Zephyr Energy plc ('Zephyr', 'the Group') is an independent oil and gas E&P Group with a strategic focus on carbon-neutral hydrocarbon development projects in the Rocky Mountain region of the US.

www.zephyrplc.com

5-year share price performance



Source: LSE

Past performance is not an indication of future performance.

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Zephyr Energy plc

Zephyr Energy plc has completed its US$7.3m acquisition of working interests in accretive, mature proved developed producing ('PDP') production assets located in core Rocky Mountain basins (the 'Acquisition'). This adds high-margin production and additional proved reserves to the Group's existing asset base and has also enabled the first potential transactions through its US$100m Zephyr Hawk joint venture. With a view to saving costs that would otherwise be incurred to maintain operatorship in two new jurisdictions, Zephyr has concurrently elected to divest a small package of its newly acquired wells in North Dakota and Wyoming (the 'divested assets') to a neighbouring private upstream operator. In exchange Zephyr received total consideration of US$1.5m, comprising US$679,000 in cash and the assumption of US$822,000 in mostly near-term plugging and abandonment liabilities. The immediate production adjustment, however, is modest with the Group projecting a net addition of c.388 barrels of oil equivalent per day ('boepd') in the first month (versus an initial, pre-divestiture estimate of 400 boepd). Funded through the £10.5m fundraise (including £0.7m Director subscription) that completed on 25 June 2025, Zephyr has been able to boost its near-term cash flow while continuing to enhance its risked-exploration and development upside. With Q2 2025 results from the Group's non-operated Williston project expected by the end of September and release of a revised Competent Persons Report ('CPR') for the Paradox project also due on a similar time schedule (and confidently expected to substantially hike the current 34mmboe estimate of contingent resources ('2C')), there appears to be significant near-term upside to the Group's present market valuation.

Proposed PDP Acquisition –Accretive, cheap and well-timed

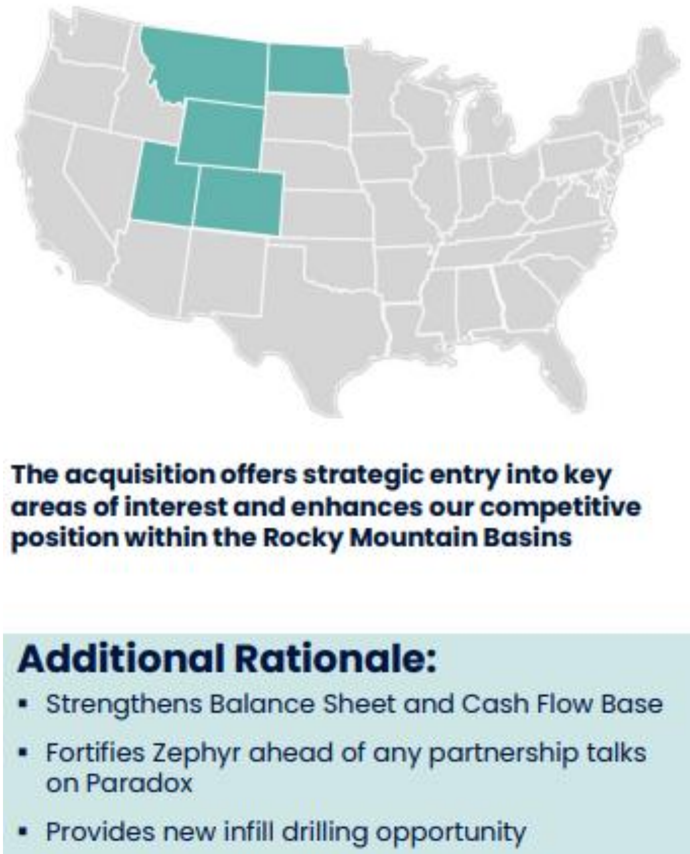
Zephyr's US$7.3m cash purchase of new PDP assets across the Rocky Mountain basins always appeared to be very good value, particularly considering the binding purchase transaction agreement was based on 29 May 2025 strip pricing. It is the first currently producing working interest acquisition concluded by Zephyr for two years and is primarily non-operated, although it does contain a small element of operated. The latter in fact created something of a negotiating advantage for Zephyr; despite a continuing robust market for such assets and high Williston Basin deal flow from major operators, the majority of non-operated asset interest comes from financial entities that do not have the skill set required to oversee operated assets. This may be one of the reasons that Zephyr was able to conclude such a competitively priced deal.

Timing was also ideal. If we recall events from earlier this summer, oil prices spiked sharply (adding in excess of 20%) following Israel's 13 June strikes across Iran intended to damage its nuclear infrastructure, missile factories and wider military capabilities. Subsequent response to the US's large-scale targeted attack on Iranian facilities, this time specifically designed to disrupt and disable its ability to develop nuclear weapons, which was then followed by a declaration and apparent violation of a ceasefire by both Israel and Iran, however, was surprisingly muted. WTI crude is now trading back within a few percentage points of its level immediately prior the offensives beginning.

The acquisition brings 2P producing reserves of c.0.6mmboe (management estimate ahead of semi-annual redetermination expected late summer), with Zephyr also receiving US$0.65m in asset retirement obligation ('ARO') coverage for year 1 wells about to be abandoned. It was the final remnant of a private conglomerate's Rocky Mountain oil & gas portfolio being exited. Considered a perfect fit with the Group's existing portfolio, its mature production is c.85% oil and comes from a highly diversified well-count. Deal metrics indicate a price as low as US$12.37/acquired bbl. This compares positively with other recent regional deals, including the US$16.00/acquired bbl deal Zephyr closed in December 2021 to acquire PDP and proven not producing ('PNP') wells from the Kaiser-Francis Oil Company. Zephyr's working interests across its portfolio now average 7% and represent an equivalent of 31 net wells.

The proposed acquisition delivered net 2024 operating income of approximately US$3.66m and is forecast to add c.US$4m over the next twelve months (based on relatively low 29 May 2025 strip prices). It will be immediately accretive on an earnings and reserve basis, while also containing significant upside potential. It offers organic drilling opportunities with 32 wells drilled in 2024, 17 current drilled but uncompleted wells ('DUCs'), 18 wells scheduled to be drilled, plus a 20,000+ acre position with attractive near-term Proved Undeveloped ('PUD') reserve potential. This has enabled Zephyr to execute its first potential transactions through Zephyr Hawk with opportunity to advance further opportunities in due course. Most certainly, the outcome is a much better scenario for the Group, that otherwise may have been forced to purchase such prospects at a price that is typically 10% to 20% of budgeted Authorisation for Expenditure ('AFE'). As such, the transaction has allowed it to enter into key areas of interest and enhanced the Group's competitive position within the Rocky Mountain basins, alongside top tier operators such as EOG, Occidental, Devon, Chord, Continental and Kraken.

Zephyr's Latest PDP Acquisition Opportunity



Source: Zephyr, Investor Presentation, June 2025

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