

ZEPHYR ENERGY PLC (AIM: ZPHR)

November 21, 2025

Share price: £0.02

Target: £0.16

Potential resource boost in the Paradox

- Zephyr has nominated ~38,000 net contiguous Paradox acres for inclusion in upcoming federal lease sales by the U.S. Bureau of Land Management. If fully awarded, this would represent a material expansion of the current 46,000 net acre position, of which only ~20,000 acres are currently covered by seismic. Existing estimates of ~35 mmboe 2P reserves and 39 mmboe contingent resources are based solely on those 20,000 acres. If successful, the company intends to shoot 3D seismic across the additional acreage, which could unlock a significant increase in potential resources.
- Now that nominations have occurred, the acreage is under review to be advanced to public auction. While timing under the current administration is uncertain, the historical process from nomination to bid to award would suggest an auction within 6 months and potentially sooner. Zephyr's ownership of the regional gathering system provides a strong competitive advantage in securing and developing these assets.
- To fund the bid for new acreage and meet newly instituted higher federal bonding requirements, Zephyr has secured a US\$2 mm convertible debt facility from a strategic industry lender. The facility carries a 14% annual coupon, with drawn amounts convertible into equity at 3.75p per share. In addition, the lender has been granted ~18.2 mm warrants at the same exercise price.
- We reiterate our target price of £0.16 per share. The shares currently trade at ~one-third of the business value based on 2P reserves alone. Near-term catalysts include securing a marketing agreement for oil and gas production and progress toward a partner for the Paradox project.

Debt redetermination highlights the value of the non-op assets

Despite producing over 0.2 mmboe of reserves since YE24 and facing a ~US\$10/bbl decline in oil prices between 4Q24 and 4Q25, Zephyr's borrowing base of US\$22.1 mm for its non-Paradox assets has been reaffirmed. The lending bank applies a conservative policy, advancing only up to 50% of PDP PV10, and has generated a current valuation of US\$46 mm (1.5p per share) for Zephyr's non-Paradox PDP. This figure excludes any upside from the significant non-operated PUD reserves within the Zephyr portfolio, and does not take into account any reserves in the Paradox.

Valuation

Our Core NAV and ReNAV stand at £0.07 per share and £0.16 per share respectively. These valuations are underpinned by the company's 2P reserves, 2C resources, and the risked value of only one overlying Paradox sand (out of eight), highlighting the significant upside potential from further development.

Rating & target	Old	New	
Target	£0.16	n.c.	
Yield		0%	
Implied total return		567%	
Share data	2024	2025e	2026e
Shares dil., mm	1,996	2,403	2,403
Mkt cap, US\$mm	\$78	\$77	\$75
EV, US\$mm	\$103	\$102	\$114
Financial Data	2024	2025e	2026e
Gas, mmcf/d**	1.1	0.9	4.6
Liquids, bbl/d**	961	775	1,319
Total boe/d (6:1)**	1,149	922	2,089
CFO, US\$mm	\$9	\$5	\$15
Net capex, US\$mm	\$5	\$14	\$30
Net debt, US\$mm*	\$26	\$24	\$39
CFPS dil., US\$/shr	\$0.01	\$0.00	\$0.01
EPS dil., US\$/shr	(\$0.02)	(\$0.01)	(\$0.01)
Valuation	2024	2025e	2026e
Share price, £/shr	£0.03	£0.02	£0.02
EV/DACF	9.8x	19.2x	6.0x
EV per boe/d (US\$)**	\$90,050	\$110,295	\$54,735
Net asset value			
CNAV, £/shr			£0.07
RENAV, £/shr			£0.16
Unrisked NAV, £/shr			£0.67
P/CNAV			0.4x
P/RENAV			0.2x
P/ unrisked NAV			0.0x

All figures in US\$ unless otherwise noted

* based on working capital rather than cash

** based on net production (NRI)

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Contact details

Analyst:
Stephane Foucaud
 sf@auctusadvisors.co.uk
 +44 7854 891249

Figure 1. Financial & operating information

Zephyr Energy Plc (ZPHR LN)		Historical & Auctus Outlook						
Financial & Operating Information		2023	2024	2025e	2026e	2027e	2028e	2029e
Commodity Prices								
WTI	US\$/bbl	\$80.43	\$77.48	\$66.47	\$65.77	\$67.00	\$67.00	\$67.00
Henry Hub	US\$/mcf	\$2.80	\$2.35	\$3.57	\$4.50	\$4.50	\$4.50	\$4.50
USD/CAD	US\$/C\$	\$0.78	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
USD / GBP	US\$/£	\$1.24	\$1.25	\$1.34	\$1.30	\$1.30	\$1.30	\$1.30
Production								
Oil and Liquids	bbl/d	952	961	775	1,319	2,241	2,757	2,951
Natural Gas	mmcf/d	1.0	1.1	0.9	4.6	16.3	27.3	31.8
Total (6 mcf = 1 boe)	boe/d	1,116	1,149	922	2,089	4,966	7,314	8,243
% Oil and Liquids	%	85%	84%	84%	63%	45%	38%	36%
Netbacks								
Realized Price	US\$/boe	\$62	\$58	\$49	\$45	\$38	\$34	\$33
Royalties	US\$/boe	\$0	\$0	\$0	\$2	\$3	\$3	\$3
Opex and production tax	US\$/boe	\$22	\$19	\$19	\$13	\$8	\$7	\$7
Operating Netback	US\$/boe	\$41	\$39	\$30	\$30	\$27	\$24	\$24
Taxes	US\$/boe	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow Netback	US\$/boe	\$27	\$25	\$16	\$25	\$24	\$22	\$22
Government Take	%	0%	0%	0%	0%	0%	0%	0%
Financials								
Cash Flow (CFO)	US\$mm	\$9	\$9	\$5	\$15	\$40	\$56	\$63
CFPS - diluted	US\$/shr	\$0.01	\$0.01	\$0.00	\$0.01	\$0.03	\$0.04	\$0.04
EBITDAX	US\$mm	\$11	\$6	\$5	\$19	\$44	\$60	\$67
E&D Capex	US\$mm	\$32	\$5	\$8	\$30	\$44	\$26	\$26
A&D Capex, Net	US\$mm	(\$4)	\$0	\$7	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$28	\$5	\$14	\$30	\$44	\$26	\$26
Total Net Capex/CFO	x	-2.9x	-0.6x	-2.9x	-2.0x	-1.1x	-0.5x	-0.4x
Leverage								
Net Debt	US\$mm	\$31	\$26	\$24	\$39	\$43	\$13	(\$24)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	2.4x	3.4x	5.3x	1.6x	1.0x	0.8x	0.2x
Capital Structure								
Basic Shares o/s @ YE	mm	1687	1751	2101	2101	2101	2101	2101
Diluted Shares o/s @ YE	mm	1864	1996	2403	2403	2403	2403	2403
Market Capitalization	US\$mm	\$64	\$78	\$77	\$75	\$75	\$75	\$75
Enterprise Value	US\$mm	\$94	\$103	\$102	\$114	\$118	\$88	\$51
Dividends & Sustainability								
Dividends	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash Flow	US\$mm	(\$22)	\$4	(\$3)	(\$15)	(\$4)	\$30	\$37
Cash Use/CFO	%	-291%	-60%	-295%	-199%	-110%	-46%	-41%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-34%	-2%	-28%	108%	138%	47%	13%
PPS Growth (Y/Y) DDA - dil.	%	-45%	-2%	-21%	96%	117%	68%	76%
CFPS Growth (Y/Y) - dil.	%	-68%	-6%	-53%	227%	133%	35%	12%
CFPS Growth (Y/Y) DDA - dil.	%	-76%	-11%	-54%	184%	112%	54%	75%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value								
CNAV (Atax) - diluted	£/shr	£0.07						
RENAV (Atax) - diluted	£/shr	£0.16						
Unrisked NAV (Atax) - diluted	£/shr	£0.67						
P/CNAV	x	0.4x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.0x						
Valuation		2023	2024	2025e	2026e	2027e	2028e	2029e
Share Price, YE/Current	£/shr	£0.03	£0.03	£0.02	£0.02	£0.02	£0.02	£0.02
P/CF	x	4.2x	5.1x	9.0x	2.7x	1.1x	0.8x	0.8x
EV/DACF	x	8.7x	9.8x	19.2x	6.0x	2.7x	1.5x	0.8x
Target EV/DACF	x	12.1x	34.8x	89.7x	25.2x	10.9x	7.6x	6.2x
EV per boe/d	\$/boepd	\$84,370	\$90,050	\$110,295	\$54,735	\$23,815	\$12,053	\$6,173
Proved plus probable	4	3	3	39	38	36	34	31
EV per 2P boe	US\$/boe	\$24.89	\$30.76	\$2.61	\$2.99	\$3.25	\$2.61	\$1.66
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

d) NRI Production, reserves and resources

Source: Auctus Advisors, Company Disclosures

**Futures strip as of 19-Nov-25

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Riskd £/Share	Unrisked £/Share	% Total
Net Cash (YE25)			-20	-20	-0.01	-0.01	-4%
G&A			-24	-24	-0.01	-0.01	-5%
Williston Basin 2P Reserves	3.78	100%	47	47	0.01	0.01	9%
Paradox Basin 2P Reserves (CPR)	35.20	100%	206	206	0.07	0.07	41%
Total Core NAV			210	210	0.07	0.07	42%
Paradox Basin 2C Resources	39	75%	229	171	0.05	0.07	34%
Paradox Basin Prospective Resources - C9 Reservoir	34	55%	198	97	0.03	0.06	19%
Paradox Basin Prospective Resources - Other overlying Reservoirs	236	27%	1385	0	0.00	0.44	0%
Paradox Salt Wash helium (bcf)	0.3	25%	80	20	0.01	0.03	4%
Total Risked Exploration			1892	288	0.09	0.61	58%
Total NAV			2102	498	0.16	0.67	100%
P/Core NAV				36%			
P/NAV				15%			
P/Unrisked NAV				4%			

Note: NRI reserves and resources

Source: Auctus Advisors, Company Disclosures

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Author

The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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