

#### Stock Data

Share Price:	3.50p
Market Cap.:	£73.53m
Shares in issue:	2,100.72m
52 week high/low:	5.84p/2.20p

#### 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.

<https://www.zephyrplc.com/>

#### 1-year share price performance



#### 5-year share price performance



Source: [LSE](https://www.lse.com/)

Past performance is not an indication of future performance.

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## Zephyr Energy plc

Zephyr has released a positive operational update detailing further progress in the Paradox Basin as it progresses towards delivering first commercial production, a sizeable increase in Q4 2025 production from the Group's non-operated portfolio and further divestment of non-core acreage. Given the recent strength of the western US gas markets, Zephyr has been encouraged by interest received to date from potential partners, being already in receipt of indicative non-binding proposals which could potentially provide hydrocarbon marketing solutions and funding for additional drilling. Chief Executive Officer, Colin Harrington, notes that further updates on the farm-out process and ongoing gas offtake discussions, potentially identifying joint-venture partner(s) capable of supporting projected funding needs, creating opportunity through accelerated drilling programmes and maximising value for shareholders, will be provided in due course. Being an obvious beneficiary of higher oil prices and with just 33% of the next twelve months non-operated oil production presently hedged, the Board is also monitoring global events closely in order to be responsive to further portfolio management/hedging activity as opportunities arise. Based on this, 2026 looks set to deliver Zephyr's next significant phase of growth.

### Paradox project – Progressing toward commercial production

Enbridge Inc. ('Enbridge') (the owner and operator of the 16-inch gas pipeline that will export gas from Zephyr's Powerline Road Gas Plant to the Williams Northwest Pipeline system) is supervising an on-site in-line pipeline inspection programme. The aim is to validate continued pipeline integrity at its original design operating pressure, in order to ensure that the additional gas volumes expected from Zephyr can safely be transported. At present, the pipeline has more than sufficient design capacity for Zephyr's expected future volumes, even assuming a full development plan.

Further ongoing operational work being conducted by Enbridge includes survey, engineering, environmental, land and right-of-way work, as well as the regulatory processes required to operate bi-directional flow on the existing pipeline. This will permit both the export of gas to the Northwest Pipeline and the supply of gas to customers in the City of Green River. Enbridge will construct, own, operate, and maintain the modified 16-inch pipeline facility and interconnects.

Zephyr continues to evaluate marketing and joint venture/farm-in partnership opportunities, with potential to accelerate further development of the Paradox project. It has already received indicative non-binding proposals which would provide hydrocarbon marketing solutions and funding for additional drilling. With discussions/negotiations continuing alongside ongoing incoming enquiries, the Board will update the market as and when appropriate.

### Q4 hydrocarbon production – Preliminary sales and production

More than offsetting the standard decline of its existing non-operated portfolio, last August's US\$7.3 million acquisition ('the Acquisition') of working interests in accretive, mature proved developed producing assets

boosted Q4 2025 production to 983 barrels of oil equivalent per day ('boepd'), net to Zephyr. This compared with Q2 and Q3 average net production of 632 boepd and 925 boepd respectively (a 55% increase over 6 months).

Zephyr employs an active hedging strategy that includes the use of swaps and collars to protect against sharp drops in oil prices while maintaining upside exposure. This strategy is designed to guarantee cash flow surety for debt obligations and to de-risk funding for future drilling activities. During Q4 2025, the Group benefitted from hedging 24,000 barrels of oil ('bbls') at a weighted average price of US\$65.18/bbl (when of course spot prices were much lower than now). Since hostilities began in the Middle East less than one month ago, the 2026 Iran war has resulted in oil prices spiking as much as 60% due to attacks on pipelines, refineries and tankers in the region, alongside threats to the critical Strait of Hormuz. The situation remains very fluid and international oil and LNG price sentiment is likely to continue to swing wildly in response to short term news. It is fortuitous that Zephyr was largely unhedged coming into March 2026, since when it has hedged a further 75,000 bbls over the next twelve months at a weighted average price of US\$67 per bbl (equivalent to approximately 33% of forecasted non-operated oil production over the same period). The remainder of Zephyr's non-operated production is currently unhedged, providing significant exposure to current favourable commodity prices.

In light of existing market volatility, Zephyr will continue to evaluate additional hedges on an opportunistic basis, and is positioned to profitably benefit from the current price upside along with potential to layer additional hedges on an opportunistic basis. As of end-December 2025, the Group's portfolio consisted of interests in over 600 gross wells (or c.30 net wells) available for production, versus 228 gross wells at the end of Q2 2025. Zephyr's portfolio now consists of well and acreage interests in Utah, Colorado, Wyoming, Montana and North Dakota, providing diversity across multiple operators and basins.

### **Further non-core acreage divestments - Total value consideration of US\$2.1m received**

Further enhancing the economics and shortening the payback period of the Acquisition, Zephyr has completed two additional divestments of non-core, non-producing assets obtained as part of the August 2025 transaction. The original US\$7.3 million purchase price was valued by the Group solely on the basis of the producing assets acquired; it also included, however, 6,350 undeveloped, non-producing acres in the Williston, Powder River, Denver-Julesburg and other Rocky Mountain basins. Representing a third and fourth meaningful divestment from the Acquisition, today's sales did not include any material producing assets and the Board continues to evaluate options for the remaining undeveloped acreage holding. Today's divestment comprised:

- c.160 acres of non-operated, undeveloped lease holding located in Colorado, for which Zephyr received a total cash consideration of US\$1.3m.
- Certain royalty interests and a working interest in a non-producing wellbore in the Powder River Basin, Wyoming, U.S. Total consideration received by Zephyr was US\$0.8m, comprising a cash component of US\$0.4m and the buyer's assumption of US\$0.4m of near-term capex liability.

This follows the US\$1.14 million divestment (US\$1.04 million after post-closing adjustments) of non-producing Powder River Basin acreage (announced 30 December 2025), and the US\$0.67m sale of an operated well (announced concurrently with the closing of the Acquisition).

Having undertaken detailed evaluation, the Group deemed the acreage divested to date to be non-core, given the potential for significant future capital expenditure and/or long lead times for development. It has now generated c.US\$4.7 million in total consideration from these sales, comprising of US\$3.5 million in cash proceeds plus the divestment of US\$1.2 million in near-term plugging, abandonment and capital liabilities). Applying these sales proceeds against the initial acquisition price of US\$7.3 million and considering the US\$1.7 million in cash flow the remaining acquired assets generated from June until December, it becomes clear that payback on the Acquisition has accelerated meaningfully and without impact to future expected production. Furthermore, it has also generated US\$2.5 million of approved drilling investment from Zephyr's strategic partner, investment on which Zephyr will receive additional cash flows once the capital provider has achieved a threshold return.

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