

#### Stock Data

Share Price:	3.65p
Market Cap.:	£44.7m
Shares in issue:	1224.5m
52 week high/low	3.85p./0.41p

#### Company Profile

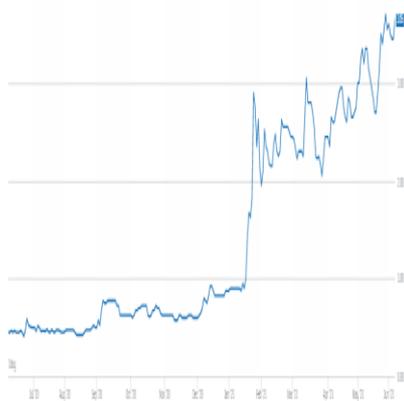
Sector:	Oil & Gas
Ticker:	ZPHR
Exchange:	AIM

#### Activities

Zephyr Energy plc ('Zephyr', 'ZPHR', 'the Group'), formerly Rose Petroleum plc, is a junior oil and gas E&P company with a core focus on oil and gas interests in the Rocky Mountain region of the US.

[www.zephyrplc.com](http://www.zephyrplc.com)

#### 1-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 announced that it intends to achieve carbon-neutrality across its operational footprint by 30 September 2021. This industry-leading pledge is a major first step towards near-term delivery of hydrocarbons produced with an operational 'net-zero' carbon impact. Not only is the Board unanimously committed to this initiative, but it also appears to make good business sense. Recent market-based evidence suggests that purchasers and supply chain partners of 'net-zero' operated volumes are willing to absorb costs associated with the purchase of Verified Emission Reductions ('VER') offsets related to oil and gas production. While eliminating its operational carbon footprint is important from an environmental perspective, the Board believes that shareholders will also benefit from the potential for premium commodity pricing, access to a wider pool of institutional investors and cheaper cost of capital, as well as enhanced relations with regulatory partners. With the next few months expected to remain news flow heavy on all fronts, as the Group targets initial production on its Paradox project, further defines the Paradox resource and potentially begins to generate significant cash flow from its non-operated asset portfolio, yet more key objectives look set to follow.

### Fundamental values

Zephyr's mission statement is to operate with two fundamental values: (i) to be responsible stewards of investors' capital and (ii) to be responsible stewards of the environment in which it works.

The Group has recently entered a new phase of growth, having positioned itself as a cash-generating oil producer with plans for near-term development on its flagship Paradox Basin appraisal project. This brings with it of course, a corresponding new carbon impact and explains why the Board has chosen this time to launch what is believed to be an industry-leading environmental commitment. Underlining this point, Chief Executive, Colin Harrington, went on to note in his RNS release that "the path forward, albeit nascent and experimental, is grounded in the sentiment that good environmental & operational performance + good governance = superior investor returns."

### Verified Emission Reductions

As an integral part of this undertaking, Zephyr has agreed to collaborate with the Prax Group, a British multinational independent oil refining, trading, storage, distribution and retail conglomerate dealing in crude oil, petroleum products and bio-fuels. It will work with the Group to measure, reduce and mitigate greenhouse gas ('GHG') emissions across all its businesses, with mitigation efforts primarily focused on the purchase of sustainability/decarbonisation offsets (called Verified Emission Reductions or 'VER') from reputable pre-vetted developers of sustainable projects.

The cost to purchase the appropriate number of VERs to offset Zephyr's growing operational footprint is expected to average well under US\$1 per barrel of oil equivalent produced, although the net cost to Zephyr may be considerably less given the potential to sell oil volumes at a premium as a result of the anticipated 'net-zero' operational carbon status of those volumes. Purchases of VERs will be staged in increments matching Zephyr's forecast production profile to facilitate effective cash management.

Initial efforts will be focused on its Scope 1 GHG impacts, which cover all direct emissions from Zephyr-owned or controlled sources, from the drilling and production of operated and non-operated hydrocarbons through to transport to the refinery, as well as all other corporate emissions. Over the next few months, Zephyr and Prax Group will focus on measuring, reducing and mitigating operational GHG emissions across the Group. This demonstrates not only its pledge to rapidly achieve carbon-neutral operations but also its commitment to setting sector-leading environmental standards. Furthermore, the Board understands that mitigating the Group's operational CO<sub>2</sub> impact is only a first step; emissions from the ultimate end-use of produced volumes also have a significant CO<sub>2</sub> impact. Accordingly, Zephyr pledges to work with potential end-users of its products going forward to explore routes to more fully offset its product CO<sub>2</sub> (Scope 3 Emissions) to the greatest extent possible.

### Economic benefits

In addition to the environmental benefits that will result from Zephyr's efforts to reach carbon-neutrality, the approach adopted looks set to yield economic benefits. From a shareholder point of view, this includes expanded access to a wider group of potential institutional investors, given that total ESG-focused assets under management are currently estimated to be over US\$30 trillion globally. Moreover, the average cost of capital for companies with committed ESG and decarbonisation initiatives has been demonstrated to be lower than that of comparable, traditional resource companies. Zephyr's Board believes that incremental regulatory benefits may also materialise from these steps.

### Successful fundraise should enable Zephyr to pursue significant upside potential beyond Cane Creek

Investors can expect significant news flow on all fronts in the coming months. Along with anticipated steps toward achieving the 100% carbon-neutrality by end-September 2021 announced today, there will be further progress updates from the Group's recently acquired and expanding portfolio of non-operated working interests. In addition, and of principal interest to Shareholders, is likely to be the completion of evaluation work defining the resource base on the Group's operated flagship asset in the Paradox Basin, Utah, U.S (the "Paradox"), as well as the near-term plans to drill and target first production from the State 16-2 CC LN well. The Group's current Paradox acreage of c.25,353 acres is held through multiple leases with variable expiry dates. These are estimated to hold an approximate Net 2C contingent recoverable resources of 12 million barrels of oil equivalent ('mmboe') in the Cane Creek reservoir alone, for which a Competent Persons Report ('CPR') prepared by Gaffney Cline & Associates in June 2018 estimated a net present value of approximately US\$156million, using a flat oil price of US\$60 per barrel having applied a ten percent discount rate. Beyond this, however, its Board considers further substantial upside potential exists from multiple additional zones thought to be productive and that data secured from the State 16-2 CC LN well is expected to help further define. In this respect, it is important to note that the US Geologic Survey estimates a basin-wide, mean potential 1.2 billion boe in the Cane Creek reservoir alone, indicating a substantial potential yet to be targeted.

Now well-resourced following March's successful £10m (gross) fundraise plus tranches of grant funding, Zephyr appears to have secured sufficient cash visibility to pursue value from both its Paradox Project and other strategic ventures on behalf of shareholders. Such optionality is likely to increase the attractiveness of the asset for prospective strategic and industry partners, suggesting that the deep discount to the CPR valuation along with the straightforward economics of its participations in the Bakken and Williston Basin interests still remain far from adequately reflected in the Group's present £44.7 million market capitalisation.

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