

Stock Data

Share Price:	3.10p
Market Cap.:	£54.27m
Shares in issue:	1,750.72m
52 week high/low:	6.00p/2.03p

Company Profile

Sector:	Oil & Gas
Ticker:	ZPHR
Exchange:	AIM

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](https://www.lse.com)

Past performance is not an indication of future performance.

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TPI acts as joint broker to Zephyr Energy plc.

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Zephyr Energy plc

Further to its announcement on 10 October 2024, in which Zephyr outlined its intention to drill an extended lateral on the State 36-2R well (the 'Well'), the Group has today confirmed it has entered into binding documentation to fully fund the expected drilling, completion and production test costs plus a margin for contingency (the 'funding'). The funding totals an aggregate US\$7.5m, an increase from the initial amount of US\$7.0m, and has been secured from a US-based industry investor (the 'wellbore investor'), in exchange for a 50% non-operated working-interest in the single well. The wellbore investor will not receive any further interest or option in the Paradox project, although Zephyr has retained a right of first refusal to repurchase the working interest at a discount to fair market value in the event the investor chooses to sell it in the future. Going forward, the wellbore investor will cover its pro rata portion of the Well's operating and overhead costs, for which it will receive 50% of its net revenues from the time of first production, with no catch-up period or other preferential rights to the investor. This and the fact that the proposal contains no equity or debt element while permitting Zephyr to retain operatorship, all point to a positive scenario for shareholders and an external industry endorsement of the single well's potential economics. Other funding discussions with different industry and asset-level financial partners in respect of the larger, long-term development of the wider Paradox project remain ongoing, and the current funding grants Zephyr significant flexibility in pursuing future development partners.

Summary key terms of the funding agreement

- The wellbore investor has acquired a direct 50% non-operated interest in the State 36-2R wellbore (the 'wellbore interest') for US\$7.5m, enough to fully-fund all expected drilling, completion and production testing costs (including contingency).
- Zephyr will retain operatorship of the well and the wellbore investor will not receive any further interest or option in the Paradox project other than the individual wellbore interest.
- There will be no issue of any Zephyr equity or debt as part of the funding.
- The US\$7.5m is a forecast of 100% of the drilling, completion and production test costs, plus an added margin for contingency.
- If costs overruns occur beyond US\$7.5m, the additional expense will be shared 50:50 between Zephyr and the wellbore investor.

Production test results expected in Q1 2025

The funding will be transferred by the wellbore investor to Zephyr in full by 31 December 2024, ahead of the commencement of drilling. Prior to this, Zephyr is undertaking the final operational activity required to ensure that drilling operations can commence as soon as possible.

This activity includes completion of both the rig contract and agreements with additional service providers. Surface operations at the site are confirmed to be underway and the Group expects drilling operations for

the extended lateral to begin in early January 2025. Once drilling operations have been completed, Zephyr will immediately proceed to a production test, with results expected in the first quarter 2025. It will provide further details on the timing of drilling operations and the broader development outlook for 2025 once the rig contract is signed.

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