ZPHR AIMX Zephyr Energy PLC

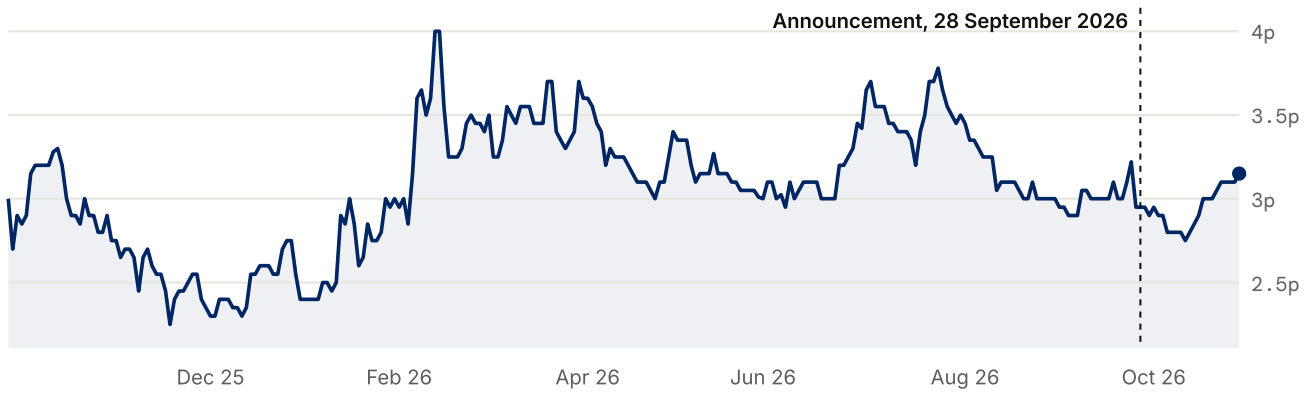
Half-year Report · RNS 5296W · 28 September 2026

Zephyr swings to H1 profit on higher output, but cash falls to US$2.0m

Share price	3.22p
Market cap	£67.6m
52-week range	2.2p - 4.34p
Shares in issue	2100.7m
12-month change	+5.0%

Ticker Data API, as at 29 Oct 2026, 16:29

SHARE PRICE, 12 MONTHS



SUMMARY

Zephyr Energy's interim results today showed revenue up to US$10.8 million for the six months to 30 June 2026, from US$6.3 million, with a net profit of US$1.9 million against a US$13 million loss a year earlier. Output from its non-operated wells beat management's forecasts. The profit was helped by one-off gains, while operating cash flow was negative and cash fell to US$2.0 million against gross borrowings of US$22.7 million. At its Utah Paradox gas project, Zephyr has roughly doubled its acreage and passed a key pipeline inspection. It cannot give a timetable for the pipeline owner's regulatory approval, and its proposed US$15 million pre-production financing from Atlas Oil is still under negotiation.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
Revenue	US$10.8 million	H1 2026	H1 2025: US$6.3 million
Net profit after tax	US$1.9 million	H1 2026	H1 2025: net loss of US$13 million
Average production (non-operated)	921 boepd	H1 2026	H1 2025: 693 boepd
Net cash from operating activities	US$(1,359)k	H1 2026	H1 2025: US$2,173k generated
Cash and cash equivalents	US$2.0 million	30 June 2026	30 June 2025: US$5.8 million; 31 Dec 2025: US$2,986k
Gross borrowings	US$22.7 million	30 June 2026	30 June 2025: US$23.4 million
Borrowings due within one year	US$15,648k	30 June 2026	
FIBT valuation of non-operated production base	US$43 million	August 2026	
Share price	3.00p		-9.94% on the day

Sources: Half-year Report RNS, 28 Sep 2026; Condensed consolidated cash flow statement, Half-year Report, 28 Sep 2026; Condensed consolidated balance sheet, Half-year Report, 28 Sep 2026; Ticker price data

THE ANNOUNCEMENT

- H1 2026 revenue was US$10.8 million (H1 2025: US$6.3 million) and net profit after tax was US$1.9 million, or 0.09 cents per share (H1 2025: loss of US$13 million). The profit included a US$1,995k gain on disposals, a US$1,000k bad-debt recovery and US$1,152k of foreign exchange gains, partly offset by a US$946k loss from a cyber incident.
- Non-operated production averaged 921 boepd (barrels of oil equivalent per day), up from 693 boepd, and ran ahead of management's forecasts. Gross profit, on the company's measure excluding depreciation, doubled to US$6.6 million.
- Operating activities used US$1,359k of cash, against US$2,173k generated in H1 2025. Cash was US$2.0 million at 30 June 2026 and gross borrowings were US$22.7 million, of which US$15,648k was due within a year. In August 2026 the senior lender, FIBT, valued the non-operated production base at US$43 million and reaffirmed the borrowing facilities.
- At the Paradox project, Enbridge's pipeline inspection confirmed the line is structurally sound, which allowed the regulatory approval process to start. Zephyr is not party to the filings and cannot give a timeline. The Board has funded engineering from existing cash to raise initial gas processing capacity to up to 15 mmscf/d, up from a base case of 5 mmscf/d.
- Zephyr added about 27,000 net acres, taking its operated Paradox position to about 70,000 gross acres. It says negotiations continue on the non-binding letter of intent for up to US$15 million of non-dilutive pre-production financing from Atlas Oil, and that a farm-out process to bring in a development partner is under way.
- Divestments of non-core acreage acquired in 2025 have generated total asset sales of circa US$7.0 million. The company says that deal has delivered about US$11 million of value to date, against its US$7.3 million cost.

AGAINST GUIDANCE

Non-operated production exceeded management's forecasts. The Atlas Oil letter of intent announced on 27 July 2026 said a binding agreement was expected in the third or early fourth quarter of 2026. Today's report says only that negotiations are continuing, with updates in due course. The report gives no timetable for Enbridge's regulatory approval or for first commercial gas, which the company says remains its priority 'as soon as possible'. The FIBT revolving credit facility is due on 16 December 2026, and the company expects it to be extended for a year, in line with the bank's past practice.

BULL CASE

- The Paradox project offers scale: about 70,000 gross operated acres and 35.3 million boe of 2P (proved and probable) reserves in the White Sands Unit, with the pipeline inspection completed and processing capacity being designed for up to 15 mmscf/d.
- Non-operated production is running ahead of forecast. The lender's reaffirmed facilities and higher oil prices could lift second-half cash flow, although part of the oil output is hedged.
- If a binding, non-dilutive Atlas agreement closes on reasonable terms and pipeline approval follows, the more growth-minded committee members argue the market could re-rate a company valued at about £63m.

BEAR CASE

- Funding is not yet secured. The Atlas prepayment is still non-binding, and a commodity prepayment brings forward future production income rather than proving the project is profitable.
- The balance sheet is thin. Cash is small against borrowings with a large amount due within a year, and operating cash flow has been weak, so a discounted share placing remains a risk if financing or rollover slips.
- The shares are illiquid, trading about £66k a day. The technical view noted that each positive announcement since July has been sold into, even as oil rose.
- Paradox economics depend on US gas prices, where the macro view pointed to forecasts of record supply. Oil's recent geopolitical premium may also fade.

WHAT TO WATCH

- Whether the Atlas Commodity Purchase Agreement becomes binding at or near US$15 million, and on what terms (for example, whether warrants are attached).
- Extension of the FIBT revolving credit facility beyond its 16 December 2026 maturity, and any sign of an equity placing.
- Progress on Enbridge's regulatory approval, the farm-out process and a timetable for first commercial gas from Paradox.
- The share price relative to the 2.81p support and 3.22p resistance levels identified in the committee's technical review.

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