



Please find below an update covering themes that we feel that are of interest to investors and participants in the Natural Resources sector as well as commentary on recent newsflow. The cost of Allenby Capital's research on individual clients is paid for by our research clients.

For the purpose of MIFID II, the content of the following email qualifies as "non-substantive material or services consisting of short-term market commentary on the latest economic statistics or company results" and so can be treated as 'acceptable minor non-monetary benefits' and not as 'chargeable research' per the European Commission's Delegated Directive of 7.4.2016.

Allenby Capital Natural Resources Update 06.10.21 - ZEN.L

Zenith Energy Ltd* (ZEN.L, 1.1p/£15.5m)

Beneficiary of surging power prices

- Zenith Energy is benefiting powerfully from surging wholesale power prices in Italy through its merchant facility at Torrente Cigno in the region of Molise (Adriatic coast southern Italy). Prices have roughly trebled over the past year to €157/MWh which at the current production rate of about 920 MWh/month translates into €144,440/month (C\$213,771).
- Significantly, the Torrente Cigno plant is integrated upstream to its own source of gas so is not subject to the upward trend in international gas prices. Production costs are largely fixed and running at about €35,000/month, implying a cash contribution of a hefty €109,000/month. This translates into €1.31m or C\$1.94m at an annual rate which is a potentially useful contribution to financing underlying G&A of around C\$5m/year.
- Zenith has been looking to develop the adjacent gas field at Torrente Cigno. This could enable the power facility to roughly double output, given that it is only operating at 50% of capacity. Bearing in mind highly favourable economics, we believe that the go ahead could be given to Torrente Cigno field development in the coming months.

Our August 2021 initiation of Zenith Energy is available [here](#).

** Allenby Capital acts as Financial Adviser and Broker to Zenith Energy Ltd.*

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Allenby Capital "paid for" research services

The changes initiated by MiFID II has had far reaching implications on both the quantity and continued availability of research on smaller cap companies, including those within the Natural Resources sector. We would therefore remind interested companies that Allenby Capital can offer a "paid for" research service for those corporates that wish to retain an alternative and authoritative source of research that can be accessed freely by the entire investment community. If you would like further information on this service please contact d.johnson@allenbycapital.com.

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Research recommendation disclosure

Peter J Dupont is the author of this research recommendation. Peter J Dupont is employed by Allenby Capital Limited as an Equity Analyst.

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