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26 June 2024

Zephyr Energy plc
(the "Company" or "Zephyr")

Operations Update

**Update on State 36-2R well production test;
Successful redetermination, new loan facility, and bridge loan fully repaid;
Salt Wash deadline extension**

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF), the Rocky Mountain oil and gas company focused on responsible resource development and carbon-neutral operations, is pleased to provide an operations update including an update on progress on the State 36-2R LNW-CC well (the State 36-2R well) at the Company's flagship project in the Paradox Basin, Utah (the "Paradox project").

Update on State 36-2R well production test

Zephyr is pleased to report that operations related to the forthcoming well production test have commenced, with the well currently in its clean-up phase. Operations are proceeding at a conservative pace and the period of clean-up is longer than originally forecast. The production test is expected to commence shortly after clean-up and related operations have been completed. A further update will be provided once the production test has commenced.

Successful redetermination, new loan facility, and bridge loan fully repaid

Zephyr is pleased to announce that the Company's lender, North-Dakota based First International Bank & Trust ("FIBT"), has completed its semi-annual redetermination of the Company's revolving credit facility ("RCF").

The redetermination process reaffirmed the collateral value of Zephyr's non-operated asset portfolio in the Williston Basin, North Dakota, and included the six wells operated by Slawson Exploration Company (the "Slawson wells") that came online in the fourth quarter of 2023.

The successful redetermination process reaffirmed Zephyr's existing US\$15.15 million RCF.

In addition to the re-affirmation of the RCF, Zephyr has been provided with a new senior secured bank term loan for US\$5.6 million by FIBT ("New Term Loan"). The New Term Loan will amortise monthly over four years and has an interest rate of 10% per annum.

Proceeds from the New Term Loan (along with US\$400,000 of the Company's existing cash) were used to retire the remaining US\$6 million of the bridge loan which had funded the initial consideration and capital expenditure related to the Slawson wells, as announced on 21 December 2022 (the "bridge loan"). The bridge loan has now been fully repaid.

Following the redetermination process and the repayment of the bridge loan, the Group borrowings are currently circa US\$29.35 million, and consist of:

- US\$8.75 million of amortising term loan (at 6.74% interest per annum)
- US\$5.60 million of amortising New Term Loan (at 10% interest per annum)
- US\$15.0 million of debt drawn on the RCF (at 11% interest per annum).

The impact of retiring the bridge loan with proceeds from the New Term Loan, combined with the impact of the conversion of a portion of the bridge loan to equity as announced on 3 May 2024, has resulted in a reduction in the Company's blended interest rate to 9.5% (down from 10% at 31 December 2023) and an overall reduction in annualised interest costs of circa US\$579,000.

The next semi-annual redetermination for the RCF is scheduled to take place in the fourth quarter of 2024.

Extension to Salt Wash drilling deadline

As announced on 18 October 2023, the Company entered into an agreement (the "agreement") to further expand the Paradox project by farming-in to the Salt Wash Field, a previously producing asset with proven oil, gas and helium reserves located three miles to the south of Zephyr's White Sands Unit (the "WSU").

A key term of the agreement was a requirement that Zephyr must spud a well (the "commitment well") on the farm-in acreage prior to 30 June 2024 (the "drilling deadline").

Given the ongoing operations at the State 36-2R well, all relevant parties (including the mineral interest owners) have agreed to extend the drilling deadline to 1 September 2024.

Further to its update announcement on 27 March 2024, Zephyr remains in conversations with multiple industry participants and other investors regarding the potential to fund up to 100% of the costs of the commitment well at the asset level, and the Company's board of directors (the "Board") is considering which alternatives will best maximise value for Shareholders.

Colin Harrington, Zephyr's Chief Executive, said:

"I am delighted to announce that we have commenced operations in preparation for the production test on of the 36-2R well. Well clean-up operations are proceeding at a measured and conservative pace, and we are prepared to begin testing production volumes once the clean-up phase is complete. We look forward to sharing the results from the test in due course.

"In the interim, the successful RCF redetermination process and the addition of the New Term Loan, on favourable terms, is a testament to the strength of the Company and its underlying asset base. The reduction in total debt and the lowered blended interest rate on the remaining borrowings will provide additional free cash flow to help fund future growth across the Company. I would like, once again, to thank FIBT and its dedicated team for their continued strong support of Zephyr.

"I'd also like to thank our partners at the Salt Wash Field. Much progress has been made since we executed the agreement, both at the field level (with siting and permitting) and in asset-level partnership discussions with other helium industry participants. We look forward to progressing those discussions over the coming month."

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Notes to Editors

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF) is a technology-led oil and gas company focused on responsible resource development from carbon-neutral operations in the Rocky Mountain region of the United States. The Company's mission is rooted in two core values: to be responsible stewards of its investors' capital, and to be responsible stewards of the environment in which it works.

Zephyr's flagship asset is an operated 46,000-acre leaseholding located in the Paradox Basin, Utah, 25,000 acres of which has been assessed to hold, net to Zephyr, 2P reserves of 2.6 million barrels of oil equivalent ("mmboe"), 2C resources of 34 mmboe and 2U resources 270 mmboe.

In addition to its operated assets, the Company owns working interests in a broad portfolio of non-operated producing wells across the Williston Basin in North Dakota and Montana. Cash flow from the Williston production will be used to fund the planned Paradox Basin development. In addition, the Board will consider further opportunistic value-accretive acquisitions.

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