

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement, this information is now considered to be in the public domain.

18 December 2024

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

Paradox project update

***Completion of funding for the extended lateral; and,
Drilling operations expected to commence in January 2025***

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

Further to its announcement on 10 October 2024, in which the Company outlined its intention to drill an extended lateral from the existing wellbore (the "extended lateral"), the Company is pleased to announce that it has now entered into binding documentation to fully-fund all expected drilling, completion and production test costs (the "well costs") (the "funding"). The funding has increased to US 7.5 million, an increase from the initial estimated amount of US 7.0 million, and has been secured from a U.S.-based industry investor (the "wellbore investor") in exchange for a 50% non-operated working-interest in the single well.

There is no issuance of Zephyr's equity or any form of debt as part of the funding, and the wellbore investor will not receive any further interest or option in the Paradox project. In addition, Zephyr has retained a right of first refusal to repurchase the working interest at a discount to fair market value in the event that the wellbore investor chooses to sell its 50% non-operated working-interest in the future.

Going forward, the wellbore investor will cover its pro rata portion of the well's operating and overhead costs, and Zephyr will remain the operator of the well. Net revenues from the well will be split 50:50 between Zephyr and the wellbore investor from the time of first production, with no catch-up period or other preferential rights to the investor.

Under the terms of the funding, the US 7.5 million will be transferred by the wellbore investor to Zephyr in full by 31 December 2024, ahead of the commencement of drilling.

With the funding for the extended lateral secured, Zephyr will now undertake 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 have commenced, and the Company expects full drilling operations for the extended lateral to begin in early January 2025. Once drilling operations have been completed, the Company will immediately proceed to a production test, with results expected in the first quarter of 2025.

The Company will provide further details on the timing of drilling operations and the broader development outlook for 2025 once the rig contract has been signed.

Colin Harrington, Zephyr's Chief Executive, said:

"The U.S. non-operated investment market is growing increasingly active, with notable recent transactions in proven basins such as the Williston, as well as in other emerging plays close to our operations in Utah. We are delighted to be able to utilise this type of U.S.-specific funding for our Paradox project and view it as a highly attractive form of growth capital."

"With no issue of Zephyr equity or debt, and with no residual upside exposure in the future development of the Paradox project, this is a strong endorsement of the projects' single well economics. We are hopeful that the extended lateral will be the catalyst that ultimately delivers significant value from many more wells to be developed on our Paradox acreage, and this funding provides Zephyr with full flexibility for that future development."

"We are now moving ahead with all operational activity required ahead of drilling, including preparations at site and the finalisation of the rig contract, and I look forward to the commencement of full drilling operations early in the new year. We plan to update the market regularly during the anticipated active start to 2025."

Background to the funding of the extended lateral

On 10 October 2024, the Company announced that it had entered into a non-binding letter of intent with the wellbore investor to fund a projected US 7.0 million of expected drilling, completion and production testing costs.

Zephyr and the wellbore investor have now completed all required diligence and binding documentation, and below is a summary of the key terms of the funding:

- The wellbore investor has acquired a direct 50% non-operated interest in the State 36-2R wellbore (the "wellbore interest") for US 7.5 million 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 7.5 million is a forecast of 100% of the well costs and includes contingency.
- If costs overruns occur beyond US 7.5 million, additional expense will be shared 50:50 between Zephyr and the wellbore investor.

Contacts:**Zephyr Energy plc**

Colin Harrington (CEO)

Chris Eadie (Group Finance Director and Company Secretary)

Tel: +44 (0)20 7225 4590

Allenby Capital Limited - AIM Nominated Adviser

Jeremy Porter / Vivek Bhardwaj

Tel: +44 (0)20 3328 5656

Turner Pope Investments - Joint-Broker

James Pope / Andy Thacker

Tel: +44 (0)20 3657 0050

Canaccord Genuity Limited - Joint-Broker

Henry Fitzgerald-O'Connor / Charlie Hammond

Tel: +44 (0)20 7523 8000

Celicourt Communications - PR

Mark Antelme / Felicity Winkles / Ali AlQahtani

Tel: +44 (0) 20 7770 6424

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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rs@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

UPDDDBDDGUBDGSR