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8 September 2021

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

**Non-operated asset portfolio update;
acquisition of further Williston Basin working-interests;
joint-venture with Purified Resource Partners**

Zephyr Energy plc (AIM: ZPHR), the Rocky Mountain oil and gas company focused on responsible resource development, is pleased to provide an update on its non-operated working interests in the Williston Basin, North Dakota, U.S., to announce the acquisition of two additional non-operated near-term production portfolios in the Williston Basin (the "new acquisitions"), and to announce a joint-venture ("JV") with Purified Resource Partners LLC ("Purified") related to ongoing non-operated business development efforts.

Overview

- **Current production update:** Zephyr owns minority working interests in seven non-operated producing wells in the Williston Basin. These wells were acquired in the first half of 2021 with a goal of delivering a diversified and stable cash flow stream which could be used to fund additional operated Paradox Basin drilling and/or potential new acquisitions.
 - o The Company is pleased to report that production from the seven wells was, net to Zephyr, 509 barrels of oil equivalent per day ("boepd") during August 2021.
 - o Four of the wells continue to be brought into full production, with oil production still rising, water cuts reducing and stable gas oil ratios.
 - o Four of the wells were initially brought on at reduced production rates in order to minimise any gas flaring and CO2 emission impact while gas export infrastructure constraints were addressed, a CO2 mitigation effort very much welcomed by the Zephyr Board. Now that those infrastructure constraints have been resolved, the Company expects overall production to continue to rise during the next quarter and further updates will be announced as production data matures.
- **New Acquisitions:** Zephyr is also pleased to announce the completion of two additional non-operated portfolio acquisitions in the Williston Basin.
 - o The first acquisition purchased 72.5 net acres, resulting in an average 5.6% working interest ("WI") in four drilled but uncompleted ("DUC") wells operated by Prima Exploration Inc. ("Prima") which target production from the Middle Bakken reservoir in Richland County, Montana, U.S.
 - o The second acquisition purchased an average 3.1% WI in 11 wells (one currently being drilled and 10 DUC wells) operated by Whiting Petroleum Corporation ("Whiting"), all of which target the Middle Bakken reservoir in Mountrail County, North Dakota, U.S.
 - o All newly acquired wells are estimated by Zephyr to have rapid paybacks (within two years), high internal rates of return and a combined total 2P estimated ultimate recoveries (EURs) net to Zephyr, of 194,000 barrels of oil equivalent ("boe").
 - o Once initial payback has been achieved, Zephyr can utilise its historical tax losses of more than US\$15 million to reduce the federal tax payable on the revenues received from these new acquisitions.
 - o Total consideration for the new acquisitions is \$968,000, which has been paid for from the Company's existing cash resources.
 - o In addition to the acquisition price paid, Zephyr plans to fund the discretionary net capital expenditure ("CAPEX") related to the drilling and completion of the 15 wells acquired. This CAPEX total is forecast to be circa \$3.9 million. CAPEX will be due in late 2021 and early 2022, and the Board expects to be able to fund this CAPEX out of its current cash resources and with additional revenues from its current production.
 - o The Company expects all 15 newly acquired wells to be in production by 31 March 2022, resulting in a forecasted additional 200-300 net boepd. Additional updates will be provided as wells come online and adequate production history is gathered.
- **JV Partnership:** The Company is excited to announce the formation of a JV with Purified for the identification and execution of additional non-operated acquisitions. Purified's principals have substantial experience in the Williston Basin, a basin in which they previously helped assemble and close over \$70 million of non-operated asset acquisitions and associated CAPEX for a private equity-backed vehicle. More recently, Purified assisted and/or co-invested in all four Williston acquisitions that Zephyr has closed this year, and their team will have the right to continue to co-invest up to 20% in future transactions. The newly formed JV provides Zephyr with significant land and business development expertise directly in Zephyr's geographic region of focus.

Colin Harrington, Chief Executive of Zephyr, said: "While the safe and successful completion of the State 16-2 LN-CC well on our Paradox project remains the Company's top priority, I'm delighted to report continued progress and significant growth on the non-operated side of our business.

"As we outlined to Shareholders in January, Zephyr's key goal for 2021 was to establish production and positive cash flow - either through our existing portfolio, via acquisition, or through a combination of both. We will end 2021 having significantly exceeded my expectations. We have now closed five separate acquisitions this year - and these deals created a balanced asset base of interests in 22 producing or near-term production wells, provided exposure to additional non-operated drilling expected in 2022, added significant new operated acreage in the Paradox Basin, and tie together nicely with the State 16-2LN-CC well which is lined up for near-term completion and production testing. I'm particularly pleased that the current blend of strong commodity prices and highly economic production has the potential to generate enough cash flow to self-fund additional Paradox Basin development, as we work to delineate and deliver significant potential upside from the hydraulic stimulation of that asset.

"The acquisitions announced today are in prime locations, and the majority of the wells are operated by Whiting, a leading Williston Basin producer already serving as operator of a number of our existing wells. Sourcing and structuring these deals takes detailed basin knowledge and deep local experience, which is why I'm delighted to further our relationship with the Purified team. I've known the Purified principals for over two decades, and have watched as they successfully assembled a top-notch portfolio of Williston Basin non-operated interests for their former sponsor. Over the last year, we've worked together even more closely to successfully close our initial Williston Basin acquisitions, and I look forward to continued collaboration and co-investment from their team.

"The next few months are expected to bring news flow on all fronts as we target completion of our operated State 16-2LN-CC well in October, further define our Paradox resource potential, achieve carbon neutrality across our asset base and receive increased cash flow from our non-operated asset portfolio - including cash flow from our new acquisitions.

"We look forward to keeping Shareholders updated as we deliver on our strategy and achieve additional objectives across the portfolio. In the process of doing so, as always, we will strive to be responsible stewards of our investors' capital and responsible stewards of the environment in which we work."

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Dr Gregor Maxwell, BSc Hons. Geology and Petroleum Geology, PhD, Technical Adviser to the Board of Zephyr Energy plc, who meets the criteria of a qualified person under the AIM Note for Mining and Oil & Gas Companies - June 2009, has reviewed and approved the technical information contained within this announcement.

Estimates of resources and reserves contained within this announcement have been prepared according to the standards of the Society of Petroleum Engineers. All estimates are internally generated and subject to third party review and verification.

Glossary of Terms

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied. When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

Proved Reserves are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

*Production summaries and estimates are given as two phase well head fluids (oil and unprocessed gas) summaries or estimates. A 6 mcf (thousand cubic feet) of gas to one boe is used in the conversion of gas to barrel of oil equivalents.

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