

(AIM: ZPHR) (OTCQB: ZPHRF)

Growth & asymmetric upside in the U.S. oil & gas sector

Zephyr Energy plc
November 2023



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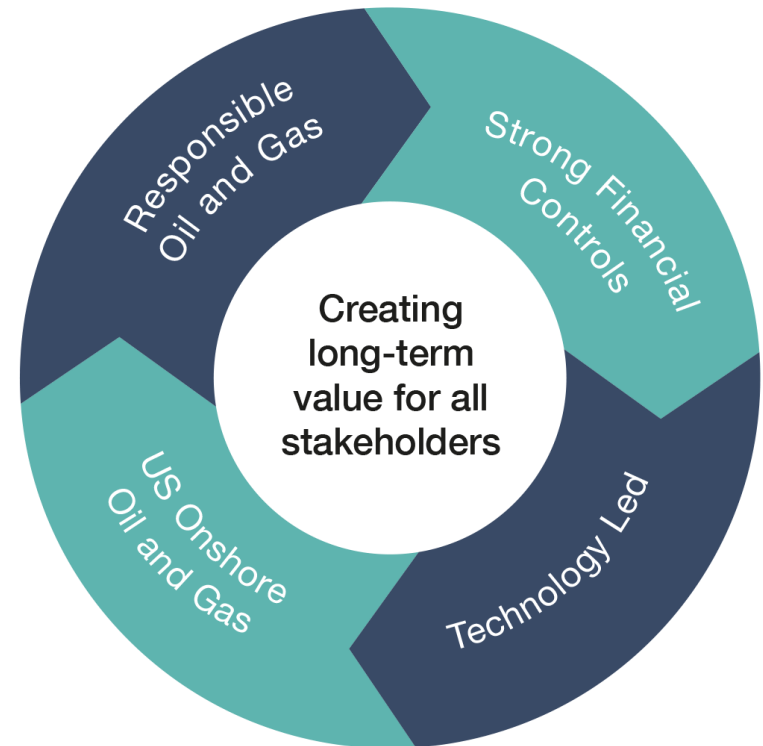
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Dr Gregor Maxwell, BSc Hons. Geology and Petroleum Geology, PhD, Technical Adviser to the Board of Zephyr Energy plc, is the Qualified Person responsible for the technical content, verification and quality assurance of the exploration data and the analytical results set forth in this presentation.

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Goals, Values and Vision

- Founded by a highly-experienced team of oil and gas professionals, Zephyr's **goals** are to drive growth and create long-term value for all stakeholders through responsible oil and gas production
 - ✓ **Management alignment through purchased shareholdings (approximately 10% of issued share capital)**
- Central to our goals are our **values**:
 - ✓ **Responsible stewards of investors' capital**
 - ✓ **Responsible stewards of the environment**
- Our **vision**: to open up the next prolific onshore U.S. oil & gas play



Strategic Overview

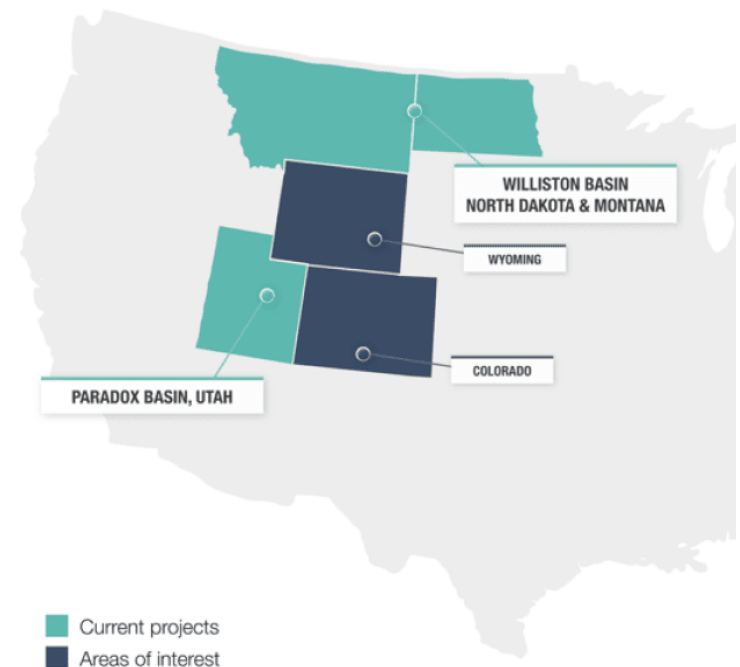
Aligned team, cash-flowing asset base and asymmetric upside potential

Two-tiered growth strategy:

- **Build cash flow from non-operated working interests in producing assets and prospects in the Williston Basin and other "core" basins**
- **Utilise cash flow generated to progress the asymmetric upside potential in the Paradox Project**

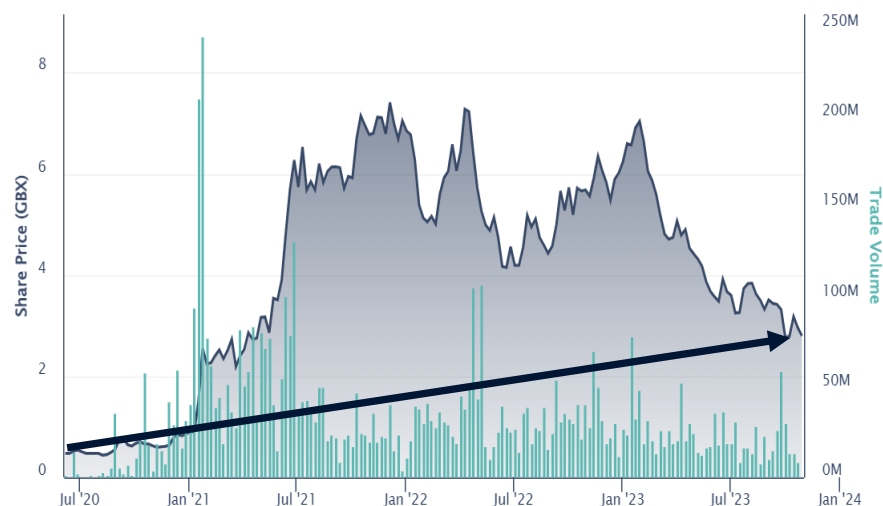
Track record – team has completed 14 acquisitions and increased production from zero to YE '23 est. run rate of 1,600 BOEPD in under three years

Potential for near-term transformational growth from CAPEX already expended in the Paradox Project



Key Data

Markets / Ticker	Share price ¹	Market cap ¹	Net Debt ²
AIM : ZPHR OTCQB: ZPHRF	3p	£50.6m	\$27.5m



Ordinary shares ¹	Board & affiliate ownership
1,686,501,823*	10.23%

Analyst research

Panmure Gordon	Target price: 16.4p
Auctus Advisors	Target price: 16p

Key Relationships

Senior Lender	First International Bank & Trust
Hedging Counterparty	BP Energy

¹ as at 31 October 2023

² as at 30 June 2023

*Fully diluted share capital (including outstanding options and warrants) is 1,874,226,963. In addition, there are a further 41 million share options to be issued under the Company's option schemes.

Williston Basin Update



Williston Basin Update



- **Zephyr built a sophisticated operations team** (engineering, land, finance & accounting), a proprietary model and detailed asset database which allows it to efficiently appraise, acquire and manage highly-economic non-operated assets in core Rocky Mountain basins
- Result is a **growing and diverse base of non-operated production** – with low maintenance CAPEX, significant free cash flow generation and future drilling upside
- The target is **compelling short-cycle economics** – and recent investment are paying out in less than 12 months with significant long-term tail value
- **Over \$1.1 billion of deal flow analysed** over the last two years, with more opportunities in the near-term
- Recent trends point to a continued robust market for non-op working interest, as evidenced by Vitesse Energy Inc.'s recent \$50 million AFE purchase, and increased non-op deal flow from major operators in the Williston Basin

Zephyr now has a demonstrable three-year track record of acquiring highly-economic non-operated production assets. Cash flow generated has been deployed roughly 50/50 to drilling in the Paradox Project and new wells in the Williston Basin

Non-op Acquisition Track Record



Total of **\$68 million CAPEX** has been deployed since inception of strategy (March 2021)



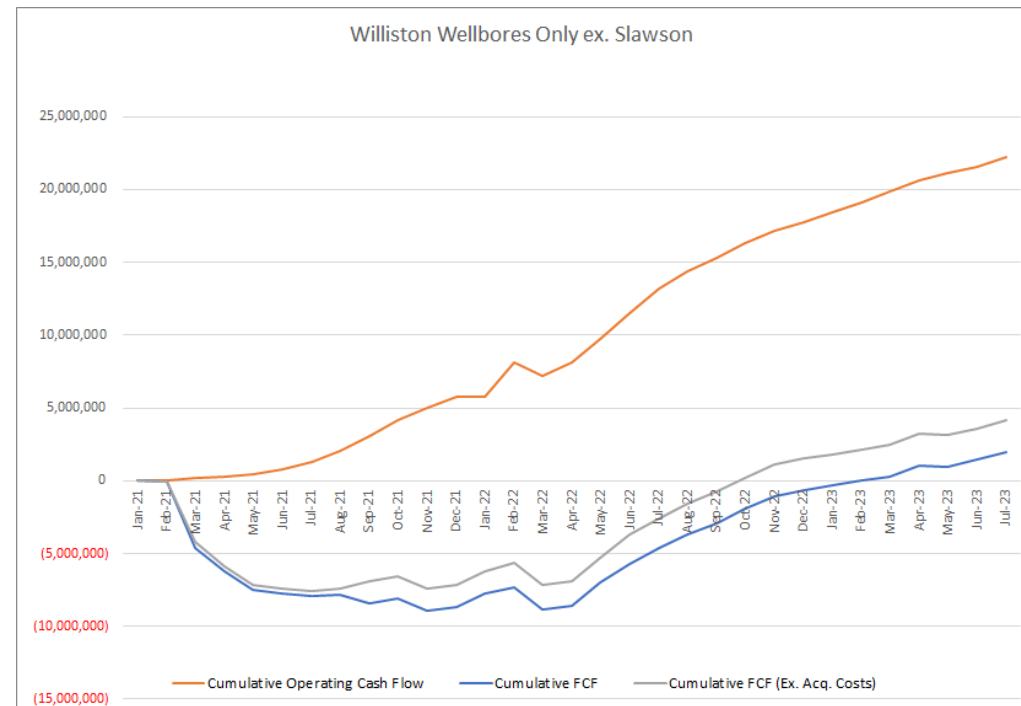
From inception to June 30, 2023, production from the non-op portfolio generated **\$49.1 million of cash flow** – with all cash flow reinvested



Remaining NPV-10, including the new Slawson wells, is **\$70.1 million (as per management and bank estimates)**



To date, Zephyr drilling investments have paid back in less than 20 months. Newer investments are projected to pay out in shorter time frames at current Future Strip prices.



Slawson Wells – Production Commenced



Acquisition costs and CAPEX funded in 2023



Wells now online – Zephyr will report initial production rates when available



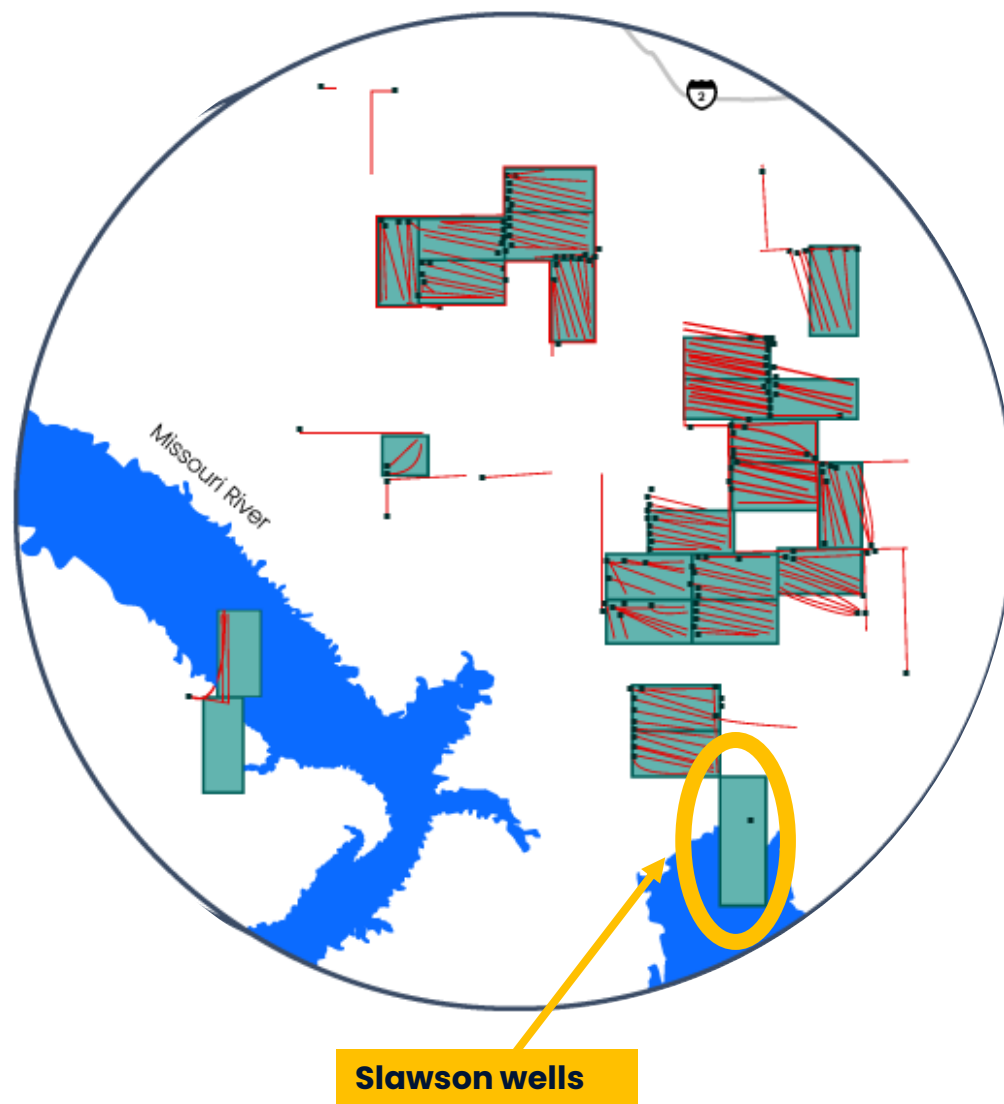
The new wells are expected to add roughly \$20 million of NPV-10 of PDP



Equivalent to extra \$10 million of borrowing base



Repayment of related \$8.6 million bridge note is due by 15 March 2024



Slawson wells

Paradox Basin

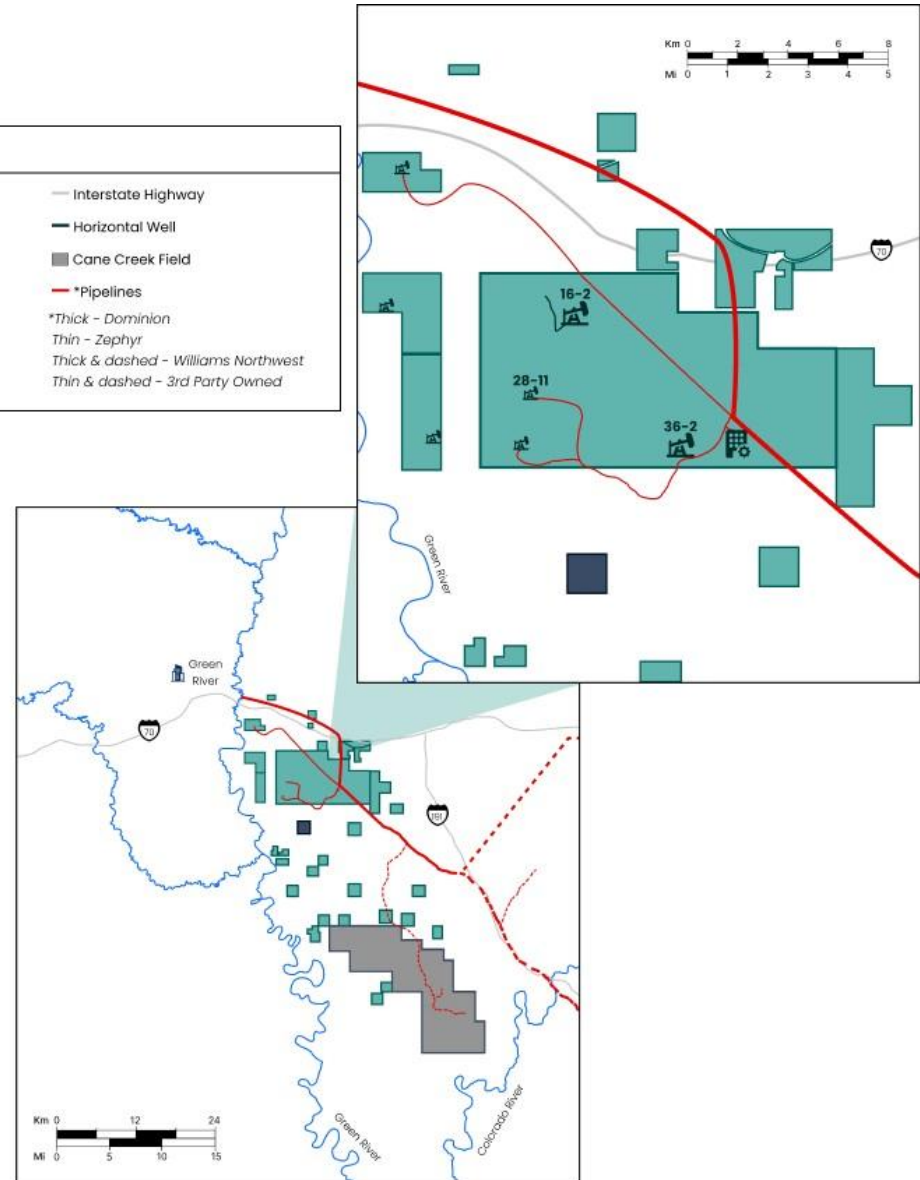
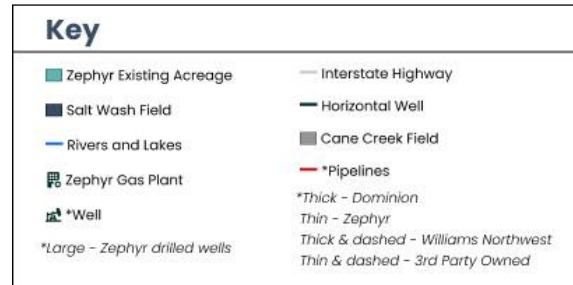


A growing position with clear wins, clear challenges and near-term resolutions



Paradox Basin: Expanded Footprint

- Over 46,000 acres, a majority of which is underpinned by modern 3D seismic
- Dominion natural gas infrastructure solution now operational as of October 2023
- Two recently drilled wells which both encountered significant hydrocarbons in primary Cane Creek reservoir target
- Hydrocarbons shows in multiple overlying reservoirs
- Potential for development via hydraulic stimulation or development via natural fractures
- Exposure to developing regional helium play



Paradox Basin: Progress to date

2018	<ul style="list-style-type: none">• Modern 3D seismic acquired and processed
2020	<ul style="list-style-type: none">• U.S. Government grant award to fund initial vertical well (which confirmed movable hydrocarbons and seismic tie to actual geological conditions)• 16-2 Well drilled to Cane Creek reservoir in record time, with evident hydrocarbon shows
2021	<ul style="list-style-type: none">• 16-2 Horizontal lateral drilled, stimulated and tested - a first for the basin and with resulting peak initial production rates above 1,100 boe/d• U.S. Government approval for formation of new 25,000 acre federal drilling unit• Dominion Energy, one of the U.S. largest utilities, acquires the 16" pipeline leading to the drilling unit with plans to refurbish and extend it
2022	<ul style="list-style-type: none">• Unit-level gas pipelines and processing infrastructure acquired by Zephyr• Additional Paradox Basin acreage acquired
2023	<ul style="list-style-type: none">• 36-2 hits major natural fracture and 28-11 well re-started with oil production• Dominion finishes pipeline extension and is capable of accepting gas volumes• Zephyr agrees to farm into the proven Salt Wash Field, further expanding acreage position
2024	<ul style="list-style-type: none">• State 36-2 redrill and second well planned

Paradox Challenges & Potential Resolutions

Challenge	Resolution
Overlooked basin with minimal recent drilling	Seismic and early drilling data gave the confidence to build out significant acreage in a cost-effective manner ahead of other industry participants
16-2 well teething issues on second production test (salt issues)	Third party studies suggest straightforward mitigation solution
36-2 well drilling challenges	Utilise learnings and revert to 16-2 well drilling methods
36-2 well blow out	Major evidence of ample hydrocarbons to be targeted on redrill. Augmenting team, well design and procedures to effectively "twin" the well.
Delays from extended 36-2 well work	Consider solutions to bring forward 16-2 and 28-11 well production

Paradox Growth: Salt Wash Farm-In

- Farm-in agreement to a minimum 75 per cent working interest in a 1,047-acre leasehold position in the Salt Wash Field (three miles to the south of the Company's federal unit)
- Previously producing field: 1.65 million barrels of oil and 11.7BCF of gas in total produced to date
- Demonstrable oil and gas potential in the Cane Creek reservoir (the same formation which underlies Zephyr's other assets)
- Secondary oil and gas potential within the Upper Leadville Formation.
- **Proven helium discovered resource with deep exploration prospective resource opportunities:**
 - **Net helium discovered resource potential: 0.07 to 0.19 BCF (Company estimate)**
 - **Net helium unrisked, prospective resource of a further 0.04 to 0.66 BCF**
 - **1.4% to 1.7% helium content and 22% hydrocarbons gases**

Zephyr notes an increasingly active helium play in the region, at a time when helium prices are commanding US \$1,000/mscf

- Strong ancillary economics in comparison to \$3.00/mscf for natural gas volumes

Zephyr is currently in discussions with third parties to fund a development well to be drilled at Salt Wash by July 2024

Paradox Project: Next Steps & Newsflow

- Delivery of rig contract for redrill of 36-2 well
- Gas marketing agreements and build out of gas processing plant infrastructure
- Analysis of potential to accelerate 28-11 and 16-2 well volumes for commercial sale
- Updated CPR – including Salt Wash Farm-in and helium potential
- Redrill 36-2 well, with costs covered by comprehensive well control insurance (operations est. Q1 2024, depending on rig availability and weather window)
- Drilling of second Paradox well (utilising same rig) Q2 2024
- Future drilling will test overlying reservoirs and continue to delineate acreage

Substantial newsflow expected over the coming months

Valuation Metrics and Upside



Capital Structure

First Lien Debt (net of cash)	\$27.5 million	(1)
Equity	<u>\$61.7 million</u>	(2)
Enterprise Value	\$89.2 million	

(1) As at 30/06/2023 and is made up of total debt of \$33.7 million less cash of \$6.2 million

(2) Equity valuation as at 31/10/2023, exchange rate of 1.22 GBP to USD

Implied Valuation

Williston: PV-10 of remaining PDP	\$70.1 million	(1)
Enterprise Value	\$89.2 million	
Implied value ascribed to Paradox Basin assets	\$19.1 million	

(1) Management PDP estimate at 10/30/2023, derived from bank estimate of NPV-10 \$50.1 million for historic Williston portfolio and management estimate of NPV-10 \$20.0 million for Slawson operated interests. No value ascribed to any PUDs although additional drilling inventory is being actively developed.

Summary

Non-op portfolio underpins Zephyr's valuation:

- \$70 million of \$89.2 million Enterprise Value
- High-margin, low risk business with long term cash flow generation

Although the Paradox development has provided challenges, we have made significant progress and the upside appears substantial:

- **Near term production growth from capital already expended**
- **Net to Zephyr, the Cane Creek reservoir holds an estimated 2P reserves of 2.6million boe and a further 34 million boe of 2C resources (on 25,000 acres alone)**
- **Overlying reservoirs could offer significant additions**
- **Additional drilling to come in 1H 2024 in an effort to further accelerate company growth and test co-mingled helium play**

Multiple catalysts for near-term growth underpinned by a strong cash generative asset base

Appendix



- **£** – Pound Sterling
- **\$** – United States Dollar
- **CAPEX** – Capital Expenditure
- **OPEX** – Operational expenditure
- **p** – pence
- **bo** – Barrel of oil
- **boe** – Barrel of oil equivalent
- **bopd** – Barrel of oil per day
- **boepd** – Barrels of oil equivalent per day
- **mboe** – thousand barrels of oil equivalent
- **mmboe** – million barrels of oil equivalent
- **Mscf** – million square cubic feet
- **bscf** – billion square cubic feet
- **AFE** – authorisation for expenditure
- **U.S.** – United States
- **ROIC** – Return on Invested Capital
- **IP** – Initial production
- **>** – more than
- **<** – less than
- **PDNP** – Proved developed nonproducing oil and gas reserves
- **TD** – Total depth
- **GHG** – Greenhouse gas emissions
- **VERs** – Verified Emission Reduction Credits
- **HSRP** – Hydraulically Stimulated Resource Play
- **DOE** – U.S. Department of Energy

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