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EnergyPathways plc
("EnergyPathways" or the "Company")

EnergyPathways launches FEED for the world's largest CAES project

Engineering studies with Siemens Energy confirm economic viability of the MESH Compressed Air Energy Storage ("CAES") project. FEED has been launched, funded by a £15m Financing Agreement

EnergyPathways plc (AIM: **EPP),** the energy transition company, is pleased to announce completion of pre-FEED studies with Siemens Energy which confirm the economic viability of its planned large scale CAES project expected to be the UK's largest long duration energy storage facility (the "Project").

The Company has now launched Front End Engineering and Design **("FEED"**) to progress the Project to Final Investment Decision during 2028. FEED will be funded by a minimally dilutive £15 million financing agreement, also announced today.

The Project is located in the East Irish Sea and Barrow-in-Furness Cumbria and forms part of the Company's wider MESH energy project, which also comprises a large-scale natural gas and hydrogen storage facility and a low-carbon hydrogen production plant. The MESH project has been designated as a project of "national significance" by the Secretary of State for Energy Security and Net Zero.

The CAES project addresses Britain's growing demand for Long Duration Energy Storage (**"LDES"**) which is needed to shift intermittent renewable energy across long periods to reduce the vast amounts of curtailed wind being lost, costing consumers billions of pounds per year. The project is a low-cost storage development with which can produce dispatchable power for as little half the cost of gas power generation. It can help reshape the UK's electricity sector and reduce its dependency on imported gas.

CAES Project Highlights

- Expected to be the world's largest CAES project and Britain's largest LDES project.
- A 300 MW CAES facility with 55 GWh storage capacity, offering multiday discharge capability and critical grid stability services.
- Project commerciality and economic viability have been confirmed by pre-FEED studies completed with EnergyPathways' major project technology partner Siemens Energy.
- FEED, planning, consenting, Environmental Impact Assessment (EIA) and grid connection arrangements launched and underway.
- Participation in Ofgem's LDES cap and floor second round expected to commence later this year.

- FID planned for 2028 with operational startup at the end of 2031, subject to regulatory approvals. Gas Storage Licence award decision is not required for this project to proceed.
- Local support received for MESH planned onshore facilities from "Team Barrow", a private/public partnership to strengthen and diversify Barrow-in-Furness' economy.
- A £15 million financing agreement in place to fund FEED. Expressions of Interest for project financing also received from leading global banks and project financing discussions are underway.

The MESH CAES Facility

The MESH CAES facility will have a power capacity of around 300 MW and energy capacity of 55.2 GWh, providing over 7 days of sustained power output. It is a highly flexible fast-response system that will be able to provide a suite of ancillary grid stability services. It is expected to be the world's largest CAES facility and Britain's largest LDES project.

The facility will use surplus power from Britain's grid and nearby offshore wind farms to compress air into large, purpose-built, offshore salt caverns. When required, the stored air will be withdrawn, heated and expanded, via a high-efficiency cycle turbine designed for hydrogen fuel heating, to generate decarbonised dispatchable power. The offshore plant uses proven technology comprising three compression and two generation trains connected to four large scale offshore salt caverns of circa 700,000 m^3 each.

The CAES facility will be connected to the UK electricity grid and nearby major offshore wind farms. The grid connection identified is in an optimal location to harness Britain's vast amounts of curtailed and wasted renewable power, lying between the country's 2 major grid constraint boundaries, the B6 and B7a.

An onshore sustainable industry park will be developed at Barrow-in-Furness to support the MESH project. It will include the CAES storage operations base as well as a low carbon hydrogen and graphite production facility. The onshore infrastructure will be connected to the CAES offshore platform via an existing repurposed gas pipeline compatible for hydrogen transportation.

£15 million Financing Agreement

The Company is also pleased to announce that it has entered into a £15 million financing agreement (the **"Financing Agreement"**) with a global institutional investor (the **"Investor"**) to fund development activities in relation to its large-scale MESH energy storage project, located in the East Irish Sea and Barrow-in-Furness, under the following terms:

*1. Secured £5 million Loan Note (the **"Loan Note"**)*

The Company has entered into a three-year Loan Note that will allow it to draw down up to £5 million at the Company's election and subject to mutual agreement between the Company and the Investor. Each drawdown will be subject to a 10% Original Issue Discount and has a six-month repayment holiday followed by six equal monthly repayments.

The Loan Note will be secured by a fixed and floating charge on the assets of the Company and will be non-interest bearing, save for a default interest rate of 3 per cent. per month which will apply on any overdue amounts, and the nominal value of the Loan Note can be converted at the Investor's option at a reference price (**"Reference Price"**) plus a 40% premium. The Reference Price is calculated as the average of the daily VWAP of the Company's ordinary shares for the five consecutive trading days prior to the date of each

applicable loan drawdown. The Investor will not be eligible to convert any drawdown at lower than the Reference Price plus a 40% premium.

In the event the Company issues new equity shares (excluding the ATM Facility), the Reference Price will be reset at the lower of the Reference Price in the Loan Note and the price at which the Company has issued new equity shares.

At each drawdown, the Company will issue warrants to the Investor that will be equal to 30% of the value of the drawdown. The Investor will be eligible to exercise these warrants at the Reference Price plus a 40% premium. The Investor will not be eligible to exercise any warrants at lower than the Reference Price plus a 40% premium.

In the event that a scheduled cash repayment is not made, the Investor has the right, for a period of up to 12 months following the missed repayment date, to subscribe for new ordinary shares in the Company in satisfaction of the relevant amount at a price based on a ten per cent. discount to the lowest VWAP of the Company's ordinary shares during the twenty trading days prior to the date of the missed repayment.

*2. £10 million 'At-The-Market' Equity Placing Facility (the **"ATM Facility"**)*

The Company has entered into the ATM Facility with the Investor, pursuant to which the Company may, at its discretion, issue new ordinary shares to the Investor over a period of three years. The total net proceeds receivable by the Company under the ATM Facility are capped at £10 million (unless agreed by both parties), and the number of shares issued in any tranche is subject to limits, including a cap of 2.99 per cent. of the Company's issued share capital (on a post-issuance basis) per tranche. The Investor is entitled to a fee equal to 5 per cent. of the gross proceeds of any shares sold under the facility.

Following the sale of shares, the net proceeds (after deduction of fees and associated costs) are payable to the Company on a periodic basis. The Investor has the right, at its discretion, to settle such proceeds either in cash or up to 50 per cent. of each payment may be set off against sums outstanding under the Company's Loan Note with the Investor.

Under the terms of the ATM Facility, shares held by the Investor may be sold by the Investor into the market at a minimum sale price not less than the closing market price on the trading day immediately prior to sale. The Investor has also agreed to use reasonable endeavours to effect such sales in an orderly manner and is subject to certain customary volume limitations and dealing restrictions, including limits on the proportion of market volume in which it may participate. For the avoidance of doubt, the Investor is restricted from placing any of the Company's shares at a discount to the Company's share price.

Gas Storage Licence Application

Further to previous announcements made by the Company, it is awaiting a decision from the North Sea Transition Authority (**"NSTA"**) on its Gas Storage Licence application. The Company is hopeful a decision will be made shortly. If successful with its application, the Company is poised to advance its MESH gas and hydrogen storage project, which also has potential to be nationally significant energy infrastructure asset.

Ben Clube, CEO of EnergyPathways, said:

"I am delighted to kick off the FEED programme for our MESH CAES project. This project, when brought online, will be an invaluable asset for the UK's electricity network and will help deliver the objective for a

clean energy system.

"Importantly, we expect UK consumers will see the benefits of our CAES project through lower power bills. By harnessing Britain's abundant wasted wind power, it can be used to produce low-cost dispatchable power to reduce our dependency on expensive gas imports for our power supply.

"Our CAES project creates the infrastructure to store and redistribute our nation's growing surplus of renewable energy and dispatch it in periods of low wind, electricity scarcity or high demand. Critically, our CAES project will be able to dispatch power over long periods, in excess of 7 days, making it a reliable source of power when renewables are not available.

"The CAES project will be a low-cost development that adds little to no additional subsidy cost onto taxpayers and consumers for it to be developed. Critically it has been designed as a modular system and so similar projects can be rolled out across the UK creating a credible pathway to domestic energy self-sufficiency.

"I look forward to working closely with our team, external advisors, investors and project stakeholders to take the CAES project to fruition as quickly as possible."

Investor Engagement with EnergyPathways

Engage with us by asking questions, watching video summaries and seeing what other shareholders have to say. Navigate to our Interactive Investor website here: https://energypathways.uk/

Enquiries

Investor questions on this announcement We encourage all investors to share questions on this announcement via our investor hub	https://energypathways.uk/link/yzYvQPm
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regarding the results of exploration, uncertainties regarding the timing and granting of prospecting rights, uncertainties regarding the timing and granting of regulatory and other third party consents and approvals, uncertainties regarding the Company's or any third party's ability to execute and implement future plans, and the occurrence of unexpected events.

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