

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at the General Meeting to be held at 10.00 a.m. on 16 April 2021 at the offices of the Company at First Floor, Newmarket House, Market Street, Newbury, Berks, RG14 5DP, United Kingdom. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred only part of your registered holding of Ordinary Shares, you should retain this document and any accompanying documents. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.



Zephyr Energy plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 04573663)

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company, which is set out on pages 8 to 15 of this document, which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

The Notice of the GM of the Company, to be held at the offices of the Company at First Floor, Newmarket House, Market Street, Newbury, Berks, RG14 5DP, United Kingdom on 16 April 2021 at 10.00 a.m., is set out at the end of this document. You will not receive a Form of Proxy for the GM in the post. Instead, you will find instructions in the section entitled "Notes" in the Notice of Meeting to enable you to vote electronically and how to register to do so. To register, you will need your investor code, which can be found on your share certificate. Shareholders may request a paper form of proxy from our Registrar, Link Asset Services, if they do not have access to the internet. Proxy votes should be submitted as early as possible and in any event by no later than 10.00 a.m. on 14 April 2021 (or, in the case of an adjournment, no later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting). **Shareholders wishing to vote on any of the matters of business are strongly urged to do so via electronic voting or by appointing the Chairman as their proxy, details of which are set out in the Notice of Meeting. Due to COVID-19 restrictions, no Shareholders or their proxies will be permitted access to the meeting in person or by electronic means. The meeting will be conducted with the minimum necessary quorum of two Shareholders present in person or by proxy.**

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company in any jurisdiction in which such offer or instruction would be unlawful nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with any contract therefor. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or any accompanying documents comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" which includes all statements other than statements of historical fact, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law or the AIM Rules.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and posting to Shareholders of this document	30 March 2021
Admission of the First Placing Shares to trading on AIM	30 March 2021
CREST member accounts expected to be credited for the First Placing Shares in uncertificated form (where applicable)	30 March 2021
Latest time and date for receipt of proxy voting instruction	10.00 a.m. on 14 April 2021
General Meeting	10.00 a.m. on 16 April 2021
Admission of the Second Placing Shares to trading on AIM	19 April 2021
CREST member accounts expected to be credited for the Second Placing Shares in uncertificated form (where applicable)	19 April 2021
Dispatch of definitive share certificates for First Placing Shares and Second Placing Shares, as applicable	by 3 May 2021

Notes:

- (1) References to times in this document are to London time (unless otherwise stated).
- (2) The dates set out in the timetable above may be subject to change.
- (3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to a regulatory information service.

PLACING STATISTICS

Placing Price	2 pence
Number of Existing Ordinary Shares*	919,339,287
Total number of Placing Shares	500,000,000
Enlarged Share Capital following the Placing**	1,219,339,287
Percentage of the Enlarged Share Capital comprised by the Placing Shares	41 per cent.
Estimated gross proceeds of the Placing	£10 million
Estimated net proceeds of the Placing	£9.36 million

* Includes the First Placing Shares

** assuming that no other Ordinary Shares are issued prior to completion of the Placing and excluding the issue of the Fee Shares

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition” or the “Bakken project”	the proposed acquisition of working interests in currently producing and near-term production wells in the Bakken Formation, North Dakota, USA;
“Act”	the Companies Act 2006 (as amended);
“Agreement”	the conditional agreement entered into with the seller providing exclusivity for Zephyr to acquire the Bakken Interests by 31 March 2021;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange (as amended from time to time);
“Allenby Capital”	Allenby Capital Limited, a private limited company incorporated in England & Wales under registered number 06706681, the Company’s nominated adviser;
“Bakken Interests”	non-operated working interests in five wells (one producing well and four drilled but uncompleted wells) in Mountrail County, North Dakota, USA which are the subject of the Acquisition;
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names are set out on page 8 of this document;
“Broker Warrants”	the warrants to be granted to TPI, for its services as Placing agent, to subscribe for 32,350,000 new Ordinary Shares, exercisable at a price of 3 pence per Ordinary share, for a period of three years from grant;
“CAPEX”	capital expenditure;
“Certificated” or in “Certificated Form”	a share or security which is not in uncertificated form (that is, not in CREST);
“Company” or “Zephyr”	Zephyr Energy plc, a public limited company incorporated in England & Wales under registered number 04573663;
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form;
“DUC”	uncompleted wells that form part of the Bakken Interests;
“Enlarged Share Capital”	the issued ordinary share capital of the Company on Second Admission, comprising the Existing Ordinary Shares, the Placing Shares and the Fee Shares;
“Existing Ordinary Shares”	the 919,339,287 Ordinary Shares in issue at the date of this document (including the First Placing Shares);
“Fee Shares”	the 2,428,885 Ordinary Shares to be issued in lieu of professional fees incurred by and due to a professional service-provider engaged by the Company for services performed in 2020, subject to Second Admission;

“First Admission”	the admission to trading on AIM pursuant to rule 6 of the AIM Rules of the First Placing Shares;
“First Placing Shares”	the 200,000,000 Placing Shares which have been issued;
“General Meeting” or “GM”	the general meeting of the Company convened for 10.00 a.m. on 16 April 2021, notice of which is set out at the end of this document;
“Group”	the Company together with its Subsidiaries (as defined in the Act) as at the date of this document;
“London Stock Exchange”	London Stock Exchange plc;
“Notice of GM”	the notice convening the GM, which is set out at the end of this document;
“OCE”	Origin Creek Energy LLC;
“Operator”	Whiting Petroleum, the operator of the Bakken Interests;
“Ordinary Shares”	the ordinary shares of 0.1 pence each in the capital of the Company from time to time;
“Paradox Basin”	Paradox Basin, Utah, USA;
“Paradox lateral” or “lateral well”	the State 16-2 CC LN appraisal well which forms part of the Company’s Paradox project;
“Paradox project” or “Paradox”	the Company’s project in the Paradox Basin, Utah, USA;
“Placing”	the conditional placing of the Placing Shares at the Placing Price;
“Placing Agreement”	the conditional agreement dated 29 March 2021 between (1) the Company and (2) TPI relating to the Placing;
“Placing Price”	2 pence per Placing Share;
“Placing Shares”	the First Placing Shares and the Second Placing Shares;
“Resolutions”	the resolutions set out in the Notice of GM;
“Second Admission”	the admission to trading on AIM pursuant to rule 6 of the AIM Rules of the Second Placing Shares and the Fee Shares;
“Second Placing”	the issue of the Second Placing Shares pursuant to the Placing;
“Second Placing Shares”	the 300,000,000 Placing Shares to be issued, subject to Second Admission, the passing of the Resolutions and the Placing Agreement not being terminated prior to Second Admission;
“Seller”	the Seller of the Bakken Interests;
“Shareholders”	holders of Ordinary Shares from time to time and the term “Shareholder” shall be construed accordingly;
“TPI”	Turner Pope Investments (TPI) Ltd a private limited company incorporated in England & Wales under registered number 09506196, the Company’s broker;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;

“United States” or “U.S.”

the United States of America;

“£”

pounds sterling, the lawful currency of the United Kingdom; and

“US\$”

United States dollars, the lawful currency of the United States of America.

GLOSSARY

“1C”	Low estimate of Contingent Resources;
“2C”	Best estimate of Contingent Resources;
“3C”	High estimate of Contingent Resources;
“1P”	proven reserves (both proved developed reserves + proved undeveloped reserves);
“2P”	1P (proven reserves) + probable reserves, hence ““proved and probable””;
“3P”	the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps ““proved and probable and possible””;
“bo”	barrel of oil;
“boe”	barrels of oil equivalent;
“boepd”	barrels of oil equivalent per day;
“Contingent Resources”	<p>Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.</p> <p>Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.</p>
“mmboe”	million barrels of oil equivalent;
“Reserves”	Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward.

LETTER FROM THE CHAIRMAN OF ZEPHYR ENERGY PLC



(Incorporated and registered in England and Wales under the Companies Act 1985, with registered number 04573663)

Directors:

Rick Grant (*Non-Executive Chairman*)
Colin Harrington (*Chief Executive Officer*)
Chris Eadie (*Chief Financial Officer*)
Tom Reynolds (*Non-Executive Director*)
Gordon Stein (*Non-Executive Director*)

Registered Office:

20-22 Wenlock Road
London
N1 7GU

30 March 2021

Dear Shareholder

Equity fundraising of £10m to fund the upcoming Paradox lateral well and to acquire and fund oil producing interests in the Bakken formation USA, and notice of General Meeting

1. Introduction

The Company announced on 29 March 2021 that it has conditionally raised £10 million before expenses by way of the Placing.

The proceeds from the Placing will be invested with the objective of transforming the Company into a self-sustaining platform for organic growth with a diverse portfolio of production assets in two established USA oil producing basins.

Of the funds raised in the Placing, £6 million is conditional, *inter alia*, on the approval by Shareholders of resolutions to provide authority to the Directors to issue and allot further Ordinary Shares on a non-pre-emptive basis, further details of which are set out below.

The Placing will fully fund the \$3.5 million Paradox lateral drilling programme targeting the Company's first production from its Paradox project.

The Placing also allows the Company to proceed with the proposed acquisition, and to fund associated CAPEX, of highly economic working interests in currently producing and near-term production wells in the Bakken formation, North Dakota, USA. Production from the Acquisition will provide the Company with immediate oil production and the substantial cashflows expected to be generated from the Bakken project have the potential to fund multiple additional Paradox wells over the next 12 months. The Company will also be able to utilise its historical tax losses of more than \$16 million to offset federal income taxes due on profits from the Acquisition.

The purpose of this letter is to explain to Shareholders the background to and reasons for the Placing and to seek Shareholders' approval of the Resolutions to enable the Directors to complete the Placing. The Notice of General Meeting is set out at the end of this document.

2. Details of and reasons for the Acquisition

The proposed Acquisition will provide the Company with low-risk oil production from already drilled wells and is expected to generate substantial cashflows that can be utilised across the Company, including funding for the additional development of the Paradox project.

The key details of the Acquisition are as follows:

- Acquisition of non-operated working interests in five wells (one producing well and four drilled but uncompleted wells in Mountrail County, North Dakota, USA)
- The Bakken Interests on the five wells range from 16.8% to 37.2%
- The wells are operated by Whiting Petroleum, an active and highly experienced operator in the Bakken region
- The Company is acquiring the Bakken Interests from a privately owned exploration and production company based in the US which has not funded any of its historic or future CAPEX obligations on the Bakken Interests
- Zephyr agreed headline terms with the Seller when the oil price was at \$45 per barrel of oil, subject to further due diligence, funding and final documentation
- The producing well has been on production since March 2020
- The four DUCs are scheduled to be completed in May 2021 and production revenues are targeted to be received by August 2021
- 2P Reserves being acquired are estimated at 449,434 barrels of oil equivalent to Zephyr
- The five wells are spread across three separate drilling pads, creating production diversification

The key benefits of the Acquisition are as follows:

- A low-risk acquisition with substantial near-term cash flow expected
- No remaining drilling risk – all five wells have been drilled successfully to target depth
- Excellent complement to (and funding source for) the higher risk, higher upside Paradox Basin development
- No federal tax payments will be payable in the short-term as profits can be offset against Zephyr's historic tax losses

The economics on the Acquisition as calculated by Zephyr are extremely attractive and establish Zephyr as an immediate oil producer. Once the DUC wells are online, Zephyr forecasts that the Bakken Interests will provide:

- up to \$8 million of undiscounted cash flow to Zephyr over the following 12 months to deploy into the Paradox development or into additional projects, and in total, \$15 million of undiscounted cash flow, at \$60/bo
- 2P Internal Rate of Return: 47% at \$60/bo
- 2P net present value at a 10% discount rate (NPV-10): \$4.3 million
- A cash flow breakeven oil price of \$36.69/bo
- H2 2021: approximately 720 boepd average production anticipated
- a one-year payback

Terms of the Acquisition

Zephyr has a conditional agreement with the Seller providing exclusivity for Zephyr to acquire the Bakken Interests by 31 March 2021. Zephyr has already paid the Seller a non-refundable deposit of \$50,000. Pursuant to the Agreement, to acquire the Bakken Interests Zephyr is required to make cash payments by 31 March 2021 (for which proceeds from the Placing will be used) totalling approximately \$4 million, primarily representing the outstanding historical CAPEX due to the

Operator, with the balance of less than 8 per cent. being payable to the Seller and which equates to less than \$1.00 per proved boe acquired.

Upon completion of the Acquisition, the Company will be responsible for payment of future CAPEX obligations on the Bakken Interests to complete the DUCs, which will be paid directly to the Operator and is estimated to be approximately \$4.2 million, and which will become due after the wells are completed (currently scheduled for May 2021). Therefore, total historical and future CAPEX on the Bakken Interests payable by Zephyr is estimated to be approximately \$7.9 million and equates to \$17.35/boe acquired, with first revenue from the DUC wells expected by August 2021.

Status of the Acquisition process

- Zephyr has exclusivity to acquire the Bakken Interests until 31 March 2021
- Financial, technical and commercial due diligence completed
- Land and lease checks completed
- Financial modelling completed
- Technical evaluation and asset review completed
- Assignments and closing documentation drafted

The Acquisition is expected to complete on 31 March 2021 and remains conditional on, *inter alia*, final contract, Zephyr paying approximately \$4 million by 31 March 2021, release of Operator liens and transfer of title.

3. Paradox project update and next steps

On 15 March 2021, the Company announced a comprehensive update on the Paradox project, which included confirmation of evidence of oil saturation across the entirety of the continuous core acquired from the Company's Cane Creek reservoir target. The Company also announced it had elected to proceed with the near-term drilling of the Paradox lateral. The lateral will target the Cane Creek reservoir and will utilise the pre-existing roads, pad and wellbore from the State 16-2 well as a low-cost, low environmental impact sidetrack host.

It is estimated that the cost of the Paradox lateral well will be approximately \$3.5 million and funds from the second tranche of the Placing (as detailed below) will be allocated towards drilling this sidetrack well. It is currently expected that the Paradox lateral will be drilled in July of this year.

The Company continues to refine the cost and economic benefits of the lateral. The Paradox lateral is forecast by the Company's Board to have strong economics based on its 2C estimate, which includes:

- A single-well net present value of approximately \$8.2 million at \$60.00 per barrel of oil and at a ten per cent. discount rate (NPV-10)
- A cash flow breakeven oil price of \$20.55 per barrel of oil
- A single-well estimated ultimate recovery of 694,000 barrels of oil equivalent

The Board's decision to proceed with the Paradox lateral was made following the initial analysis of the significant reservoir data that was obtained from the drilling operations on the State 16-2 well that were completed in January 2021. This data included 113 feet of continuous core obtained from the Cane Creek reservoir.

The highlights from that analysis were as follows:

- Initial analysis of the Cane Creek continuous core data provided further evidence of hydrocarbon saturation across the Cane Creek reservoir.
- The structure to be drilled has comparable geometry and form to other productive structures found within the neighbouring Cane Creek Field, and is characterised by multiple

seismic indicators along its length that may represent natural fracture networks within the Cane Creek reservoir.

- When integrated with the recently acquired log data, existing 3D seismic data, and geologic and regional analogue analysis, the Board believes there is a strong justification to proceed to test the Cane Creek reservoir zone with a target to deliver initial oil production.

The use of the State 16-2 well's top hole enables a substantial well cost reduction and drilling risk mitigation.

The Board's target is to deliver first oil production – and benefit from the improved commodity price environment – in a rapid and responsible manner. Permitting and detailed drill planning efforts for the lateral are underway, and the Company has targeted a spud date of July 2021, subject to final permit approval.

On a project-wide 2C basis, the Cane Creek reservoir on the Company's acreage (which includes the State 16-2LN CC) is a reservoir of substantial scale and is estimated by Zephyr to hold:

- Net recoverable resources of over 12mmboe; and
- A net present value of approximately \$156 million using a flat oil price of \$60 per barrel of oil and a ten per cent. discount rate.

The above estimates only include forecast resources in the Cane Creek reservoir and do not include the significant potential upside from additional overlying reservoirs which are being evaluated following the drilling of the State 16-2 well. The estimates for the Cane Creek reservoir were calculated by Zephyr in accordance with the Company's Competent Persons Report prepared by Gaffney Cline & Associates in June 2018, and will be revised further once all data from the State 16-2 well has been processed.

In addition, the analysis and interpretation work on the multiple shallower reservoir targets continues to progress. Initial results have provided encouraging evidence for the presence of multiple stacked continuous oil and gas plays, and significant additional data remains to be processed and analysed over the coming months.

4. Use of Placing Proceeds

Proceeds from the Placing will fully fund the upcoming State 16-2 LN CC drilling programme on the Company's project in the Paradox Basin, details of which were announced on 15 March 2021 and summarised above.

The Placing will also fully fund the acquisition of, and CAPEX related to, an attractive portfolio of non-operated production and near-term production assets in the Bakken formation, a prolific Rocky Mountain oil and gas basin located in North Dakota to the north-east of Zephyr's existing Paradox Basin holdings.

In particular, the Placing proceeds will be used as follows:

- Approximately \$3.5 million to drill the Paradox lateral, which will target the Company's first oil production on its Paradox project, details of which were announced on 15 March 2021.
- Approximately \$1.7 million to support and accelerate the development build-out of the Paradox project.
- Approximately \$4 million to acquire and fund unpaid historical drilling CAPEX related to a portfolio of attractive, non-operated working interests in five drilled wells in the Bakken formation, North Dakota, USA, as detailed above.
- Approximately \$4.2 million of additional completion CAPEX investment on the Bakken Interests when the four DUC wells are completed and tied in for production (currently scheduled for May 2021). First cashflows from the DUC wells are expected to be received by Zephyr by August 2021.

Of the funds raised in the Placing, £6 million is conditional, *inter alia*, on the approval by the Company's shareholders of the Resolutions at the General Meeting, further details of which are set out below.

5. Details of the Placing

The Placing comprises, in total, 500,000,000 Placing Shares at a price of 2.0p per Placing Share to raise gross proceeds of £10 million. The Placing was carried out at a 2.5 per cent. discount to the Company's closing mid-market share price of 2.05p per share on Friday 26 March 2021.

The First Placing Shares have been issued and the Second Placing Shares are proposed to be issued subject to, Second Admission, the passing of the Resolutions and the Placing Agreement not being terminated prior to Second Admission. The Placing Shares (save for the director subscriptions as detailed below) were conditionally placed by TPI, as agent and broker of the Company, with certain new and existing institutional and other investors pursuant to the Placing Agreement.

The Company currently has limited shareholder authority to issue new Ordinary Shares for cash on a non-pre-emptive basis. Accordingly, the Placing is being conducted in two tranches as set out below.

i) First tranche

A total of £4 million, representing the issue of 200,000,000 Placing Shares at the Placing Price, has been raised within the Company's existing share allotment authorities which was granted at the Company's general meeting held on 2 November 2020. An application was made for the First Placing Shares to be admitted to trading on AIM and their admission to AIM took place on 30 March 2021.

ii) Second tranche

The remaining balance of the Placing, being £6 million and representing the issue and allotment of 300,000,000 Placing Shares at the Placing Price, is conditional upon, *inter alia*, the passing of the Resolutions to be put to Shareholders at the General Meeting. The Resolutions seek to provide authority to the Directors to issue and allot further new Ordinary Shares on a non-pre-emptive basis, whereby such authority will be utilised by the Directors to enable completion of the Second Placing.

Conditional on the passing of the Resolutions at the GM, an application will be made for the Second Placing Shares to be admitted to trading on AIM and it is expected that the Second Placing Shares will be admitted to AIM on or around 19 April 2021.

In addition to the passing of the Resolutions at the GM, the Second Placing is conditional, *inter alia*, on (i) Second Admission; and (ii) the Placing Agreement becoming unconditional in respect of the Second Placing Shares and not being terminated in accordance with its terms prior to Second Admission.

Should the conditions of the Second Placing not be satisfied such that the Second Placing cannot proceed, the Company will only receive gross proceeds of £4 million from the First Placing, which will enable the Acquisition to proceed but will not provide sufficient funds for the Company's other objectives such as to drill the Paradox lateral, and therefore the Company will pursue alternative funding options to achieve this objective. Further, whilst the Acquisition is expected to complete on 31 March 2021, it remains subject to final conditions such as release of Operator liens on the Bakken Interests and transfer of title.

The Placing as a whole would, if the Resolutions are approved at the GM, result in the issue of 500,000,000 Ordinary Shares, representing, in aggregate, approximately 41 per cent. of the Company's issued ordinary share capital as enlarged by the Placing.

The Placing Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or

other distributions made, paid or declared in respect of such shares after the date of issue of the Placing Shares.

Director subscriptions and shareholdings

Origin Creek Energy LLC has subscribed for 2,500,000 Placing Shares in the Second Placing, equivalent to £50,000 at the Placing Price. Rick Grant, the Chairman of Zephyr, and Colin Harrington, the CEO of Zephyr, are both shareholders and directors of OCE, and Colin Harrington is indirectly the controlling shareholder of OCE. Upon Second Admission, OCE will have an interest in 137,136,364 Ordinary Shares, equivalent to 11.22 per cent. of the Company's then issued share capital.

In addition to OCE, Colin Harrington has also subscribed for 750,000 Ordinary Shares in the Second Placing. Mr Harrington's total interest in the Company on Second Admission will be 138,590,300 Ordinary Shares and will represent 11.34 per cent. of the then issued share capital.

In addition, Rick Grant (Chairman of Zephyr), Chris Eadie (CFO of Zephyr) and Gordon Stein (Non-Executive Director of Zephyr) have also each subscribed for Placing Shares in the Second Placing as follows:

	No. of Placing Shares subscribed	Total shareholding on Second Admission	Percentage held on Second Admission
Rick Grant*	1,500,000	1,500,000	0.12
Chris Eadie	1,500,000	6,775,095	0.55
Gordon Stein	500,000	2,350,000	0.19

*In addition, Rick Grant has a minority shareholding in OCE which holds Ordinary Shares, as noted above.

The Placing Agreement

Under the terms of a Placing Agreement between the Company and TPI, TPI will receive commission from the Company conditional on First Admission and Second Admission and the Company will give customary warranties and undertakings to TPI in relation, *inter alia*, to its business and the performance of its duties. In addition, the Company has agreed to indemnify TPI in relation to certain liabilities that they may incur in undertaking the Placing. TPI has the right to terminate the Placing Agreement in certain circumstances prior to First Admission and Second Admission, in particular, in the event that there has been, *inter alia*, a material breach of any of the warranties by the Company. The Placing is not being underwritten.

Warrants

The Company is proposing to grant TPI with 32,350,000 warrants to subscribe for 32,350,000 new Ordinary Shares as part of TPI's fees for undertaking the Placing. The Broker Warrants will be exercisable at a price of 3 pence per Ordinary share, a 50 per cent. premium to the Placing Price, for a period of three years from grant.

The grant of the Broker Warrants is conditional on the passing of the Resolutions to be put to shareholders of the Company at the GM to provide authority to the Directors to issue and allot further Ordinary Shares on a non-pre-emptive basis. The Broker Warrants will not be admitted to trading on AIM or any other stock exchange.

6. Further issue of equity

The Company has announced the proposed issue and allotment of 2,428,885 Ordinary Shares in lieu of professional fees incurred by and due to a professional service-provider engaged by the Company for services performed in 2020. The issue of the Fee Shares is conditional on the passing of applicable resolutions at the GM.

Application will be made for the Fee Shares to be admitted to trading on AIM and it is expected that their admission to AIM will take place on Second Admission.

The Fee Shares will rank pari passu in all respects with the existing Ordinary Shares of the Company in issue and therefore will rank equally for all dividends or other distributions declared, made or paid after the issue of the Fee Shares.

7. General Meeting

The Company is convening the General Meeting to seek authority from Shareholders to issue and allot the Second Placing Shares and the Fee Shares, to enable the grant of the Broker Warrants and to provide additional headroom should the Company need to issue further Ordinary Shares in the future.

Set out at the end of this document is the notice convening the GM to be held at 10.00 a.m. on 16 April 2021 at which the Resolutions will be proposed.

The Resolutions to be proposed at the GM are as follows:

Resolution 1

An ordinary resolution to grant the Directors authority pursuant to section 551 of the Act to allot Ordinary Shares up to a nominal amount of £584,778.89, being an amount equivalent to the nominal value of the aggregate of the Second Placing Shares, the Fee Shares and Ordinary Shares that could be issued as a result of the exercise of the Broker Warrants, plus a further number of Ordinary Shares equivalent to approximately 20 per cent. of the Enlarged Share Capital.

Resolution 2

Conditional on the passing of Resolution 1 above, a special resolution to disapply pre-emption rights pursuant to section 570 of the Act. This Resolution allows the Directors to allot shares on a non-pre-emptive basis, limited to:

- (a) a nominal value of £334,778.89 for the issue and allotment of the Second Placing Shares, the Fee Shares and Ordinary Shares that could be issued as a result of the exercise of the Broker Warrants;
- (b) a nominal value of £250,000 for the issue and allotment of new Ordinary Shares on a non-pre-emptive basis equivalent to approximately 20 per cent. of the Enlarged Share Capital; and
- (c) allotments pursuant to offers of shares to existing Shareholders in proportion to their existing holdings subject only to exclusions to deal with fractional entitlements and legal or practical problems in connection with overseas territories.

Shareholders should be aware that if the Resolutions are not passed at the GM, the Second Placing will not be able to proceed and the Company will only receive gross proceeds of £4 million from the First Placing, which will enable the Acquisition to proceed but will not provide sufficient funds for the Company's other objectives such as to drill the Paradox lateral, and therefore the Company will pursue alternative funding options to achieve this objective. In addition, without the passing of the Resolutions, the Company will not be able to satisfy its obligations to issue the Fee Shares or Broker Warrants, or be able to issue any Ordinary Shares, which may inhibit the Company's ability to, *inter alia*, finance the Company as required or utilise Ordinary Shares to pursue investments and acquisitions.

8. Action to be taken

Shareholders will not receive a Form of Proxy for the General Meeting, instead you will find instructions in the section entitled "Notes" in the Notice of Meeting to enable you to vote electronically and how to register to do so. To register, you will need your investor code, which can be found on your share certificate. Shareholders may request a paper form of proxy from our Registrar, Link Asset Services if they do not have access to the internet. Proxy votes should be submitted as early as possible and in any event by no later than 10.00 a.m. on 14 April 2021 (or, in the case of an adjournment, no later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

Shareholders are reminded that, if their Ordinary Shares are held in the name of a nominee, only that nominee may submit a vote in respect of the Resolutions. **Shareholders wishing to vote on any of the matters of business are strongly urged to do so via electronic voting or by appointing the Chairman as their proxy, details of which are set out in the Notice of Meeting. Due to COVID-19 restrictions, no Shareholders or their proxies will be permitted access to the meeting in person or by electronic means.**

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your broker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser, immediately.

9. Recommendation

The Directors consider that the Acquisition, the Placing and the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the GM, as they intend to do in respect of their aggregate interests of 143,465,395 Ordinary Shares (representing approximately 15.61 per cent. of the Existing Ordinary Shares).

Yours faithfully

Rick Grant
Chairman

NOTICE OF GENERAL MEETING



Zephyr Energy plc

(Incorporated and registered in England and Wales under the Companies Act 1985, with registered number 04573663)

Unless the context otherwise requires, terms not defined in this notice shall have the meaning given in the Company's circular to shareholders dated 30 March 2021.

Notice is hereby given that the General Meeting of Zephyr Energy plc (the "Company") will be held at the offices of the Company at First Floor, Newmarket House, Market Street, Newbury, Berks, RG14 5DP on 16 April 2021 at 10.00 a.m. for the purpose of considering, and if thought fit, passing the following resolutions. Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. **AUTHORITY TO ALLOT SHARES IN CONNECTION WITH THE SECOND PLACING AND FEE SHARES**

THAT the directors of the Company ("Directors") be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Act, to issue and allot new Ordinary Shares or grant rights to subscribe for or to convert any security into shares in the Company (together "Rights") up to a maximum nominal amount of £584,778.89, provided that this authority shall expire on the date falling 15 months from the date of passing of this resolution, or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may make an offer or agreement before the expiry of this authority which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry and the Directors may allot Ordinary Shares or grant Rights pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Act.

2. **DISAPPLICATION OF PRE-EMPTION RIGHTS**

THAT, subject to and conditional upon the passing of resolution 1 above, in accordance with section 570 of the Act, the Directors be and are hereby generally empowered to allot for cash or otherwise equity securities (as defined in section 560 of the Act) of the Company pursuant to the authority conferred by resolution 1 above (as varied from time to time by the Company in general meeting) as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

- a. the allotment of equity securities in connection with any other offer (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of such shares, subject only to any exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and
- b. the allotment otherwise than pursuant to subparagraph (a) above of equity securities not exceeding in aggregate the nominal amount of £250,000,

and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, the date falling 15 months from the date of passing this Resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 570 of the Act.

By Order of the Board

Chris Eadie
Company Secretary

Zephyr Energy plc
20-22 Wenlock Road
London
N1 7GU

30 March 2021

Notes:

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 14 April 2021. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. A member is ordinarily entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. **However, Shareholders are urged to vote electronically or appoint the Chair of the meeting as his or her proxy in light of the restrictions imposed as a result of the COVID-19 virus, as Shareholders and their proxies will not be allowed to attend the meeting in person.**
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
5. You can vote either:
 - by logging on to www.signalshares.com and following the instructions;
 - You may request a hard copy form of proxy directly from the registrars, Link Asset Services on Tel:
 - 0371 664 0391 if calling from the United Kingdom, or +44 (0) 371 664 0391 if calling from outside of the United Kingdom, or email Link at enquiries@linkgroup.co.uk. Calls will be charged at local rate. Calls outside the United Kingdom will be charged at the applicable international rate. The lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In each case the appointment of a proxy must be received by Link Asset Services at PXS 1, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10.00 a.m. on 14 April 2021.

6. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

7. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 9 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so. **However, in light of the restrictions imposed as a result of the COVID-19 virus, Shareholders and their proxies, other than the Chairman of the Meeting, will not be allowed to attend the meeting in person.**
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.00 a.m. on 14 April 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
12. As at 29 March 2021 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 719,339,287 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 March 2021 are 719,339,287.
13. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at <https://www.zephyrplc.com/>

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