

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.

30 September 2021

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

Interim Results for the six months ended 30 June 2021

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF), the Rocky Mountain oil and gas company focused on responsible resource development from carbon-neutral operations, is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

Overview

The first six months of the 2021 financial year, and the period since, were a time of tremendous progress and intense activity during which Zephyr transformed from a single project exploration company into a self-sustaining, cash-generating, carbon-neutral oil and natural gas producer. During this period, significant additional operational and technical milestones were met on our Paradox Project. In addition, the Company completed five separate acquisitions which resulted in a growing portfolio of operated and non-operated assets located in two established U.S. oil producing basins. The Company also delivered on its ambitious goal to commence 100% carbon-neutral Scope 1 operations by 30 September 2021.

Highlights

Paradox Project, Utah, U.S. (operated asset)

- The State 16-2LN-CC horizontal well was safely drilled to a total depth of 14,370 feet ("ft") with 4,555 ft of horizontal landed successfully in the Cane Creek reservoir target.
 - Significant data from an extensive suite of wireline logs, cores and pressure data was acquired from drilling operations and from the subsequent diagnostic fracture injection test ("DFIT").
 - Premier Oilfield Group, a leading consulting specialist with expertise in well completions, was engaged to assist the Company's multi-month evaluation of optimal completion designs.
 - Multiple positive factors from the data analysed led Zephyr's Board of Directors (the "Board") to approve the running of production casing and to elect to complete the State 16-2LN-CC by way of hydraulic stimulation.
 - Completion operations will take place in the coming weeks, followed shortly thereafter by a production test of the well.
- If development of the overall project through the utilisation of hydraulic stimulation proves successful, the Company estimates the potential for a wider development with up to 200 potential well locations across the project, with a range of risked net recoverable contingent resources of up to 143 million barrels of oil equivalent ("mmboe") from both the Cane Creek reservoir and eight overlying reservoirs.
- An additional 12,260 acres of Paradox Basin acreage was acquired during the period (with potential resources not yet included in Zephyr's internal estimates).

Williston Basin, U.S. (non-operated assets)

- Zephyr completed four acquisitions which provide the Company with working interests in 22 wells across multiple pads and operators:
 - 7 wells are currently producing, and 15 wells are drilled and currently awaiting completion.
 - Q2 2021 production averaged 148 barrels of oil equivalent per day ("boe/d") net to Zephyr, with an average realised sales price of US\$52.90 per barrels of oil equivalent ("boe").

- August 2021 production averaged 506 boe/d net to Zephyr.
- Monthly production is expected to climb further as existing wells hit peak production and additional wells are brought online.
- Cashflow from the non-operated portfolio will be reinvested into the development of the Paradox project or used to acquire further non-operated assets that meet the Company's strict criteria.
- In August 2021, the Company executed a Joint Venture agreement with Purified Resource Partners, LLC, a highly experienced Williston Basin team, focused on the generation of additional non-operated deal flow.

Corporate

- Achieved its ambitious Environmental, Social and Governance target to commence 100% carbon neutral operations by 30 September 2021.
- Completed a £10 million fundraise in April 2021 which funded drilling operations on the Paradox project and the acquisition of non-operated assets.
- Commenced cross trading on the OTCQB Venture Market which is expected to facilitate future investor outreach in the U.S.

Colin Harrington, Zephyr's Chief Executive said: "I am delighted by the tremendous growth and progress delivered during the period under review. Zephyr is now ideally positioned as a cash generating platform from which to deliver significant future growth for our Shareholders.

"We've worked tirelessly to meet or exceed the goals and timelines we publicly set for ourselves, while doing so on budget and in a low-cost manner - and I'm particularly proud that we successfully executed our strategy in line with our twin core values of being responsible stewards of investors' capital and responsible stewards of the environment in which we work.

"The next few months will continue to see a flurry of corporate and operational activity as we target production from the Paradox project, increase non-operated production and accumulate cash flows from our assets in the Williston Basin.

"These are exciting times, and we look forward to keeping all our stakeholders updated on our progress."

A copy of the interim results report will be available on the Company's website later today at <http://www.zephyrplc.com>.

Contacts:

Zephyr Energy plc

Colin Harrington (CEO)
Chris Eadie (CFO)

Tel: +44 (0)20 7225 4590

Allenby Capital Limited - AIM Nominated Adviser
Jeremy Porter / Liz Kirchner

Tel: +44 (0)20 3328 5656

Turner Pope Investments - Broker
James Pope / Andy Thacker

Tel: +44 (0)20 3657 0050

Flagstaff Strategic and Investor Communications - PR
Tim Thompson / Mark Edwards / Fergus Mellon

Tel: +44 (0) 20 7129 1474

ZEPHYR ENERGY PLC

INTERIM REPORT FOR THE SIX MONTHS TO 30 JUNE 2021

The Board is pleased to present Zephyr's unaudited interim report for the six-month period to 30 June 2021.

CHIEF EXECUTIVE'S STATEMENT

OVERVIEW AND OUTLOOK

During the first six months of the 2021 financial year and in the period since, Zephyr transformed from a single project exploration company into a self-sustaining, cash generating, oil producing company. The Company now has a growing and balanced portfolio of both operated and non-operated assets located in two established oil producing basins in the U.S.

During the period under review, we made substantial progress on our operated flagship project in the Paradox Basin, Utah (the "Paradox project") where we are targeting first production in the coming weeks. We also established a thriving non-operated business through the acquisition of four producing, near-term production and future drilling packages in the Williston Basin one of the most prolific oil producing basins in the U.S. Over the last several months, the Company received its first monthly production revenues from the non-operated portfolio, and we expect to generate further substantial cash flows from these assets over the next twelve months and beyond. These revenues will be reinvested into the wider development of the Paradox project or will be used to secure and / or fund the acquisition of additional non-operated assets that meet our stringent criteria.

In late 2020, we completed the rebranding of the Group, which included the Board approving the two core values under which Zephyr will operate. These values are simple yet fundamental to our mission: Zephyr's team will always strive 1) to be responsible stewards of investors' capital and 2) to be responsible stewards of the environment in which we work. We believe that good environmental practices, together with good governance and oversight, will translate into good business performance. We are one hundred per cent focused on delivering strong economic returns in the most environmentally responsible manner possible.

On this front, I was delighted when, in June 2021 we announced our intention to achieve Scope 1 carbon-neutrality across our operational footprint by the end of September 2021, and I'm equally delighted to report that we have now delivered on that pledge within our ambitious timeline. This industry-leading initiative, unanimously supported by our Board, marks a major step in the Company's commitment to social and environmental best practices.

In all, I am proud of the growth and progress delivered during the period under review. We've worked hard to meet or exceed the goals and timelines we publicly set ourselves, while doing so on budget, in a low-cost manner and in line with our twin core values. The next few months will continue to see a flurry of corporate and operational activity as we target production from the Paradox project, increase non-operated production and accumulate cash flows from our assets in the Williston Basin. These are exciting times, and we look forward to keeping all our stakeholders updated on our progress.

BACKGROUND

Twelve months ago, following the comprehensive restructuring of the Company, Zephyr was positioned as a clean and unlevered vehicle with a single asset and a clearly defined strategy designed to deliver responsible growth, both through acquisitions and through the measured development of our existing asset.

During the period under review, we made substantial progress delivering on that stated strategy. Zephyr is now a cash-generating, oil producing Group with significant organic growth prospects on the brink of delivering first potential production from the Paradox project. As importantly, we made tremendous progress regarding our understanding of the geology and optimal development path of our Paradox asset, with a series of incremental steps and positive indications related to the upside potential of that project.

We believe the successful execution of our strategy occurred not simply by sheer hard work, but by being bold and opportunistic while the larger marketplace experienced turmoil and disruption due to the impacts of the global pandemic.

PARADOX PROJECT

Overview and next steps

During the period under review and in the subsequent months, the Company made significant headway on its operated Paradox project in which Zephyr currently has operatorship and a minimum 75 per cent working interest across 37,613 gross leased acres. The Company will be targeting initial production from the Paradox project over the coming weeks.

Recent work on the project, in particular the safe and successful completion of the State 16-2LN-CC drilling operations in August 2021, provided Zephyr with a far greater understanding of not only the Company's prime target, the Cane Creek reservoir, but also of the potential of the reservoirs that overlie the Cane Creek (the "overlying reservoirs").

The evaluation of the significant data acquired from two discrete drilling operations, and the results from the subsequent DFIT, enabled the Company's technical team and consultants to complete a thorough analysis of the optimal way in which to develop the project.

Highlights from the DFIT included the following:

- High formation pressure: After perforation of the State 16-2LN-CC wellbore and stimulation of the reservoir, pressure measurements from the wellbore suggested high formation pressure - a strong positive indicator of reservoir drive.
- Permeability: DFIT results also suggested evidence of matrix permeability consistent with other prolific U.S. resource plays.
- Hydrocarbon flow: During the DFIT operation, there was demonstrable evidence of hydrocarbons flowing into the well after stimulation.
- Geomechanical interpretations: Further rock mechanical data (including lithostatic gradient, effective stress and fracture propagation data) has been interpreted and has provided valuable insight to assist with completion design.

Based on the positive results from the DFIT, and in conjunction with the log and core data acquired, Zephyr has elected to complete the State 16-2LN-CC using hydraulic stimulation. The well will serve as the initial "proof of concept" for wider potential development of the Paradox asset base as a hydraulically stimulated resource play (an "HSRP"), although natural fracture completions may also be utilised in the future where optimal.

The Board continues to believe that that the Paradox project has the potential to be a project of significant scale as evidenced by the Zephyr's internal resource estimates for the project based on HSRP development. In summary:

- In the Cane Creek reservoir alone, up to 30 potential well locations with a range of risked net recoverable contingent resources of up to 18 mmboe.
- In the overlying reservoirs high-graded by Zephyr as potential exploration zones, an estimated P50 total of 1 billion barrels of oil equivalent hydrocarbons in place across the Company's acreage.
- In total, up to 200 potential well locations with a range of risked net recoverable contingent resources of up to 143 mmboe.

Following the decision to proceed down the HSRP completion route for the State 16-2LN-CC well, final completion design work is underway with plans for a completion crew to be on-site during the second week of October. Completion operations are expected to take less than a week and production testing is envisioned to commence shortly thereafter, with initial flow tests and results expected two to four weeks later.

Background

Having completed a restructuring of the Paradox project in 2020, which primarily involved overhauling the joint venture partnership and securing additional tenure for the most attractive project acreage, our next task was to commence operations on the ground and begin the process of unlocking the considerable potential value of the project.

In September 2020, Zephyr secured US\$2 million of U.S. Government grant funding which enabled us to proceed with the drilling of the State 16-2 well and which was the catalyst for the considerable progress on the project in the period under review.

After a period of intense activity to complete all drill planning activities (including site preparation, road work, permit approvals and vendor selection) the State 16-2 wells was spud in December 2020 and was completed in January 2021 having been successfully drilled to a measured depth of 9,745 ft total depth ("TD"). Drilling operations were safe and effective, conducted in accordance with Covid-19 related guidance and restrictions, and were completed well within the Group's forecast timeframe. This was a fantastic achievement by everybody involved.

The primary objective was to drill and set casing at 6,450 ft measured depth ("MD") in order to provide a host wellbore for a future horizontal side track. This goal was achieved within thirteen days from spud. As mentioned above, we subsequently reached TD within nineteen days of spud, a marked improvement over historical drilling efforts in this part of the Paradox Basin. The reduction in drilling time represented a major operational success and demonstrated that the cost of future development wells could be significantly reduced from our earlier estimates, thereby improving the overall potential value of the Paradox project for Shareholders.

Our secondary objective was to acquire a significant amount of new data to improve our understanding of our Paradox acreage. We were pleased to report that Zephyr's data acquisition programme secured the following:

- approximately 113 ft of continuous whole core across the historically productive Cane Creek reservoir interval - the first whole Cane Creek core ever to be retrieved in the northern part of the Paradox Basin;
- rotary side wall cores in eleven shallower exploration targets; and
- gamma ray, neutron density, resistivity, formation litho scanner and sonic wireline log data across the bulk of the Paradox Formation, which secured significant additional petrophysical data.

Following the completion of drilling and data acquisition operations, the State 16-2 well was temporarily plugged at 6,450 ft TD, stable and for future re-use as a lateral wellbore host.

Decision to proceed with State 16-2LN-CC lateral well

The core and log data acquired from the State 16-2 Cane Creek reservoir both corroborated and supported the Board's long-held view that the Paradox has the potential to be a project of considerable scale.

On 15 March 2021, we announced a detailed update on the Paradox project, which included confirmation of evidence of hydrocarbon saturation across the entirety of the continuous core acquired from the Cane Creek reservoir. When integrated with the recently acquired log data, existing 3D seismic data, geologic and regional analogue analysis, the resulting analysis gave the Board strong justification for advancement to the next phase of the project. The Board therefore elected to proceed with detailed planning for the near-term drilling of the lateral, and following the successful completion of the fundraise in April 2021, the Company was fully funded to commence the drilling of the lateral portion of the well.

Drilling of the State 16-2LN-CC lateral well

Drilling operations commenced in July 2021, ahead of its forecast timeline, and the Company was delighted to announce in August that the well was successfully drilled to a TD of 14,370 ft, at which point a full suite of wireline logs was run and production casing was set.

Drilling operations achieved their main objective of hitting the Cane Creek reservoir target and staying within that reservoir across the entire lateral portion of the well. In addition, there was evidence of hydrocarbon charge across the entirety of the Cane Creek lateral, as well as in multiple overlying reservoirs.

With the setting of production casing, we now have an excellent well bore from which to complete the well and test production from the Cane Creek reservoir.

Results from the State 16-2LN-CC data evaluation and DFIT

Following the completion of the lateral well, the Company was pleased to report the initial results from the interpretation of the data acquired during drilling operations.

We were particularly pleased that wireline data suggested that 85 per cent of the lateral has the potential to be completed for well testing and production, with additional positive data suggesting porosity and permeability estimates equivalent to other producing basins with prolific HSRP development, as well as mud gas mass spectrometry evidence suggesting the presence of oil, gas and condensate with corresponding apparent low water saturations.

Based on the preponderance of positive data received, we therefore elected to initiate a DFIT to provide additional insight into the potential for successful hydraulic stimulation on our acreage position. As the State 16-2LN-CC is the first horizontal well in this part of the Paradox Basin, the ability to develop a strong understanding of reservoir mechanical properties was crucially important to help assess the series of options for wider potential development.

In early September the Company announced the results from the DFIT, during which a 3 ft interval at the toe of the lateral was perforated and hydraulically stimulated.

The results from the DFIT were highly encouraging and suggested high formation pressure (a strong positive indicator of reservoir drive), permeability consistent with other prolific resource plays, and demonstrable evidence of hydrocarbons flowing into the well after stimulation. In addition, the DFIT provided rock mechanical data (including lithostatic gradient, effective stress and fracture propagation data) which was subsequently interpreted and provided valuable insight to assist with completion design.

In all, the results of the DFIT, combined with the significant amount of data previously gathered from the well, all indicate that the State 16-2LN-CC has the potential to be an excellent "proof of concept" location for an HSRP test.

On that basis, the Board unanimously approved proceeding with a HSRP completion at the State 16-2LN-CC.

The completion is scheduled for October 2021 and, if successful, would result in a substantial reduction in development risk across our acreage, as well as allow for a wider systematic development with predictable well distribution.

Production results from the well are expected to be available in November and will be the first test of the viability of this strategy, but given what we have learned to date, the Board feels confident that we will continue to hone drilling and completion techniques on this acreage well into the future.

We believe that our Paradox acreage holds multiple opportunities within both the Cane Creek and the shallower clastic reservoirs to support the drilling of additional wells to delineate the acreage. This first completion will add further data to help us understand the reservoirs and our ability to optimise well length, well spacing and completion design.

I would like to conclude by noting that in pursuing the HSRP development route, Zephyr's goal is to maximise resource efficiency and project economics while minimising environmental and surface disruption. Zephyr's core mission is to be responsible stewards of investors' capital while also being responsible stewards of the environment. With any future development, we will continue to strive to mitigate the environmental impact by reducing surface footprint, minimising disturbance and offsetting our emissions.

NON-OPERATED PORTFOLIO

Overview

As we outlined to Shareholders in January 2021, 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. In the period under review and since, we have significantly exceeded my expectations.

We have now closed four separate non-operated asset acquisitions to date this year, deals which created a balanced asset base of working interests in 22 producing or near-term production wells and which also provide exposure to additional non-operated drilling expected in 2022. I am particularly pleased that the current blend of strong commodity prices and highly economic production has the potential to generate enough cash flow to fund additional Paradox Basin development.

The acquisitions completed to date are in prime locations, and the majority of the wells are operated by Whiting Petroleum Corporation ("Whiting"), a leading Williston Basin producer.

Sourcing and structuring compelling acquisitions requires detailed basin knowledge and deep local experience, which is why I'm delighted to have entered into a joint-venture ("JV") with Purified Resource Partners LLC ("Purified") related to ongoing non-operated business development efforts. I have 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 few months, we've worked very closely with Purified to close our initial Williston Basin acquisitions, the details of which are outlined below, and I look forward to continued collaboration and co-investment from their team.

Whiting wells

In March 2021, following a successful fundraise to fund the acquisition, the Group completed the purchase of the initial Whiting wells, which were expected to provide the Group with low-risk oil production from five already drilled wells and to generate substantial cash flows that could be utilised across the Group.

The initial cost of the acquisition was US\$350,000. In addition, the Company made a payment of approximately US\$3.7 million to the project operator for historical capital expenditure ("CAPEX") obligations on the project.

The key details of the project were as follows:

- acquisition of non-operated working interests in five wells (one producing well and four drilled but uncompleted wells (a "DUC" or "DUCs") in Mountrail County, North Dakota, U.S.;
- the working interests on the five wells ranged from 16.8% to 37.2%;
- the wells are operated by Whiting, an active and highly experienced operator in the Williston Basin;
- the Group agreed headline terms with the vendor when the oil price was at US\$45 per barrel of oil ("bo");
- the producing well had been on production since March 2020 and first revenue payments were received by Zephyr in April 2021;
- the completions on the four DUCs commenced in April and production revenues will be received on all four wells by the end of October 2021;
- 2P Reserves acquired were estimated at 449,434 boe to the Group; and
- the five wells are spread across three separate drilling pads, creating attractive production diversification.

The key benefits of the Whiting well acquisition are as follows:

- a low-risk acquisition with substantial near-term cash flow expected;
- no remaining drilling risk - all five wells were already drilled successfully to target depth;
- excellent complement to (and funding source for future development on) the Paradox project; and
- no federal tax payments payable in the short-term as profits can be offset against the Group's historic tax losses.

The Group forecasts that the acquisition will provide:

- up to US\$8 million of undiscounted cash flow over the next 12 months, and a total of US\$15 million of undiscounted cash flow over the lifetime of the project, for Zephyr to deploy into the Paradox development or into additional projects (assuming an oil price of US\$60/bo);
- 2P net present value at NPV-10 of US\$4.3 million;

- a cash flow breakeven oil price of US\$36.69/bo (inclusive of all CAPEX expended);
- a one-year cash payback; and
- the opportunity to shelter U.S. federal tax payments by utilising the Group's historical tax losses of more than US\$16 million.

Continental acreage

In May 2021, Zephyr announced the acquisition of the Continental acreage, which gave the Group a working interest in a drilling spacing unit ("DSU") operated by Continental Resources Inc ("Continental"), the largest operator in the Williston Basin. The Continental acreage is located approximately ten miles from the Company's Whiting wells, in a highly attractive part of the Basin. The cost of the acreage acquired by Zephyr was approximately US\$170,000 and was paid for from the Company's existing cash resources.

Continental has drilled two initial wells on the DSU ("Initial wells"), with up to an additional 22 future wells ("Future wells") forecast to be drilled by 2023.

- Zephyr's forecast net CAPEX for the initial wells was approximately US\$135,000 which was funded from existing cash resources.
- Zephyr's net CAPEX for the proposed 22 Future wells is forecast to be approximately US\$710,000, which could also be funded from the Group's existing cash resources.
- CAPEX on the Future wells is discretionary, and Zephyr's Board of Directors will elect whether to participate in those wells on a case-by-case basis.

The Continental acreage has, net to Zephyr, Company estimated 2P reserves (from all 24 wells) of circa 60,000 boe which were acquired at a price of approximately US\$2.83/boe. The 1P reserves on the Continental acreage are, net to Zephyr, estimated at circa 41,000 boe and the 3P reserves at circa 72,000 boe.

This opportunistic acquisition has strong forecasted economics and has provided the Company with additional exposure to low risk, near-term production. Initial revenues from the acquisition are expected to be received in the second half of this year.

The acquisition of the Continental acreage, in a DSU operated by a first-class Williston Basin participant, is a strong example of what can be achieved in the current market. The acreage is in an excellent location and provides both near-term drilling exposure and future drilling optionality. While the initial scale of the acquisition is small, for a minimal upfront cost Zephyr now has potential to participate in up to twenty-four highly economic wells over the next two years. Given the continued improvement in drilling costs and robust oil price environment, we believe this acreage will provide attractive near-term cash flow returns and is an excellent addition to our asset portfolio.

Production

During Q2 2021, the Company's net production from the Whiting and Continental wells averaged 148 boe/d with an average realised sales price of US\$52.90 per boe.

In September 2021, the Company provided a further update to the market on the progress on the Whiting and Continental wells. In summary:

- The Company reported that production from the wells was, net to Zephyr, 506 boe/d during August 2021.
- Four of the wells continue to be brought into full production, with oil production still rising, water cuts reducing and stable gas oil ratios.
- 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 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.

Further non-operated acquisitions

In September 2021, Zephyr announced the completion of two additional non-operated portfolio acquisitions in the Williston Basin.

Details of the acquisitions were as follows:

- The first acquisition purchased 72.5 net acres, resulting in an average 5.6% working interest 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.
- The second acquisition purchased an average 3.1% WI in 11 wells (one currently being drilled and 10 DUC wells) operated by Whiting, all of which target the Middle Bakken reservoir in Mountrail County, North Dakota, U.S.
- All newly acquired wells are estimated by Zephyr to have rapid paybacks, high internal rates of return and a combined total 2P estimated ultimate recoveries (EURs), net to Zephyr, of 194,000 boe.
- Once initial payback has been achieved, Zephyr can utilise its historical tax losses of more than US\$16 million to reduce the federal tax payable on the revenues received from these new acquisitions.
- Total consideration for the new acquisitions was US\$968,000, which has been paid for from the Company's existing cash resources.
- In addition to the acquisition price paid, Zephyr plans to fund the discretionary CAPEX related to the drilling and completion of the 15 wells acquired. This CAPEX total is forecast to be circa US\$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.
- The Company expects all 15 newly acquired wells to be in production by 31 March 2022, resulting in a forecasted additional 200-300 net boe/d. Additional updates will be provided as wells come online and adequate production history is gathered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

As previously mentioned, the Board is unanimously committed to ensuring that every action and investment decision the Company makes is in line with our core values. This includes the following points of focus:

- we will continue to protect the Group, safeguard its existing asset base and position it for attractive growth opportunities;
- we will continue to seek creative and beneficial funding opportunities in an effort to unlock value from our existing asset portfolio, as evidenced by the U.S. Government funding we received for our recent drilling programme on the Paradox project;
- we will continue to adopt a disciplined focus on growth via the acquisition of producing or near-term development opportunities in the Rocky Mountain region. Even in this unusual economic environment, we believe that attractive, value-additive acquisitions are available and may be acquired using non-traditional funding structures;
- we will continue with our programme of tight financial controls and cash preservation which will enable the Group to continue trading effectively; and
- we will continue to ensure management and the Board are aligned with our Shareholders through significant ownership of shares.

I am proud of how we have conducted our operations in the period under review and we will continue to adhere to our core values of being responsible stewards of investors' capital and being responsible stewards of the environment in which we work.

Furthermore, I was delighted that Zephyr was able to recently announce that it has achieved carbon-neutrality across its operational footprint prior to its published goal of 30 September 2021.

As an integral part of this undertaking, Zephyr is collaborating with the Prax Group, a British multinational independent oil refining, trading, storage, distribution and retail conglomerate dealing in crude oil, petroleum products and bio-fuels, headquartered in London, United Kingdom. The Prax Group, which has trading offices in London, Singapore and the U.S., worked with Zephyr to measure, reduce and mitigate greenhouse gas ("GHG") emissions across Zephyr's businesses, with mitigation efforts primarily focused on the purchase of sustainability/decarbonisation offsets (called Verified Emission Reductions or "VER") from reputable pre-vetted developers of sustainable projects. This exercise includes Zephyr's current corporate activity, its non-operated

production assets in the Williston Basin, North Dakota, U.S., and its upcoming appraisal drilling project in the Paradox Basin, Utah, U.S.

In addition to the environmental benefits that will result from Zephyr's efforts to reach carbon-neutrality, the Company anticipates that this approach will also yield economic benefits including expanded access to a wider group of potential institutional investors, as total ESG-focused assets under management are currently estimated to be over US\$30 trillion globally. Moreover, the average cost of capital for companies with committed ESG and decarbonisation initiatives has been shown to be demonstrably less than that of traditional resource companies. The Board believes that incremental regulatory benefits may also materialise from Zephyr's actions.

JV with Purified

In September I was 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 US\$70 million of non-operated asset acquisitions and associated CAPEX for a private equity-backed vehicle.

Purified has assisted and/or co-invested with Zephyr in all four Williston acquisitions that it has closed this year, and their team will have the right to continue to co-invest up to 20 per cent in future transactions. The newly formed JV provides Zephyr with significant land and business development expertise directly in Zephyr's geographic region of focus.

Commencement of trading on OTCQB Venture Market

In July 2021, Zephyr announced that its Ordinary Shares had been approved to trade on the OTCQB Venture Market ("OTCQB") in the U.S.

We believe that cross-trading on the OTCQB will increase liquidity and significantly enhance the ability of U.S. based investors to access and trade Zephyr shares during a period in which we are actively expanding our U.S. asset base. Over the coming months, Zephyr's management team will place specific additional emphasis on increasing our outreach efforts to U.S. based institutions and investors.

FINANCIAL REVIEW

The financial information is reported in United States Dollars ("US\$").

Income Statement

The Group reports revenues from its newly acquired Whiting wells for the six months ended 30 June 2021 of US\$0.9 million (30 June 2020: nil). Revenues relate to the Company's share of production from the corresponding wells from 1 March 2021. Revenues for the second half of the financial year will be considerably higher as it will not only include revenues for a full six-month period but will also include revenue from all five of the Whiting wells, some of which came online until after 30 June.

Administrative expenses for the six months ended 30 June 2021 were US\$1.2 million (30 June 2020: US\$0.6 million). The increase in administrative expenses mirrors the Company's growth over the last twelve months as it emerged from a significant corporate retrenchment in response to the global pandemic, in addition to the increase in its asset portfolio and significantly enhanced corporate and operational footprint. Costs continue to be closely controlled and monitored regularly by executive management and also at Board level, with this being a continuing priority of the Board. It is recognised by the Board, however, that additional technical, legal and other costs were justified to help deliver the various acquisitions which the Company has secured over the past nine months.

Net loss after tax from continuing operations was US\$1.0 million or a loss of 0.1 US cents per share for the six months ended 30 June 2021 (30 June 2020: net profit after tax from continuing operations of US\$0.9 million or a profit of 0.32 US cents per share).

The profit for the comparative six-month period to 30 June 2020 was primarily the result of unrealised foreign exchange differences that arose on the restatement of the Company's loans to its subsidiaries. These foreign exchange differences resulted in an unrealised loss of US\$0.4 million for the six months ended 30 June 2021 (30 June 2020: unrealised gain of US\$1.6 million). The unrealised loss in this period is the result of the strengthening of sterling against the US dollar.

Balance Sheet

Intangible assets at 30 June 2021 were US\$16.0 million (30 June 2020: US\$13.6 million) which reflects the Company's ongoing investment into the Paradox project.

Tangible assets at 30 June 2021 were US\$6.4 million (30 June 2020: US\$44,000) which reflects the Company's ongoing investment in the Whiting wells and the Continental acreage.

Cash and cash equivalents at 30 June 2021 were US\$9.2 million (30 June 2020: US\$0.4 million), primarily due to the Company's US\$13.9 million (£10 million) fundraise that completed in April 2021. Cash conservation and tight cash management remain key priorities of the Board. Cash and cash equivalents at 1 September 2021 were US\$4 million.

CONCLUSION

The period under review was one of substantial progress for the Group, and I am confident that over the next few months we will continue to see a flurry of corporate and operational activity as we target production from the Paradox project and accumulate significant cash flows from our non-operated assets in the Williston Basin. Over the next period there is also the possibility of the expansion of the Group's asset portfolio through additional acquisitions or partnerships.

These are exciting times, and we look forward to keeping all our stakeholders updated on our progress.

Finally, I would like to extend my heartfelt gratitude to the Company's Shareholders and advisers for their ongoing support. We are delighted to be invested alongside you, and we look forward to keeping you updated as we progress through these exciting times.

Colin Harrington
Chief Executive Officer

30 September 2021

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 21

		Unaudited six months ended 30 June 2021 US\$'000	Unaudited six months ended 30 June 2020 US\$'000	Audited year ended 31 December 2020 US\$'000
	Notes			
Continuing operations				
Revenue		917	-	-
Cost of Sales		(270)	-	-
		<u> </u>	<u> </u>	<u> </u>
Gross profit		647	-	-
Administrative expenses		(1,194)	(613)	(1,517)
Development expenses		(43)	(104)	(135)
Foreign exchange (losses)/gains		(377)	1,623	(705)
		<u> </u>	<u> </u>	<u> </u>
Operating (loss)/profit		(967)	906	(2,357)
Other income		-	-	13
Finance costs		(1)	-	-
		<u> </u>	<u> </u>	<u> </u>
(Loss)/profit before taxation		(968)	906	(2,344)
Taxation charge		(7)	-	-
		<u> </u>	<u> </u>	<u> </u>
(Loss)/profit for the period attributable to owners of the parent company		(975)	906	(2,344)
		<u> </u>	<u> </u>	<u> </u>
(Loss)/profit per Ordinary Share				
Basic and diluted, cents per share	3	(0.10)	0.32	(0.66)
		<u> </u>	<u> </u>	<u> </u>

ZEPHYR ENERGY PLC**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the six months ended 30 June 2021**

	Unaudited six months ended 30 June 2021 US\$'000	Unaudited six months ended 30 June 2020 US\$'000	Audited year ended 31 December 2020 US\$'000
(Loss)/profit for the period attributable to owners of the parent company	(975)	906	(2,344)
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>			
Foreign currency translation differences on foreign operations	(619)	3,223	(1,277)
Total comprehensive (loss)/profit for the period attributable to owners of the parent company	(1,594)	4,129	(3,621)

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2021

	Notes	Unaudited as at 30 June 2021 US\$'000	Unaudited as at 30 June 2020 US\$'000	Audited as at 31 December 2020 US\$'000
Non-current assets				
Intangible assets	4	15,962	13,586	13,914
Property, plant and equipment	5	6,462	44	28
		<u>22,424</u>	<u>13,630</u>	<u>13,942</u>
Current assets				
Trade and other receivables		861	88	135
Cash and cash equivalents		9,216	350	3,940
		<u>10,077</u>	<u>438</u>	<u>4,075</u>
Total assets		<u>32,501</u>	<u>14,068</u>	<u>18,017</u>
Current liabilities				
Trade and other payables		(3,163)	(411)	(2,464)
Lease liabilities		-	(23)	(8)
		<u>(3,163)</u>	<u>(434)</u>	<u>(2,472)</u>
Non-current liabilities				
Provisions		(67)	(57)	(7)
Total liabilities		<u>(3,230)</u>	<u>(491)</u>	<u>(2,479)</u>
Net assets		<u>29,271</u>	<u>13,577</u>	<u>15,538</u>
Equity				
Share capital	6	42,045	40,688	41,221
Share premium account		51,787	37,975	39,638
Warrant reserve		136	227	227
Share-based payment reserve		4,581	3,341	3,762
Cumulative translation reserves		(8,892)	(11,612)	(9,225)
Retained deficit		(60,386)	(57,042)	(60,085)
Equity attributable to owners of the parent company		<u>29,271</u>	<u>13,577</u>	<u>15,538</u>

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021 (Unaudited)

	Share capital US\$'000	Share premium account US\$'000	Warrant reserve US\$'000	Share- based payment reserve US\$'000	Cumulative translation reserve US\$'000	Retained deficit US\$'000	Total US\$'000
As at 1 January 2021	41,221	39,638	227	3,762	(9,225)	(60,085)	15,538
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	824	14,332	-	-	-	-	15,156
Expenses of issue of equity shares	-	(2,183)	-	1,357	-	-	(826)
Transfer to retained deficit in respect of exercised warrants	-	-	(91)	(583)	-	674	-
Share-based payments	-	-	-	45	-	-	45
Total transactions with owners in their capacity as owners	824	12,149	(91)	819	-	674	14,375
Loss for the period	-	-	-	-	-	(975)	(975)
<i>Other comprehensive income:</i>							
Currency translation differences	-	-	-	-	(619)	-	(619)
Total other comprehensive income for the period	-	-	-	-	(619)	-	(619)
Total comprehensive income for the period	-	-	-	-	(619)	(975)	(1,594)
Currency translation differences on equity at historical rates	-	-	-	-	952	-	952
As at 30 June 2021	42,045	51,787	136	4,581	(8,892)	(60,386)	29,271

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020 (Audited)

	Share capital US\$'000	Share premium account US\$'000	Warrant reserve US\$'000	Share- based payment reserve US\$'000	Cumulative translation reserve US\$'000	Retained deficit US\$'000	Total US\$'000
As at 1 January 2020	40,688	37,975	568	3,748	(9,972)	(58,737)	14,270
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	533	2,401	-	-	-	-	2,934
Expenses of issue of equity shares	-	(738)	-	594	-	-	(144)
Transfer in respect of lapsed warrants	-	-	(341)	(251)	-	592	-
Share-based payments	-	-	-	79	-	-	79
Transfer in respect of lapsed options	-	-	-	(404)	-	404	-
Effect of foreign exchange rates	-	-	-	(4)	-	-	(4)
Total transactions with owners in their capacity as owners	533	1,663	(341)	14	-	996	2,865
Loss for the year	-	-	-	-	-	(2,344)	(2,344)
<i>Other comprehensive income:</i>							
Currency translation differences	-	-	-	-	(1,277)	-	(1,277)
Total other comprehensive income for the period	-	-	-	-	(1,277)	-	(1,277)
Total comprehensive income for the year	-	-	-	-	(1,277)	(2,344)	(3,621)
Currency translation differences on equity at historical rates	-	-	-	-	2,024	-	2,024
As at 31 December 2020	41,221	39,638	227	3,762	(9,225)	(60,085)	15,538

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020 (Unaudited)

	Share capital US\$'000	Share premium account US\$'000	Warrant reserve US\$'000	Share- based payment reserve US\$'000	Cumulative translation reserve US\$'000	Retained deficit US\$'000	Total US\$'000
As at 1 January 2020	40,688	37,975	568	3,748	(9,972)	(58,737)	14,270
<i>Transactions with owners in their capacity as owners:</i>							
Transfer to retained deficit in respect of lapsed warrants/options	-	-	(341)	(448)	-	789	-
Share-based payments	-	-	-	42	-	-	42
Effect of foreign exchange rates	-	-	-	(1)	-	-	(1)
Total transactions with owners in their capacity as owners	-	-	(341)	(407)	-	789	41
Profit for the period	-	-	-	-	-	906	906
<i>Other comprehensive income:</i>							
Currency translation differences	-	-	-	-	3,223	-	3,223
Total other comprehensive income for the period	-	-	-	-	3,223	-	3,223
Total comprehensive income for the period	-	-	-	-	3,223	906	4,129
Currency translation differences on equity at historical rates	-	-	-	-	(4,863)	-	(4,863)
As at 30 June 2020	40,688	37,975	227	3,341	(11,612)	(57,042)	13,577

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2021

		Unaudited six months ended 30 June 2021 US\$'000	Unaudited six months ended 30 June 2020 US\$'000	Audited year ended 31 December 2020 US\$'000
	Appendices			
Net cash from/(used) in operating activities	a	777	(661)	(1,350)
Net cash (used in)/from investing activities	b	(9,843)	(38)	1,445
Net cash from/(used in) financing activities	c	14,322	(26)	2,745
Net increase/(decrease) in cash and cash equivalents		<u>5,256</u>	<u>(725)</u>	<u>2,840</u>
Cash and cash equivalents at beginning of period		3,940	1,084	1,084
Effect of foreign exchange rate changes		<u>20</u>	<u>(9)</u>	<u>16</u>
Cash and cash equivalents at end of period		<u><u>9,216</u></u>	<u><u>350</u></u>	<u><u>3,940</u></u>

ZEPHYR ENERGY PLC
APPENDICES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2021

	Unaudited six months ended 30 June 2021 US\$'000	Unaudited six months ended 30 June 2020 US\$'000	Audited year ended 31 December 2020 US\$'000
a Operating activities			
(Loss)/profit before taxation from continuing operations	(968)	906	(2,344)
Finance costs	1	-	-
Adjustments for:			
Depreciation of property, plant and equipment	96	29	49
Share-based payments	45	5	79
Unrealised foreign exchange gain	308	(1,631)	739
Operating outflow before movements in working capital	(518)	(691)	(1,477)
(Increase)/decrease in trade and other receivables	(616)	24	(20)
Increase in trade and other payables	1,913	6	147
	779	(661)	(1,350)
Income tax paid	(2)	-	-
Net cash from/(used) in operating activities	777	(661)	(1,350)
b Investing activities			
Purchase of intangible exploration and evaluation assets	(4,116)	(38)	(355)
Grant funds received	200	-	1,800
Purchase of development and production assets	(5,927)	-	-
Net cash (used in)/from investing activities	(9,843)	(38)	1,445
c Financing activities			
Proceeds from issue of shares	15,156	-	2,934
Expenses of issue of shares	(826)	-	(144)
Repayment of lease liabilities	(8)	(26)	(45)
Net cash from/(used in) financing activities	14,322	(26)	2,745

ZEPHYR ENERGY PLC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2021

1. ACCOUNTING POLICIES

Basis of preparation

This report was approved by the Directors on 30 September 2021.

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs')

The condensed consolidated interim financial statements are presented in United States Dollar ('US\$') as the Group's trading operations, and the majority of its assets are primarily represented in US\$.

The Company is domiciled in the United Kingdom. The Company's shares are admitted to trading on the AIM market in the UK and the OTCQB Venture Market ("OTCQB") in the U.S.

The current and comparative periods to June have been prepared using the accounting policies and practices consistent with those adopted in the annual financial statements for the year ended 31 December 2020, and with those expected to be adopted in the Group's financial statements for the year ending 31 December 2021.

Comparative figures for the year ended 31 December 2020 have been extracted from the statutory financial statements for that period which carried an unqualified audit report, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The financial information contained in this report does not constitute statutory financial statements as defined by section 434 of the Companies Act 2006, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2020. This report has not been audited or reviewed by the Group's auditors.

During the first six months of the current financial year there have been no related party transactions that materially affect the financial position or performance of the Group and there have been no changes in the related party transactions described in the last annual financial report.

Having considered the Group's current cash forecast and projections, and following detailed conversations with the Company's brokers and major shareholders, the Directors have a reasonable expectation that the Company and the Group have, or have access to, sufficient resources to continue operating for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The principal risks and uncertainties of the Group have not changed since the publication of the last annual financial report where a detailed explanation of such risks and uncertainties can be found.

2. DIVIDENDS

The Directors do not recommend the payment of a dividend for the period.

3. (LOSS)/PROFIT PER ORDINARY SHARE

Basic (loss)/profit per Ordinary Share is calculated by dividing the net (loss)/profit for the period attributable to owners of the parent company by the weighted average number of Ordinary Shares outstanding during the period. The calculation of the basic and diluted (loss)/profit per Ordinary Share is based on the following data:

	Continuing operations unaudited six months ended 30 June 2021 US\$'000	Continuing operations unaudited six months ended 30 June 2020 US\$'000	Continuing operations audited year ended 31 December 2020 US\$'000
(Losses)/profits			
(Losses)/profits for the purpose of basic (loss)/profit per Ordinary Share being net (loss)/profit attributable to owners of the parent company	(975)	906	(2,344)
	Number '000	Number '000	Number '000
Number of shares			
Weighted average number of shares for the purpose of basic (loss)/profit per Ordinary Share	939,631	287,111	357,951
(Loss)/profit per Ordinary Share			
Basic and diluted, cents per share	(0.10)	0.32	(0.66)

Due to the losses incurred, there is no dilutive effect from the existing share options, share based compensation plan or warrants.

4. INTANGIBLE ASSETS

	Exploration and evaluation assets US\$'000
Cost	
At 1 January 2020	13,549
Additions	37
	<hr/>
At 30 June 2020	13,586
Additions	2,128
Grant funds	(1,800)
	<hr/>
At 31 December 2020	13,914
Additions	2,338
Grant funds	(290)
	<hr/>
At 30 June 2021	15,962
	<hr/>
Carrying amount	
At 30 June 2021	15,962
	<hr/>
At 30 June 2020	13,586
	<hr/>
At 31 December 2020	13,914
	<hr/>

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery '000	Right-of-use assets '000	Development and production assets '000	Total '000
Cost				
At 1 January 2020	159	90	-	249
Exchange differences	(1)	(4)	-	(5)
At 30 June 2020	158	86	-	244
Disposal	(39)	(34)	-	(73)
Exchange differences	10	5	-	15
At 31 December 2020	129	57	-	186
Additions	-	-	6,530	6,530
Exchange differences	2	1	-	3
At 30 June 2021	131	58	6,530	6,719
Accumulated depreciation, depletion and amortisation				
At 1 January 2020	142	30	-	172
Charge for the period	3	26	-	29
Exchange differences	-	(1)	-	(1)
At 30 June 2020	145	55	-	200
Charge for the period	2	18	-	20
Disposal	(39)	(34)	-	(73)
Exchange differences	9	2	-	11
At 31 December 2020	117	41	-	158
Charge for the period	3	16	77	96
Exchange differences	2	1	-	3
At 30 June 2021	122	58	77	257
Carrying amount				
At 30 June 2021				6,462
At 30 June 2020				44
At 31 December 2020				28

6. SHARE CAPITAL

	Unaudited as at 30 June 2021 Number '000	Unaudited as at 30 June 2020 Number '000	Audited as at 31 December 2020 Number '000
Authorised			
Ordinary Shares of 0.1p each	7,779,297	7,779,297	7,779,297
Deferred Shares of 9.9p each	227,753	227,753	227,753
	<hr/> 8,007,050	<hr/> 8,007,050	<hr/> 8,007,050
	Unaudited as at 30 June 2021 US\$'000	Unaudited as at 30 June 2020 US\$'000	Audited as at 31 December 2020 US\$'000
Allotted, issued and fully paid			
1,290,314,182 Ordinary Shares of 0.1p each (30 June 2020: 287,111,606: 31 December 2020 696,202,515)	1,740	383	916
227,752,817 Deferred Shares of 9.9p each	40,305	40,305	40,305
	<hr/> 42,045	<hr/> 40,688	<hr/> 41,221

The Deferred Shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at, any general meetings, have no entitlement to receive a dividend or other distribution or any entitlement to receive a repayment of nominal amount paid up on a return of assets on winding up nor to receive or participate in any property or assets of the Company. The Company may, at its option, at any time redeem all of the Deferred Shares then in issue at a price not exceeding £0.01 from all shareholders upon giving not less than 28 days' notice in writing.

As outlined in the Company's 2020 Annual Report it is the Company's intention to issue nil-cost options to certain Directors and employees to compensate them for salaries sacrificed during 2020. This will be done when the Board is permitted to do so and in line with its regulatory responsibilities.

ISSUED ORDINARY SHARE CAPITAL

In January 2021, the Company issued 1,308,227 Ordinary Shares of 0.1p each at a price of 0.55p per share, raising gross proceeds of US\$0.012 million (£0.01 million).

In February 2021, the Company issued 5,124,000 Ordinary Shares of 0.1p each at a price of 0.55p per share, raising gross proceeds of US\$0.048 million (£0.035 million).

In February 2021, the Company issued 8,236,363 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$0.22 million (£0.16 million).

In March 2021, the Company issued 200,000,000 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$5.5 million (£4.0 million).

In March 2021, the Company issued 8,468,182 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$0.23 million (£0.17 million).

In April 2021, the Company issued 300,000,000 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$8.4 million (£6.0 million).

In April 2021, the Company issued 2,428,885 Ordinary Shares of 0.1p each at a price of 0.08p per share, raising gross proceeds of US\$0.03 million (£0.02 million).

In May 2021, the Company issued 2,727,273 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$0.08million (£0.05 million).

In June 2021, the Company issued 62,409,646 Ordinary Shares of 0.1p each at a price of 0.55p per share, raising gross proceeds of US\$0.55 million (£0.4 million).

In June 2021, the Company issued 3,409,091 Ordinary Shares of 0.1p each at a price of 2p per share, raising gross proceeds of US\$0.09 million (£0.07 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2020 and 30 June 2020	287,112	227,753
Allotment of shares	409,090	-
At 31 December 2020	696,202	227,753
Allotment of shares	594,112	-
At 30 June 2021	1,290,314	227,753

7. POST BALANCE SHEET EVENTS

All matters relating to events occurring since the period end are reported in the Chief Executive's Statement.

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.