



# ZEPHYR ENERGY PLC

AIM: ZPHR  
OTCQB: ZPHRF

LONDON SOUTH EAST  
INVESTOR WEBINAR

21 SEPTEMBER 2021

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

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## CORPORATE OVERVIEW

- NON-OPERATED PORTFOLIO
- OPERATED ASSET
- ESG PHILOSOPHY

## SUMMARY & NEXT STEPS







TO BE  
RESPONSIBLE STEWARDS  
OF OUR INVESTORS' CAPITAL



TO BE  
RESPONSIBLE STEWARDS  
OF THE ENVIRONMENT

# CORPORATE OVERVIEW

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF) is an oil and gas company 100% focused on **responsible resource development and carbon-neutral operations** in the Rocky Mountain region of the United States ("U.S.").



The Company is developing a significant operated appraisal asset in the Paradox Basin, Utah. The Company also owns non-operated working interests in producing, near-term production and future drilling prospects in the Williston Basin.

## GROWTH STRATEGY: OPERATED ASSETS

- Paradox Basin, Utah
- 37,613-acre leasehold position
- Recent 3D seismic across majority of acreage
- Extensive log, core & pressure test data
- Recently drilled State 16-2LN-CC well ready for completion and production testing in October
  - The well is the first test of modern hydraulic stimulation practices on a horizontal wellbore in the Paradox Basin
  - A "proof of concept" well for a wider potential development of up to 9 reservoir zones targeting 1 billion barrels of oil equivalent in place

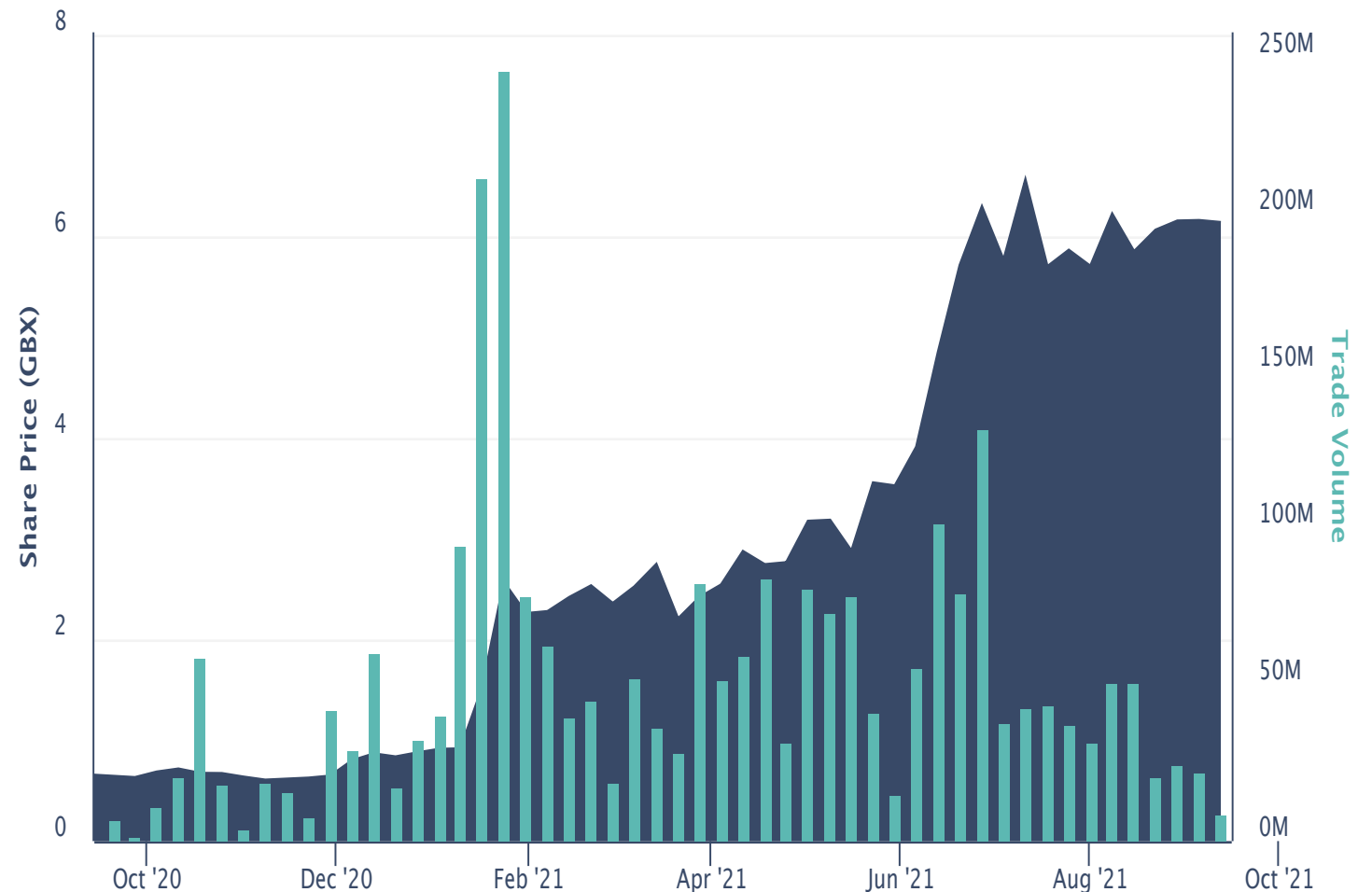


## VALUE STRATEGY: NON-OPERATED ASSETS

- Low-risk, high-margin investments in well established Rocky Mountain basins
- Focused on:
  - Near-term drilling opportunities with strong operators
  - Low acquisition costs
  - Rapid paybacks
  - Strong margins
- Cash flow generated is used to fund additional Paradox drilling or further non-op asset acquisitions
- 4 acquisitions completed to date in 2021
  - Interests in 7 currently producing wells (509 boe/d in August and growing)
  - Interests in 15 additional wells on-line by 31 March 2022 (200-300 incremental boe/d)



5.88P	20 September closing share price
£72M	Market capitalisation
1,291,223,273	Shares in issue
NIL	Debt outstanding
12%+	Board & affiliates' ownership:
\$16+M	US tax losses which can be used to offset future US income







## 2020 HIGHLIGHTS

- Awarded a **\$2 million US Government grant** to drill a stratigraphic “dual-use” research well
- Executed a successful and safe operation, including **record-setting Paradox Basin drilling pace** while adhering to COVID-19 protocols
- Acquired the **first continuous core, sidewall core and significant log data in the Northern Paradox Basin**
- **Delivered an agreement to acquire highly economic production** and near-term production assets in the Williston Basin

## 2021 MOMENTUM

**FOLLOWING A SUCCESSFUL GBP10 MILLION FUNDRAISE IN MARCH 2021, ZPHR IS FULLY FUNDED FOR GROWTH ACROSS ITS PORTFOLIO. MILESTONES ACHIEVED SINCE MARCH 2021:**

- **STATE 16-2 LN-CC horizontal well safely and successfully drilled to TD, ready to be completed via hydraulic stimulation in October**
- **Analysis of Paradox logs, cores and pressure test data provided a series of “green lights.”** ZPHR’s Board elected to run production casing and complete the well as a test of a Hydraulically Stimulated Resource Play (“HSRP”) development. If successful this could lead to a significant upsizing in resource estimates
- **4 separate Williston Basin acquisitions have been completed, providing non-operated exposure into 22 wellbores across multiple pads (7 now on production, all others drilled and awaiting completion) – all funded from existing resources**
- **Production averaged 509 boe/d in August and forecast to climb** as existing wells hit peak production and newly acquired wells are brought online
- **12,260 additional acres acquired in the Paradox Basin – longer term appraisal potential**



### CORPORATE PLATFORM EXPANSION

- INDUSTRY LEADING ESG COMMITMENT TO HAVE 100% CARBON NEUTRAL OPERATIONS BY 30 SEPTEMBER 2021
- CONTINUING OUTREACH TO SHAREHOLDERS, EXISTING & POTENTIAL PARTNERS, INCLUDING IN THE U.S. WHERE ZPHR'S ORDINARY SHARES ARE NOW CROSS-TRADED

### PARADOX BASIN EXPANSION

- COMPLETION OF STATE 16-2LN-CC WELL IN OCTOBER WILL BE FIRST "PROOF OF CONCEPT" FOR HSRP IN THE NORTHERN PARADOX
- PLANNING UNDERWAY FOR FUTURE DEVELOPMENT DRILLING
- HARNESSING EXISTING WILLISTON BASIN CASH FLOW FOR FURTHER PARADOX DEVELOPMENT

### NON-OPERATED ASSET EXPANSION

- 7 WELLS ONLINE & PRODUCING
- 15 ADDITIONAL WELLS HAVE BEEN DRILLED & WILL BE BEING PLACED ONLINE IN THE NEXT SIX MONTHS
- WORKING INTERESTS RANGE FROM 1% TO 37%
- AUGUST PRODUCTION – 509 BOE/D AND GROWING
- ABUNDANT OPPORTUNITIES TO ACQUIRE MORE NEAR-TERM, LOW RISK DRILLING INTERESTS



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- OPERATED ASSET

- ESG PHILOSOPHY

## SUMMARY & NEXT STEPS



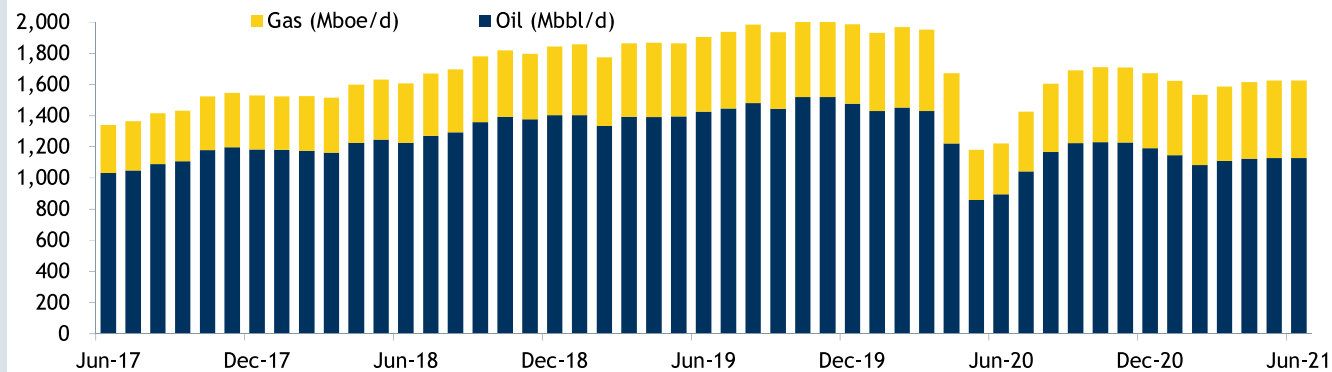


# WILLISTON BASIN OVERVIEW

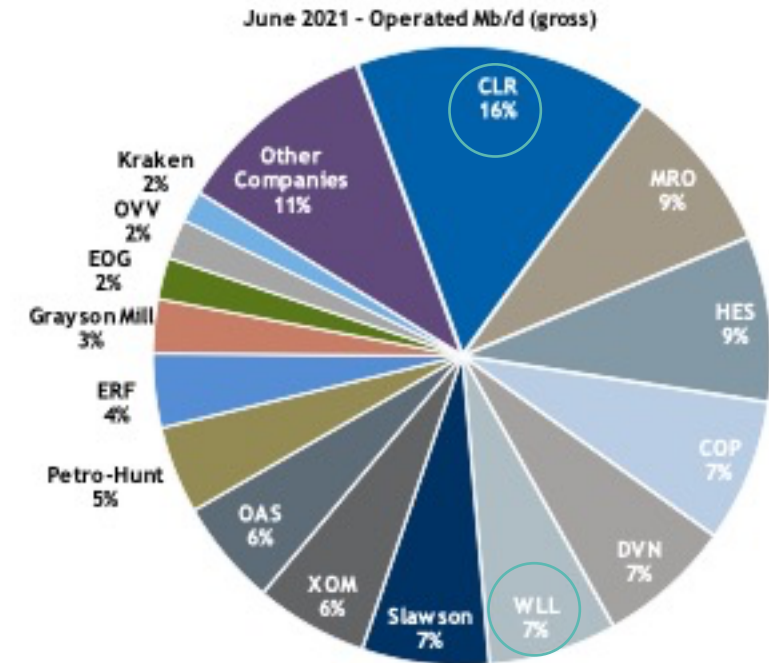
ONE OF THE MOST ACTIVE & PROLIFIC US BASINS



## NORTH DAKOTA MONTHLY DRILLING & COMPLETION STATISTICS

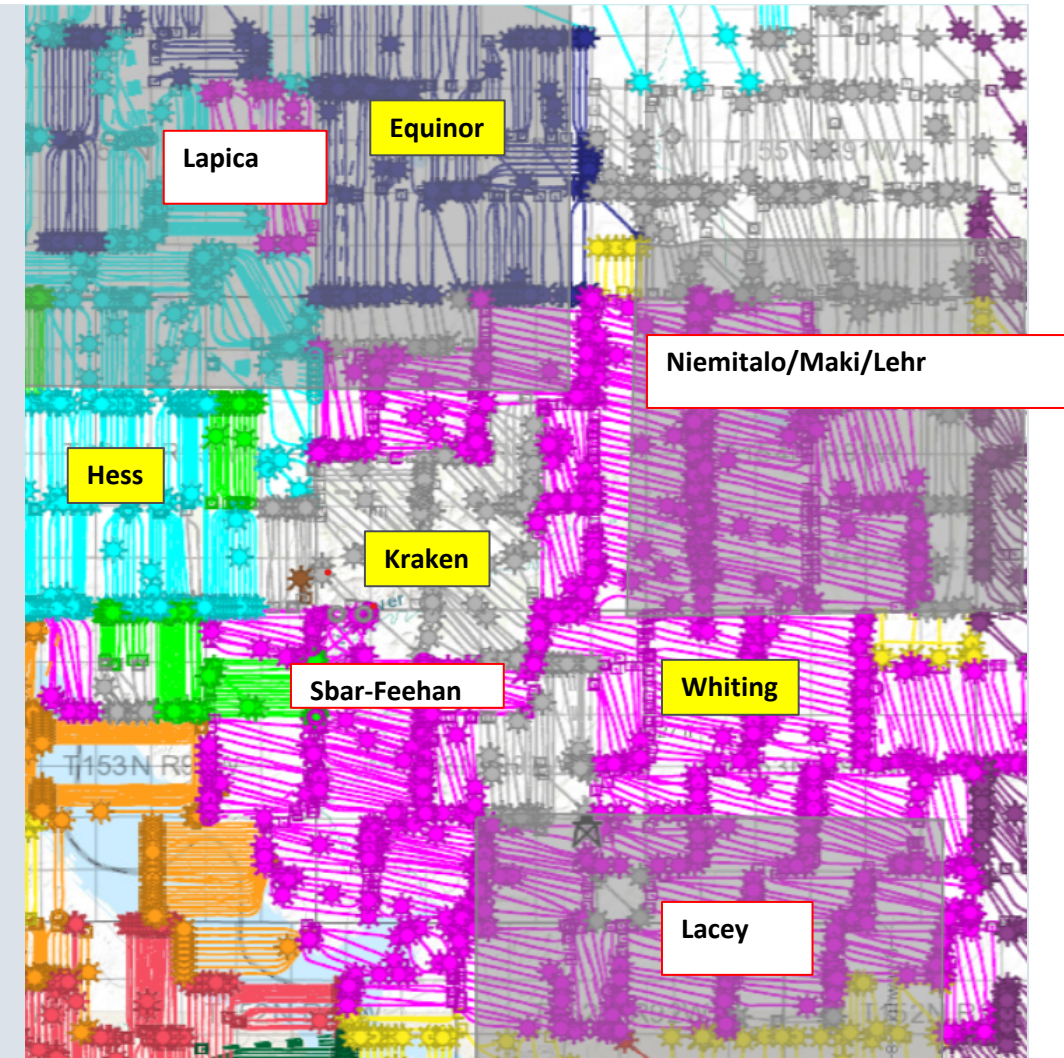
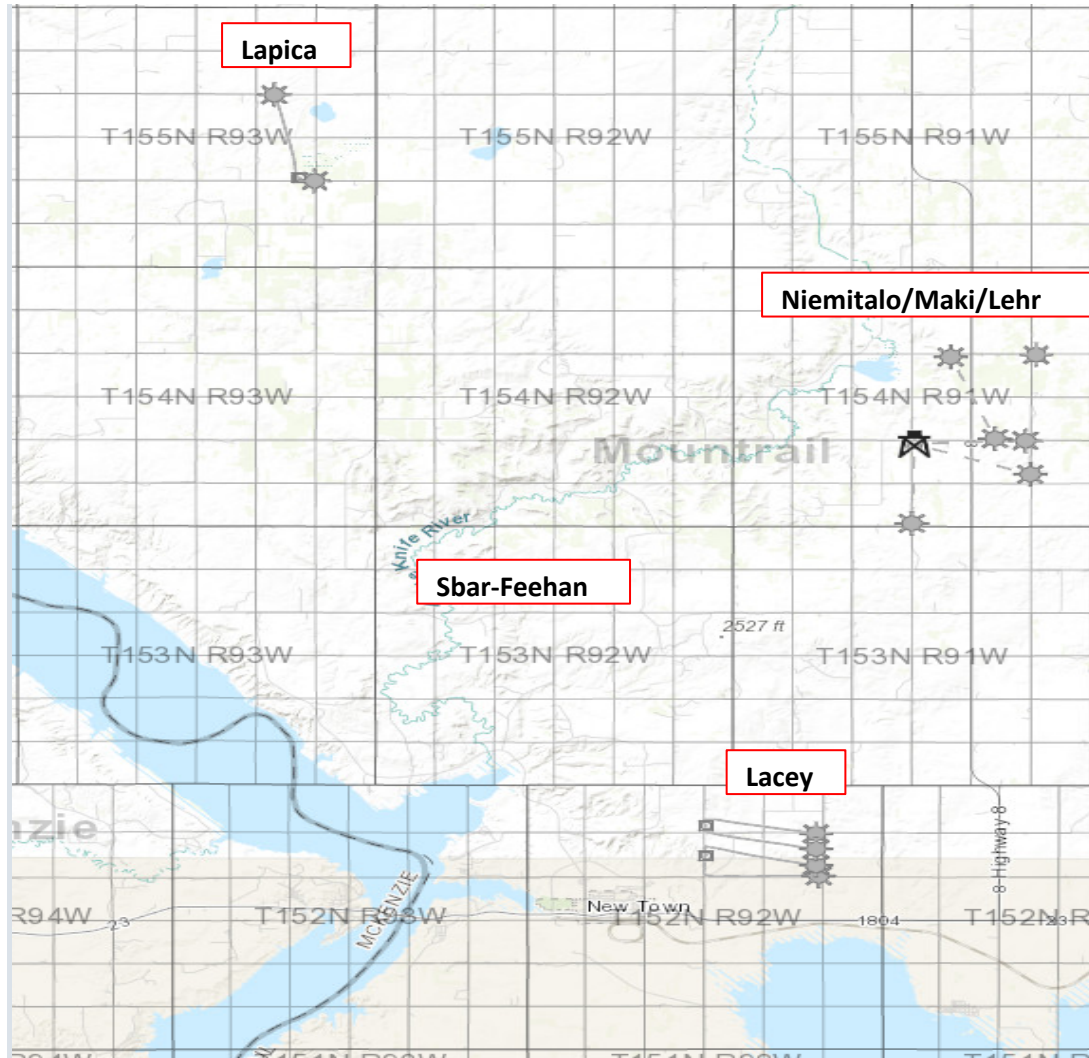


Source: North Dakota Oil & Gas Commission, RBC Capital Markets



Sources:  
North Dakota Oil & Gas Commission  
RBC Capital Markets  
Enverus & Company Reports

# NON-OPERATED OPPORTUNITY : CAPITAL DISCIPLINE FROM OPERATORS & INVESTORS LEADS TO ACCRETIVE NON-OPERATED ACQUISITION POTENTIAL





**STRATEGY: TO ACQUIRE LOW-RISK NON-OP ASSETS WITH NEAR-TERM CASH FLOW POTENTIAL LOCATED IN CORE PRODUCING BASINS**

**ZPHR's asset acquisition profile:**

- Prolific basins with reduced or zero drilling risk
- Near term drilling and cash flow potential
- Internal hurdle rates: Rapid payback and 40%+ IRR at 2P profile
- Utilisation of ZPHR's historical tax losses (\$16 million+)
- Low entry cost (acquisition versus CAPEX costs)
- Non-operated interest with strong operator
- Cash flow estimates and production which fit when layered against our Paradox development plans

**ZPHR PLANS TO RELEASE UPDATED PRODUCTION  
& CASH FLOW ESTIMATES ONCE  
ESTABLISHED/PEAK PRODUCTION VOLUMES  
FROM OUR 7 INITIAL WELLS ACQUIRED HAVE  
BEEN REACHED**

**RECENTLY SIGNED JV WITH PURIFIED RESOURCE  
PARTNERS, LLC HAS PROVIDED SIGNIFICANT  
ADDITIONAL DEAL FLOW AND LOCAL EXPERTISE**





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# PARADOX BASIN HISTORY AND OPPORTUNITY

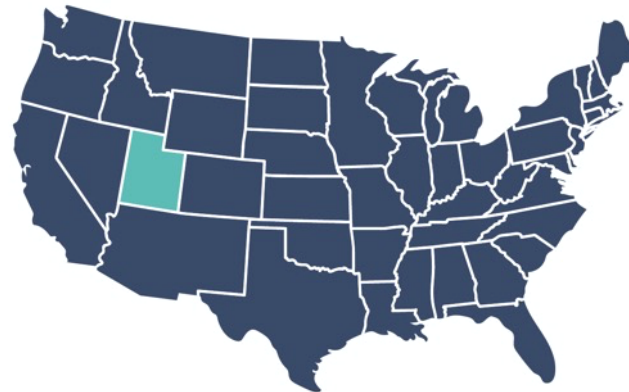


## POSITION

- ZPHR leases over 37,000 acres in the Paradox Basin, Utah and has been active in the Basin since 2014
- Application for new Federal Unit in progress

Unlike most of the active U.S. basins, the Paradox has historically been a natural fracture play:

- 10mmboe produced to date
- Horizontal drilling and modern hydraulic stimulation development have largely not been tested
- Primary productive zone is the Cane Creek reservoir, although there are multiple additional high-graded overlying reservoir targets



## TECHNOLOGICAL ADVANCES

Recent step changes in technology can improve the Paradox success rates:

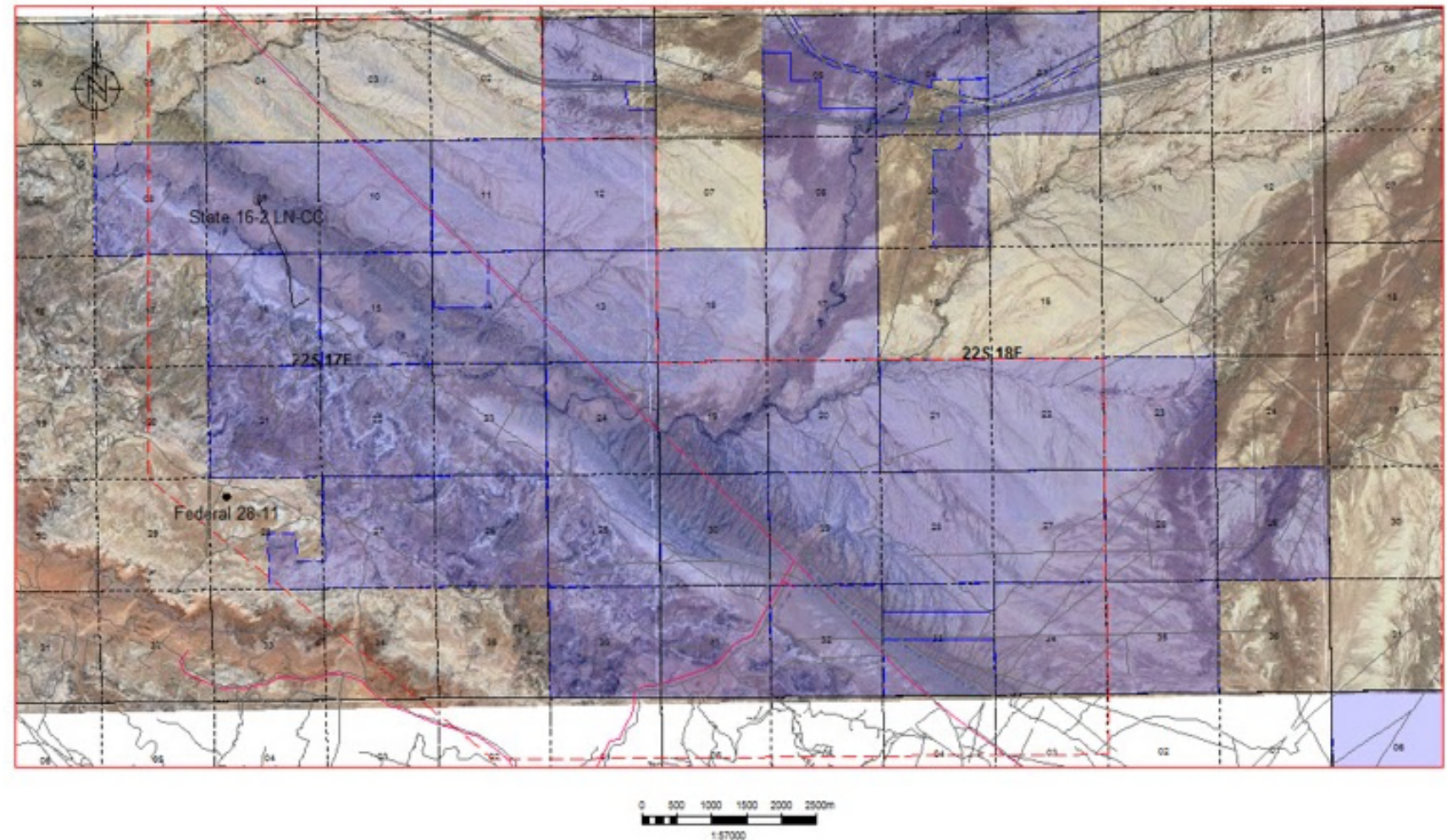
- Move from 2D to 3D seismic
- Introduction of sophisticated horizontal drilling
- Improvements in directional drilling capabilities
- Improvements in HSRP completion techniques

These technology improvements have not been tested in the northern Paradox Basin

- ZPHR owns the most recent Paradox high resolution 3D seismic data
- ZPHR has also secured extensive log, core data and pressure test data from our recently drilled State 16-2LN-CC well



- **25,000 leased acres covered by modern 3D seismic**
- Mix of contiguous Federal and State leases
- Good access to existing gas export infrastructure, roads and pads
- Biden administration has halted the issue of any new federal leases, making existing active lease positions – especially large contiguous ones like ours – exceedingly difficult to replicate.





# ZPHR DEVELOPMENT APPROACH: APPLICATION OF MEASURED RISK



## CAUTION

- APPRAISAL PROJECT
- UNDEREXPLORED AREA
- HIGH PRESSURE RESERVOIRS
- PRESENCE OF NATURAL FRACTURE NETWORKS
- UNLIKE OTHER RESOURCE PLAYS, THE PARADOX BASIN HAS SPARSE VERTICAL WELL COVERAGE
- IF IT WAS EASY, RESERVES WOULD HAVE ALREADY BEEN EXPLOITED
- MAINTENANCE OF CURRENT LEASE POSITION AND GAS EXPORT OPTIONS

## OPTIMISM

- LARGE CONTIGUOUS ACREAGE POSITION
- UNDEREXPLORED AREA
- HIGH PRESSURE RESERVOIRS
- SIGNIFICANT POTENTIAL IN THE CANE CREEK RESERVOIR ALONE
- MULTIPLE ADDITIONAL POTENTIAL RESERVOIR TARGETS
- ADDITIONAL POTENTIAL RESERVE EXPANSION THROUGH HYDRAULIC STIMULATION – INITIAL ANALYSIS COMPLETED WITH PREMIER OILFIELD GROUP
- COMPELLING ANALOGUE AT THE CANE CREEK FIELD DIRECTLY TO THE SOUTH AND THE FEDERAL 28-11 VERTICAL WELL, WITHIN THE 3D SURVEY AREA

## ZPHR APPROACH TO RISK

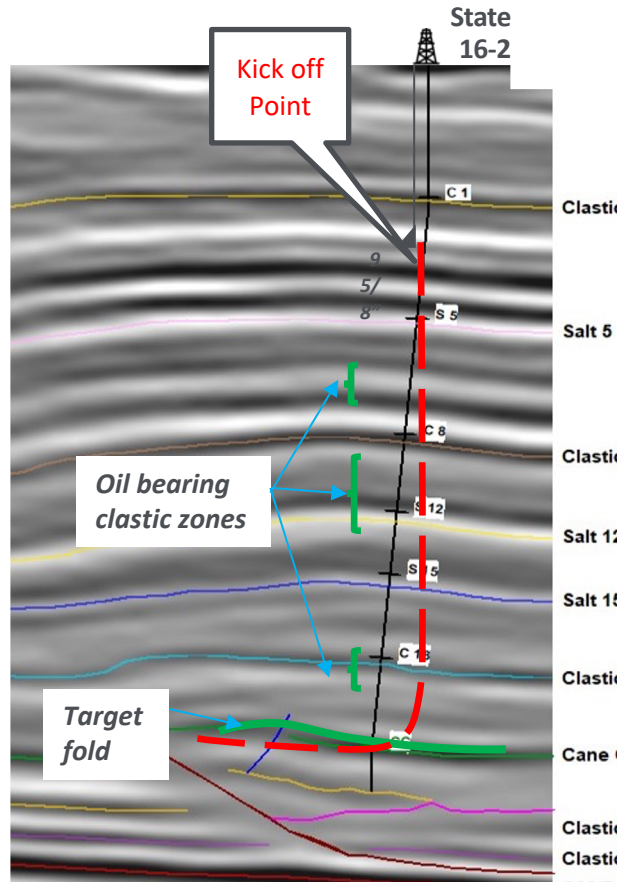
MAXIMISE THE RISK/REWARD EQUATION WITH AN INCREMENTAL, MEASURED APPROACH- AND BY DE-RISKING WHERE POSSIBLE:

- DE-RISKING RESOURCES:
  - Acquired modern 3D seismic
  - 113 ft of continuous core
  - Significant log data, horizontal and vertical
  - DFIT Pressure test data
  - Internal & external expertise
- DE-RISKING DRILLING:
  - Started at 6,450 ft. from pre-existing well bore
  - Utilised team with extensive Paradox drilling experience
- DE-RISKING CAPITAL EXPOSURE:
  - Well benefited from \$2 million U.S. Government grant



### 16-2LN-CC DRILLING HIGHLIGHTS

- Side-track of existing State 16-2 host well, drilled to 14,370 ft
- Drilled on time and on budget
- Penetrated 4,555 ft of Cane Creek reservoir target, as well as eight high-graded overlying reservoirs
- Lateral portion of the well has excellent positioning within the Cane Creek reservoir
- Wireline logs run
  - Logs suggest 85% of the lateral well has the potential to be completed and tested for production
- Production casing set
- Diagnostic Fracture Injection Test ("DFIT") successfully completed



### OBSERVATIONS TO DATE

- **Hydrocarbon presence:** Analysis of the Cane Creek and eight additional high-graded overlying reservoir suggests hydrocarbon presence across all reservoirs
- **High formation pressure:** A strong positive indicator of reservoir drive
- **Permeability:** Matrix permeability consistent with other prolific U.S. HSRP plays such as the Williston and the Permian
- **Hydrocarbon flow:** Demonstrable evidence of hydrocarbons flowing into the wellbore during the DFIT operation



### **GIVEN THE STRONG INDICATIONS GATHERED TO DATE, ZPHR'S BOARD ELECTED TO TEST THE 16-2LN-CC WITH AN HSRP COMPLETION AS A "PROOF OF CONCEPT":**

- Completion crew scheduled to be on site the second week of October
- HSRP completion work should take less than a week
- Production testing to begin immediately thereafter with initial production indications in 2-4 weeks
- CAVEATS:
  - To date, ZPHR has managed through extreme weather events and supply chain disruptions while maintaining an ambitious schedule. Labour shortages (particularly with trucking) and weather may pose future challenges with schedules.
  - Highly pressured reservoirs are excellent for reservoir drive but can pose completion challenges. Strong completion design & execution is critical.

### **WHY HSRP?**

- Provides potential for significantly larger and more predictable project than a natural fracture development alone
- Potential interplay between existing natural fractures and hydraulically stimulated fractures
- Wider development with predictable well distribution and less surface disruption
- HSRP potential increases likelihood of development of overlying reservoirs
- Overall "size of the prize" is increased



### ASSUMPTIONS

- *HSRP development*
- *8 overlying reservoirs high graded as potential exploration zones with a chance of success risk estimate average of 34%*
- *2C reserves classified as "Development Unclassified" in the Cane Creek reservoir*

### NET 2C RESOURCE POTENTIAL VIA HSRP

- **Up to 200 well locations**
- **Estimated P50 total of 1 billion barrels of oil equivalent HClIP in place across the ZPHR acreage**
- **Up to 143mmboe of total risked net recoverable contingent resources**

CPR WITH UPDATED ECONOMICS TO BE FINALIZED POST COMPLETION OF THE STATE 16-2LN-CC





### A multiple well campaign is now envisioned:

- ZPHR's Board of Directors feels confident that the acreage holds multiple opportunities within both the Cane Creek and the shallower clastic reservoirs.
- The Board is supportive of drilling additional wells to further delineate the acreage.
- The State 16-2LN-CC completion will add further data to help us understand the reservoirs and our ability to optimise well length, well spacing and completion design.
  - The State 16-2LN-CC is a 4,555 ft lateral
  - Future wells are envisioned to be 10,000 ft laterals
  - Well spacing & completion design will also be honed



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SUMMARY & NEXT STEPS



# ZPHR ESG PHILOSOPHY - GLOBAL CONSIDERATIONS

ZPHR & PRAX WORK TO ACHIEVE 100% CARBON NEUTRAL OPERATIONS BY 30 SEPTEMBER 2021



ZPHR announced a collaboration with the Prax Group, a British based international oil conglomerate

- ZPHR and Prax are working to jointly to measure and mitigate 100% of ZPHR's greenhouse gas ("GHG") emissions
- Mitigation efforts primarily utilise the purchase of Verified Emission Reduction Credits ("VERs")
- Industry-leading effort, with potential for more ambitious steps in the future



## ZPHR PHILOSOPHY

- Climate change is a threat - and the oil industry has a significant role to play to reduce that threat
- More impact can be made from engagement with the industry rather than straight divestment
- Oil and natural gas are still in global common usage - industry can play important role in reducing emissions - ZPHR will be at the forefront of that effort
- **Good environment focus = good business**

## COSTS

- Mitigating ZPHR Scope 1 emissions are estimated to cost less than \$1/bbl for ZPHR's 2H 2021 production

## BENEFITS

- First and foremost – **ENVIRONMENTAL**
- Economic benefits may include
  - Expanded investor base
  - Lower cost of capital
  - Premium pricing for products
  - Better regulatory and community relations

# ZPHR ESG PHILOSOPHY - LOCAL CONSIDERATIONS

## HSRP IMPACT



Although they have potential to maximize resources extracted, HSRP developments have been controversial in communities across the U.S., particularly around concerns such as noise, traffic, emissions and water usage.

Zephyr's Paradox development is located a minimum of 12 miles from any commercial or residential dwellings and consists of acreage which was formerly used as military missile testing range – with a pre-existing network of roads, utilities and pipelines.

### HSRP BENEFITS

- Allows for multiple wells on a single pad, minimising surface disruption while maximising resource recovery and project economics
- Potential for a wider systematic development with predictable well patterns and locations

### COMMUNITY IMPACT

- Zero traffic, noise, air emission or water table impacts envisioned due to remote location

### GOAL

- Maximum potential resource recovery with a minimum of surface and community impact – and 100% of Scope 1 carbon emissions offset by the purchase of Verified Emissions Reduction credits
- While oil and natural gas remain in global common usage, we believe our strategy is an improvement over past and current practices



## STATE 16-2 SITE TOUR: LEAVING INTERSTATE 70

OUR CLOSEST NEIGHBOR TO THE EAST, 25 MINUTES FROM SITE



## PROCEED DOWN THE PAVED ROAD





## TAKE A LEFT AT "THE" ROAD SIGN





## FOLLOW THE DIRT ROAD...





...UNTIL THE RIG COMES INTO VIEW





## CLOSEST RESIDENTIAL DWELLING TO THE DRILLING PAD







## 6" GAS PIPELINE RUNNING ACROSS THE LEASEHOLD







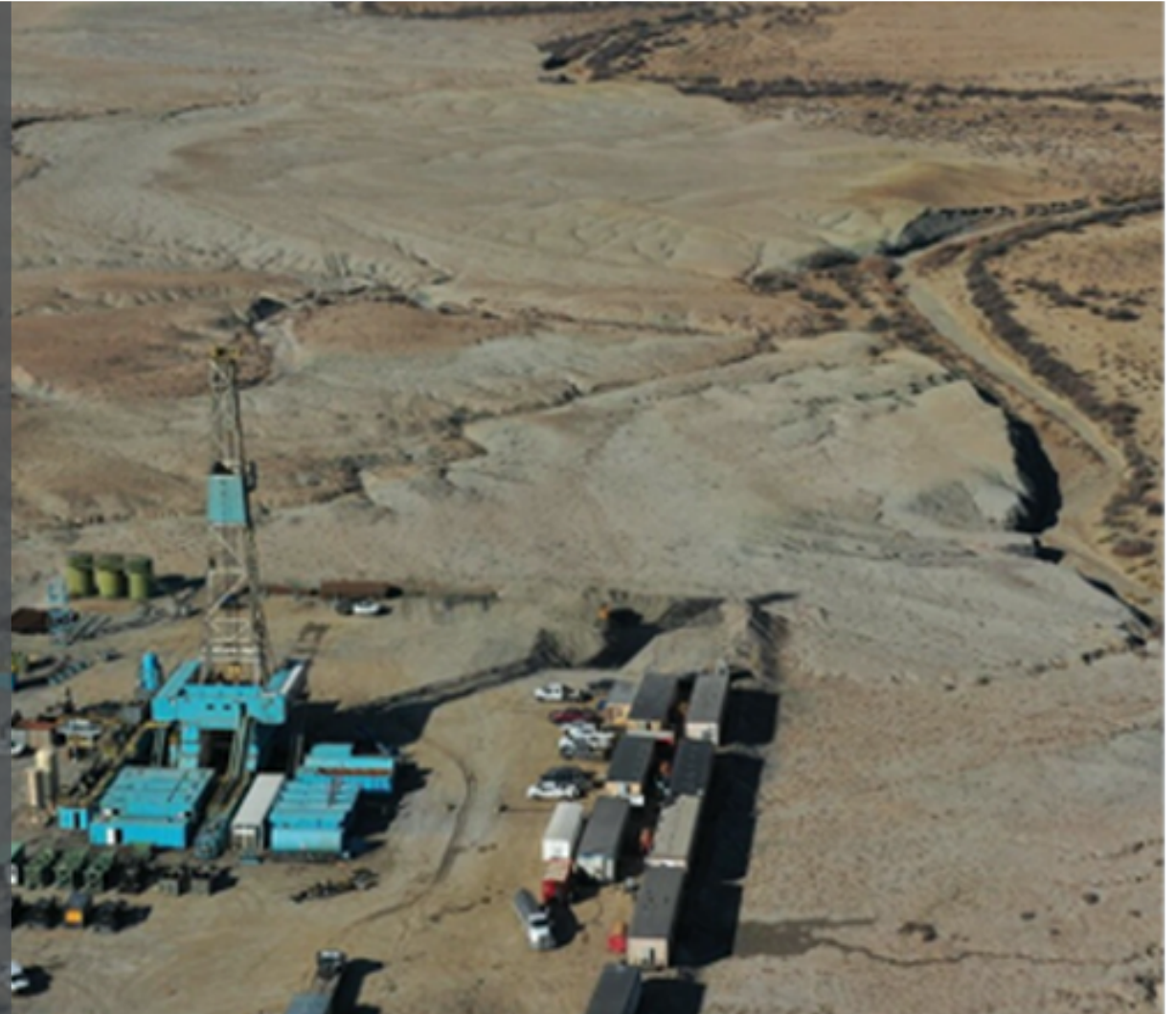
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### PARADOX BASIN APPRAISAL PROJECT

- Tremendous progress and execution over the last 12 months
- Measured, deliberate de-risking efforts have been completed
  - Financially de-risked (reduced CAPEX/exposure thanks to \$2 million grant funding)
  - Drilling de-risked (reduced time to drill, successful TD at 14,430 ft)
  - Technically de-risked with significant data in hand (recent 3D, 113 ft of continuous core, sidewall cores, extensive logs, DFIT results)
  - 9 months of analysis from the Company, academic partners and third-party experts
- Upgraded value potential begins with State 16-2LN-CC “proof of concept” completion – and is envisioned to continue for multiple additional wells
- Significant running room and resource base upside

### WILLISTON NON-OP ASSETS

- Continued delivery of accretive complimentary low-risk cash flowing assets
- Continued acquisition of low risk / high reward investments in a prolific basin
  - 40%+ IRRs and rapid payback at \$60/boe
- Current cash flow which can be redeployed into additional Paradox drilling
- Multiple follow-on deals possible, and JV with Purified, a local partner with an excellent track record and deep local roots

**CORPORATE CPR COMBINING PARADOX AND WILLISTON BASIN ASSETS EXPECTED BY THE END OF 2021**



### Upcoming & anticipated news flow

- Commencement of Scope 1 carbon neutral operations - September 2021
- Half-year results – September 2021
- Completion crew mobilises to State 16-2LN-CC – mid October
- Completion and production testing – 2-4 weeks after mobilisation
- Williston updated production and cash flow guidance – Q4 2021
- Revised corporate CPR – Q4 2021
- Newly acquired Williston wells completed and online – Q4 2021/Q1 2022
- Potential for partnerships or additional accretive acquisitions - ongoing

### 2021 YE Vision

**A rapidly scaling carbon-neutral oil and gas company with significant growth potential:**

- **Growth via current Williston wells coming online**
- **Growth via resource to reserve conversion**
  - Cane Creek appraisal success
- **Growth via resource additions**
  - overlying Paradox reservoir potential
- **Growth via development type**
  - hydraulic fracture completion potential
- **Growth via continued accretive acquisitions**
  - strong deal flow pipeline & Purified JV

**ABOVE ALL, CONSTANT ATTENTION TO OUR CORE VALUES:  
RESPONSIBLE STEWARDS OF INVESTORS' CAPITAL & RESPONSIBLE STEWARDS OF THE ENVIRONMENT**





ZEPHYR ENERGY PLC



THANK YOU  
FOR YOUR TIME

COLIN HARRINGTON  
CEO

[colin.harrington@zephyrplc.com](mailto:colin.harrington@zephyrplc.com)



## APPENDIX: GLOSSARY OF TERMS AND DEFINITIONS



**£** - POUND STERLING

**\$** - UNITED STATES DOLLAR

**CAPEX** – CAPITAL EXPENDITURE

**OPEX** – OPERATIONAL EXPENDITURE

**/** - PER

**BO** – BARREL OF OIL

**BOE** – BARREL OF OIL EQUIVALENT

**BOPD** – BARREL OF OIL PER DAY

**BOEPD** – BARRELS OF OIL EQUIVALENT PER DAY

**MSCF** - MILLION SQUARE CUBIC FEET

**BSCF** - BILLION SQUARE CUBIC FEET

**MM (or mm)** – ONE MILLION

**NPV-10** – NET PRESENT VALUE AT A 10 PER CENT DISCOUNT RATE

**IRR** – INTERNAL RATE OF RETURN

**IP** – INITIAL PRODUCTION

**>** - MORE THAN

**<** - LESS THAN

**DUC** - DRILLED BUT UNCOMPLETED WELL



## CONTINGENT RESOURCES

CONTINGENT RESOURCES MAY INCLUDE, FOR EXAMPLE, PROJECTS FOR WHICH THERE ARE CURRENTLY NO VIABLE MARKETS, WHERE COMMERCIAL RECOVERY IS DEPENDENT ON TECHNOLOGY UNDER DEVELOPMENT, WHERE EVALUATION OF THE ACCUMULATION IS INSUFFICIENT TO CLEARLY ASSESS COMMERCIALITY, WHERE THE DEVELOPMENT PLAN IS NOT YET APPROVED, OR WHERE REGULATORY OR SOCIAL ACCEPTANCE ISSUES MAY EXIST.

## RESERVES

RESERVES MUST SATISFY FOUR CRITERIA: DISCOVERED, RECOVERABLE, COMMERCIAL, AND REMAINING BASED ON THE DEVELOPMENT PROJECT(S) APPLIED. RESERVES 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 CHARACTERISED BY THE DEVELOPMENT AND PRODUCTION STATUS.

**1C/1P - THERE SHOULD BE AT LEAST A 90% PROBABILITY (P90) THAT THE QUANTITIES ACTUALLY RECOVERED WILL EQUAL OR EXCEED THE LOW ESTIMATE.**

**2C/2P - THERE SHOULD BE AT LEAST A 50% PROBABILITY (P50) THAT THE QUANTITIES ACTUALLY RECOVERED WILL EQUAL OR EXCEED THE BEST ESTIMATE.**

**3C/3P- THERE SHOULD BE AT LEAST A 10% PROBABILITY (P10) THAT THE QUANTITIES ACTUALLY RECOVERED WILL EQUAL OR EXCEED THE HIGH ESTIMATE.**

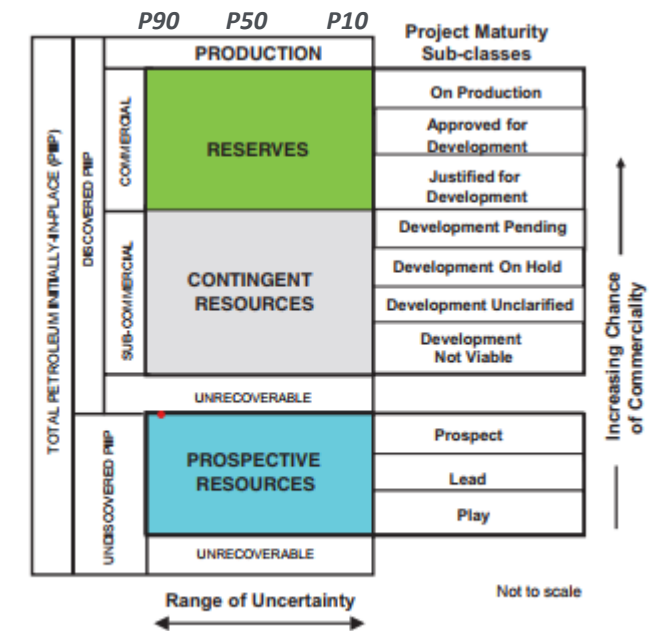


Figure 2.1—Sub-classes based on project maturity

# A TEAM BUILT TO DELIVER MILESTONES & VALUE



ZPHR's team was assembled to provide a deep array of skillsets & expertise, particularly regarding US industry experience, non-traditional financing sources & public corporate turnarounds.



**RICK GRANT**  
NON-EXEC CHAIRMAN

- Previously ran one of the world's largest natural gas infrastructure companies (Suez Global LNG)
- Involved in four successful turnaround and exits in the US domestic energy sector



**TOM REYNOLDS**  
INDEPENDENT NON-EXEC

- Current CEO of Scirocco Energy, with significant AIM and private equity investment experience
- Chemical engineer with 25 years energy sector experience
- Former investment manager at 3i with responsibility for upstream investments



**GORDON STEIN**  
INDEPENDENT NON-EXEC

- Highly experienced AIM CFO, with experience launching turnarounds in AIM-listed entities
- Served as CFO at Regal, and Cadogan, where shares returned 4.0x and 3.0x respectively during his tenures. Recently relaunched and sold CERP.



**COLIN HARRINGTON**  
CEO, DIRECTOR

- 25 years in the upstream sector, with significant investment and turnaround experience
- Co-founder of a Rockies-based E&P which went from start up to production in under a year, with a successful asset monetization shortly thereafter



**CHRIS EADIE**  
CFO, DIRECTOR

- Experienced natural resource sector finance director, and Chartered Accountant
- Has managed the Company's finance operations since 2014 - in a clean, low cost and highly responsible manner



**GREGOR MAXWELL**  
HEAD OF SUBSURFACE

- PhD in Reservoir Geology, 25 years experience spanning production to new ventures roles
- Previous roles with Apache, Rocksource and Chevron. Now responsible for spearheading ZPHR analytics and technical approach.