

**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 10 February 2022 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.

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# Zephyr Energy plc

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

## Notice of General Meeting

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**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 10 February 2022 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 8 February 2022 (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.**

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 any 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	26 January 2022
Admission of the First Placing Shares to trading on AIM	1 February 2022
CREST member accounts expected to be credited for the First Placing Shares in uncertificated form (where applicable)	1 February 2022
Latest time and date for receipt of proxy voting instruction	10:00 a.m. 8 February 2022
General Meeting	10 February 2022
Admission of the Second Placing Shares and the Broker Option Shares to trading on AIM	11 February 2022
CREST member accounts expected to be credited for the Second Placing Shares and Broker Option Shares in uncertificated form (where applicable)	11 February 2022
Dispatch of definitive share certificates for First Placing Shares, Second Placing Shares and Broker Option Shares, as applicable	Within 10 business days of First Admission and Second Admission, as applicable

**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

Issue Price	5 pence
Number of Existing Ordinary Shares	1,304,746,001
Total number of Placing Shares	240,000,000
Maximum number of Broker Option Shares	24,000,000
Enlarged Share Capital following the issue of the Placing Shares and Broker Option Shares*	1,568,746,001
Placing Shares and Broker Option Shares as a percentage of the Enlarged Share Capital**	17 per cent.
Estimated gross proceeds of the Placing	£12 million
Estimated net proceeds of the Placing	£10.8 million

\* assuming the Broker Option is taken up in full

\*\* assuming that no other Ordinary Shares are issued prior to completion of the Placing and the Broker Option is taken up in full

## DEFINITIONS

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

<b>“Acquisition”</b> or the <b>“Williston”</b>	the proposed acquisition of non-operated working interests in currently producing wells in the Williston Basin, North Dakota, U.S.
<b>“Act”</b>	the Companies Act 2006 (as amended);
<b>“Additional Broker Warrants”</b>	the additional broker warrants to be granted to TPI, pro-rata to Investor Warrants exercised, to subscribe for new Ordinary Shares, exercisable at a price of 11.25 pence per Ordinary Share, for a period of three years from issue;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange (as amended from time to time);
<b>“Allenby Capital”</b>	Allenby Capital Limited, a private limited company incorporated in England & Wales under registered number 06706681, the Company’s nominated adviser;
<b>“Assets”</b>	the non-operated working interests in currently producing wells to be acquired pursuant to the Acquisition;
<b>“Board”</b> or <b>“Directors”</b>	the directors of the Company as at the date of this document, whose names are set out on page 8 of this document;
<b>“Broker Option”</b>	the option granted to TPI by the Company in the Placing Agreement to enable the Company to raise additional funds through the issue of the Broker Option Shares at the Issue Price (in addition to the Placing Shares), details of which are set out in this document;
<b>“Broker Option Shares”</b>	up to 24,000,000 new Ordinary Shares to be issued in relation to the Broker Option, such issue to take place on Second Admission;
<b>“Broker Warrants”</b>	the warrants to be granted to TPI, for its services as Placing agent in respect of the Placing and the Broker Option, to subscribe for new Ordinary Shares, exercisable at a price of 7.5 pence per Ordinary Share, for a period of three years from issue;
<b>“CAPEX”</b>	capital expenditure;
<b>“Certificated”</b> or in <b>“Certificated Form”</b>	a share or security which is not in uncertificated form (that is, not in CREST);
<b>“Company”</b> or <b>“Zephyr”</b>	Zephyr Energy plc, a public limited company incorporated in England & Wales under registered number 04573663;
<b>“CREST”</b>	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;
<b>“Effective Date”</b>	effective date of the Acquisition, being 1 December 2021;

<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company on Second Admission, including the Broker Option, assuming it is taken up in full;
<b>“Existing Ordinary Shares”</b>	the 1,304,746,001 Ordinary Shares in issue at the date of this document;
<b>“Investor Warrants”</b>	the warrants to be granted to subscribers of Placing Shares and Broker Options Shares to subscribe for new Ordinary Shares, exercisable at a price of 7.5 pence per Ordinary Share, for a period of three years from issue;
<b>“First Admission”</b>	the admission to trading on AIM pursuant to rule 6 of the AIM Rules of the First Placing Shares;
<b>“First Placing Shares”</b>	the 66,500,000 Placing Shares which are to be issued on First Admission;
<b>“General Meeting” or “GM”</b>	the general meeting of the Company convened for 10:00 a.m. on 10 February 2022, notice of which is set out at the end of this document;
<b>“Group”</b>	the Company together with its Subsidiaries (as defined in the Act) as at the date of this document;
<b>“Issue Price”</b>	5 pence per Placing Share;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Notice of GM”</b>	the notice convening the GM, which is set out at the end of this document;
<b>“OCE”</b>	Origin Creek Energy LLC;
<b>“Operator” or “Whiting”</b>	Whiting Petroleum Corporation;
<b>“Ordinary Shares”</b>	the ordinary shares of 0.1 pence each in the capital of the Company from time to time;
<b>“Paradox Basin”</b>	Paradox Basin, Utah, U.S.;
<b>“Paradox Basin project” or “Paradox”</b>	the Company’s project in the Paradox Basin;
<b>“Placing”</b>	the conditional placing of the Placing Shares at the Placing Price;
<b>“Placing Agreement”</b>	the conditional agreement dated 26 January 2022 between (1) the Company and (2) TPI relating to the Placing;
<b>“Placing Shares”</b>	the First Placing Shares and the Second Placing Shares;
<b>“Resolutions”</b>	the resolutions set out in the Notice of GM;
<b>“Second Admission”</b>	the admission to trading on AIM pursuant to rule 6 of the AIM Rules of the Second Placing Shares;
<b>“Second Placing”</b>	the issue of the Second Placing Shares pursuant to the Placing;
<b>“Second Placing Shares”</b>	the 173,500,000 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;

<b>“Seller”</b>	Kaiser Acquisition and Development – Sanish Non-op, LLC, a privately owned exploration and production company based in the U.S.;
<b>“Shareholders”</b>	holders of Ordinary Shares from time to time and the term “Shareholder” shall be construed accordingly;
<b>“TPI”</b>	Turner Pope Investments (TPI) Ltd a private limited company incorporated in England & Wales under registered number 09506196, the Company's broker;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “U.S.”</b>	the United States of America;
<b>“Williston Basin”</b>	Williston Basin, North Dakota, U.S.;
<b>“£”</b>	pounds sterling, the lawful currency of the United Kingdom; and
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America.

## GLOSSARY

<b>1P</b>	proven reserves (both proved developed reserves + proved undeveloped reserves)
<b>2P</b>	1P (proven reserves) + probable reserves, hence “proved and probable”
<b>3P</b>	the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps “proven and probable and possible”
<b>Reserves</b>	Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward

Dr Gregor Maxwell, BSc Hons. Geology and Petroleum Geology, PhD, Technical Adviser to the Board of Zephyr, 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 document.

Estimates of resources and reserves contained within this document have been prepared according to the standards of the Society of Petroleum Engineers. All estimates, unless otherwise noted, are internally generated and subject to third party review and verification.

## 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

26 January 2022

Dear Shareholder

### **Placing of £12 million and Broker Option for up £1.2 million, completion of Acquisition and notice of General Meeting**

#### **1. Introduction**

The Company announced on 26 January 2022 that it has conditionally raised £12 million before expenses by way of the Placing. Of the funds raised in the Placing, approximately £8.675 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 Broker Option to raise up to an additional £1.2 million was launched on 26 January 2022 for a period of 24 hours.

The net proceeds of the Placing, along with a senior debt facility for US\$28 million will be used to complete the US\$36 million acquisition of non-operated working interests in currently producing wells in the Williston Basin, North Dakota, U.S. (the “Assets”) (the “Acquisition” or “the Williston”), as well as to fund further near-term production growth in the Williston. Expected cash flow from the Acquisition, in addition to cash flow from Zephyr’s current non-operated portfolio, will be used to accelerate 2022 development in the Company’s flagship Paradox Basin project in Utah, U.S. (“Paradox project”).

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 and to issue Broker Option Shares, as applicable. The Notice of General Meeting is set out at the end of this document.

#### **2. Background to the Placing and the Acquisition**

Details of the Acquisition were announced by the Company on 22 November 2021, with an update announcement made on 20 December 2021. The Directors believe that the Assets will be an ideal addition to Zephyr’s existing asset portfolio and that the cashflows generated from the Acquisition will enable the Company to proceed with, amongst other things, the fast-track development of its Paradox project.

The Placing has been supported by a range of new and existing institutional investors, family offices and other investors, and was conducted by TPI acting as sole broker for the Company.



Of the funds raised in the Placing, approximately £8.675 million is conditional, *inter alia*, on the approval by Shareholders of the Resolutions to provide authority to the Directors to issue and allot further Ordinary Shares on a non-pre-emptive basis, which will be sought at the General Meeting, further details of which are set out below.

The Company launched the Broker Option to enable Shareholders that are qualifying investors to invest in the Company on the same terms as the Placing. The Broker Option will potentially enable the Company to raise up to an additional £1.20 million through the issue of new Ordinary Shares at the Issue Price. The Broker Option was launched on 26 January 2022 for a period of 24 hours.

Proceeds from the Placing and the senior debt facility will be used for the following operational purposes:

- To fully fund the US\$36 million Acquisition:
  - o The Board believes the Acquisition will add a net 2.764 million barrels of oil equivalent (“mmbœ”) of Proven Reserves, and includes a growing production stream of approximately 1,105 barrels of oil equivalent per day (“boepd”) net to the Assets in December 2021.
- To fund an estimated US\$6 million in near-term drilling capital expenditure (“CAPEX”) which, along with anticipated additional cash flow generated in the coming months, will accelerate drilling and production growth across Zephyr’s asset portfolio.
- To equip the Company’s State 16-2 well for production, and to fund development of the surface infrastructure required to enable the sale of gas via the nearby pipeline and/or to a potential 2-megawatt (“MW”) cryptocurrency mining facility development to be co-located on the well site.

Once the Acquisition has been completed, the Company plans to hedge a significant portion of its non-operated production to take advantage of the increased commodity prices since the date of the original Acquisition announcement on 22 November 2021, in order to ensure substantial internal funding capacity for its ambitious growth plans.

The cashflows from the Company’s post-Acquisition non-operated portfolio have the potential to support significant growth in the Company’s existing portfolio and will enable an accelerated drilling programme to be undertaken on the Company’s flagship Paradox Basin asset.

Zephyr plans to drill three Paradox Basin wells in the second half of 2022. In addition, in the event the 2022 Paradox drilling programme meets expectations, the Company anticipates a significantly larger Paradox drilling programme in 2023.

The Board believes that cash flows from the non-operated portfolio will also allow for Zephyr to complete the infrastructure investment needed to bring the recently tested State 16-2 well into full production in the coming months and will also fund further near-term drilling in the non-operated Williston Basin portfolio.

The Board looked at a number of potential funding options for the Acquisition and concluded that the debt and equity package announced on 26 January 2022 was by far the optimal way forward, as it maximises the Company’s ability to fast-track the development of the Paradox project. While the Board considered a number of proposals to fully fund the Acquisition by debt, the proposals ultimately came at a significantly higher cost and limited the amount of free cash that would be available over the next twelve months to invest into the Paradox project – and were therefore deemed less attractive alternatives to the funding announced on 26 January 2022.

In line with the Company’s core beliefs and public commitment, the Board intends to ensure that all net hydrocarbons produced from the Acquisition will have a “net-zero” Scope 1 operational carbon impact while under Zephyr’s ownership. This will be achieved largely through the Company’s programme of purchasing Verified Emission Reduction credits to mitigate all Scope 1 carbon emissions.

## Acquisition overview

On 22 November 2021, the Company announced that it had entered into binding terms for the Acquisition. The Acquisition has an effective date of 1 December 2021 (the “Effective Date”).

Under the terms the Acquisition, Zephyr is acquiring working interests in 163 currently producing wells (the “PDP wells”) with net production of approximately 1,105 barrels of oil equivalent per day (“boepd”) in December 2021.

- In addition to the PDP wells, the Acquisition includes:
  - o 18 proved not producing (“PNP”) and drilled but uncompleted (“DUC”) wells, all of which have been drilled and are expected to come online in 2022; and
  - o 47 proved but undeveloped (“PUD”) locations for future drilling demonstrating the long-term potential growth of the Assets.
- The Assets are spread across 22 separate drilling pads in Mountrail County, North Dakota and are estimated, by the independent reserve consulting firm Sproule Incorporated (“Sproule”), to hold a net 2.764 million barrels of oil equivalent (“mmboe”) of Proven Reserves.
- The Acquisition has robust economics which, along with Zephyr’s existing Williston Basin production, is expected to generate substantial low risk cashflow which can be redeployed into the Company’s growing Paradox Basin development. The Company estimates:
  - The Acquisition cost equates to 2.1x the Assets’ 2022 forecasted earnings before interest, tax, depreciation and amortisation (“EBITDA”)
  - Low operating expense of approximately US\$13.91 per barrel of oil equivalent (“boe”) which provides high cash margins of over 75%, as forecasted over the next three years
  - When combined with Zephyr’s current Williston Basin assets, the Company’s pro forma non-operated portfolio is expected to generate approximately US\$24 million of EBITDA in 2022 as forecast by the Board
  - When combined with Zephyr’s current Williston Basin assets, the Company’s pro forma non-operated portfolio is expected to generate production of approximately 2,250 boepd in Q1 2022 reducing to approximately 1,250 boepd Q4 2022 based on Sproule’s forecasts. Production is expected to rise again in Q1 2023 as further DUCs are brought online.
  - The Board estimates the post-tax net present value of the Acquisition is US\$46.3 million, using Sproule’s pricing (outlined in Appendix A) at a ten per cent discount rate (“NPV-10”)
  - Cashflows generated by the PDP wells acquired are expected to utilise the Company’s historical tax losses of more than US\$16 million

Note: Estimates using Sproule pricing as shown in Appendix A released on 26 January 2022

## ***The key details of the Acquisition are as follows:***

- Acquisition of 1,960 net acres of non-operated working interests in Williston Basin
- Purchase price of US\$36 million, subject to various customary closing adjustments
  - US\$4 million in non-refundable deposits has been paid to date
  - Closing adjustments will include US\$3.8 million payable in respect of the balance of CAPEX due and will be further adjusted for the net income generated since the Effective Date
- The working interests across the Assets average approximately 4%

- The wells are operated by Whiting Petroleum, an active and highly experienced operator in the Williston Basin, which currently serves as the operator of a number of Zephyr's existing non-operated wells

***The key benefits of the Acquisition are as follows:***

- A diversified, low-decline production base with established history and stable cash flows
- Near term growth from DUC wells currently being brought online
- Potential to hedge a significant portion of the existing production at attractive prices to lock in returns and provide downside protection
- Excellent complement to (and funding source for) the less mature, higher upside Paradox Basin development

The economics on the Acquisition are extremely attractive. Once the DUC wells are online, the Company estimates that the Acquisition will provide:

- Up to US\$13.8 million of undiscounted free cash flow after CAPEX, net to Zephyr, in 2022 to deploy into the Paradox development or into additional projects, and over the life of the project, a total US\$73.6 million of undiscounted cash flow
- 2P net present value at a ten per cent discount rate ("NPV-10"): US\$46.3 million
- Well-level operating expenses forecast to average approximately US\$13.91 per boe produced over the next three years
- Acquisition price of 2.1x forecast 2022 EBITDA

Note: Estimates using Sproule pricing as shown in Appendix A of the announcement released on 26 January 2022

**Completion of the Acquisition**

Once the Placing has been completed, and funds received (which, in relation to approximately £9 million of the Placing proceeds, remains subject to the Resolutions) being passed by shareholders of the Company at the General Meeting, the Company will draw down on the senior debt facility and complete the Acquisition.

It is anticipated that, subject to, *inter alia*, the Resolutions being passed, the Acquisition will complete on or before 18 February 2022.

**3. Details of the US\$28 million senior debt facility**

The Company has received credit committee approval from a North Dakota based commercial bank for a US\$28 million senior debt facility, consisting of a fully amortising US\$18 million term loan for a period of 48 months ("Term Loan") and a \$10 million revolving credit facility ("RCF"). Principal and interest payments are to be made monthly on the Term Loan and monthly interest payments are payable on the RCF.

Other key terms of the Term Loan and the RCF are as follows:

- Fixed interest rate of 6.74%
- First lien mortgage, assignment of production, security agreement and financing covering all current and future mineral interests
- Unlimited full recourse corporate guarantee from Zephyr

**4. Paradox project update**

It is anticipated that cashflows generated by the Acquisition will be deployed into the Paradox project and the Company intends to commence a high impact three-well drilling programme in the second half of 2022 to further delineate the scale of the project. This will include:

- one delineation/development well targeting the Cane Creek reservoir in Zephyr's 25,000-acre White Sands Unit ("WSU");
- one exploration well targeting the WSU's shallow Paradox formation; and
- one delineation/development well in the historically prolific Cane Creek Field (new acreage south of the WSU)

150 additional drill target locations across nine reservoir targets have been identified to date, with significant additional scope and scale to be unlocked in the next three years upon delineation and exploration success. The Board estimates a potential 1 billion boe of hydrocarbon in place across its acreage position, with recoverable rates of between 5% and 15% based on current assumptions and mitigation of risk factors, and Zephyr will consider joint venture and strategic partnerships for further expedited development of the project.

An estimated US\$6 million of funds raised from the Placing will be used to fund near-term CAPEX across Zephyr's asset portfolio and, along with cash flow generated, will also accelerate infrastructure construction on the Paradox project.

Following the recent successful production testing at the State 16-2 well, the Company will now commence with work to equip the well for production, with initial liquid volumes sold to Utah-based refineries and initial gas volumes potentially sold to a co-located cryptocurrency mining facility development. While Zephyr will consider providing a small portion of seed funding for any co-located cryptocurrency mining development, it is currently envisaged that the potential cryptocurrency mining facility and any future such development projects would likely be spun out into a new entity for the benefit of Zephyr's shareholders, thereby limiting Zephyr's exposure to CAPEX associated with such a development.

Further infrastructure buildout at the State 16-2 well is expected to facilitate additional gas sales via a nearby pipeline. Work for a pipeline tie-in is expected to commence in the second half of 2022 for sales in 2023.

Zephyr has commissioned the independent reserve consulting firm Sproule to complete a competent persons report ("CPR") to assess the Company's reserves across both the Cane Creek reservoir and eight high-graded overlying reservoirs. The CPR is expected to be published in the coming weeks once Sproule has completed its review.

## **5. Details of the Placing and the Broker Option**

The Placing comprises, in total, 240,000,000 Placing Shares at a price of 5p per Placing Share to raise gross proceeds of £12 million.

The First Placing Shares will be issued on First Admission 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, excluding in relation to the subscription 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. Placing Shares have also been subscribed for directly with the Company by subscribers pursuant to a subscription 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 approximately £3,325 million, representing the issue of 66,500,000 Placing Shares at the Issue Price, has been raised within the Company's existing share allotment authorities which was granted at the Company's annual general meeting held on 30 June 2021. An application has been made for the First Placing Shares to be admitted to trading on AIM and their admission to AIM is expected to take place on or around 1 February 2022.

## **ii) Second tranche**

The remaining balance of the Placing, being approximately £8.675 million and representing the issue and allotment of 173,500,000 Placing Shares at the Issue 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 11 February 2022.

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.

The Placing as a whole would, if the Resolutions are approved at the GM, result in the issue of 240,000,000 Ordinary Shares, representing, in aggregate, approximately 16 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.

### **Broker Option**

The Company granted the Broker Option to TPI under the Placing Agreement in order to deal with additional demand under the Placing in the event that requests to participate in the Placing from Shareholders who are qualifying investors were received during the period of 24 hours following the release of the announcement on 26 January 2022.

Any Broker Option Shares issued pursuant to the exercise of the Broker Option will be issued on the same terms and conditions as the Placing Shares. The maximum number of Broker Option Shares that may be issued pursuant to the exercise of the Broker Option is 24,000,000. The maximum aggregate number of new Ordinary Shares (including both the Placing Shares and Broker Option Shares) that may be issued is 264,000,000.

The Broker Option Shares have not been made available to the public, and none of the Broker Option Shares are being offered or sold in any jurisdiction where it would be unlawful to do so. No Prospectus will be issued in connection with the Broker Option.

If the Broker Option is exercised, settlement for the Broker Option Shares and admission of the Broker Option Shares to trading on AIM is expected to take place on Second Admission. Assuming the Broker Option is fully subscribed, the Placing and Broker Option combined would result in the issue, in aggregate, of 264,000,000 new Ordinary Shares, representing approximately 17 per cent. of the Company's issued ordinary share capital as enlarged by the Placing and Broker Option.

### **Warrants**

The Company will issue investors in the Placing and the Broker Option with one warrant for every four Placing Shares or Broker Option Shares subscribed meaning that a total of up to 66,000,000 warrants will be issued to subscribe for 66,000,000 new Ordinary Shares ("Investor Warrants"), assuming the Broker Option is taken up in full. The Investor Warrants will be exercisable at a price of 7.5 pence per Ordinary Share for a period of three years from the date of issue.

The Company is proposing to issue TPI with up to 17,600,000 warrants to subscribe for 17,600,000 new Ordinary Shares ("Broker Warrants"), subject to full subscription under the Broker Option. The Broker Warrants are exercisable at a price of 7.5 pence per Ordinary share for a period of three years from the date of the GM. TPI shall also receive commission on the exercise of the Investor Warrants and additional warrants equivalent to ten per cent. of the aggregate value of Investor

Warrants exercised, such figure to be divided by the exercise price of 11.25 pence ("Additional Broker Warrants"). Up to 4,400,000 Additional Broker Warrants to subscribe for 4,400,000 new Ordinary Shares will be granted, assuming the Broker Option is taken up in full and that all Investor Warrants are validly exercised. The Additional Broker Warrants will be issued in tranches and will be exercisable at a price of 11.25 pence per Ordinary share for a period of three years from the date of issue.

The issue of the Investor Warrants, the Broker Warrants and the Additional 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 new ordinary shares on a non-pre-emptive basis. None of the warrants will be admitted to trading on AIM or any other stock exchange.

### **The Placing Agreement**

Under the terms of a Placing Agreement between the Company and TPI, TPI will receive a corporate finance fee from the Company, commission relating to the Placing Shares and Broker Option Shares conditional on First Admission and Second Admission and commission in respect of the exercise of Investor Warrants. 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. No part of the Placing is being underwritten.

## **6. General Meeting**

The Company is convening the General Meeting to seek authority from Shareholders to issue and allot the Second Placing Shares, the applicable number of Broker Options Shares and to allow for the exercise of the Investor Warrants, the Broker Warrants and the Additional 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 10 February 2022 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 £439,974.60, being an amount equivalent to the nominal value of the aggregate of the Second Placing Shares, the Broker Option Shares and the Ordinary Shares that could be issued as a result of the exercise of the Investor Warrants, the Broker Warrants and the Additional Broker Warrants, plus a further number of Ordinary Shares equivalent to approximately 10 per cent. of the issued ordinary share capital as enlarged by the Placing.

### *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 would allow the Directors to allot securities on a non-pre-emptive basis as follows:

- (a) a nominal value of £285,500 for the issue and allotment of the Second Placing Shares, the Broker Option Shares and the Ordinary Shares that could be issued as a result of the exercise of the Investor Warrants, the Broker Warrants and the Additional Broker Warrants;
- (b) a nominal value of £154,474.60 for the issue and allotment of new Ordinary Shares on a non-pre-emptive basis equivalent to approximately 10 per cent. of the issued ordinary share capital as enlarged by the Placing; 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 approximately £3.325 million, and the Company will need to pursue alternative funding options to complete the Acquisition. In addition, without the passing of the Resolutions, the Company will not be able to satisfy its obligations to issue the Broker Option Shares, the Investor Warrants, the Broker Warrants or the Additional 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 development activities and acquisitions.**

## **7. 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 8 February 2022 (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.**

**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.**

## **8. 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 150,215,395 Ordinary Shares (representing approximately 11.51 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 26 January 2022.

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 10 February 2022 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 THE BROKER OPTION**

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 £439,974.60, 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.

### SPECIAL RESOLUTION

#### 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 £439,974.60,

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

26 January 2022

**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 8 February 2022. 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 uncertainties regarding restrictions which could be imposed as a result of the COVID-19 virus.**
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 member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at [www.signalshares.com](http://www.signalshares.com).
5. 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.
6. You can vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - You may request a hard copy form of proxy directly from the registrars, Link Group 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](mailto: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 Group at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10.00 a.m. on 8 February 2022.

7. 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.
8. 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.
9. 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](http://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.
10. 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 8 February 2022. 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.
11. 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.
12. 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.
13. As at 25 January 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consisted of 1,304,746,001 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 25 January 2022 are 1,304,746,001.
14. 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.
15. 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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