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.

21 September 2022

Zephyr Energy plc
("Zephyr", the "Company" or the "Group")
Interim Results for the six months ended 30 June 2022

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF), the Rocky Mountain oil and gas group focused on responsible resource development from carbon-neutral operations, is pleased to announce its unaudited interim results for the six months ended 30 June 2022 (“H1 2022”).

HIGHLIGHTS

The first six months of the 2022 financial year, and the period since, were a time of intense activity during which Zephyr continued to make substantial progress in the development of its flagship operated project in the Paradox Basin, Utah, U.S (the “Paradox project”) while growing its highly attractive portfolio of cash-generating non-operated assets in the Williston Basin (the “Williston assets”).

Financial

- Revenues for H1 2022 were US$25.9 million, driven almost entirely by the Group’s hydrocarbon production from the Williston assets
- Adjusted earnings before interest, tax, depreciation, depletion and amortisation (“DD&A”), unrealised foreign exchange gains and unrealised losses on hedging contracts (together “Adjusted EBITDA”) for the six months was US$19 million and net profit after tax for the period was US$17.4 million
- The Group’s gross borrowings at 30 June 2022 were US$28.6 million and net borrowings (gross borrowings less cash and cash equivalents) were US$18 million. During H1 2022 the Group met all its financing obligations in respect of its outstanding borrowings
- In April 2022, in order to lock in cashflow to develop the Paradox project and meet the Group’s financing commitments, the Group hedged just under half of its forecast 2022 production at more than US$98 per barrel of oil. In total the hedging programme related to 328,000 barrels ("bbls") of oil production from the Williston assets over the next two years. At 14 September 2022, the Group had an unrealised gain on its outstanding hedges of US$1.5 million
- At 3 September 2022, the Group had cash and cash equivalents of US$12.8 million and gross borrowings of US$24.7 million.
- During H1 2022 capital expenditure (“CAPEX”) across the Williston assets and the Paradox project totalled US$9.6 million.

Paradox project (operated asset)

- A Competent Persons Report ("CPR"), compiled by Sproule International (“Sproule”), highlighted the scale and resource potential of the Paradox project:
    - Net 2P Reserves: Proved Reserves of 2.1 million barrels of oil equivalent ("boe") net to Zephyr, the Group’s first proved reserves booked in the Paradox Basin
    - Net 2C Resources: 27 million boe net to Zephyr, more than double the 12.3 million boe in the previous CPR prepared in 2018
    - Net Prospective Resources from overlying reservoirs: 203 million net unrisked boe net to Zephyr (68 million boe risked with a weighted-average 33% chance of success)

    - Sproule's evaluation took place across 30,700 acres of Zephyr's Utah assets. Inclusive of Zephyr's recently announced acquisition, Zephyr will operate 45,000 gross acres in the Paradox Basin and further evaluation is planned for acreage not yet included in the CPR

- Preparations continue for extended production testing of the State 16-2 LN-CC well, designed to show flow potential and shape decision making for the longer-term development strategy of the asset
    - Long lead items ordered and all relevant applications filed

- Liquid volumes from the initial State 16-2 LN-CC production test were successfully marketed and sold to refineries in Salt Lake City, Utah

- A fully funded, high impact, three-well drilling programme is expected to commence later this year, and is designed to further delineate the full potential of the Paradox project:
    - The State 36-2 LNW-CC lateral well is set to be the first well in the upcoming drilling programme, and targets the Cane Creek reservoir in the southern portion of the Group's operated White Sands Unit (the "WSU")
    - All State permits for the State 36-2 LNW-CC have now been received and the Federal permit is currently being processed, which, when issued, will allow for the signing of a rig contract and subsequent commencement of drilling operations
    - Recently acquired contiguous acreage allows for the State 36-2 LNW-CC to be fully completed across a 10,000-foot lateral length

- Additionally, Zephyr has entered into a binding agreement to acquire a separate package of oil and gas assets located on and around the Paradox project. Assets being acquired include 21 miles of natural gas gathering lines, the Powerline Road gas processing plant (not currently in operation), rights of way for additional gathering lines, active permits, five existing wellbores and additional acreage partly contiguous to the WSU. The assets being acquired will allow Zephyr to substantially reduce the capital required to build the necessary gas export infrastructure for its forecast gas production from the Paradox project. In addition, one of the acquired lines passes immediately alongside the site of the planned State 36-2 well (the first in a series of Paradox wells to be drilled in the upcoming drilling programme).
    - Once the acquisition is completed, Zephyr will operate 45,000 gross acres in the Paradox Basin, the majority in which the Group holds a 75% or greater working interest

Williston assets (non-operated assets)

- Zephyr continues to deliver on its strategy to acquire working interest positions in value accretive, high-quality, high-margin production assets with significant near-term growth potential in the Williston Basin

- H1 2022 revenues from the portfolio totalled US$25.8 million, net to Zephyr, up from US$0.9 million in the six months ended 30 June 2021 ("H1 2021")

- H1 2022 sales volumes averaged 1,729 barrels of oil equivalent per day ("boepd")

- H1 2022 gross profit was US$21.8 million (after taxes, lease operating expenses, and gathering and marketing fees and excluding DD&A) demonstrating the high margins realised from the produced barrels

- At the end of H1 2022, 195 wells in Zephyr's portfolio were available for production
    - An estimated 30 additional wells in which Zephyr will have working interests are forecast to be brought on production by the end of 2022, which will help to decrease standard portfolio decline rates

- Net working interests across the Williston Basin non-operated portfolio now average 7.1%, equivalent to approximately 15 gross wells

- Zephyr reiterates its previously released 2022 production and revenue guidance of an expected US$35-40 million in non-operated revenue, net to Zephyr, for FY 2022 based on a forecast production range of 500,000 to 550,000 boe for the year

Corporate

- In February 2022, the Company raised US$17.4 million (before expenses) through the placing of new Ordinary Shares in the Company, and secured US$28 million of senior bank debt. The net proceeds from these debt and equity instruments were used to complete the Group's US$36 million acquisition of non-operated assets in the Williston Basin and to fund further drilling activity across the portfolio
- Zephyr remains carbon neutral on a Scope 1 basis across its operations, through the purchase of Verified Emission Reduction credits ("VERs")
- Panmure Gordon was appointed as Joint Broker to the Company in August 2022

Colin Harrington, Chief Executive of Zephyr, said:

"The first half of 2022 and the period since have been another transformational time for the Company. We continued to make significant in-roads across both our Williston assets and the Paradox project, serving to grow the Group and deliver on our self-sustaining strategy of using our non-operated, cash generative portfolio to enable development of the Paradox and, by extension, to open up the next prolific onshore U.S. oil and gas play.

"The rest of this year promises to be an equally important time for our Shareholders as we commence the extended production test on our State 16-2LN-CC well and kick off the proposed three well drill programme on the Paradox project. In addition, we plan to complete and fully integrate the acquisition of the infrastructure asset package in order to substantially reduce the forecast expenditure needed to bring our Paradox gas production to market. A successful drilling programme will see the Group further define the project and materially increase its reserve base in the Paradox, and is expected to deliver significant cashflows once nearby infrastructure improvements are completed.

"This year started with our major acquisition in the Williston Basin, which we expect will enable Zephyr to generate revenues of between US$35-40 million over the course of 2022, with sufficient cash flow generated to fuel all envisioned upcoming development activity.

"I would like to thank our Shareholders and advisers for their ongoing support. We are excited about the multiple near-term catalysts in our investment case as we commence an active period with the drill bit, and we look forward to keeping the market updated on our progress.

"Our forthcoming activity will be carried out consistent with our core values of being responsible stewards of investors' capital and responsible stewards of the environment."

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

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ZEPHYR ENERGY PLC

INTERIM REPORT FOR THE SIX MONTHS TO 30 JUNE 2022

The Board is pleased to present Zephyr's unaudited interim report for the six-month period to 30 June 2022.

CHIEF EXECUTIVE'S STATEMENT

OVERVIEW

The period under review was an active time for Zephyr as the Group continued to deliver on its strategic objectives and further consolidate its position as a cash generative Group with assets across two established oil producing basins in the U.S.

The Board remains fully committed to the primary goal of opening up the next prolific onshore U.S. oil and gas play through the systematic development of our flagship Paradox project.

The remainder of 2022 promises to be an equally exciting time for our Shareholders as we progress the extended well-test on our State 16-2LN-CC well and commence our proposed three well drill programme on the Paradox project. A successful drilling programme will see the Group further define the Paradox project and has potential to deliver significant cashflows and materially increase its reserve base.

Our Paradox activity is expected to be funded by cashflows from our Williston assets, which saw continued growth during the period under review.

A summary of the Group's activity in the period under review is outlined below.

PARADOX PROJECT

Competent Persons Report ("CPR")

Following the successful completion of the State 16-2LN-CC well in late 2021, Zephyr commissioned the independent reserve consulting firm Sproule International ("Sproule") to complete a CPR to assess the Group's reserves across both the Cane Creek reservoir and the eight overlying reservoirs in order to help determine and demonstrate the potential size and scale of the Paradox project.

Sproule audited the crude oil, natural gas, and field condensate reserves and contingent resources and the associated future net revenue attributable to the Group's White Sands Unit ("WSU") and Cane Creek DSU ("CC DSU") with an effective date of March 31, 2022. Sproule also conducted an audit of the Prospective Resources attributable to the WSU on the same date.

The Board was delighted with the conclusions drawn by Sproule, which both demonstrate the impact of our recent drilling success and which further highlight the substantial potential scale and profitability of the Paradox project.

The key findings from the CPR were as follows:

- Net 2P Reserves: Proved Reserves of 2.1 million barrels of oil equivalent ("boe") net to Zephyr, the Group's first proved reserves booked in the Paradox Basin.
- Net 2C Resources: 27 million boe net to Zephyr, more than double the 12.3 million boe in the previous CPR prepared in 2018.
- Net Prospective Resources from overlying reservoirs: 203 million net unrisked boe net to Zephyr (68 million boe risked with a weighted-average 33% chance of success).
- Sproule's evaluation took place across 30,700 acres of Zephyr's Utah assets. Inclusive of Zephyr's recently announced acquisition, Zephyr will operate 45,000 gross acres in the Paradox Basin and further evaluation is planned for acreage not yet included in the CPR.

Combined with Zephyr's Williston Basin non-operated portfolio, Zephyr's total 2P Proved Reserves had an estimated net present value at a ten per cent discount rate ("NPV-10") of over US$111 million with significant additional upside potential from success cases related to its contingent and prospective resources.

Due to the early-stage nature of the Paradox Basin resource play, the range of potential outcomes for Zephyr's Utah assets remains large. Both Zephyr and Sproule identified uncertainties due to limited data across the areas planned for development by the Group. These include fluid composition and compressibility, water production, continuity of geomechanical properties across the reservoir and their impact on hydraulic fracture characteristics, and stimulated area around a well (well drainage area). The Group plans to utilise data from its upcoming three well drilling campaign, in additional to existing well data from the five wellbores acquired as announced in September 2022, to further quantify both the risks and upside presented by these uncertainties.

Acquisition of additional acreage

In August 2022, the Group announced the acquisition of an additional 1,920 acres (the "new acreage") in the Paradox Basin. Acquiring this new acreage, adjacent to WSU, was a critical step in the future development of the Paradox project and the new acreage is deemed by the Group to have immediate development potential.

The key benefits of the new acreage are as follows:

- Optimal Location. The new acreage is directly contiguous to the Zephyr-operated WSU, with the potential to be added to the Unit acreage subject to approval from the U.S. Bureau of Land Management (the "BLM").
    - The acquired acreage is largely covered by Zephyr's existing 3D seismic, and directly borders the Zephyr lease on which the planned State 36-2 LNW-CC and 36-3 LN-C9 well pad is located.
    - The new acreage is close to pre-existing surface infrastructure in the form of a six-inch gas pipeline which traverses the leasehold, infrastructure which Zephyr subsequently announced an agreement to acquire in September 2022.
- Immediate drilling benefits. By adding the new acreage, the proposed State 36-2 LNW-CC can be fully completed across a planned 10,000-foot lateral length, subject to final regulatory approval. This increased completion length is expected to further enhance the well's forecast economics and estimated ultimate recovery.
    - In conjunction with the acquisition, Zephyr recently amended its BLM application for a permit to drill (an "APD") for the State 36-2 LNW-CC well to reflect the enhanced completion design.
- Increased overall resources and drilling locations. Based on modelling results of the recently drilled State 16-2LN-CC well, modelling for the upcoming State 36-2 LNW-CC well, and production data from the nearby vertical Federal 28-11 well, Zephyr's technical team estimates that the acquisition adds over 4 million barrels of oil equivalent of additional 2C net Contingent Resources to Zephyr's Paradox Basin position with the following additional benefits:
    - The acquisition substantively increases the Group's Working Interest in an estimated 4 Cane Creek reservoir well locations, adding an estimated 2.4 net wells assuming 2-mile lateral well lengths.
    - It adds unrisked net present value at a ten per cent. discount rate ("NPV-10)", net to Zephyr, of approximately US$40 million from the Cane Creek reservoir, based on estimated economics for 2-mile laterals. This estimate assumes success case outcomes from State 16-2 LN-CC flow testing and State 36-2 LNW-CC drilling and testing.
    - It delivers access to acreage that may host liquid yields similar to those observed at the nearby vertical Federal 28-11 well and higher than those at the recently tested State 16-2 LNW-CC well.
    - It provides additional potential in the overlying shallow clastic zones.

The acquisition of the new acreage is part of the Group's ongoing portfolio management of its Paradox Basin position. This active land management strategy has resulted in a defensible and growing portfolio of development opportunities which Zephyr's Board believes is increasingly difficult to replicate in today's regulatory and political environment.

State 16-2LN-CC production test

Following on the successful drilling, completion and production test of the State 16-2 LN-CC well in 2021, Zephyr will shortly commence an extended production test of the same well. The primary aim of the production test is to further demonstrate the well's flow potential, which internal modelling suggests could see potential flow rates of 2,100 boepd once the well is no longer rate-constrained as it was during the initial testing phase. The well test will also add production data for use in surface infrastructure development decisions, and will test and develop flow assurance processes for the well.

Preparations for the extended well test have commenced, with long lead items ordered and all necessary permit applications filed.

In conjunction with the production test, and as announced in June 2022, Zephyr considered selling a small portion of gas produced from the State 16-2 LN-CC to a crypto-mining facility to be co-located on the well pad. Due to continued volatility in the crypto-currency markets, Zephyr's Board elected to further monitor pricing of crypto-mining equipment and facilities prior to proceeding with a co-located facility and prior to committing to any related investment. To date, no Zephyr funds have been expended on crypto-mining equipment or facilities. In parallel, Zephyr continues to focus on commercial efforts regarding the acceleration of gas sales into nearby existing gas infrastructure.

Forthcoming drilling programme

Following the successful completion of State 16-2LN-CC well test and after taking into account the conclusions of the CPR, the Board approved a high impact three-well drilling programme to commence later this year to further delineate the scale of the project. This will include:

- one delineation/development well targeting the Cane Creek reservoir in the southern portion of Zephyr's 25,000-acre WSU (the "State 36-2 LNW-CC" well);
- one exploration well, located on the same pad in the WSU, which is planned to target Clastic 9 - an overlying reservoir which has previously demonstrated evidence of hydrocarbon presence (the "State 36-3 LN-C9 well); and
- one delineation/development well in the historically prolific, liquid rich Cane Creek Field (acreage south of the WSU).

The Group continues with its extensive preparatory work related to the upcoming drilling programme.

The State 36-2 LNW-CC well, with a 10,000-foot lateral well targeting the Cane Creek reservoir, has been designated as the first of the three wells planned to be drilled. As previously noted, the Group updated its application to drill (“APD”) with the BLM to reflect the extended lateral.

Zephyr will proceed with drilling operations upon receiving Federal approval and securing a rig contract. All State level approvals related to the State 36-2 LNW-CC well have been received.

Acquisition of infrastructure assets

In September 2022, the Group announced that it has entered into a binding agreement (the “Agreement”) to acquire a package of oil and gas assets located on and around the Group’s Paradox project.

Under the terms of the Agreement, Zephyr will acquire 21 miles of natural gas gathering lines, the Powerline Road gas processing plant (not currently in operation) (the “Plant”), rights of way for additional gathering lines, active permits, five existing wellbores and additional acreage (the "New Acreage") which is contiguous to the WSU.

The Agreement will allow Zephyr to substantially reduce the capital required to build the necessary gas export infrastructure for its forecast gas production from the Paradox project.

The consideration for the asset package is US$750,000 and will be satisfied by a payment from Zephyr's existing cash resources. The acquisition is expected to complete by 7 October 2022.

Once the acquisition is completed, Zephyr will operate 45,000 gross acres in the Paradox Basin, the majority in which the Group holds a 75% or greater working interest.

WILLISTON ASSETS

In 2021, Zephyr stated that one of its key objectives was to establish production and positive cashflow either through its existing portfolio (the Paradox project), via acquisition, or through a combination of both. In the period since, the Group has delivered on this goal and following a series of discrete acquisitions, the Group now has a non-operated portfolio that delivered sales of over 1,729 boepd, net to Zephyr, in H1 2022, with corresponding revenues of US$25.8 million for the six months

The establishment of the non-operated portfolio began in March 2021, during a period of lower commodity prices, and with the integration of a recent US$36 million acquisition (completed in February 2022), the non-operated portfolio is expected to have a turnover of US$35-40 million in 2022, based on a forecast production range of 500,000 to 550,000 barrels of oil equivalent ("boe") for the year, providing the Group with free cash flow to support the Paradox project development plans.

At the end of H1 2022, 195 wells in Zephyr's portfolio were available for production. An estimated 30 additional wells in which Zephyr will have working interests are forecast to be brought on production by the end of 2022, which will help to decrease standard portfolio decline rates.

FINANCIAL REVIEW

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

Income Statement

The Group reports revenues for H1 2022 of US$25.9 million (30 June 2021: US$0.9 million). Revenues largely relate to the Group's hydrocarbon production from the non-operated Williston assets.

Adjusted earnings before interest, tax, depreciation, depletion and amortisation ("DD&A"), unrealised foreign exchange gains and unrealised losses on hedging contracts (together "Adjusted EBITDA") for the six months was US$19 million.

In H1 2022, there is a DD&A charge of US$5.4 million (30 June 2021: US$77,000). This accounting charge is in respect of the resource depletion of the Williston assets over the period.

In H1 2022, there is an unrealised loss on the Group's outstanding hedging contracts of US$0.4 million. In April 2022, in order to lock in cashflow to develop the Paradox project and meet the Group's financing commitments, the Group hedged just under half of its forecast 2022 production at more than US$98 per barrel of oil. In total the Company has hedged 328,000 barrels ("bbls") of oil production from the Williston assets over the next two years. Due to the volatile nature of oil prices, the unrealised position of the Group's outstanding hedging contracts will fluctuate and on 14 September 2022, the Group had an unrealised gain on its outstanding hedges of US$1.5 million.

Net profit after tax for the period was US$17.4 million or a profit of 1.16 US cents per share for the six months ended 30 June 2022 (30 June 2021: net loss after tax of US$1.0 million or a loss of 0.1 US cents per share).

Net profit was enhanced by foreign exchange differences which arise on the restatement of the Company's sterling loans to its subsidiaries and resulted in an unrealised gain of US$5.4 million for the six months ended 30 June 2022 (30 June 2021: unrealised gain of US$0.5 million). The unrealised gain in this period is the result of the weakening of sterling against the U.S. dollar.

Administrative expenses for the six months ended 30 June 2022 were US$2.2 million (30 June 2021: US$1.2million). The increase in administrative expenses mirrors the Group'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 is 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 acquisitions which the Group has secured over the period under review.

There is no Federal tax charge in the Income Statement for the period. The Group continues to utilise its historical Federal tax losses to offset profits realised from its operations. A full-year Federal tax assessment will be carried out after the year-end and any charges will be reflected in the 2022 Annual Report.

Balance Sheet

Exploration and evaluation assets at 30 June 2022 were US$23.8 million (30 June 2021: US$16 million) which reflects the Group's ongoing investment into the Paradox project.

Property, plant and equipment at 30 June 2022 were US$52.2 million (30 June 2021: US$6.5 million) which reflects the Group's ongoing investment in its non-operated portfolio of oil and gas properties.

Cash and cash equivalents at 30 June 2022 were US$10.6 million (30 June 2021: US$9.2 million). Responsible cash management remains a key priority of the Board.

During H1 2022 CAPEX across the Williston assets and the Paradox project totalled US$9.6 million.

At 3 September 2022, the Group had cash and cash equivalents of US$12.8 million and gross borrowings of US$24.7 million.

The Group's gross borrowings at 30 June 2022 were US$28.6m and net borrowings (total borrowings less cash and cash equivalents) were US$18 million. During H1 2022 the Group met all its funding obligations in respect of the outstanding borrowings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

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:

- to protect the Group, safeguard its existing asset base and position it for attractive growth opportunities;
- to seek creative and beneficial funding opportunities in an effort to unlock value from our existing asset portfolio;
- 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 opportunity exists to acquire additional accretive asset portfolios;
- we will continue with our programme of tight financial controls and cash preservation which will enable the Group to continue trading effectively; and
- ensure management and the Board are aligned with our Shareholders through significant ownership of shares.

CONCLUSION

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.

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
21 September 2022

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 22

	Notes	Unaudited six months ended 30 June 2022 US$'000	Unaudited six months ended 30 June 2021 US$'000	Audited year ended 31 December 2021 US$'000
Revenue		25,948	917	6,005
Operating and transportation expenses		(2,055)	(118)	(396)
Production taxes		(2,048)	(75)	(543)
Depreciation, depletion and amortisation		(5,439)	(77)	(1,755)
Gross profit		16,406	647	3,311
Administrative expenses		(2,193)	(1,164)	(2,687)
Share-based payments		(212)	(73)	(93)
Foreign exchange gains/(losses)		5,431	(377)	461
Loss on hedging contracts	3	(908)	-	-
Finance costs		(1,110)	(1)	(144)
Profit/(loss) on ordinary activities before taxation		17,414	(968)	848
Taxation charge		-	(7)	-
Profit/(loss) for the period attributable to owners of the parent company		17,414	(975)	848
Profit/(loss) per Ordinary Share				
Basic, cents per share	4	1.16	(0.10)	0.08
Diluted, cents per share	4	1.09	(0.10)	0.07

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 US$'000	Unaudited six months ended 30 June 2021 US$'000	Audited year ended 31 December 2021 US$'000
Profit/(loss) for the period attributable to owners of the parent company	17,414	(975)	848
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences on foreign operations	(5,504)	333	(554)
Total comprehensive profit/(loss) for the period attributable to owners of the parent company	11,910	(642)	294

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2022

	Notes	Unaudited as at 30 June 2022 US$'000	Unaudited as at 30 June 2021 US$'000	Audited as at 31 December 2021 US$'000
Non-current assets				
Exploration and evaluation assets	5	23,762	15,962	22,773
Property, plant and equipment	6	52,162	6,462	11,156
Hedging contracts		50	-	-
		75,974	22,424	33,929
Current assets				
Trade and other receivables		6,845	392	1,263
Prepayments and deposits		855	469	3,573
Cash and cash equivalents		10,587	9,216	1,811
		18,287	10,077	6,647
Total assets		94,261	32,501	40,576
Current liabilities				
Trade and other payables		(3,837)	(3,163)	(5,414)
Borrowings	7	(15,740)	-	(4,060)
Hedging contracts		(490)	-	-
		(20,067)	(3,163)	(9,474)
Non-current liabilities				
Provisions		(2,321)	(67)	(508)
Borrowings	7	(12,840)	-	-
		(15,161)	(67)	(508)
Total liabilities		(35,228)	(3,230)	(9,982)
Net assets		59,033	29,271	30,594
Equity				
Share capital	8	42,412	42,045	42,065
Share premium account		66,879	51,787	52,875
Warrant reserve		1,647	136	89
Share-based payment reserve		3,298	4,581	3,065
Cumulative translation reserves		(15,283)	(8,892)	(9,779)
Retained deficit		(39,920)	(60,386)	(57,721)
Equity attributable to owners of the parent company		59,033	29,271	30,594

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022 (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 2022	42,065	52,875	89	3,065	(9,779)	(57,721)	30,594
Transactions with owners in their capacity as owners:							
Issue of equity shares	347	15,465	1,558	-	-	-	17,370
Expenses of issue of equity shares	-	(1,461)	-	408	-	-	(1,053)
Transfer to retained deficit in respect of lapsed options	-	-	-	(387)	-	387	-
Share-based payments	-	-	-	212	-	-	212
Total transactions with owners in their capacity as owners	347	14,004	1,558	233	-	387	16,529
Profit for the period	-	-	-	-	-	17,414	17,414
Other comprehensive income:							
Currency translation differences	-	-	-	-	(5,504)	-	(5,504)
Total other comprehensive income for the period	-	-	-	-	(5,504)	-	(5,504)
Total comprehensive income for the period	-	-	-	-	(5,504)	17,414	11,910
As at 30 June 2022	42,412	66,879	1,647	3,298	(15,283)	(39,920)	59,033

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021 (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 2021	41,221	39,638	227	3,762	(9,225)	(60,085)	15,538
Transactions with owners in their capacity as owners:							
Issue of equity shares	816	14,679	-	-	-	-	15,495
Expenses of issue of equity shares	-	(1,442)	-	616	-	-	(826)
Transfer to retained deficit in respect of exercised warrants	-	-	(138)	(629)	-	767	-
Share-based payments	28	-	-	65	-	-	93
Transfer to retained deficit in respect of expired options	-	-	-	(749)	-	749	-
Total transactions with owners in their capacity as owners	844	13,237	(138)	(697)	-	1,516	14,762
Profit for the year	-	-	-	-	-	848	848
Other comprehensive income:							
Currency translation differences	-	-	-	-	(554)	-	(554)
Total other comprehensive income for the year	-	-	-	-	(554)	-	(554)
Total comprehensive income for the year	-	-	-	-	(554)	848	294
As at 31 December 2021	42,065	52,875	89	3,065	(9,779)	(57,721)	30,594

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
Transactions with owners in their capacity as owners:							
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)
Other comprehensive income:							
Currency translation differences	-	-	-	-	333	-	333
Total other comprehensive income for the period	-	-	-	-	333	-	333
Total comprehensive income for the period	-	-	-	-	333	(975)	(642)
As at 30 June 2021	42,045	51,787	136	4,581	(8,892)	(60,386)	29,271

ZEPHYR ENERGY PLC
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 US$'000	Unaudited six months ended 30 June 2021 US$'000	Audited year ended 31 December 2021 US$'000
Operating activities			
Profit/(loss)/profit before taxation from continuing operations	17,414	(968)	848
Adjustments for:			
Finance costs	1,110	1	144
Unrealised loss on hedging contracts	440	-	-
Depreciation and depletion of property, plant and equipment	5,440	96	1,778
Share-based payments	212	45	93
Unrealised foreign exchange (gain)/loss	(5,571)	308	(451)
Operating cash inflow/(outflow) before movements in working capital	19,045	(518)	(2,412)
Increase in trade and other receivables	(5,631)	(616)	(1,079)
Increase in prepayments and deposits	(286)	-	(572)
Increase in trade and other payables	628	1,913	172
Cash generated from operating activities	13,756	779	933
Income tax paid	-	(2)	-
Net cash inflow generated from operating activities	13,756	777	933
Investing activities			
Additions to exploration and evaluation assets	(1,007)	(4,116)	(9,083)
Acquisition of oil and gas properties	(36,000)	(5,927)	(5,443)
Additions to oil and gas properties	(8,640)	-	(7,031)
Deposits paid	3,000	-	(3,000)
(Decrease)/increase in capital expenditure related payables	(2,269)	-	2,773
Additions to plant and machinery	-	-	(4)
Grant funds received	-	200	290
Net cash used in investing activities	(44,916)	(9,843)	(21,498)
Financing activities			
Net proceeds from issue of shares	16,317	14,330	14,669
Proceeds from borrowings	28,000	-	4,060
Repayment of borrowings	(3,078)	-	-
Interest and fees paid on borrowings	(1,223)	-	(124)
Repayment of lease liabilities	-	(8)	(8)
Increase in prepayments and deposits	50	-	(50)
Net cash inflow generated from financing activities	40,066	14,322	18,547
Net increase/(decrease) in cash and cash equivalents	8,906	5,256	(2,018)
Cash and cash equivalents at beginning of period	1,811	3,940	3,940
Effect of foreign exchange rate changes	(130)	20	(111)
Cash and cash equivalents at end of period	10,587	9,216	1,811

ZEPHYR ENERGY PLC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2022

1. ACCOUNTING POLICIES

Basis of preparation

This report was approved by the Directors on 20 September 2022.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The condensed consolidated interim financial statements are presented in United States Dollar (“US$”). All amounts have been rounded to the nearest thousand unless otherwise indicated.

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 2021, and with those expected to be adopted in the Group’s financial statements for the year ending 31 December 2022.

Comparative figures for the year ended 31 December 2021 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 2021. 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, 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 ON HEDGING CONTRACTS

During the period, the Group entered into hedging transactions to mitigate its exposure to fluctuations in commodity prices. The net change in these contracts resulted in a realised net loss of US$0.5 million and an unrealised net loss of US$0.4 million for the period to 30 June 2022.

4. PROFIT/(LOSS) PER ORDINARY SHARE

Basic profit/(loss) per Ordinary Share is calculated by dividing the net profit/(loss) for the period by the weighted average number of Ordinary Shares in issue during the period. Diluted profit/(loss) per Ordinary Share is calculated by dividing the net profit/(loss) for the period by the weighted average number of Ordinary Shares in issue during the period, adjusted for the dilutive effect of potential Ordinary Shares arising from the Company’s share options and warrants.

Due to the losses incurred in the period ended 30 June 2021, there was no dilutive effect from the share options or warrants.

At 30 June 2022, 2.8 million share options and 89.6 million warrants were excluded from the diluted number of shares as they were anti-dilutive.

The calculation of the basic and diluted profit/(loss) per Ordinary Share is based on the following data:

	Unaudited six months ended 30 June 2022 US$'000	Unaudited six months ended 30 June 2021 US$'000	Audited year ended 31 December 2021 US$'000
Profits/(losses)			
Profits/(losses) for the purpose of basic and diluted profit/(loss) per Ordinary Share being net profit/(loss) for the period	17,414	(975)	848
	Number '000	**Number '000**	**Number '000**
Number of shares			
Weighted average number of shares for the purpose of basic profit/(loss) per Ordinary Share	1,505,017	939,631	1,116,414
Number of shares			
Weighted average number of shares for the purpose of basic profit/(loss) per Ordinary Share	1,505,017	939,631	1,116,414
Dilutive share options	42,528	-	42,510
Dilutive warrants	55,730	-	100,033
Weighted average number of shares for the purpose of diluted profit/(loss) per Ordinary Share	1,603,275	939,631	1,258,957
Profit/(loss) per Ordinary Share			
Basic, cents per share	1.16	(0.10)	0.08
Diluted, cents per share	1.09	(0.10)	0.07

5. EXPLORATION AND EVALUATION ASSETS

	US$'000
Cost	
At 1 January 2021	13,914
Additions	2,338
Grant funds	(290)
At 30 June 2021	15,962
Additions	6,811
At 31 December 2021	22,773
Additions	989
At 30 June 2022	23,762

	US'000
Carrying amount	
At 30 June 2022	23,762
At 30 June 2021	15,962
At 31 December 2021	22,773

6. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties US'000	Plant and machinery US'000	Right-of-use assets US'000	Total US'000
Cost				
At 1 January 2021	-	129	57	186
Additions	6,530	-	-	6,530
Exchange differences	-	2	1	3
At 30 June 2021	6,530	131	58	6,719
Acquisitions	5,443	-	-	5,443
Additions	929	2	-	931
De-recognition	-	(106)	(57)	(163)
Exchange differences	-	-	(1)	(1)
At 31 December 2021	12,902	27	-	12,929
Acquisitions	36,000	-	-	36,000
Additions	10,447	-	-	10,447
Exchange differences	-	(1)	-	(1)
At 30 June 2022	59,349	26	-	59,375
Accumulated depreciation, depletion and amortisation				
At 1 January 2021	-	117	41	158
Charge for the period	77	3	16	96
Exchange differences	-	2	1	3
At 30 June 2021	77	122	58	257
Charge for the period	1,678	4	-	1,682
De-recognition	-	(106)	(57)	(163)
Exchange differences	-	(2)	(1)	(3)
At 31 December 2021	1,755	18	-	1,773
Charge for the period	5,439	1	-	5,440
At 30 June 2022	7,194	19	-	7,213
Carrying amount				
At 30 June 2022	52,155	7	-	52,162
At 30 June 2021	6,453	9	-	6,462
At 31 December 2021	11,147	9	-	11,156

7. BORROWINGS

	Unaudited six months ended 30 June 2022 US$'000	Unaudited six months ended 30 June 2021 US$'000	Audited year ended 31 December 2021 US$'000
Bridge loan facility	1,687	-	4,060
Term loan	16,937	-	-
Revolving credit	9,956	-	-
	28,580	-	4,060
Maturity analysis			
Amounts due within one year*	15,740	-	4,060
Amounts due 1 year to 2 years	4,384	-	-
Amounts due 2 years to 4 years	8,456	-	-
	28,580	-	4,060

In February 2022, the Group signed a bank facility with First International Bank & Trust ("FIBT") in the U.S., consisting of a Term loan of US$18 million and a Revolving credit facility of US$10 million.

Repayment of the Term loan commenced in April 2022 and is repayable in 48 monthly payments. Interest is charged at a rate of 6.74% per annum. At 20 September 2022, the outstanding balance on the Term Loan was US$16.1 million.

*The Revolving credit facility was structured with an initial term of 8 months, and is thereby classified as short-term debt due for repayment within one year. However, the facility has provisions for a semi-annual redetermination process, at which time the bank estimates the value of Zephyr's reserves used as collateral and renews or revises the amount of available credit provided by facility. At 20 September 2022, US$8 million of the US$10 million facility was outstanding, with US$2 million of available credit. The Group does not expect any changes to the US$10 million in total availability when the bank's next redetermination process concludes in October 2022. Interest on the Revolving credit facility is charged at a rate of 6.74% per annum.

Initial loan fees of 1% of the Term loan and the Revolving credit facility were capitalised against the loans and are being amortised over the life of the respective loans. FIBT holds security over the Group's oil and gas properties located in the states of North Dakota and Montana.

Since the period end, the Group has repaid US$0.8 million in respect of the bridge loan facility.

8. SHARE CAPITAL

	Unaudited as at 30 June 2022 Number '000	Unaudited as at 30 June 2021 Number '000	Audited as at 31 December 2021 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
	8,007,050	8,007,050	8,007,050

	Unaudited as at 30 June 2022 US$'000	Unaudited as at 30 June 2021 US$'000	Audited as at 31 December 2021 US$'000
Allotted, issued and fully paid			
1,560,746,001 Ordinary Shares of 0.1p each (30 June 2021: 1,290,314,182: 31 December 2021: 1,304,746,001)	2,107	1,740	1,760
227,752,817 Deferred Shares of 9.9p each	40,305	40,305	40,305
	42,412	42,045	42,065

The Deferred Shares are not listed on the AIM Market, 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 2021 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 the COVID-19 pandemic. It has not been possible to issue these nil-cost options to date due to the Company's ongoing activity over a long period of time which has precluded transactions involving the Company's securities.

ISSUED ORDINARY SHARE CAPITAL

In February 2022, the Company issued 256,000,000 Ordinary Shares of 0.1p each at a price of 5p per share, raising gross proceeds of US$17.4 million (£12.8 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2021	696,202	227,753
Allotment of shares	594,112	-
At 30 June 2021	1,290,314	227,753
Allotment of shares	14,432	-
At 31 December 2021	1,304,746	227,753
Allotment of shares	256,000	-
At 30 June 2022	1,560,746	227,753

9. 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: Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward.

1P: proven reserves (both proved developed reserves + proved undeveloped reserves)

2P: 1P (proven reserves) + probable reserves, hence "proved and probable"

3P: the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps "proven and probable and possible"

Contingent Resources: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

1C: Low estimate of Contingent Resources

2C: Best estimate of Contingent Resources

3C: High estimate of Contingent Resources

Prospective Resources: Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

1U: Low estimate of Prospective Resources