RNS Number : 7126F
Zephyr Energy PLC
26 September 2024

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.

26 September 2024

Zephyr Energy plc

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

Interim Results for the six months ended 30 June 2024

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF), the Rocky Mountain oil and gas company focused on responsible resource development and carbon-neutral operations, reports its unaudited interim results for the six months ended 30 June 2024 ("H1 2024").

Overview

During H1 2024, and in the period since, Zephyr continued to invest significant capital into the development of its flagship operated project in the Paradox Basin, Utah, U.S. (the "Paradox project") primarily by drilling the State 36-2R LN-CC well (the "State 36-2R well") and conducting the subsequent successful production tests on the well. This investment activity was in line with the Company's strategy of generating and compounding cash flow from its non-operated portfolio in the Williston Basin (the "Williston project"), which fully funds all general and administrative ("G&A") and finance costs and allows for continued investment in its Paradox and Williston projects.

The Company's board of directors (the "Board" or "Directors") is highly encouraged by progress made on the Paradox project during the year to date and remains focused on bringing the Paradox project into commercial production while maximising potential returns for the shareholders of the Company (the "Shareholders"). To accelerate this process, the Company is focused on executing asset-level and/or wellbore investment opportunities with U.S.-based institutional investors, and discussions on this front are now at an advanced stage. The Company will update the market on the progress of these discussions in the near-term.

HIGHLIGHTS

Financial

- Revenue for H1 2024 increased to US 13.6 million, net to Zephyr, and was driven by the Company's hydrocarbon production from the Williston project:
  - Revenue for H1 2024 was higher than that in the six months ended 30 June 2023 ("H1 2023") of US 13.4 million. The increased revenues reflected the addition of production from the six wells operated by Slawson Exploration Company (the "Slawson wells") and was partially offset by standard production decline rates from the underlying assets.
- H1 2024 gross profit (including operating and transportation expenses, production taxes and realised gains from hedging contracts, and excluding depreciation, depletion and amortisation ("DD&A")) increased to US 10.0 million (H1 2023: US 9.4 million), demonstrating the strong cashflows and high margins generated by the non-operated production during the period, covering the entirety of the Company's G&A and finance costs and providing net cash for reinvestment.
- H1 2024 net sales volumes averaged 1,239 barrels of oil equivalent per day ("boepd"), for a total of 225,622 barrels of oil equivalent ("boe") net to Zephyr, over the period.
- Adjusted earnings before interest, tax, DD&A, unrealised foreign exchange gains, share based payments and unrealised losses on hedging contracts (together "Adjusted EBITDA") for H1 2024 were US 7.1 million.
- At 30 June 2024, the combined carrying value of the Paradox project and Williston project was US 98.0

million, demonstrating the scale of the Company's asset portfolio.

- The Company's gross borrowings at 30 June 2024 were US 29.2 million, a reduction from US 33.7 million at the end of H1 2023. By 6 September 2024, gross borrowings had been reduced further to US 27.9 million.
- During H1 2024, the Company embarked on the drilling of the State 36-2R well which was almost entirely funded by proceeds from its well control insurance policy for the State 36-2 LN-CC well (the "State 36-2 well"). The well control insurance policy requires Zephyr to make payments in advance, prior to making claims for reimbursement. As a result, cash balances during H1 2024 fluctuated considerably depending on the level of operational activity and timing of the reimbursement cycle, including at 30 June 2024 when drilling operations were particularly active. To date, US 15.3 million has been reimbursed to Zephyr in respect of the State 36-2 well control insurance policy, which relates to activity from the well control incident on the State 36-2 well and the State 36-2R well drilling programme.
- At 24 September 2024 (the most practicable date prior to this statement), the Company had cash balances of US 1.3 million. In addition, the Company expects to receive the following payments over the next few days:
    - Reimbursement of circa US 3.0 million from its insurer. The invoices relating to the US 3.0 million claim have already been paid in full by the Company.
    - A revenue payment of circa US 0.9 million related to a portion of its non-operated portfolio.
- Over the coming months, Zephyr expects to submit final claims under the well control insurance policy of circa US 1.3 million for which it also expects to be fully reimbursed.

Paradox project (operated asset)

- State 36-2R well drilled and all key drilling objectives met:
    - Drilling operations safely and successfully completed to total depth;
    - Well successfully 'twinned' to the State 36-2 well and intersected the same Cane Creek reservoir natural fracture system;
    - Confirmed the presence of flowing hydrocarbons; and
    - Substantially all drilling costs of the State 36-2R well to be recovered though the Company's well control insurance policy.
- Following the completion of the State 36-2R well, two successful production tests were carried out on the well.
    - Peak production rates achieved during testing were over 2,100 boepd, a significant production rate for an onshore U.S. well with only 130 feet of completed reservoir interval.
    - The acidisation operation used on the well successfully removed near-wellbore formation damage and generated very high reservoir deliverability, with a notable improvement to near-wellbore reservoir permeability. As such, the operation not only removed formation damage caused by the State 36-2 well but also enhanced reservoir productivity.
    - This was the first known example of acidisation stimulation in the Paradox Basin, and the result is highly positive for the development of the play, with the potential for substantially reduced reservoir risk and removal of the need for costly hydraulic stimulation as used in other U.S. onshore resource plays.
    - Higher than expected liquid yields from the State 36-2R well and almost zero water production could also materially enhance the economics of the well and positively impact the future Paradox project development.
    - Given the positive observations, Zephyr has commenced the process of discussing potential well and wider Paradox project development opportunities with U.S. based industry partners to accelerate additional appraisal and development of the Paradox project.
    - The Company is evaluating the potential to lengthen the completed reservoir interval by drilling a lateral from the existing wellbore, which would serve to increase overall estimated ultimate recoveries and drain a larger portion of the reservoir. This analysis is expected to be completed shortly.

Williston project (non-operated assets)

- Zephyr continues with its strategy of building and developing a portfolio of working interest positions in value accretive, high-quality, high-margin production assets with significant near-term growth potential in the Williston Basin.

  - The Company has continued to deploy capital into new drilling opportunities on its existing acreage, including two recently drilled wells operated by Continental Resources in the Harms field in North Dakota, U.S.

- H1 2024 sales volumes averaged 1,239 boepd (or 225,622 boe), net to Zephyr, over the six-month period.
- H1 2024 revenue, net to Zephyr, totalled US 13.6 million.
- H1 2024 gross profit (including operating and transportation expenses, production taxes and realised gains from hedging contracts, and excluding DD&A) increased to US 10.0 million (H1 2023: US 9.4 million), demonstrating the strong cashflows and high margins generated by the non-operated production during the period, covering the entirety of the Company's G&A and finance costs and providing net cash for reinvestment.
- At 30 June 2024, 231 wells in Zephyr's portfolio were available for production. Net working interests across the Company's portfolio now average 7.1% per well, equivalent to 16.3 gross wells in total.

Corporate

- There were no reported health or safety incidents during H1 2024.
- In May 2024, the Company retired US 3.88 million of existing debt through the issuance of US 3.88 million of equity comprised of 64,045,768 new Ordinary Shares of 0.1 pence each in the Company ("Ordinary Shares") at a price of 4.85 pence per new Ordinary Share.
- In May 2024, the Group announced that it had been awarded an additional US 0.25 million of grant funding from the U.S. Department of Energy (the "DOE") for operations on the State 36-2R well. This brings the total DOE grant funding made available to the Group to US 3.65 million in recent years.
- In April 2024, during its standard semi-annual borrowing base redetermination process, Zephyr's commercial lender (First International Bank and Trust) increased the Company's overall borrowing base by US 5.6 million due to the newly added production from the Slawson wells. The addition to the borrowing base was in the form of a new term loan which will amortise monthly over four years and has an interest rate of 10% per annum. Proceeds from the new term loan were used to fully retire the Company's remaining 12% acquisition credit facility.

Colin Harrington, Chief Executive of Zephyr, said:

"H1 2024 was an active time for Zephyr, during which we invested a significant amount of capital into the Paradox project with the drilling of the State 36-2R well and the subsequent production tests. We were delighted with the results from this activity and over the coming months we will continue with the work required to transform the Paradox project into a revenue generating asset. On a related note, we are in advanced conversations with U.S.-based institutions regarding wellbore and asset-level investment opportunities, and look forward to updating the market in the near-term regarding our proposed next steps for the Paradox project.

"Our Williston project continues to perform as a robust cash flowing engine for the Company, funding our G&A and debt service costs in addition to providing capital for the Paradox project and growth in the Williston (where production has increased for four consecutive quarters). We also look forward to progressing the Salt Wash hydrocarbon and helium project located in close proximity to the Paradox project.

"I would like to extend my appreciation to the Zephyr team and our contractors on site in Utah for their intensive, safe and successful efforts. I would also like to extend my gratitude to my fellow Board members, advisors and, most importantly, our Shareholders for their continued support.

"We have an exciting period ahead of us and I believe, more than ever, that we have the pieces in place to enable us to deliver on our strategic objectives successfully."

Contacts Tel: +44 (0)20 7225 4590

Zephyr Energy plc
Colin Harrington (CEO)
Chris Eadie (Group Finance Director and Company Secretary)

Allenby Capital Limited - AIM Nominated Adviser Tel: +44 (0)20 3328 5656
Jeremy Porter / Vivek Bhardwaj

Turner Pope Investments - Joint-Broker Tel: +44 (0)20 3657 0050
James Pope / Andy Thacker

Panmure Liberum Limited - Joint-Broker Tel: +44 (0) 20 7886 2500
Mark Murphy / Kieron Hodgson / James Sinclair-Ford

Celicourt Communications - PR
Mark Antelme / Felicity Winkles / Ali AlQahtani Tel: +44 (0) 20 7770 6424

Qualified Person

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.

Notes to Editors

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF) is a technology-led oil and gas company focused on responsible resource development from carbon-neutral operations in the Rocky Mountain region of the United States. The Company's mission is rooted in two core values: to be responsible stewards of its investors' capital, and to be responsible stewards of the environment in which it works.

Zephyr's flagship asset is an operated 46,000-acre lease holding located in the Paradox Basin, Utah, 25,000 acres of which has been assessed to hold, net to Zephyr, 2P reserves of 2.6 million barrels of oil equivalent ("mmboe"), 2C resources of 34 mmboe and 2U resources 270 mmboe.

In addition to its operated assets, the Company owns working interests in a broad portfolio of non-operated producing wells across the Williston Basin in North Dakota and Montana. Cash flow from the Williston production will be used to fund the planned Paradox Basin development. In addition, the Board will consider further opportunistic value-accretive acquisitions.

ZEPHYR ENERGY PLC

INTERIM REPORT FOR THE SIX MONTHS TO 30 JUNE 2024

The Board is pleased to present Zephyr's unaudited interim report for the six-month period to 30 June 2024.

REVIEW OF ACTIVITIES

OVERVIEW

During H1 2024, and in the period since, Zephyr continued to invest significant capital into the development of its flagship operated project in the Paradox Basin, Utah, U.S. (the "Paradox project") where it recently drilled the State 36-2R LN-CC well (the "State 36-2R well") and conducted subsequent successful production tests on the well.

This investment activity was in line with the Company's strategy of generating and compounding cash flow from its non-operated portfolio in the Williston Basin (the "Williston project"), which fully funds all G&A and finance costs, and allows for continued investment in its Paradox and Williston projects.

The Company's board of directors (the "Board" or "Directors") is highly encouraged by progress made on the Paradox project during the year to date and is now considering multiple options to bring the Paradox project into commercial production and maximise potential returns for shareholders of the Company ("Shareholders"). Various options are under review to achieve this, and we are in advanced conversations with U.S.-based institutions regarding wellbore and asset-level investment opportunities. We look forward to updating the market in the near-term regarding our proposed next steps for the Paradox project.

The Board remains committed to delivering long-term value to Shareholders, while upholding the Company's core values of being responsible stewards of Shareholders' capital and of the environment in which it operates.

PARADOX PROJECT

The main operational focus in H1 2024 was the drilling of the State 36-2R well and the follow-on production tests on the well.

State 36-2R well

In February 2024, the Company announced that it had received the regulatory approvals and permits required to proceed with the drilling of the State 36-2R well and in March 2024, following a detailed selection process, Zephyr announced that it had signed a rig contract with Helmerich & Payne for its Rig 257 to drill the well.

The key objectives of the State 36-2R well were:

- To successfully complete drilling operations to total depth safely and without harm to people, the environment or equipment;
- To successfully twin the State 36-2 well and intersect the same Cane Creek reservoir natural fracture system identified by it;
- To confirm the presence of hydrocarbons as found by the State 36-2R well, and further appraise the Cane Creek reservoir at Zephyr's federal White Sands Unit ("WSU"); and
- Should the original well result be replicated, to assess the reservoir productivity by flow testing the new well.

In April 2024, the Company announced that full drilling operations had commenced and in June 2024, Zephyr announced that the State 36-2R well had been completed safely and successfully, with the well drilled to a total depth of 10,290 feet (measured depth) where it intersected the same Cane Creek reservoir within 15 feet of the original well.

Analysis from the drilling indicated that the State 36-2R well, like the State 36-2 well, penetrated a folded and naturally fractured section of the Cane Creek reservoir. The well encountered drilling mud gas shows of a similar magnitude to the State 36-2 well and pore pressure analysis suggested formation pressures estimated at approximately 9,300 pounds per square inch (which is broadly consistent with previously drilled offset wells).

The well further confirmed the presence of hydrocarbons within a large structural compartment, within Zephyr's acreage and 3D seismic coverage.

Following the successful drilling operation, Zephyr then proceeded with the production tests on the well to determine reservoir pressure, fluid composition, well flow rate, bulk reservoir permeability and deliver an early estimate of the overall potential recoverable resources.

The Group has full well control insurance coverage for the State 36-2R drilling operations and expects to recover substantially all costs associated with the drill under the well control insurance policy it had in place for the State 36-2 well. To date, the Company has received US 15.3 million under the State 36-2 well control insurance policy with a further US 3.0 million submitted for approval and reimbursement, and an estimated final US 1.3 million to be paid and submitted for reimbursement over the coming months.

State 36-2R well production tests

On 23 July 2024 the Company announced that it had successfully completed the initial phase of the well production test on the State 36-2R well, in which the well was tested at multiple rates and choke settings to ascertain its production potential.

Initial production test observations are very encouraging, including:

- High reservoir deliverability and high initial reservoir pressures;
- Peak production rates achieved during the production test were 1,350 boepd, at which level the well was still choked back and constrained; and
- Significantly higher condensate-yield than Zephyr's previously drilled Paradox project well (with more than a three-fold increase in condensate rate versus that from the State 16-2LN-CC well).
    - Condensate yield peaked at over 600 barrels of condensate per day. Condensate produced had an average American Petroleum Institute gravity of 58 degrees, making it a highly desirable barrel for Utah's refinery market. The condensate produced from the well to date was sold to a Utah refinery at a price close to current WTI crude oil prices (inclusive of trucking costs).
    - This elevated liquid yield has the potential to be a significant driver of improved economics and may increase recoverable liquid volumes across the Company's WSU.
    - Almost zero evidence of water production, another potential boost to the well's economics by reducing the need for water disposal

need for water disposal.

While the initial test was successful on multiple fronts, there was also evidence that the natural fracture network could be partially obstructed from the greater reservoir at this well location. The Company therefore decided to acidise the well to further remove any drilling mud emulsions from the natural fracture network and maximise the well's connectivity with the larger reservoir.

On 6 September 2024, following the completion of the acidisation process and the follow up testing, the Company announced the following results from the second production test:

- Peak production rates achieved during the second test were over 2,100 boepd, a significant production rate for an onshore U.S. well with only 130 feet of completed reservoir interval.
- The acidisation operation successfully removed any remaining near-wellbore formation damage and generated very high reservoir deliverability, with a notable improvement to near-wellbore reservoir permeability after each acid treatment. As such, the operation not only removed damage but also enhanced reservoir productivity.
- This was the first known example of acidisation stimulation in the Paradox Basin, and the result was highly positive for the development of the play, with the potential for substantially reduced reservoir risk and removal of the need for costly hydraulic stimulation as used in other U.S. onshore resource plays.
- Variable liquid-yields were observed over the second test, all of which were higher than that at the Company's State 16-2 well. At the peak production rates in the second test, condensate/light volatile oil represented approximately 510 boepd, and these liquid yields were on an increasing trend at the conclusion of the test.
  - The elevated liquid yield has the potential to be a significant driver of improved economics and may increase recoverable liquid volumes across the Company's Paradox project acreage.
  - A detailed fluid laboratory analysis is currently underway, and the results will help the Company further characterise the field's fluid fill and composition.
- Continued evidence of almost zero water production, another potential boost to the well's economics by material reducing the need for expensive water disposal.
- Given the highly positive observations, Zephyr has commenced the process of discussing potential well and wider Paradox project development opportunities with U.S. based industry partners in an effort to accelerate additional appraisal and development of the Paradox project.

Results from the second test had multiple positive implications, because in addition to cleaning up any remaining formation damage, the acidisation operation appears to have had the unanticipated benefit of significantly enhancing near-wellbore reservoir quality (by dissolving calcite and dolomite minerals known to exist in the reservoir, creating higher porosity and permeability where those minerals have been dissolved away). The Company has previously observed widespread minor fracturing in the reservoir cores of the State 16-2 well and other Cane Creek wells. Zephyr's initial analysis suggests that acidisation could materially enhance the permeability of the overall reservoir matrix, including the minor fracturing (which may be present across the Company's entire Paradox project acreage position) as well as any major fracture networks encountered.

This implies that acidisation, when utilised across a longer lateral, may offer a cost-effective completion technique compared to the hydraulic stimulation operation used in other U.S. resource plays. This alternative completion technique could also offer a broader and lower risk method for the long-term development of the Paradox project versus solely targeting major natural fracture networks (the historical development approach in this part of the Paradox Basin).

Now that the second test has been completed, the State 36-2R well has been temporarily shut in as per standard operations while the operations team evaluates the new data. A key consideration is whether to produce the well in the short term, or to defer production temporarily to extend the wellbore and increase overall hydrocarbon recovery potential. While the well is capable of considerable production rates in its current form, it would be doing so from only a 130-foot completed interval which could make it more difficult to extend the well in the future due to depletion in the near well bore area.

The well is permitted for up to a 10,000-foot lateral extension, and any future lateral extension would be expected to benefit both from greater connected volumes and the material positive impact acidisation could have on the high deliverability of this play.

Next steps

Given the positive results from the production test and the implications for the Paradox project, the Board has launched a process to identify an industry or asset-level financial partner to accelerate further appraisal and field wide development.

This could come in the form of a farm-in with an industry operator, a joint venture with a non-operator investor, or asset level funding. The Board now believes that the data generated from drilling the State 16-2, State 36-2 and State 36-2R wells, combined with the significant technical analysis developed from the Paradox project over the past four years (including extensive 3D seismic, core samples, log data, stimulation data and the recent production test results) provides a robust dataset for prospective partners to evaluate.

In addition, with the new data generated from the second test and that from the Company's other Paradox wells, Zephyr will move as quickly as possible to produce an updated Competent Person's Report on the Company's Paradox project acreage.

Salt Wash hydrocarbon and helium project

In October 2023, the Group announced that it had opted to farm-in to the neighbouring Salt Wash Field to increase the Group's oil and gas resource potential, and to achieve exposure to the U.S. industrial helium market (the "farm-in"). The farm-in agreement is to a minimum 75% working interest in a 1,047-acre leasehold position which lies three miles to the south of the Group's WSU.

The Board is continually looking at ways to increase the scale, optionality and attractiveness of the Paradox project, and the Board views the farm-in as a natural extension to the Paradox project.

While helium is a new addition to the Company's current resource exposure, many nearby Paradox Basin oil and gas operators are already producing commingled helium in commercial quantities, with an active local offtake market for produced helium.

While Zephyr is not seeking for helium to become the Company's primary focus, the Board is cognisant that it may offer optionality and represent a value-added opportunity for Shareholders.

The field has an already discovered, proven helium resource in the Leadville Formation, with further opportunity for upside through two deeper helium exploration targets.

The Group's management forecasts the Salt Wash project to include:

- Net helium discovered resource potential of 0.07 to 0.19 bcf (Lower Leadville Formation only);
- Net helium un-risked, prospective resource of a further 0.04 to 0.66 bcf (including exploration targets); and
- An estimated net present value at a 10% discount rate ("NPV-10") of circa US 58.0 million with the risked upside case having an NPV-10 of circa US 120.0 million (using US 650 per thousand standard cubic feet ("mscf") and US 750/mscf pricing, respectively).

Under the terms of the farm-in agreement, total payments of US 0.6 million were made to the incumbent leaseholder and it is the Group's intention that the dual-purpose Leadville Formation delineation well (the "Commitment Well") will be drilled. The Commitment Well would also test the two additional helium exploration targets and other potential hydrocarbon bearing reservoirs.

In August 2024, the Company announced that initial operations at the site of the proposed Commitment Well had commenced, including drilling pad preparation and fencing the perimeter of the site and that a spudder drilling rig will be mobilised to the well location and a 30-inch hole will then be drilled to a depth of approximately 100 feet and 20-inch conductor casing will be set.

While activity on the pad has begun, the Company does not expect full drilling operations to commence until the first half of 2025, in line with its operational commitments to the field leaseholders.

Zephyr remains in active conversations with industry and financial investors regarding the potential funding of up to 100% of the costs of the well at the asset level, and the Board continues to appraise the available options with the key objective of maximising value for Shareholders.

WILLISTON PROJECT

Overview

Zephyr's non-operated Williston project was established in 2021 and today, following multiple discrete acquisitions, 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.

The Group's non-operated portfolio continues to perform above the Board's initial expectations, and cashflows generated from the portfolio continue to be recycled into the Paradox project development programme and into additional Williston Basin drilling opportunities, in addition to covering Zephyr's G&A and funding costs.

At 30 June 2024, Zephyr had working interests in 231 wells that were available for production. Net working interests across the Company's portfolio now average 7.1% per well, equivalent to 16.3 gross wells in total, all of which utilise horizontal drilling and modern, hydraulically stimulated completions. The majority of the wells are operated by Chord Energy Corporation and Slawson Exploration Company (the "Slawson wells"), leading Williston Basin producers.

The Company will continue to develop and grow its non-operated portfolio through opportunistic acquisitions.

H1 2024 performance

- H1 2024 sales volumes averaged 1,239 barrels boepd, or 225,672 boe, net to Zephyr, over the six-month period.
- H1 2024 revenue, net to Zephyr, totalled US 13.6 million.
- H1 2024 gross profit (including operating and transportation expenses, production taxes and realised gains from hedging contracts, and excluding DD&A) increased to US 10.0 million (H1 2023: US 9.4 million)demonstrating the strong cashflows and high margins generated by the non-operated production during the period, covering the entirety of the Company's G&A and finance costs and providing net cash for reinvestment.

Slawson wells

In December 2022, Zephyr announced the acquisition of working interests in six Slawson wells (equivalent to 1.1 total wells). Zephyr's working interest in the six wells ranges from 11% to 32% and management estimates 2P Reserves acquired were circa 550,000 boe, net to Zephyr.

The wells initially came online in November 2023, although production from the Slawson wells was temporarily curtailed in mid-December 2023 due to adverse weather conditions and infrastructure constraints. Production resumed in late January 2024.

During H1 2024, production from the Slawson wells continued to be partially impacted by gas export infrastructure constraints. The Slawson wells averaged stable production of approximately 525 boepd in the second quarter of 2024, with minimal signs of decline due to the constrained status of the wells.

While the delays and constraints in production from the Slawson wells did impact sales volumes in early H1 2024, management believes that overall performance from the wells will meet expectations, and the wells have served to increase to the Group's overall production in 2024 to date.

Further production additions

During February 2024, ten wells in which Zephyr invested and which are operated by Continental Resources (Harms Federal and Quale Federal) were placed in production. Early production data shows these wells performing ahead of management expectations, adding initial production rates, net to Zephyr, of circa 75 boepd. The Company has recently consented to participate in two additional wells which have recently been drilled on the same acreage.

Hedging

In H1 2024 the Company hedged 51,500 barrels of oil.

- 45,500 barrels of oil were hedged at a weighted-average price of US 81.67 per barrel of oil.
- 6,000 barrels of oil were hedged by way of financial collar options which enabled the Company to lock-in a minimum price for these barrels of oil. These collar options gave the Company a minimum price of US 74.0 per barrel of oil.

The Company will continue to evaluate its commodity price risk management strategy on a regular basis.

Outlook

Zephyr forecasts a range of 1,100-1,300 boepd for its 2024 full year non-operated production forecast, an increase from 1,040 boepd in the previous year.

FINANCIAL REVIEW

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

Income Statement

- The Company reports revenue for H1 2024 of US 13.6 million, net to Zephyr, (H1 2023: US 13.4 million). Revenue relates to the Company's hydrocarbon production from the non-operated Williston project. The increase in revenue from H1 2023 reflects the impact of the Slawson wells coming online, partially offset by the standard decline rates expected from the Williston assets.
- H1 2024 gross profit (including operating and transportation expenses, production taxes and realised gains from

- H1 2024 gross profit (including operating and transportation expenses, production taxes and realised gains from hedging contracts, and excluding DD&A) increased to US 10.0 million (H1 2023: US 9.4 million), demonstrating the strong cashflows generated by the non-operated production during the period, covering the entirety of the Company's G&A and finance costs and providing net cash for reinvestment.
- Adjusted earnings before interest, tax, DD&A, unrealised foreign exchange gains, share-based payments and unrealised losses on hedging contracts (together "Adjusted EBITDA") for H1 2024 was US 7.1 million (H1 2023: US 6.5 million).
- In H1 2024, there was a DD&A charge of US5.4 million (H1 2023: US 5.6 million), a non-cash accounting charge related to the asset depletion of the Williston project.
- H1 2024 net loss after tax was US 3.0 million or a loss of 0.18 centsper Ordinary Share (H1 2023: net loss after tax of US 2.3 million or a loss of 0.15 cents per Ordinary Share).
- Administrative expenses for the six months ended H1 2024 were US 2.9 million (H1 2023: US 3.0 million). Administrative expenses are in line with those in H1 2023. Costs continue to be closely controlled and monitored regularly by executive management and cash management is a continuing priority of the Board.
- H1 2024 net loss was enhanced by a non-cash share-based payment charge of US 3.2 million which relates to the issue of 61,503,028 options over Ordinary Shares in April 2024. The options were issued to Directors, certain employees and consultants of Zephyr, either to reflect historic awards under the Company's Long-Term Incentive Plan, bonuses for performances achieved in 2021 and 2022, to satisfy employee contractual commitments or commitments in lieu of deferred remuneration and fees from 2020, during the COVID-19 pandemic. Due to legal and regulatory restrictions it was not possible to issue these share options until April 2024 although the majority of these awards were fully disclosed and provided for by the Company in its historical financial statements. No cash or share-based bonuses were awarded to senior management or the Board in respect of the 2023 financial year.
- Without the non-cash share-based payment charge in H1 2024 of US 3.2 million, the Company would have made a profit before tax for the period of circa US 0.1 million versus a loss of US 3.2 million in H1 2023.

Balance Sheet

- Exploration and evaluation assets at 30 June 2024 were US 52.2 million (30 June 2023: US 50.8 million) which reflects the Company's ongoing investment into the Paradox project, including some costs for the State 36-2R well. It should be noted that substantially all the costs of the State 36-2R drilling programme were covered under the Company's well control insurance policy for the State 36-2 well.
- Property and equipment assets at 30 June 2024 were US 45.8 million (30 June 2023: US 52.4 million) which reflects the Company's ongoing investment in its non-operated portfolio of oil and gas properties offset by depletion charges.
- Cash and cash equivalents as at 30 June 2024 were US 1.1 million (30 June 2023: US 6.2 million). Cash balances during H1 2024 fluctuated considerably primarily due to well control insurance policy for the State 36-2 well. The well control insurance policy, which has almost entirely covered the drilling costs of the State 36-2R well, requires Zephyr to make payments in advance, prior to making claims for reimbursement. As a result, cash levels during H1 2024 were therefore highly dependent on the level of operational activity and timing of the reimbursement cycle, including at 30 June 2024 when drilling operations were particularly active. To date, US 15.3 million has been reimbursed to Zephyr in respect of the State 36-2 well control insurance policy, which relates to activity from the well control incident on the State 36-2 well and the State 36-2R well drilling programme.
- At 24 September 2024 (the most practicable date prior to this statement), the Company had cash balances of US 1.3 million. In addition, the Company expects to receive the following payments over the next few days:
    - Reimbursement of circa US 3.0 million from its insurer. The invoices relating to the US 3.0 million claim have already been paid in full by the Company.
    - A revenue payment of circa US 0.9 million in relation to a portion of its non-operated portfolio.
- Over the coming months, Zephyr expects to submit final claims under the well control insurance policy of circa US 1.3 million for which it also expects to be fully reimbursed.
- The Company's gross borrowings as at 30 June 2024 were US 29.2 million (30 June 2023: US 33.7 million) During H1 2024 the Company met all its funding obligations in respect of the outstanding borrowings. Gross borrowings on 6 September 2024 were US 27.9 million.

CORPORATE

- There were no reported health or safety incidents at Zephyr operated assets during the reporting period.
- In May 2024, the Company retired US 3.88 million of existing debt through the issuance of US 3.88 million of equity comprised of 64,045,768 new Ordinary Shares at a price of 4.85 pence per new Ordinary Share. The issue price of the Ordinary Shares was the undiscounted mid-market closing price of the Company's Ordinary Shares on 2 May 2024. The Ordinary Shares were issued to SGR Investments LLC ("SGRI"), a US-based institutional investor. In December 2022, SGRI provided debt funding to Zephyr Williston LLC, one of the Group's subsidiaries, to enable it to acquire the Slawson wells.
- In May 2024, the Group announced that it had been awarded an additional US 0.25 million of grant funding from the U.S. DOE for operations on the State 36-2R well. This brings the total DOE grant funding made available to the Group to US 3.65 million in recent years.
- In June 2024, the Group announced a new US 5.6 million term loan. The new term loan will amortise monthly over four years and has an interest rate of 10% per annum. Proceeds from the new term loan were used to repay the 12% acquisition credit facility, which has now been fully repaid.

OUTLOOK

H1 2024 was an active time for Zephyr, during which we invested significant new capital into the Paradox project with the drilling of the State 36-2R well and the subsequent production tests. We were delighted with the results from this activity and over the coming months we will continue with the work required to transform the Paradox project into a revenue generating development.

The Williston project continues to perform as a robust cash flowing engine for the Company, funding our G&A costs and providing capital for further development of the Paradox and Williston projects. We also look forward to progressing the Salt Wash oil, gas and helium project and securing asset level funding for the initial well.

I would like to extend my appreciation to the Zephyr team and our contractors for their ongoing work, and I would also like to extend my gratitude to my fellow Board members, leadership team, advisors and most importantly, our Shareholders for their continued support.

We have an exciting period ahead of us and I believe, more than ever, that we have the pieces in place to enable us to deliver on our strategic objectives successfully.

Colin Harrington
Chief Executive Officer
26 September 2024

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	**Unaudited six months ended 30 June 2024 US '000**	**Unaudited six months ended 30 June 2023 US '000**	**Audited year ended 31 December 2023 US '000**
Revenue		13,591	13,407	25,225
Operating and transportation expenses		(2,622)	(4,085)	(6,964)
Production taxes		(1,110)	(1,065)	(1,878)
Depreciation, depletion and amortisation		(5,364)	(5,608)	(9,607)
(Loss)/gain on derivative contracts	3	(101)	1,305	412
Gross profit		4,394	3,954	7,188
Administrative expenses		(2,897)	(2,969)	(5,997)
Share-based payments		(3,157)	(6)	(6)
Foreign exchange gains/(losses)		360	(2,595)	(2,776)
Finance income		1	-	-
Finance costs		(1,764)	(1,550)	(3,472)
Loss on ordinary activities before taxation		(3,063)	(3,166)	(5,063)

Loss on ordinary activities before taxation		(3,063)	(3,166)	(5,063)
Taxation credit		51	845	1,560
Loss for the period attributable to owners of the parent company		(3,012)	(2,321)	(3,503)
Loss per Ordinary Share				
Basic and diluted, cents per share	4	(0.18)	(0.15)	(0.21)

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited six months ended 30 June 2024 US '000	**Unaudited six months ended 30 June 2023 US '000**	**Audited year ended 31 December 2023 US '000**
Loss for the period attributable to owners of the parent company	(3,012)	(2,321)	(3,503)
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences on foreign operations	(358)	2,618	2,772
Total comprehensive (loss)/income for the period attributable to owners of the parent company	(3,370)	297	(731)

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Notes	**Unaudited as at 30 June 2024 US '000**	**Unaudited as at 30 June 2023 US '000**	**Audited as at 31 December 2023 US '000**
Non-current assets				
Exploration and evaluation assets	5	52,189	50,770	49,941
Property and equipment	6	45,790	52,436	50,840
		97,979	103,206	100,781
Current assets				
Trade and other receivables		11,507	7,342	7,897
Cash and cash equivalents		1,093	6,188	3,611
Derivative contracts		83	1,440	278
		12,683	14,970	11,786
Total assets		110,662	118,176	112,567
Current liabilities				
Trade and other payables		(7,576)	(12,757)	(6,983)
Borrowings	7	(20,709)	(24,988)	(28,950)
Lease liabilities		(39)	-	(39)
Derivative contracts		(54)	-	-
		(28,378)	(37,745)	(35,972)
Non-current liabilities				
Borrowings	7	(8,460)	(8,726)	(6,401)
Lease liabilities		(11)	-	(31)
Deferred tax		(344)	(1,110)	(395)

Provisions		(5,084)	(4,874)	(5,067)
		(13,899)	(14,710)	(11,894)
Total liabilities		(42,277)	(52,455)	(47,866)
Net assets		68,385	65,721	64,701
Equity				
Share capital	8	42,648	42,568	42,568
Share premium account		75,292	71,727	71,735
Warrant reserve		1,557	1,557	1,557
Share-based payment reserve		6,489	3,485	3,270
Cumulative translation reserves		(13,570)	(13,366)	(13,212)
Accumulated deficit		(44,031)	(40,250)	(41,217)
Equity attributable to owners of the parent company		68,385	65,721	64,701

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (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	Accumulated deficit US '000	Total US '000
As at 1 January 2024	42,568	71,735	1,557	3,270	(13,212)	(41,217)	64,701
Transactions with owners in their capacity as owners:							
Issue of equity shares	80	3,817	-	-	-	-	3,897
Expenses of issue of equity shares		(49)		49			-
Warrant exercise extension	-	(211)	-	211	-	-	-
Share-based payments	-	-	-	3,157	-	-	3,157
Transfer to accumulated deficit in respect of lapsed options	-	-	-	(88)	-	88	-
Transfer to accumulated deficit in respect of expired options	-	-	-	(107)	-	107	-
Transfer to accumulated deficit in respect of exercised warrants	-	-	-	(3)	-	3	-
Total transactions with owners in their capacity as owners	80	3,557	-	3,219	-	198	7,054
Loss for the period	-	-	-	-	-	(3,012)	(3,012)
Other comprehensive loss:							
Currency translation differences	-	-	-	-	(358)	-	(358)
Total other comprehensive loss for the period	-	-	-	-	(358)	-	(358)
Total comprehensive loss for the period	-	-	-	-	(358)	(3,012)	(3,370)

As at 30 June 2024	42,648	75,292	1,557	6,489	(13,570)	(44,031)	68,385

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Audited)

	Share capital US '000	**Share premium account US '000**	**Shares to be issued US '000**	**Warrant reserve US '000**	**Share-based payment reserve US '000**	**Cumulative translation reserve US '000**	**Accumulated deficit US '000**	**Total US '000**
As at 1 January 2023	42,412	66,847	539	1,557	3,284	(15,984)	(37,929)	60,726
Transactions with owners in their capacity as owners:								
Issue of equity shares	156	5,318	-	-	-	-	-	5,474
Exercise of warrants	-	-	(539)	-	-	-	-	(539)
Expenses of issue of equity shares	-	(430)	-	-	195	-	-	(235)
Share-based payments	-	-	-	-	6	-	-	6
Transfer to accumulated deficit in respect of expired options	-	-	-	-	(215)	-	215	-
Total transactions with owners in their capacity as owners	156	4,888	(539)	-	(14)	-	215	4,706
Loss for the year	-	-	-	-	-	-	(3,503)	(3,503)
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	2,772	-	2,772
Total other comprehensive income for the year	-	-	-	-	-	2,772	-	2,772
Total comprehensive loss for the year	-	-		-	-	2,772	(3,503)	(731)
As at 31 December 2023	42,568	71,735	-	1,557	3,270	(13,212)	(41,217)	64,701

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 (Unaudited)

	Share capital US '000	**Share premium account US '000**	**Shares to be issued US '000**	**Warrant reserve US '000**	**Share-based payment reserve US '000**	**Cumulative translation reserve US '000**	**Accumulated deficit US '000**	**Total US '000**
As at 1 January 2023	42,412	66,847	539	1,557	3,284	(15,984)	(37,929)	60,726
Transactions with owners in their capacity as owners:								
Issue of equity			-	-				

Issue of equity shares	156	5,310	-	-	-	-	-	5,466
Exercise of warrants	-	-	(539)	-	-	-	-	(539)
Expenses of issue of equity shares	-	(430)	-	-	195	-	-	(235)
Share-based payments	-	-	-	-	6	-	-	6
Total transactions with owners in their capacity as owners	156	4,880	(539)	-	201	-	-	4,698
Loss for the period	-	-	-	-	-	-	(2,321)	(2,321)
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	2,618	-	2,618
Total other comprehensive income for the year	-	-	-	-	-	2,618	-	2,618
Total comprehensive income for the period	-	-		-	-	2,618	(2,321)	297
As at 30 June 2023	42,568	71,727	-	1,557	3,485	(13,366)	(40,250)	65,721

ZEPHYR ENERGY PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

	Unaudited six months ended 30 June 2024 US '000	**Unaudited six months ended 30 June 2023 US '000**	**Audited year ended 31 December 2023 US '000**
Operating activities			
Loss on ordinary activities before taxation	(3,063)	(3,166)	(5,063)
Adjustments for:			
Finance income	(1)	-	-
Finance costs	1,764	1,550	3,472
Depreciation and depletion of property and equipment	5,384	5,609	9,630
Share-based payments	3,157	6	6
Unrealised foreign exchange (gains)/losses	(358)	2,615	2,772
Operating cash inflow before movements in working capital	6,883	6,482	10,817
(Increase)/decrease in trade and other receivables	(633)	101	(403)
Unrealised loss/(gain) on derivative contracts	249	(132)	1,029
(Decrease)/increase in trade and other payables	(356)	736	191
Cash generated from operations	6,143	7,319	11,634
Income tax paid	-	-	-
Net cash generated from operating activities	6,143	7,319	11,634
Investing activities			
Additions to exploration and evaluation assets	(9,525)	(11,813)	(21,643)
Additions to oil and gas properties	(389)	(8,444)	(10,467)
Increase/(decrease) in capital expenditure related payables	966	(3,068)	(5,754)
Proceeds on disposal of oil and gas properties	-	2,262	2,262
Insurance proceeds received in respect of exploration and evaluation assets	4,256	-	7,712
Grant funds received in respect of exploration and evaluation assets	-	302	302
Interest received	1	-	-
Net cash used in investing activities	(4,691)	(20,761)	(27,588)

Financing activities			
Net proceeds from issue of shares	10	3,692	3,700
Proceeds from borrowings	5,600	10,000	13,260
Repayment of borrowings	(7,915)	(2,058)	(4,244)
Repayment of lease liabilities	(19)	-	(7)
Interest and fees paid on borrowings	(1,646)	(1,003)	(2,140)
Net cash (used in)/generated from financing activities	(3,970)	10,631	10,569
Net decrease in cash and cash equivalents	(2,518)	(2,811)	(5,385)
Cash and cash equivalents at beginning of period	3,611	8,996	8,996
Effect of foreign exchange rate changes	-	3	-
Cash and cash equivalents at end of period	1,093	6,188	3,611

ZEPHYR ENERGY PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. ACCOUNTING POLICIES

Basis of preparation

This report was approved by the Directors on 25 September 2024.

The financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34 *Interim financial reporting* and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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 and incorporated in England and Wales under the Companies Act 2006. 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 2023, and with those expected to be adopted in the Group's financial statements for the year ending 31 December 2024.

Comparative figures for the year ended 31 December 2023 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 is unaudited and 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 2023. 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)/GAIN ON DERIVATIVE 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 gain of US 0.1 million (30 June 2023: net gain of US 1.2 million, 31 December 2023: net gain of US 1.4 million) and an unrealised net loss of US 0.2 million (30 June 2023: net gain of US 0.1 million, 31 December 2023: net loss of US 1.0 million) for the period to 30 June 2024.

4. LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share is calculated by dividing the net loss for the period by the weighted average number of Ordinary Shares in issue during the period. Diluted loss per Ordinary Share is calculated by dividing the net 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.

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

	Unaudited six months ended 30 June 2024 US '000	Unaudited six months ended 30 June 2023 US '000	Audited year ended 31 December 2023 US '000
Losses			
Losses for the purpose of basic and diluted loss per Ordinary Share being net loss for the period	(3,012)	(2,321)	(3,503)
	Number '000	**Number '000**	**Number '000**
Number of shares			
Weighted average number of shares for the purpose of basic and diluted loss per Ordinary Share	1,705,299	1,558,668	1,644,490
Loss per Ordinary Share			
Basic and diluted, cents per share	(0.18)	(0.15)	(0.21)

Due to the losses incurred in the periods reported there is no dilutive effect from the existing share options or warrants.

5. EXPLORATION AND EVALUATION ASSETS

	US '000
Cost	
At 1 January 2023	37,986
Additions	22,643
Decommissioning - change in estimates	177
Insurance proceeds	(10,563)
Funds received in lieu of grants	(302)
At 31 December 2023	49,941
Additions	9,525
Decommissioning - change in estimates	(36)
Insurance proceeds	(7,241)
At 30 June 2024	52,189
Carrying amount	
At 30 June 2024	52,189
At 31 December 2023	49,941

6. PROPERTY AND EQUIPMENT

	Oil and gas properties US '000	Office equipment US '000	Right-of-use assets US '000	Total US '000
Cost				

At 1 January 2023	66,220	24	-	66,244
Additions	10,468	-	77	10,545
Disposals	(2,792)	-	-	(2,792)
Decommissioning - change in estimates	463	-	-	463
Exchange differences	-	1	-	1
At 31 December 2023	74,359	25	77	74,461
Additions	556	-	-	556
Disposals	(405)	-	-	(405)
Decommissioning - change in estimates	(49)	-	-	(49)
Exchange differences	-	-	(1)	(1)
At 30 June 2024	74,461	25	76	74,562
Accumulated depreciation, depletion and amortisation				
At 1 January 2023	14,421	18	-	14,439
Charge for the period	9,607	2	21	9,630
Disposals	(449)	-	-	(449)
Exchange differences	-	1	-	1
At 31 December 2023	23,579	21	21	23,621
Charge for the period	5,364	1	19	5,384
Disposals	(233)	-	-	(233)
At 30 June 2024	28,710	22	40	28,772
Carrying amount				
At 30 June 2024	45,751	3	36	45,790
At 31 December 2023	50,780	4	56	50,840

7. BORROWINGS

	Unaudited six months ended 30 June 2024 US '000	**Unaudited six months ended 30 June 2023 US '000**	**Audited year ended 31 December 2023 US '000**
Term loan	14,187	12,926	10,824
Revolving credit	14,981	20,788	24,438
Promissory note	-	-	89
	29,168	33,714	35,351
Maturity analysis			
Less than 6 months	18,954	16,646	13,109
6 months to 1 year	3,397	10,651	18,103
1 year to 2 years	5,953	5,086	5,086
2 years to 5 years	3,418	4,238	1,699
	31,722	36,621	37,997

First International Bank and Trust ("FIBT")

In February 2022, the Group, through its U.S. subsidiaries, entered into credit facility agreements with FIBT, consisting of a term loan and a revolving credit facility

Repayment of the term loan commenced in April 2022 and is repayable by 48 monthly instalments. Interest is charged at a rate of 6.74% per annum.

The revolving credit facility was structured with a term of 12 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 the facility.

In December 2023, the revolving credit facility was increased to a commitment of up to US 15.2 million with the same repayment terms. Interest on the Revolving credit facility is charged at a variable rate equal to the Wall Street Prime Rate plus 2.5%, subject to a minimum rate of 6.74%.

At 30 June 2024, the Group had drawn US 15.0 million in respect of the revolving credit facility.

In April 2024, the Group entered into a new facility agreement with FIBT. Under the terms of the agreement, the Group received a new term loan of US 5.6 million. The new term loan is repayable by 48 monthly instalments and has an interest rate of 10% per annum.

The revolving credit is subject to a covenant which is measured on an annual basis. The Group was in full compliance with the terms of the covenant in the periods reported.

FIBT has a lien on the assets of the Group's U.S. subsidiaries, Zephyr Bakken LLC and Rose Petroleum (Utah) LLC.

SGR Investments LLC ("SGRI")

On 19 December 2022, the Group entered into a facility agreement with an experienced U.S. based institutional investor through its U.S. subsidiary, Zephyr Williston LLC. Under the terms of the agreement the Group received a 12-month revolving credit facility of up to US 8.6 million incurring interest at a rate of 12% per annum.

On 3 May 2024, the Group announced that it had retired US 3.88 million of the facility through the issuance of US 3.88 million of equity comprised of 64,045,768 new Ordinary Shares of 0.1 pence each in Zephyr Energy plc at a price of 4.85 pence per new Ordinary Share. See note 8.

In June 2024, the Group announced that it had repaid the facility in full.

8. SHARE CAPITAL

	Unaudited as at 30 June 2024 Number '000	Unaudited as at 30 June 2023 Number '000	Audited as at 31 December 2023 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 2024 US '000	Unaudited as at 30 June 2023 US '000	Audited as at 31 December 2023 US '000
Allotted, issued and fully paid			
1,750,719,019 Ordinary Shares of 0.1p each (30 June 2023: 1,686,501,822: 31 December 2023: 1,686,501,822)	2,343	2,263	2,263
227,752,817 Deferred Shares of 9.9p each	40,305	40,305	40,305
	42,648	42,568	42,568

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.

ISSUED ORDINARY SHARE CAPITAL

On 3 January 2023, the Company issued 22,272,726 Ordinary Shares of 0.1 pence each in respect of warrants exercised during the year ended 31 December 2022, at a price of 2 pence per Ordinary Share, raising gross proceeds of US 0.5 million (£0.45 million).

On 10 February 2023, the Company issued 13,483,095 Ordinary Shares of 0.1 pence each at a price of 6.05 pence per Ordinary Share, in respect of the acquisition by the Group of the remaining 25% working interest in the WSU in the Paradox Basin, Utah from RSOC.

On 12 June 2023, the Company issued 90,000,000 Ordinary Shares of 0.1 pence each at a price of 3.5 pence per Ordinary Share, raising gross proceeds of US 3.9 million (£3.2 million).

On 9 May 2024, the Company issued 64,045,768 Ordinary Shares of 0.1 pence each at a price of 4.85 pence per

Ordinary Share, in settlement of US 3.88 million of its outstanding loan facility with SGRI. See note 7.

On 16 May 2024, the Company issued 171,429 Ordinary Shares of 0.1 pence each in respect of the exercise of warrants, at a price of 4.375 pence per Ordinary Share, raising gross proceeds of US 9,506 (£7,500).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2023	1,560,746	227,753
Allotment of shares	125,756	-
At 31 December 2023	1,686,502	227,753
Allotment of shares	64,217	-
At 30 June 2024	1,750,719	227,753

9. POST BALANCE SHEET EVENTS

All matters relating to events occurring since the period end are reported in the review of activities.

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.

END

IR SEIEEIELSESU