Zephyr Energy plc

Annual Report and Financial Statements
For the year ended 31 December

2025

Contents

Strategic report

We are a technology-led oil and gas company focused on responsible resource development. Our balanced portfolio spans operated and non-operated assets across the Rocky Mountain region of the U.S.

Our dual strategy combines near-term cashflow from our non-operated portfolio with long-term growth from our flagship Paradox project. In 2025, we achieved a transformational breakthrough at the Paradox project, while strengthening our financial base through strategic partnerships and acquisitions on the non-operated portfolio.

We remain committed to being responsible stewards of Shareholder capital and the environment in which we operate. Our vision is to unlock the next prolific onshore U.S. oil and gas play, and this year has brought us closer than ever to realising that ambition.

About us

Growth & asymmetric upside in the U.S. oil and gas sector

We are a cash generative, producing oil and gas company focused on responsible resource development. Since 2020, the team has completed multiple acquisitions and increased production from our non-operated assets to over 1.8 million net boe produced to date. In 2025, we secured a US$100 million strategic partnership to accelerate drilling in the non-operated portfolio, further strengthening our cashflow base.

Our Paradox development offers transformational upside, with the State 36-2R well delivering peak flow rates of 2,848 boepd without stimulation, and confirming commerciality. Alongside this breakthrough, we completed a US$7.3 million acquisition of mature producing assets in the Rocky Mountain region, adding 400 boepd of production and 600,000 boe of proved developed reserves. Together, these achievements reinforce our balanced portfolio and position Zephyr to unlock the next prolific onshore U.S. oil and gas play.

Balanced portfolio

Our balanced asset base provides portfolio diversification and asymmetrical growth potential.

Over the last 6 years, the Company's market capitalisation has grown from circa US$2 million to circa US$100 million.

Paradox project (Utah)

Operated growth project

2025 Highlights

We have made significant advances at the Paradox project in moving the project towards commercial production.

Non-operated portfolio

Non-operated cashflow

2025 Highlights

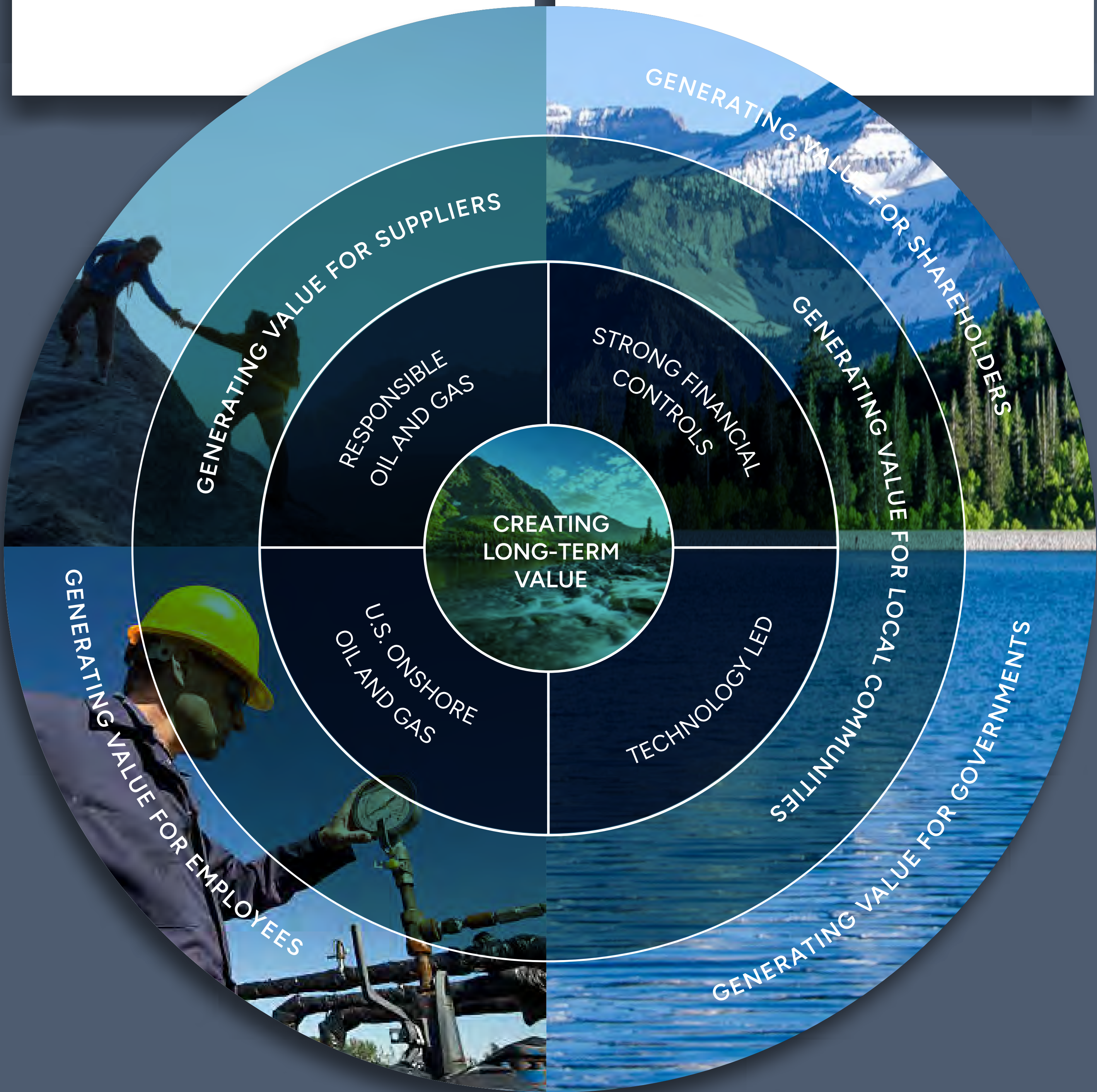
We have built an income-generating non-operated asset portfolio in the Rocky Mountains, U.S. (the "non-operated portfolio") to drive long-term value and capital growth.

Our purpose

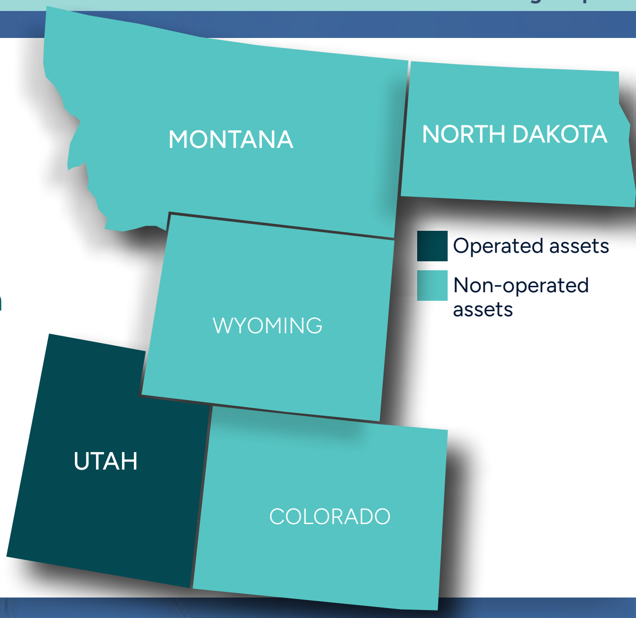
- **Zephyr's purpose is to responsibly unlock energy resources** in the Rocky Mountain region of the U.S., creating long term value for Shareholders and stakeholders.
- **We pursue a dual strategy:** generating cashflow from our non-operated portfolio while advancing the transformational upside of our operated Paradox project.

Our values

- **Safety First** – The health and safety of our team and communities is our highest priority.
- **Stewardship** – We are committed to responsible resource development.
- **Partnerships** – Collaboration with investors, operators, and local stakeholders underpins our success.
- **Integrity** – We operate transparently and uphold the highest standards of governance.
- **Innovation** – Technical excellence and continuous improvement drive our ability to unlock new opportunities.



Our assets



We have a balanced portfolio of operated and non-operated assets located across key Rocky Mountain oil producing basins in the U.S.

This structure provides diversification, resilient cashflow from our non-operated interests, and significant asymmetric growth potential from our operated Paradox project.

PARADOX PROJECT

UTAH

We hold a circa 70,000 acre leasehold with 2P reserves of 35.3 mmboe, 2C resources of 74.2 mmboe and 2U resources 270 mmboe. We continue to grow our land position and develop the asset to delineate the full scale and potential value of the project.

NON-OPERATED PORTFOLIO

ROCKY MOUNTAIN REGION OF U.S.

A growing suite of non-operated production and near-term production assets acquired for their low-risk, high-return cashflow potential.

Chair's statement

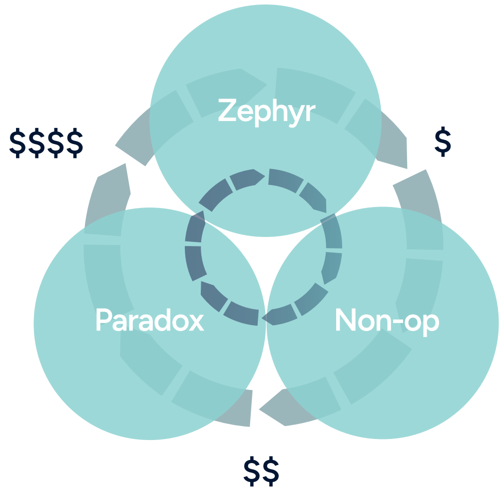
On behalf of the Company's board of directors (the "Board" or the "Directors"), I am pleased to share the Company's results for the 2025 financial year, a period of significant progress as the Company prepares to unlock what we believe to be the next prolific onshore oil and gas play in the United States ("U.S.").

The results reflect the ongoing effort and commitment of the Zephyr team who have been building a Company of which all stakeholders can be proud.

The Company has continued to employ its well-established dual strategy of:

1. Value creation via non-operated investments: We have built an income-generating non-operated asset portfolio in the Rocky Mountains, U.S. (the "non-operated portfolio") to drive long-term value and capital growth, with a highly accretive US$7.3 million acquisition completed during the period (the "Acquisition"); and
2. Value creation via drilling activity: We have made significant advances towards commercial production at the Company's flagship project in the Paradox Basin, Utah, U.S. (the "Paradox project").

Non-operated production acting as an accelerator of Paradox development



Chair's statement continued

"The Board remains committed to ensuring that safety, regulatory compliance and responsible operations are embedded into project delivery and capital allocation decisions, as we scale activity."

Chair's statement continued

During the year, we continued to deliver on this dual strategy, and plan to continue to grow the non-operated portfolio and utilise the resulting cashflow (in conjunction with our existing commercial and financial partnerships) to deliver first gas and commercial production from the Paradox project.

We are supported by a capable team and strong partners, and I remain confident that the Company's solid foundation will allow us to execute our strategy and deliver sustainable growth and value for our Shareholders.

The health, safety, and wellbeing of our team and contractors continues to be a core priority as we maintain a zero-harm safety culture, with a particular emphasis on ensuring a safe and injury-free workplace. The Board is pleased to note that there were no lost time injuries ("LTIs") recorded during the period.

The Board believes that strong operational performance must always be underpinned by an uncompromising approach to health, safety and environmental stewardship. We remain focused on ensuring that our people, partners and operators meet appropriate standards, and that our own operated activities are conducted within a robust safety culture and compliance framework.

As the Paradox project moves towards full commercial development, safe operational execution remains a priority. As we scale up our activity, the Board remains committed to ensuring that safety, regulatory compliance and responsible operations are embedded into our project delivery and capital allocation decisions.

Operational activity

Paradox project

Operational progress in 2025 can be demonstrated by the drilling and excellent production test results from the State 36-2 LNW-CC-R well (the "State 36-2R well") which achieved a peak flow rate of 2,848 barrels of oil equivalent per day ("boepd") with no material drop in bottom hole pressure, and without the use of any fracture stimulation, suggesting that the well ranks in the top 6% of gas wells across the Lower 48 U.S. states.

The 36-2R well performance formed a core basis for the updated Competent Person's Report ("CPR"), independently prepared by Sproule-ERCE International Limited ("Sproule"), which was published in October 2025, and which demonstrates the progress made at the Paradox project through our successful ongoing operations.

In particular, we were pleased to see the substantial movement of the Paradox project hydrocarbons from resource to reserve categories, highlighting the evolution of the asset towards commercial production. The CPR also provided further validation of the considerable scale of the Paradox project, and it should be noted that the CPR only assessed 20,000 acres of our 46,000 acre position at the time of the CPR. Leased acreage without 3D seismic coverage was not assessed in the CPR and Zephyr's internal analysis indicates considerable potential in the area immediately surrounding the acreage covered by the CPR. In addition, subsequent to the reporting period we completed the acquisition of a further 24,000 of contiguous acreage further enhancing the scale of the project.

The substantial scale of the project was a significant reason behind the launch of our process to identify partners, to help accelerate drilling with the goal of delivering material value from the asset, and we continue to evaluate marketing and joint venture/farm-in proposals.

We are bringing the project to development and commercialisation at a time when interest in domestic gas demand is rising in the western markets, and as western seaboard LNG exports begin to ramp up. We believe that the Paradox project compares favourably on production and economic metrics with the current crude and natural gas basins in the U.S.

The project infrastructure buildout continues, which is expected to enable gas export from the project, in cooperation with Enbridge Inc. ("Enbridge") (the owner and operator of the 16-inch pipeline that will export gas from Zephyr's Powerline Road Gas Plant to the Williams Northwest Pipeline system).

Chair's statement continued

We were pleased to see the recent successful completion of the gas pipeline in-line inspection process (the "ILI"). This is a significant step forward in relation to the development of the Paradox project and allows for the formal commencement of the regulatory approval process required to ship gas on the publicly regulated pipeline connected to Zephyr's leaseholding in the Paradox project.

Further operational work currently being conducted by Enbridge includes survey, engineering, environmental, land and right-of-way work, as well as progressing the regulatory process required to operate bi-directional flow on the existing Enbridge pipeline. This will allow both the export of gas to the Northwest Pipeline and the supply of gas to customers in the City of Green River.

In parallel, and as mentioned above, we are looking at opportunities to expand the Paradox project through additional lease acquisitions and by further delineating the additional potentially productive zones overlying the Cane Creek reservoir. In this regard we were pleased to recently announce the acquisition of a further 24,000 acres of new and contiguous acreage in the Paradox Basin taking the Company's total Paradox project acreage position to approximately 70,000 acres, providing further scale to our Paradox project and which, we believe, will further enhance the project's commercial value.

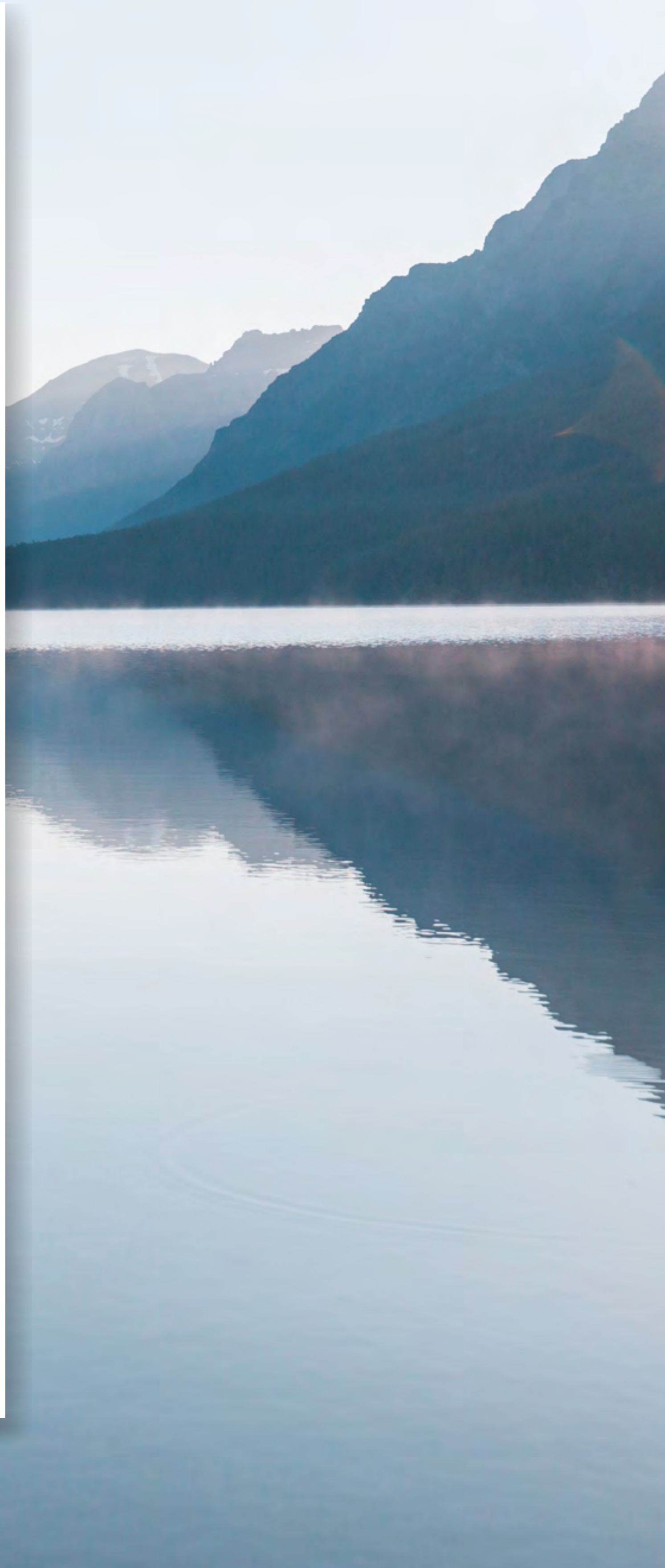
This is an exciting time in the evolution of the Paradox project, and the Board believes that the fundamental pieces are in place to drive the Paradox project forward to first gas and commercial production over the coming months.

Non-operated portfolio

Zephyr's non-operated portfolio was established in 2021, and Zephyr continues to deliver on its strategy of acquiring low-risk working interest positions in value accretive, high-quality, high-margin production assets with significant near-term growth potential.

The non-operated portfolio continues to deliver strong returns, and cashflows generated from the portfolio (in conjunction with cashflows generated from the disposal of non-producing acreage) continue to be recycled into the Paradox project development programme and other non-operated drilling opportunities, in addition to covering Zephyr's general and administrative costs.

At 31 December 2025, Zephyr had working interests in over 600 gross wells (or approximately 30 net wells) available for production, versus 229 gross wells (or 16 net wells) at the end of the second quarter of 2025 prior to the completion of the Acquisition. Zephyr's non-operated portfolio consists of well and acreage interests in Utah, Colorado, Wyoming, Montana and North Dakota, providing strong diversity across multiple operators and basins.



Chair's statement continued

We continue to look at ways to increase the scale and/or realise value from our non-operated portfolio and during the period there were several developments that positively impacted the portfolio and will help sustain the portfolio in the future:

- In August 2025, the Company completed the Acquisition which consists of working interests in production assets located across core Rocky Mountain basins. Under the terms of the Acquisition, Zephyr acquired circa 400 boepd of existing production, 600,000 barrels of oil equivalent ("boe") of producing well ("PDP") reserves. The Acquisition was accretive on both an earnings and reserve basis, strengthened the Group's balance sheet, offered the Group strategic entry into key areas of interest and enhanced our competitive position within core Rocky Mountain basins.
- As announced in May 2026, and as part of our ongoing portfolio management, we completed multiple cash generative divestments of non-core, non-producing acreage obtained in conjunction with the Acquisition. Following the completion of the Acquisition, Zephyr's team undertook a detailed evaluation of this undeveloped acreage to determine its current and future value potential. The Company deemed the acreage divested to date to be non-core, with the potential for significant future capital expenditure and/or long lead times for development. Since the completion of the US$7.3 million Acquisition, we have generated circa US$7.0 million in total consideration from the divestment of non-core assets (comprised of US$5.8 million in cash proceeds and the divestment of US$1.2 million in near-term plugging, abandonment and capital liabilities). The Company is currently evaluating options for the remaining undeveloped acreage acquired.
- In May 2025, we announced a US$100 million strategic partnership with a major U.S.-based capital provider focused on the energy sector. The combination of Zephyr's regional expertise and the investor's financial strength is designed to accelerate the Group's non-operated growth, enhance consolidated cashflow, and drive attractive project returns. In October 2025 we announced the first deal under the partnership which is made up of 13 newly drilled wells with CAPEX, net to the investor, expected to be approximately US$2.5 million, with no further financial commitment from Zephyr. The transaction is expected to deliver undiscounted cashflows, net to Zephyr, of circa US$1.8 million. The Company continues to evaluate additional assets for the partnership, including assets purchased in the Acquisition.

Chair's statement continued

Environmental, Social and Governance ("ESG")

Followers of Zephyr will be familiar with our commitment to stewardship of both the natural environment and of Shareholder capital. Prudent cash management and careful development of the asset base were key operating principles throughout the period.

We believe a disciplined approach to operational performance, supported by the strong levels of governance and environmental awareness, is the optimal way to drive superior investor returns.

As Zephyr continues to grow, we remain committed to fostering a safe working environment and maintaining strong engagement with the communities in which we operate. Supporting these communities through responsible environmental practices, social engagement, and sound corporate governance is a natural extension of our mission and reflects our commitment to making a lasting, positive impact.

There are many stakeholders who work alongside our people and support the Company. Sturdy relationships, formed over the years of working with multiple state and federal regulators, proved of great benefit during our recent drilling programme on the State 36-2R well.

Our relationship and knowledge-sharing partnership with the U.S. Department of Energy and the University of Utah continues to benefit all parties. A capstone report on our work with both parties can be found at https://doi.org/10.2172/3015844.

Financial

For the 2025 financial year, the Group reported revenues of US$13.9 million (2024: US$24.3 million), a gross profit of US$2.5 million (2024: US$7.2 million), and a net loss after tax of US$10.8 million (2024: US$19.6 million).

These results were in line with our forecasts and reflect the lower oil price environment over the period combined with the standard decline in the non-operated asset portfolio. We also experienced a reduction in revenues from six wells operated by Slawson Exploration (the "Slawson wells") which were shut-in by the operator for a significant part of the year due to low commodity prices.

We expect to see an increase in revenue and profitability in the 2026 financial year due to the recent spike in commodity prices, the Slawson wells being online and a full year of revenues from the Acquisition.

The 2025 financial year was a tumultuous time geopolitically, with significant volatility in global commodity prices over the period. These events have carried over into 2026 with continued oil price volatility due to ongoing geopolitical tensions. We expect this volatility to continue over the coming months, and we continually review how fluctuating commodity prices could potentially impact our operations. To mitigate this, over the last few years we have managed a hedging programme to protect the Group against potential downside risks. This hedging programme is a key tool in helping the Group meet its ongoing funding obligations. The Group has a policy of layering on hedges to take advantage of spikes in the oil price in order to protect its balance sheet and cost structure.

In June 2025, the Company raised US$13.3 million (£9.8 million) (before expenses) through the placing of 326,666,667 new ordinary shares of 0.1 pence each in the Company ("Ordinary Shares") to new and existing institutional and professional investors at an issue price of 3 pence per new Ordinary Share (the "issue price"). In addition, certain Directors, management and their affiliates subscribed for 23,333,333 new Ordinary Shares at the issue price raising a further US$0.9 million (£0.7 million) for the Company. The funds raised were used to complete the Acquisition and for the ongoing development of the Paradox project.

Conclusion

I would like to express my appreciation to our team and contractors for their dedication in helping us deliver our vision. My thanks also go to my fellow Board members, the leadership team, our advisors, and above all, our Shareholders, for their continued trust and support.

The Board looks forward to the future with confidence and excitement as the Company continues its quest to open up the next prolific oil and gas basin in the U.S. It is anticipated that there will be considerable news flow in the coming months as Zephyr progresses to the next phase in its development.

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

Rick Grant
Non-Executive Chair

29 June 2026

Our strategy and value proposition

Zephyr offers investors a differentiated opportunity to participate in a production-led growth company with material upside from a scalable operated asset in the U.S., supported by a diversified, cash-generative non-operated portfolio and strengthened by innovative capital partnerships.

Our strategy is built on three core pillars:

1

CASHFLOW-BACKED NON-OPERATED PRODUCTION GROWTH

2

MATERIAL VALUE CREATION AT THE PARADOX BASIN OPERATED PROJECT

3

DISCIPLINED CAPITAL ALLOCATION AND INNOVATIVE FUNDING STRUCTURES

Our strategy and value proposition continued

TRANSFORMATIONAL RESOURCE BASE AT PARADOX

The State 36-2R well delivered a peak test rate of 2,848 boepd without fracture stimulation or material bottom-hole pressure decline.

The independent CPR prepared by Sproule in October 2025 confirmed a transformational uplift:

- 1P reserves: 14.8 million boe (+93× vs 2022 CPR);
- 2P reserves: 35.3 million boe (+25×);
- Total recoverable resources: 74.2 million boe (+3.5×);
- Prospective resources (2U): 270 million boe.

CASHFLOW GENERATING NON-OPERATED PORTFOLIO

During 2025, the Company:

- Completed a US$7.3 million acquisition of producing working interests;
  - ~ Added approximately 400 boepd of PDP production;
  - ~ Added ~600,000 boe of PDP reserves;
  - ~ Forecast ~US$4 million operating income over 12 months;
- Actively managing portfolio with divestments of undeveloped acreage.

This portfolio provides immediate cash generation, reserve growth and reinvestment optionality, forming the financial backbone of Zephyr's broader strategy.

STRATEGIC CAPITAL PARTNERSHIP

A defining development in 2025 was the execution and extension of a US$100 million strategic partnership with a U.S.-based energy capital provider.

Under this structure:

- The partner funds 100% of drilling, completion and equipping CAPEX;
- Zephyr retains exposure to production and cashflow upside;
- Initial commitments of ~US$2.5 million CAPEX have been made;
- The partnership may expand beyond the Williston Basin into other Rocky Mountain plays.

SIGNIFICANTLY STRENGTHENED FINANCIAL POSITION

During 2025, Zephyr materially enhanced its capital structure:

- US$13.3 million (£9.8m) equity raise at 3p per share;
- US$0.9 million (£0.7 million) Director & management participation;
- Successful refinancing of term loans;
- Renewal of US$15.15 million revolving credit facility to December 2026;
- Interest rate reduced from 10% to 8.99%.

BALANCED RISK PROFILE WITH DUAL VALUE DRIVERS

Zephyr's investment case is uniquely balanced:

Cashflow stability;	Transformational upside;
Producing non-operated assets;	Large-scale operated Paradox project;
Low operational risk exposure;	Material reserve and resource growth;
Capital partnership funding;	High leverage to gas pricing;
Proven PDP reserves;	270 MMboe prospective upside.

This dual-track model provides downside protection through production while maintaining substantial long-term growth optionality.

CLEAR PATH TO NEAR- AND MEDIUM-TERM CATALYSTS

Key upcoming value drivers include:

- Finalisation of gas marketing agreements at Paradox;
- Pipeline interconnect construction milestones;
- Advancement toward first commercial production;
- Continued non-operated drilling via strategic partner;
- Potential additional accretive acquisitions;
- Further reserve conversion and development planning.

"Zephyr's mission is to unlock a highly economic, scalable onshore U.S. oil and gas development opportunity through our flagship Paradox project in Utah, while maintaining a pragmatic approach to value delivery through near-term cashflow."

Chief Executive Officer's report and operating review

Principal objectives and strategy

Zephyr Energy plc is an oil and gas exploration and production group operating in the Rocky Mountain region of the U.S.

The Group's mission is to unlock the next prolific onshore U.S. oil and gas play through the development of our flagship Paradox project. Zephyr is committed to being a responsible steward of both investors' capital and the environment.

To achieve this mission, the Group continues to prioritise:

- Maintaining a clear and disciplined strategic focus on responsible exploration and production within the Rocky Mountain region;
- Maintaining a high-calibre team with significant U.S. oil and gas sector expertise, particularly in regard to operations, subsurface, governance, finance and mergers and acquisitions;
- Developing a cash-generative, non-operated portfolio to provide capital for reinvestment into the Paradox project, reinforcing the Group's self-sustaining dual strategy;
- Embedding ESG at the core of operations, including robust corporate governance practices and ongoing, proactive engagement with the local communities;
- Leveraging strategic partnerships (such as the U.S. Department of Energy, regional operators, debt providers, asset level investors and Shareholders) to support long-term value creation;
- Advancing a technology-driven acquisition framework to enable the rapid assessment and execution of new opportunities, whether through acquisition, farm-in agreements, or joint ventures; and
- Maintaining rigorous financial discipline and prudent cash management to ensure capital efficiency across the business.

Review of operations and future developments

Overview

During the 2025 financial year and in the period since, Zephyr continued to deliver against its dual strategy: to build a resilient, cash-generative non-operated production portfolio in the Rocky Mountains, while advancing the Paradox project towards first commercial production.

Our technical results at the Paradox project, including the successful operations on the State 36-2R well and the subsequent CPR, reconfirmed the substantial scale and potential value of the Paradox project. The key operational focus for the next period is to deliver first commercial production from the project and to begin to unlock the project's substantial potential value for our Shareholders.

Our progress on the Paradox project was combined with disciplined portfolio growth and a material strengthening of our non-operated portfolio. Following the completion of the Acquisition and through our US$100 million strategic partnership we expect to see continued growth from the non-operated assets. We will continue to be opportunistic in both sourcing and funding further non-operated opportunities that will enable the Group to continue to grow its overall portfolio.

During the period, we remained fully focused on capital discipline, safe operations and responsible stewardship. We are fully aware that as the Paradox project transitions into full development, the importance of consistent execution, risk management and stakeholder engagement will become even more pronounced. The Board and management team remain aligned that these disciplines will continue to underpin every major decision made by the Company.

Over the last four years we have built a highly experienced operations team which is well positioned to appraise, acquire and manage high-return, non-operated assets in core Rocky Mountain basins, resulting in a growing and diverse base of assets with low maintenance capital expenditure ("CAPEX"), solid free cashflow and significant future drilling upside potential.

Chief Executive Officer's report and operating review continued

Paradox project

During the 2025 financial year and in the period since, the Company made significant progress in advancing the Paradox project towards first commercial production.

Over the period the Company drilled a lateral, completed and production tested the State 36-2R well, following which it commissioned an updated CPR on the project which affirmed a strong increase to the scale and potential value in the project.

The Company and its partners are currently building out the necessary infrastructure to bring the project into production.

A detailed summary of activity on the project over the 2025 financial year is set out below.

State 36-2R well

Following the completion of the drilling and initial production tests on the State 36-2R well, the decision was made in late 2024 to proceed with the drilling of an extended lateral on the well (the "extended lateral").

Drilling operations for the extended lateral commenced in January 2025, targeting an additional 5,500 feet of the Cane Creek reservoir. Exactly 30 days later, on 20 February 2025, drilling operations were concluded safely and successfully. The well trajectory of the extended lateral section was drilled as planned and correlated with the Company's existing 3D seismic data. Circa 97% of the extended lateral was drilled within the Cane Creek reservoir section demonstrating the ability to accurately steer within the reservoir across a structurally complex play.

Production testing on State 36-2R well following the completion of the extended lateral

During the subsequent production test on the State 36-2R well, which commenced in April 2025, the well was tested at multiple flow rates to gather data to determine the flow rate capacity, to provide an early estimate of potential resource volumes, and to obtain fluid samples. The production test successfully delivered on all its objectives and delivered results that were at the top end of management expectations.

In summary, the test included a peak flow rate of 2,848 boepd, achieved with no material drop in bottom hole pressure and suggested that the well ranks in the top 6% of all horizontal resource play gas wells drilled across the Lower 48 since 2000 (despite not using any fracture stimulation). Well test data and interpretation suggest that there is more than sufficient well deliverability for a commercial well.

The well test results suggest that the chosen completion strategy (hydra-jet abrasive perforation and matrix acidisation) was highly successful, and that fracture stimulation could offer further upside potential for both the well and the broader Paradox project development.

As a result of the successful production test from the State 36-2R well, work commenced to finalise gas processing and related infrastructure requirements for the project.

Updated competent persons report

Following the completion of work on the State 36-R well the Company took the opportunity to complete an updated CPR on the Paradox project.

The CPR was compiled by Sproule, a leading independent global energy consulting and advisory firm. The previous CPR on the Paradox project was completed by Sproule in 2022, the results of which were announced on 26 April 2022 (the "2022 CPR").

Zephyr's Paradox project consists of an operated 46,000-acre leaseholding in Utah. It should be noted that the updated CPR and comparisons to the 2022 CPR are limited solely to the Cane Creek reservoir on 20,000 acres held within the Company's White Sands Unit (the "WSU") and which is currently covered by the Company's 3D seismic coverage.

In their NPV-10 calculations, Sproule used the 1 September 2025 strip prices, resulting in average prices of US$62.50 per barrel of oil and US$3.50 per one million British Thermal Units ("MMBTU") of gas.

Chief Executive Officer's report and operating review continued

In summary, we were particularly pleased to see the substantial movement of the Paradox project barrels from resource to reserve categories, highlighting the evolution of the asset towards commercial production as the project moves up the value chain. The CPR also further validates the considerable scale of the Paradox project.

A summary of the key conclusions from the CPR were as follows:

- A 93-fold increase in Proved Recoverable Reserves (1P Reserves) from the 2022 CPR, demonstrating the scale and immediate production potential of the Cane Creek reservoir:
  - 14.8 million net boe proved recoverable reserves, an increase from 0.16 million net boe in the 2022 CPR
  - Forecast to generate undiscounted free cashflows, net to Zephyr, in excess of US$115.0 million, with a current NPV-10 of circa US$36.0 million (an increase from US$2.1 million in the 2022 CPR)
  - Seven well locations granted classification as Proved Recoverable Reserves
- A 25-fold increase in Proved & Probable Reserves (2P Reserves) from the 2022 CPR, highlighting the Paradox project's maturation from appraisal towards production and wider Cane Creek reservoir field development:
  - 35.3 million net boe, an increase from 1.4 million net boe in the 2022 CPR
  - Forecast to generate undiscounted free cashflows, net to Zephyr, of circa US$400 million, with a current NPV-10 of circa US$101 million (an increase from US$10.8 million in the 2022 CPR)
  - 12 well locations classified as Proved + Probable Recoverable Reserves
- A 3.5-fold increase in Total Resources (combined Net Recoverable Reserves and 2C Contingent Resources), representing full field development of the Cane Creek reservoir within the WSU , a significant increase in the total net resource estimate:
  - 74.2 million net boe, compared with 21.4 million net boe in the 2022 CPR
  - Forecast to generate undiscounted free cashflows, net to Zephyr, in excess of US$880 million, with a current NPV-10 of circa US$158 million (an increase from circa US$88 million in the 2022 CPR)
- Net Prospective Resources (2U Resources) (unrisked)
  - 270 million net boe, compared with 203 million net boe in the 2022 CPR, encompassing the as-yet-untested overlying reservoirs. The WSU prospective resources were not reassessed as part of the CPR, and the increase in 2U resources since the 2022 CPR reflects Zephyr's increased ownership in the Paradox project since the 2022 CPR was completed.

In summary, we were delighted with the results of the CPR which clearly demonstrate the excellent progress made at the Paradox project through our successful operations.

Commencement of farm-out process

Our drilling operations on the Paradox project have clearly demonstrated the large scale and potential value of the project.

To date we have drilled three successful wells, including two one-mile horizontal wells utilising different completion technologies and both demonstrated strong deliverability and expanded our completion design options for the greater field development.

During this time, we have also gathered a substantial amount of data that will help inform the future development plans of the project. Furthermore, we have acquired significant infrastructure that will enable us to bring the project into full production, including gas gathering lines, plant infrastructure, permits and future water disposal wells, and we are close to securing gas export capacity.

All of this has been achieved at low development costs, especially when compared with many other new field startups of a similar size, and this infrastructure should enable accelerated project development once a suitable partner is secured. It should be noted that while acceleration of drilling activity and increased gas processing capacity won't change undiscounted free cashflow totals, it would enhance the current NPV-10 value of the project by bringing forward future cashflows.

On the back of all of this activity, and given the considerable scale of the project we appointed a financial adviser and opened a data room to assist in the identification of prospective partners to assist with the project's development. We feel fortunate that we are bringing the project to development and commercialisation at a time when interest and domestic gas demand is rising in the western markets, and as western seaboard LNG exports begin to ramp up. We believe that the Paradox project compares favourably on production and economic metrics with all of the current crude and natural gas basins in the U.S.

The farm-out process is progressing, and we look forward to providing further updates in due course.

Chief Executive Officer's report and operating review continued

Infrastructure and move to first production

Following the completion of the State 36-2R well, Zephyr's key operational focus has been on the farm-out process and on designing the tie-in of the three previously drilled Paradox project wells to nearby pipeline infrastructure, in order to deliver hydrocarbon production.

In December 2025 we announced that Zephyr had reached a framework agreement with Enbridge, the owner of the pipeline positioned to provide interconnect services from Zephyr's Powerline Road Gas Plant to the Northwest Pipeline operated by Williams Companies, Inc for sales to the U.S. gas market.

As detailed by the framework agreement, Enbridge will construct, own, operate, and maintain the interconnect facilities. The operations being conducted by Enbridge include survey, engineering, environmental, land and right-of-way work, as well as the design, inspection and obtaining regulatory approvals required to run bi-directional flows on the existing Enbridge pipeline.

Work with Enbridge is progressing well and on 9 June 2026 we announced the successful completion of the critical ILI process. As part of this, a team supervised by Enbridge completed a detailed technical evaluation of the results from the ILI on the 20.9 miles of pipeline running from the Powerline Road Gas Plant to the Northwest Pipeline.

Analysis of the ILI results confirmed that the pipeline is structurally sound at the current system operating pressure, with no repairs required and no immediate integrity concerns. To ensure integrity at the uprated operating pressure required to export Zephyr's gas to the Northwest Pipeline, four short sections of pipeline (totalling 25 feet in length) have been identified for visual inspection. Enbridge views such inspections as routine and are not considered a risk to achieving first gas export, even if any section should require a repair.

The completion of the ILI is a vital step and a key milestone in the process of delivering first gas from the Paradox project and has enabled the commencement of the regulatory approval process required to increase pipeline operating pressure and transport gas to the Northwest Pipeline.

In addition to the initiation of the regulatory process, Enbridge has continued other operational activities, including the piping and mechanical upgrades required to transport Zephyr's gas to market. Over the coming weeks, Zephyr and its third-party infrastructure consultants will finalise the design and initial capacity of its gas processing solution.

In parallel with this we are also in the latter stages of selecting a marketing partner for the Paradox project natural gas and associated hydrocarbon volumes. Given the increasing demand for natural gas in the western U.S. markets, Zephyr has seen growing levels of interest for natural gas volumes located in the Paradox Basin region.

Chief Executive Officer's report and operating review continued

Potential expansion of the Paradox project

Consistent with our stated goal to expand the asset base of the Paradox project both vertically (via overlying reservoirs) and horizontally (via additional acreage acquisitions), we were pleased to announce (on 24 June 2026), that the Company has acquired an additional circa 24,000 net acres. This acquisition has increased Zephyr's total Paradox leasehold position from approximately 46,000 net acres to approximately 70,000 net acres, representing providing a material expansion to our operated acreage. We anticipate that this will be the first of several such acquisition opportunities as we continue to grow the scale and resource potential of the project.

Next steps

As outlined above there is a considerable amount of work taking place on the Paradox project and the key next steps are as follows:

- Completion of the farm-out process to help fund and accelerate a larger scale Paradox project drilling programme;
- Completion of gas marketing agreements and improvements to the gas processing plant infrastructure;
- Completion of work with Enbridge, owner of the operational 16-inch pipeline which runs adjacent to our gas plant, to enable the transportation of gas produced from the Paradox project;
- Continued leasing of additional nearby acreage; and
- Testing of overlying reservoirs (potentially using an existing vertical wellbore).

Non-operated asset portfolio

Overview

Zephyr continues to develop a portfolio of working interest positions in accretive, high-quality, high-margin production assets with significant near-term growth potential.

Following multiple acquisitions, the non-operated portfolio has generated strong cashflows for the Group, moving from zero production to circa 1.8 million boe produced from 2021 to 2025.

During this time, we built a highly experienced operations team to appraise, acquire and manage high-return non-operated assets in core Rocky Mountain basins, resulting in a growing and diverse base of assets with low maintenance CAPEX, significant free cashflow and plenty of potential future drilling upside.

The 2025 financial year was another solid year for the non-operated portfolio, with operational performance in line with management expectations, and during the year we took a number of steps to consolidate and grow our non-operated portfolio.

At 31 December 2025, Zephyr's portfolio consisted of interests in over 600 gross wells (or approximately 30 net wells) available for production, versus 229 gross wells (or 16 net wells) at 31 December 2024. Zephyr's portfolio now consists of well and acreage interests in Utah, Colorado, Wyoming, Montana and North Dakota, providing strong diversity across multiple operators and basins.

Chief Executive Officer's report and operating review continued

2025 sales volumes and production summary

FY 2025 sales volumes averaged 829 boepd or 302,585 boe for the year, a decrease over FY 2024 sales volumes of 1,149 boepd or 420,724 boe for the year.

FY 2025 revenue was comprised of 84% crude oil sales, 7% natural gas sales and 9% natural gas liquid sales.

FY 2025 revenues from the portfolio were US$13.9 million (2024: US$24.3 million). The performance of the portfolio was in line with management expectations and the year-on-year decline in revenues was primarily the result of lower commodity prices in FY 2025 compared to the prior year, standard decline in the portfolio and the fact that the six wells operated by Slawson were shut-in for a large part of the year.

The Board is confident that revenues will be higher in FY 2026 based on higher commodity prices, the full year impact of the production acquired as part of the Acquisition, and Slawson wells being back online.

2025 production from the non-operated portfolio averaged 864 boepd (2024: 1,052 boepd). The decrease in production year-on-year was the result of the Group's wells operated by Slawson being offline for much of FY 2025 combined with the natural decline of the portfolio.

Hedging

In FY 2025 the Group hedged 88,000 barrels of oil (FY 2024: 103,000 barrels of oil).

- 82,000 barrels of oil were hedged at a weighted-average price of US$66.79 per barrel of oil.
- 6,000 barrels of oil were hedged by way of financial collar options. These collar options gave the Group a weighted average price of US$69.92 per barrel of oil.
- In March 2026, Zephyr hedged a further 75,000 barrels of oil over the next 12 months at a weighted average price of US$67 per barrel (equivalent to approximately 33% of forecasted non-operated oil production over the same period). The remainder of Zephyr's forecast non-operated production for FY 2026 is currently unhedged.

The Group continues to evaluate its commodity price risk management strategy on a regular basis.

Business development

During the 2025 financial year there were a number of developments that will potentially provide significant upside to the non-operated portfolio.

Completed acquisition

In August 2025, the Company completed the US$7.3 million acquisition of working interests in accretive production assets located across core Rocky Mountain basins. Under the terms of the Acquisition, Zephyr acquired circa 400 boepd of existing production, 600,000 boe of PDP reserves, and the Acquisition also delivered significant further drilling opportunities to be potentially funded through our joint venture (as outlined below).

The Acquisition had an effective completion date of 1 June 2025 and is forecast to add operating income of US$4.0 million over the first year of Zephyr's ownership (based on strip prices at 29 May 2025).

Overall, the Acquisition is accretive on both an earnings and reserve basis, strengthens the Group's balance sheet, offers the Group strategic entry into key areas of interest and enhances our competitive position within core Rocky Mountain basins.

Strategic partnership

In May 2025, Zephyr announced a new US$100 million strategic partnership with a major U.S.-based capital provider focused on the energy sector. The partnership, which utilises a combination of Zephyr's regional expertise and the investor's financial strength, is designed to accelerate Zephyr's non-operated growth, enhance consolidated cashflow, and drive attractive returns. The Board view this partnership as an excellent way to utilise experienced industry capital to further grow the Group's cash generating foundation.

Under the terms of the partnership, the investor, at its sole discretion, will potentially make available up to US$100 million (subject to the conditions outlined below) to be used to fund 100% of the CAPEX related to the drilling, completing and equipping of newly acquired assets, which will be contained within a defined geographical area (the "Programme Area").

The Programme Area consists of counties located in the Williston basin, although both parties may consider opportunities in other Rocky Mountain basins upon mutual consent. The investor may elect to participate in opportunities at its discretion, on a case-by-case basis, after conducting its own financial and technical verification. Zephyr retains the right (but not the obligation) to fund up to 33% of pro rata CAPEX. The investor will earn a majority of the cashflows generated by its pro rata working interest in each well until an agreed upon initial hurdle rate is met.

Chief Executive Officer's report and operating review continued

In October 2025, we announced the first investment by the strategic partnership which is made up of 13 newly drilled wells (the "initial wells") located in the U.S. Rocky Mountains. The Investor will fund 100% of the CAPEX in the initial wells. Total CAPEX, net to the Investor, is expected to be approximately US$2.5 million, with no further financial commitment from Zephyr.

Once the investor has achieved its threshold return on the initial wells, the Company expects that the interests will deliver future life of well undiscounted cashflows, net to Zephyr, of circa US$1.8 million. The Company has used its 100% owned acquisition vehicle, Zephyr Hawk LLC, to complete this transaction.

The strategic partnership with the investor was formed to enable Zephyr to capitalise on a robust pipeline of non-operated investment opportunities across the Rocky Mountains, and the Company expects this to be the first of many such investments. The combination of Zephyr's deep regional expertise with the investor's financial strength was designed to accelerate the Company's non-operated growth, enhance consolidated cashflow, and drive attractive returns for all stakeholders.

We continue to evaluate new opportunities that will potentially be rolled into this strategic partnership.

Disposals of undeveloped acreage

By way of background, the US$7.3 million purchase price of the Acquisition was valued by the Company solely on the basis of the producing assets acquired. However, the transaction also included approximately 6,350 of undeveloped, non-producing acres in the Williston, Powder River, Denver-Julesburg and other Rocky Mountain basins.

Following the completion of the Acquisition, our technical team undertook a detailed evaluation of this undeveloped acreage in order to determine its current and future value potential. The Company deemed the acreage to be non-core, with the potential for significant future capital expenditure and/or long lead times for development.

A decision was made to divest of a portion of the undeveloped acreage and utilise the proceeds for reinvestment back into the Paradox project. A number of discrete divestments have taken place to date which have generated total asset sales of circa US$7.0 million (comprised of US$5.8 million in cash proceeds and the release from circa US$1.2 million in near-term plugging, abandonment and capital liabilities).

The Company is currently evaluating options for the remaining undeveloped acreage acquired and will provide further updates in due course.

Corporate

Health and safety of our people remain top priorities, and the Group is pleased to report that no health or safety incidents occurred during FY 2025.

On 25 June 2025, the Company announced that it had raised approximately US$13.3 million (£9.8 million) (before expenses) through the placing of 326,666,667 new Ordinary Shares to new and existing institutional and professional investors at an issue price of 3 pence per new Ordinary Share (the "issue price"). In addition, certain Directors, management and their affiliates subscribed for 23,333,333 new Ordinary Shares at the issue price raising a further approximately US$0.9 million (£0.7 million) for the Company.

- On 27 June 2025, the Company issued 175,071,902 new Ordinary Shares at a price of 3 pence per new Ordinary Share, raising gross proceeds of approximately US$7.2 million (£5.3 million).
- The remaining 174,928,098 new Ordinary Shares (including those subscribed for by Directors, management and their affiliates) were issued by the Company on 15 July 2025 at a price of 3 pence per new Ordinary Share, raising gross proceeds of approximately US$7.0 million (£5.2 million).

In April 2026, Zephyr announced that one of its U.S. subsidiary companies has been targeted in a cybersecurity incident. The highly sophisticated incident involved the diversion of a single payment to a contractor and resulted in funds of circa US$0.95 million being transferred to a third-party account. Upon discovery of the incident, the Company immediately notified the relevant law enforcement authorities and continues to work with the corresponding banks and consultants to attempt to recover the diverted funds.

Outlook

2025 was another year of strong progress for the Group, and we continue to build on this momentum in 2026.

In recent months we have continued to deliver on both components of our stated dual strategy with continued operational progress on the Paradox project, and through our exciting strategic partnership and acreage disposals on non-operated portfolio. We look forward to the year ahead with excitement and confidence.

The Directors' statement in respect of going concern can be found in the Directors' Report and note 3 to the consolidated financial statements.

JC Harrington
Chief Executive Officer

29 June 2026

Environmental, Social and Governance (“ESG”)

Robust management of ESG matters is at the heart of what we do and how we work. The Board is committed to ensuring that every action and investment decision that the Group makes is in line with our core values of being responsible stewards of investors’ capital and responsible stewards of the environment. This includes the following points of focus:

- Protecting the Group, safeguarding its existing asset base and positioning it for attractive growth opportunities;
- Seeking creative and beneficial funding opportunities to unlock value from our existing asset portfolio, as evidenced by the U.S. Government funding we received for our drilling programme on the Paradox project;
- Adopting a disciplined focus on growth via the acquisition of producing or near-term development opportunities in the Rocky Mountain region. In the current economic climate, we believe that attractive, value-additive acquisitions are available and may be acquired using non-traditional funding structures;
- Tight financial controls and cash preservation, which will enable the Group to continue trading effectively; and
- Continuing to ensure management and the Board are aligned with our Shareholders through significant ownership of shares.

Environmental, Social and Governance (“ESG”) continued

Environmental

Protection of the environment and robust environmental management are of primary importance to the Board. The Company is committed to minimising its environmental impact through positive actions and to protect the surroundings in which we operate.

We are committed to:

- Limit our own carbon emissions through our VERs credit programme with a goal to mitigate all Scope 1 carbon emissions;
- Comply with applicable environmental laws, regulations and standards of the U.S. where we operate;
- Operate in a safe manner to avoid spills, leaks or accidental discharges of polluting materials;
- Evaluate and utilise new technologies, such as solar and battery powered control systems at our operated projects;
- Minimise our land footprint by utilising efficient pad design and co-location of wells;
- Promote efficiency in our use of energy and water with the aim of conserving natural resources;
- Ensure that environmental accidents, incidents, near misses and non-compliances are reported and investigated, and that corrective and preventive actions are implemented as rapidly as possible;
- Monitor and evaluate our own and contractor proficiency and conduct periodic audits to ensure our controls are effective and that environmental standards are being achieved; and
- Reporting transparently on our environmental performance and the status of our environmental objectives and targets.

The Board is proud of how Zephyr conducted its operations in the period under review, particularly in regard to the State 36-2R well drilling programme and subsequent production test, and we will always strive to adhere to our core values.

Social

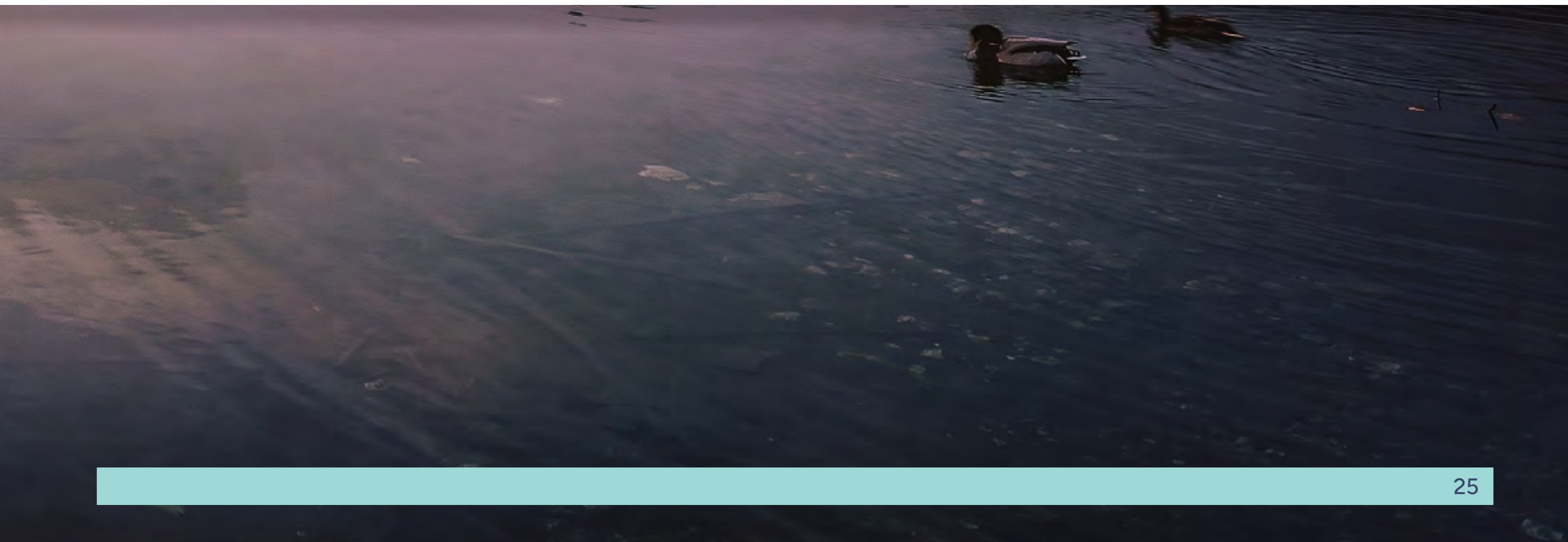
Contributing to the communities in which we work is important to the Board. It is essential that the Group conducts its operations in such a way as to minimise the potential impact from our activities and deliver positive outcomes in the communities in which we operate.

We are committed to:

- Complying with applicable social laws, regulations, and good international industry practices;
- Be active participants in our local communities and, in particular, to be supporters of land and grassland conservation projects in those communities;
- Establishing suitable platforms to share all requisite information regarding our operations with different stakeholders, including local communities, and promoting dialogue and constructive engagement; and
- Supporting our colleagues in creating an inclusive and safe environment for them to work.

Health and safety

Zephyr has a zero-harm safety culture focused on continuous improvement to achieve an injury-free and safe work environment. It is the Group’s policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees. The Board is proud to report that during the period there were no LTIs.



Financial review

The 2025 financial year was characterised by further investment in the Paradox project, and particularly operations on the State 36-2R well.

The non-operated portfolio continued to deliver in line with expectations albeit against a backdrop of lower commodity prices in 2025 compared to the prior year.

Income statement

During the year ended 31 December 2025, the Group generated revenue of US$13.9 million (2024: US$24.3 million) and reported a gross profit of US$2.5 million (2024: US$7.2 million). The decline in revenues year-on-year was the result of lower commodity prices in 2025, the natural decline of the non-operated portfolio and as a result of the Slawson wells being offline for a large part of the year.

Administrative expenses for the year were US$5.8 million, in line with the prior year (2024: US$6.0 million).

At 31 December 2025, the Directors did not identify any indicators of impairment on its oil and gas properties. At 31 December 2024, the Directors identified indicators of impairment in its proved oil and gas properties and carried out an impairment test in accordance with IAS 36 Impairment of assets. The results of the test indicated that a non-cash, accounting impairment charge of US$14.5 million should be recognised.

The Group reports a foreign exchange loss of US$4.5 million for the year (2024: gain of US$1.0 million). This non-cash item is predominantly in respect of unrealised losses on the restatement of intercompany loans between the Company and its subsidiaries. These losses arise due to the strengthening of sterling against the U.S. dollar at the end of 2025.

Finance charges of US$2.7 million (2024: US$3.3 million) have been charged in respect of interest and associated costs relating to the Group's borrowings.

The Group reports a net loss after tax of US$10.8 million or a loss of 0.58 cents per Ordinary Share for the year ended 31 December 2025 (2024: net loss US$19.6 million or a loss of 1.13 cents per Ordinary Share). The decrease in the loss from the prior year is largely the result of the US$14.5 million impairment charge in 2024 offset by the reduction in revenues in 2025.

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Balance sheet

Total investment in the Group's exploration and evaluation assets as at 31 December 2025 was US$58.8 million (2024: US$53.2 million) reflecting the ongoing investment in the Paradox project.

The carrying value of the Group's property and equipment, at 31 December 2025 was US$27.6 million (2024: US$27.3 million).

Cash and cash equivalents as at 31 December 2025 were US$3.0 million (2024: US$10.3 million). Included within cash and cash equivalents for 2024 was the sum of US$7.4 million received in exchange for a 50% non-operated working-interest in the State 36-2R well. These funds were fully utilised to develop the well.

The Group's borrowings as at 31 December 2025 were US$23.6 million (2024: US$26.3 million).

In May 2025, the Group announced that it had entered into an agreement with a U.S.-based capital provider focused on the energy sector to fund growth in the non-operated portfolio. Under the terms of the agreement, Zephyr will be responsible for acquiring non-operated assets and the investor will make available up to US$100 million to fund 100% of CAPEX related to the drilling, completing and equipping of those non-operated assets, which will be contained within a defined geographical area.

On 25 June 2025, the Company announced that it had raised approximately US$13.3 million (£9.8 million) (before expenses) through the placing of 326,666,667 new Ordinary Shares to new and existing institutional and professional investors at an issue price of 3 pence per new Ordinary Share (the "issue price"). In addition, certain Directors, management and their affiliates subscribed for 23,333,333 new Ordinary Shares at the issue price raising a further approximately US$0.9 million (£0.7 million) for the Company.

- On 27 June 2025, the Company issued 175,071,902 new Ordinary Shares at a price of 3 pence per new Ordinary Share, raising gross proceeds of approximately US$7.2 million (£5.3 million).
- The remaining 174,928,098 new Ordinary Shares (including those subscribed for by Directors, management and their affiliates) were issued by the Company on 15 July 2025 at a price of 3 pence per new Ordinary Share, raising gross proceeds of approximately US$7.0 million (£5.2 million).

In August 2025, the Group announced the completion of the Acquisition, a US$7.3 million purchase of mature non-operated production assets located across core Rocky Mountain basins.

In November 2025, the Company announced that it had secured US$2.0 million in loan financing from a strategic industry lender.

Financial review continued

Going concern

The Directors' statement in respect of going concern can be found in the Directors' report and note 3 to the Consolidated financial statements.

Subsequent developments

In April 2026, Zephyr announced that one of its U.S. subsidiary companies has been targeted in a cybersecurity incident. The highly sophisticated incident involved the diversion of a single payment to a contractor and resulted in funds of circa US$0.95 million being transferred to a third-party account. Upon discovery of the incident, the Company immediately notified the relevant law enforcement authorities and continues to work with the corresponding banks and consultants to attempt to recover the diverted funds.

In May 2026, and as part of the Company's ongoing portfolio management, the Company announced that it had completed multiple cash generative divestments of non-core, non-producing acreage that was obtained in conjunction with the Acquisition. Since the completion of the US$7.3 million Acquisition, Zephyr announced that it had generated circa US$7.0 million in total consideration from the divestment of non-core assets (comprised of US$5.8 million in cash proceeds and the divestment of US$1.2 million in near-term plugging, abandonment and capital liabilities).

Key performance indicators

As part of Zephyr's ongoing development of the Paradox project and the build-out of the non-operated portfolio, the Board tracks its performance against indicators that reflect the strategic, operational and financial progress, as well as our impact on society and the environment. These indicators allow the Board, management and stakeholders to compare Zephyr's performance to its goals.

	Why we measure	Performance
Safety performance	• The Group has a zero-harm safety culture focused on continuous improvement to achieve an injury-free and safe work environment • We require employees and contractors to work in a safe and responsible manner and provide them with the training and equipment to do so	• There were no reported LTIs during the 2025 financial year (2024: nil)
Adjusted EBITDA Loss before tax adjusted for DD&A, ECL, impairments, share-based payments, unrealised foreign exchange gains / losses, net finance costs and unrealised losses on derivative contracts	• Indicator of the Group's cash generation to fund expenditures and/ or return capital to Shareholders	• 2025 Adjusted EBITDA was US$1.7 million • 2024 Adjusted EBITDA was US$10.9 million • The difference between the Adjusted EBITDA for 2025 and the prior year was primarily the result of lower commodity prices in 2025, the standard decline of the non-operated portfolio and the shut-in of the Slawson wells during the year. Following the completion of the Acquisition, and given current high commodity prices, Adjusted EBITDA is expected to increase in 2026.
Net sales volumes	• Indicator of revenue generation potential • Measure of progress towards achieving production forecasts and driving profitable production growth	• FY 2025 sales volumes of 302,585 boe • FY 2024 sales volumes of 420,724 boe • Decrease primarily the result of lower commodity prices in the year, Slawson wells being offline during the year and standard production decline of the non-operated asset portfolio
Growth of Paradox project reserves / resources	• Indicator of economic viability and long-term production potential of projects	• At 31 December 2025, the Group had Paradox Basin 2P reserves of 35.3 mmboe (2024: 2.6 mmboe) and 2C resources of circa 74.2 mmboe (2024:34 mmboe). • The increase in reserves and resources was the result of the updated CPR completed following the successful production test of the State 36-2R well
Carrying value of asset portfolio	• An indication of Zephyr's investment into, and potential value in, Zephyr's asset portfolio as well as an indication of activity level during the period	• At 31 December 2025 the carrying value was US$86.4 million (2024: US$80.5 million).

CJ Eadie
Group Finance Director

29 June 2026

Principal risks and uncertainties

All companies in the oil and gas industry operate in an environment subject to inherent risks and uncertainties. At Zephyr there are a number of key potential risks and uncertainties (both financial and non-financial) which the Board believes could have a material impact on the Company's long-term performance and could cause actual results to differ from expected and / or historical results. The Board considers these risks during its regular meetings and discussions. The Board continually reviews the strategy of the Company and is comfortable with the level of risk it undertakes to deliver on the strategy.

The principal risks and uncertainties that the Group faces are:

Non-financial risks

- **Changes in government law or regulatory policy in the U.S.** could materially affect the rights and title to the interests held by the Group, and the operations and financial condition of the Group could be adversely affected. The Group is in continual proactive dialogue with both its U.K. and U.S. regulators to ensure ongoing compliance with its obligations.
- **Climate related issues** remain at the forefront of Board conversations and decisions. While climate-related opportunities continue to emerge in this rapidly evolving area, the Board recognises that these issues also present a risk to Zephyr that environmental regulations, climate change concerns, and investor driven change may result in (i) increases to the cost of doing business, (ii) hinder our ability to continue executing our strategy, or (iii) restrict access to certain markets or investors.
- **Zephyr is dependent on the continued services and performances of its core management team.** The loss of key personnel could have an impact on our ability to meet our strategic objectives. The Remuneration Committee reviews the employment terms for executives and key operational management with the aim of attracting, motivating and retaining key personnel for the Group. The Committee has also engaged an external, independent consultant to benchmark compensation against similarly sized industry group peers.
- **Potential impacts from a lack of adherence to health and safety policies** may result in fines and penalties, serious injury or death, environmental impacts, statutory liability for environmental redemption and other financial and reputational consequences that could be significant. Effectively managing Health and Safety Risk exposure is the top priority for the Board and management team which regularly review health and safety programmes and mitigations. Health and safety training is included as part of all staff and contractor inductions. Detailed training on our field manual procedures has been provided to key stakeholders to ensure processes and procedures are embedded throughout the organisation and all operations.
- **Drilling activity on Paradox project** has a significant impact for the Group. Poor results from the wells drilled can have wider implications on the future development of the project. The Board is ensuring that all activities are appropriately planned and the technical team has undertaken a thorough review of geological and technical risks.
- **There is execution and geological risk on the Paradox wells**. The wells are deep, drilled in over pressured reservoirs, and will at times be hydraulically stimulated to deliver commercial production. The well control incident experienced in 2023 was a stark reminder of the complexity of drilling in the Paradox Basin and of the associated execution risk. The Group's technical team has considerable experience working on this project. In addition, the oil field service industry is well developed in the U.S. and the Group will only engage experienced contractors and service providers with detailed knowledge of relevant hydraulic stimulation techniques.
- **There is operational risk** associated with the availability of transportation, processing and marketing services for hydrocarbons produced from the Paradox wells. The Group's wells are located in a relatively remote area with limited midstream infrastructure and service providers. The unavailability of any given service or the availability of service at uneconomic terms could have material implications for the scale and timing to develop the project. The Group's technical team is actively engaged in discussions with service providers and evaluating alternative solutions.
- **Cybersecurity risks** for companies have increased significantly in recent years due to the mounting threat and increased sophistication of cybercrime. A cybersecurity breach, incident or failure of our IT systems could disrupt our businesses, put employees at risk, result in the disclosure of confidential information, damage our reputation and create significant financial and legal exposure. Employees are our first line of defence against these attacks, and we promote secure behaviours to help mitigate this growing risk. We engage with key technology partners and suppliers to ensure potentially vulnerable systems are identified and secured. Following a cybersecurity incident in April 2026 the Company implemented a rapid response to contain the incident and put in place further IT and internal controls to reduce the risk of any further incidents.

Principal risks and uncertainties continued

- **Future legal proceedings could adversely affect the Company's business, results of operations or financial condition.** The Company may face legal proceedings that may result in the Company having to pay material damages and/or other remedies. While the Company would assess the merits of each legal proceeding and defend the Company accordingly, it may be required to incur significant expenses or devote significant resources to defend against such legal proceedings. In addition, legal proceedings are also difficult to predict, which may force the Company into settlement arrangements even in the absence of any culpability from its part. Furthermore, the adverse publicity surrounding legal proceedings may negatively affect the Company's relation with local communities, government and non-government organisations, which could also impact the Company's activities. As a result, legal proceedings could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. To manage this risk the Company consults legal counsel when it faces potential legal proceedings. The Board and management consult legal counsel when conducting activities or entering into agreements that are viewed to have the potential to give rise to material legal proceedings.
- **Failure to manage relationships with local communities, environmental groups and non-government organizations could adversely affect the Company's future growth potential.** The activities of oil and gas companies often face scrutiny from the public and receive negative publicity. Although the Company's operations are not located in or near large communities, the Company's ability to further expand its operation may be hindered by communities that may regard oil and gas activities as detrimental to their environmental, economic or social circumstances. Furthermore, oil and gas companies are also increasingly facing scrutiny by environmental groups regarding the effect operations may have on the animal life in the region. Negative reaction to its operations could have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could give rise to material reputational damage. These disputes are not always predictable and may cause disruption to projects or operations. Failure to manage relationships with local communities, environmental groups and non-governmental organisations may adversely affect the Company's reputation, as well as its ability to commence production projects in certain locations, which could in turn affect its long-term prospects and the Company's business, financial condition and results of operations. The Company's current leased acreage is not in the immediate vicinity of any local community. To manage this risk the Company ensures that it conducts operations in a legal and responsible manner and complies with applicable rules and regulations.

Financial risks

- **There is a risk that the carrying value of the Group's assets will not be recovered** through future revenues, leading to impairment losses. The Group manages the recoverability of its assets and assesses the economic viability throughout the exploration, development and production phases.
- **Commodity risk** - The activities of the Group are subject to fluctuations in prices and demand for commodities, which are volatile and cannot be controlled. Fluctuating commodity prices could have a significant impact on the Group's operations. The Group has implemented a hedging programme to manage the potential downside risks in fluctuating commodity pricing. This hedging programme is expected to enable the Group to meet its ongoing funding obligations.
- **Currency risk** - Funds are maintained by the Group in Great Britain Pounds sterling ("GBP") and U.S. dollars ("US$"). There is a risk that purchasing power in the U.S. is lost through foreign exchange translation. The Group considers its foreign exchange risk to be a normal and acceptable business exposure and does not hedge against the risk at present.
- **Funding risk** - There is a risk that there will be insufficient access to funding to meet all corporate, development and production obligations and activities. The Group manages liquidity risk by maintaining adequate cash reserves and carefully monitoring forecast and actual cashflows. The Board reviews the Group's cashflow projections and forecasts on a monthly basis. The Board has a strong track record in capital market fundraisings and has excellent relationships with its debt providers.
- **Borrowing risk** - There is a risk that the Group will not meet the terms of the covenant as required under the terms of its borrowings from FIBT and this could impact upon the Group's borrowing capacity. The Group was in full compliance with the terms of the covenant in the periods reported.

S172(1) statement

Statement by the Directors in performance of their statutory duties in accordance with S172(1) and 414CZA of the UK Companies Act 2006

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole. The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

- The likely consequences of any decision in the long-term,
- The interests of the Company's employees,
- The need to foster the Company's business relationship with suppliers, customers and others,
- The impact of the Company's operations on the community and environment,
- The desirability of the Company maintaining a reputation for high standards of business conduct, and
- The need to act fairly between members of the Company.

Zephyr's Board, both individually and together, have acted in good faith, in a way they consider would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole.

Maintaining high standards of business conduct

The Company is incorporated in the U.K. and governed by the Companies Act 2006. The Company has adopted the QCA Corporate Governance Code 2023 and the Board recognises the importance of maintaining a high level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded.

Stakeholders

The Board defines its stakeholders as the many individuals and organisations that are affected by the Company's operations and with whom we seek to proactively and positively engage on a regular basis. We strive to maintain productive, mutually beneficial relationships with each stakeholder group by treating all stakeholders with fairness and respect and by providing timely and effective responses and information.

Engaging our stakeholders informs our decision-making, including consideration of our long-term strategic objectives and the activities that support these aims.

Our engagement with stakeholders includes personal contact via face-to-face or telephone conversation, email exchange, social media, company reports, press releases, investor presentations or conference participation and other company engagement.

S172(1) statement continued

Employees

Our Employees are one of the main assets of our business. The Board recognises that our employees are key to delivering on the Company's vision and goals.

We ensure that:

- Health, Safety and the Environment are considered paramount throughout the organisation.
- There is competitive pay and employee benefits. Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefitting fairly and to retain and encourage skills vital for the business.
- There is ongoing necessary training and development and career prospects available.
- There are freely available Company policies and procedures.
- Working conditions are favourable.

The Remuneration Committee oversees and makes recommendations on executive compensation and long-term option and share awards.

Suppliers and Regulatory Authorities

The Board acknowledges that a strong business relationship with suppliers is a vital component of growth. Whilst day to day business operations are delegated to the executive management and the senior management team, the Board sets directions with regard to new business ventures. The Board upholds ethical business behaviour across all of the Company's activities and encourages management to seek comparable business practices from all suppliers doing business with the Company. We value the feedback we receive from our stakeholders, and we take every opportunity to ensure that where possible their wishes are duly considered.

Community and Environment

The Company fully recognises that the oil and gas industry, alongside other stakeholders such as governments, regulators and suppliers, must contribute to reduction of carbon-related emissions, and is committed to contributing positively towards improving environmental performance of the Company and acting responsibly.

Governments and regulators

Executive and operational management engage with federal, state and local regulators to address legislative, regulatory and operational matters important to our business and our industry. We also proactively engage with regulatory agencies throughout the year to keep them appraised of our operational and well retirement activities and to provide objective and measurable progress indicators.

Communities

We actively seek to support sustainable socio-economic development in the communities in which we live and work and aim to minimise any potential negative impacts from our operations.

Shareholders and debt providers

The Board places equal importance on all Shareholders and recognises the significance of transparent and effective communications with Shareholders.

As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our Shareholders. The primary communication tool with our Shareholders is through the Regulatory Information Service, ("RIS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major Shareholder information and QCA Code disclosure updates under AIM Rule 26. Changes are promptly published on the website to enable the Shareholders to be kept abreast of the Company's affairs. The Company's Annual Report and Notice of Annual General Meetings ("AGM") are available to all Shareholders. The Interim report and other investor presentations are also available on our website.

The Board acknowledges that encouraging effective two-way communication with Shareholders encourages mutual understanding and better connection. By providing a variety of ways to communicate with investors the Company feels that it reaches out to engage with a wide range of its stakeholders. The Company has endeavoured to maintain communication with investors and believes that engagement has been carried out efficiently.

On a monthly basis we provide financial and operational updates to our primary commercial debt provider.

More information on how the Company considers and discharges its obligations in respect of S172 Companies Act 2006 in respect of its stakeholders can be found in the Corporate Governance section of this document.

The Strategic report on pages 2-31 was approved by the Board on 29 June 2026.

On behalf of the Board,

JC Harrington
Chief Executive Officer

29 June 2026

Governance

I strongly believe that the Group's success is directly linked to sound and effective governance and we remain committed to achieving high standards in everything we do.

RL Grant
Non-Executive Chair

Board of Directors

1 Rick Grant

NON-EXECUTIVE CHAIR

Rick has a 40-year track record of success in the oil and gas industry. Rick is co-founder and Chairman of Origin Creek Energy LLC ("OCE"). OCE makes US$2-US$20 million foundational investments in the domestic U.S. energy sector. The firm's capital is provided by its partners and two affiliated family offices.

Prior to OCE, Rick was CEO of Suez North America LNG and then served as CEO of Suez Global LNG. During his career, Rick has had significant success managing multi-billion dollar organisations and developments, and has been involved in a number of profitable corporate exits.

2 Colin Harrington

CHIEF EXECUTIVE OFFICER

Colin began his career in energy finance in 1998, and previously worked in New York, London, Washington DC and San Francisco. Over the course of his investment banking and investment management career, he has had significant experience executing recapitalisations and turnarounds at natural resource companies.

Prior to Zephyr, Colin served as CEO of OCE, a special situations investor in the onshore US oil and gas sector. Prior to that, Colin was Managing Partner of the Wellford Energy Group and former CEO of Wellford Capital Markets, a FINRA-registered broker dealer boutique which specialised in the energy markets.

3 Chris Eadie

GROUP FINANCE DIRECTOR AND COMPANY SECRETARY

Chris is an experienced Finance Director with extensive corporate finance experience within both public and private companies in the natural resources sector.

Chris qualified as a Chartered Accountant with PricewaterhouseCoopers after which he held a number of senior finance positions at Cable and Wireless PLC.

Prior to joining Zephyr, Chris was, amongst other things, Finance Director of AIM listed Aurum Mining PLC, and was involved in the wholesale restructuring of the Company into Shearwater Group PLC, the AIM listed cybersecurity and risk management company.

4 Gordon Stein

NON-EXECUTIVE DIRECTOR

Gordon is a commercial CFO with over 30 years of expertise in the energy, natural resources and other sectors. A member of the Chartered Institute of Public Finance & Accountancy, Gordon is currently a consultant to the Chief Financial Officer at CleanTech Lithium plc, an exploration and development company advancing the next generation of sustainable lithium projects in Chile.

Previously, Gordon was the CFO and an Executive Director of Columbus Energy Resources plc, an AIM-traded oil and gas company, CFO of AIM-traded Madagascar Oil Limited and has also been CFO of Cadogan Petroleum plc an independent oil and gas exploration, development and production company with onshore gas and condensate assets in Ukraine. Prior to that, Gordon held a number of other roles in the energy sector at start-ups to major companies.

5 Tom Reynolds

NON-EXECUTIVE DIRECTOR

Tom is a chartered Chemical Engineer with 25 years' experience in the energy sector spanning executive management of private and public E&P companies, private equity investment and advising early stage companies.

Tom is currently the CEO of Prospex Energy. Previously, Tom led two public E&P companies between 2008-2016 – Bridge Energy ASA and Iona Energy Inc. – providing him with a broad range of North Sea experience including cross border mergers, IPOs, acquisitions & disposals, the Nordic bond market, debt restructuring and investor relations in London, Oslo and Toronto. Previously, Tom joined the oil and gas investment team of 3i in 2003 where he led the origination and assessment of E&P opportunities in the North Sea and internationally. Tom is also the former CEO of Scirocco Energy.

Senior management

1 Andy Lee

CHIEF FINANCIAL OFFICER (U.S.)

Andy has over 25 years of energy experience and began his career as a drilling engineer for ExxonMobil working in Wyoming, West Texas, Gulf of Mexico, and Norway. He later moved to the finance side of the industry where he worked in roles such as public equity analyst, private equity investor and M&A principal.

Most recently, Andy was President and co-founder of Cat Canyon Resources, where he raised investment funds to acquire and develop a heavy oil field. Under his tenure, Cat Canyon commenced an active horizontal drilling programme and grew from California's 19th largest oil company to the 10th largest in less than three years.

Andy holds a BS degree in Mechanical Engineering and Political Science from MIT and an MBA from The Wharton School.

2 Gregor Maxwell

CHIEF OPERATING OFFICER

Gregor has a PhD in Reservoir Geology, with 25 years experience spanning production to new ventures roles.

Previously Gregor has worked with Apache, Rocksource and Chevron. He is now responsible for spearheading ZPHR analytics and technical approach.

3 Ryan Walter

VP OF OPERATIONS

Ryan holds a Bachelor of Science in Mechanical Engineering from Purdue University and has over a decade of experience in the oil and gas industry.

Prior to Zephyr, Ryan served as a Senior Operations Engineer and Joint Interest Supervisor at Whiting Petroleum, where he supported operations in both the Williston Basin and DJ Basin.

4 Jorge Gutierrez

EVP GENERAL COUNSEL

Jorge has oversight of the Company's legal affairs.

He previously worked for over 15 years in private practice in Dallas, Texas with an emphasis in representing private and publicly traded companies operating in the upstream and midstream sectors of the energy industry. He is admitted to practice law in the State of Texas.

5 Heather Hatfield

CHIEF ACCOUNTING OFFICER

Prior to joining Zephyr Heather served as the Chief Accounting Officer at Cat Canyon Resources, LLC. from June 2019 to October 2023. She served as Controller at Elk Petroleum from 2018 to 2019. From 2014 to 2018 she served as Chief Accounting Officer at Venoco, LLC and from 2013 to 2014 she served as Internal Audit Director at Venoco. Heather began her career in public accounting and worked at Grant Thornton from 2008 until 2013 in various roles, including, Advisory Services Senior Manager.

Heather is a certified public accountant and holds a Bachelor of Arts degree in business and accounting from Western State College of Colorado and a Masters of Accountancy from the University of Denver.

Corporate governance statement

At Zephyr we strive to ensure that our governance standards meet best practice, and it is a privilege to work with a Board and team that is committed to maintaining high standards of corporate governance. As Chair of Zephyr, my role is to provide leadership, in particular ensuring that the Board performs its role effectively and has the capacity, ability, structure, corporate governance systems and support to enable it to continue to do so.

I strongly believe that the Group's success is directly linked to sound and effective governance and we remain committed to achieving high standards in everything we do. All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Zephyr stakeholders, including Shareholders, staff, clients, suppliers and the Governments and regulators of the countries in which we operate.

The Directors have developed a corporate governance framework and policies appropriate to the size of the Group. As the Group grows, the Directors and management will continue to review and adjust our approach and make ongoing improvements to the Group's corporate governance framework and policies and procedures as part of building a successful and sustainable company. Good governance creates the opportunity for appropriate decisions to be made by the right people at the right time to support the delivery of our strategy and manage any risks associated with delivery of that strategy.

Zephyr is listed on the AIM Market of the London Stock Exchange ("AIM") and as such is required to apply a recognised corporate governance code. The Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which is designed for small to mid-sized companies and which has been adopted by the majority of AIM listed companies. A full version of the code is available at http://www.theqca.com.

In 2023, the QCA published an updated corporate governance code (the "2023 QCA Code") which applies to financial years beginning on or after 1 April 2024. The revised Code gives greater prominence to themes which are increasingly relevant to business practices and investor focus such as Director remuneration, succession and contingency planning, risk management and Board independence and composition.

The Code is constructed around ten broad principles and a set of disclosures. The Code states what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and we provide an explanation of the approach taken in relation to each principle on our website and a summary is set out below.

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values.

The Board continually assesses its corporate governance processes to ensure that Zephyr continues to comply with best practice as outlined in the Code. No major corporate governance issues arose during the year under review.

RL Grant
Non-Executive Chair

29 June 2026

Corporate governance statement continued

The Board and its committees

The Board is responsible for the operational and financial direction and overall strategy of the Group with an emphasis on funding, business development, financial performance and major operational issues.

Formal Board meetings are scheduled, on average, every four weeks with regular contact between meetings as required. During the year there were more than ten formal Board meetings, in addition to regular informal Board discussions, and each of the formal meetings was attended by every Director. The meetings are held to monitor and implement strategy, to review performance (including cash forecasts and ESG compliance), potential acquisitions, fundraising activity and to consider communications to the London Stock Exchange and Shareholders.

During the year, the matters reserved for the Board's decision have been reviewed and reaffirmed. Specific matters for the Board's consideration include:

- Approval of the Group's strategic plan;
- Review of the performance of the Group's strategy, objectives, business plans and budgets;
- Review and assess the Group's sustainability and ESG goals;
- Approval of the Group's operating and capital expenditure budgets and any material changes to them
- Review of material changes to the Group's corporate structure and management and control structure
- Review of changes to governance and business policies;
- Monitoring efforts related to community and stakeholder engagement;
- Ensuring an effective system of internal control and risk management;
- Ensure that appropriate succession planning procedures are in-place;
- Approval of annual and interim reports and accounts, and preliminary announcements of year-end results; and
- Review of the effectiveness of the Board and its committees.

There is also an established procedure for all Directors to take independent professional advice, if necessary, at the Group's expense. Additionally, all Directors have access to the advice of the Group's advisers. The Group maintains Directors' and Officers' liability insurance.

The Board members are mindful of the need to keep skills and experience up to date which is done through a combination of training, continuing professional development through professional bodies, reading and on the job experience.

All Directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to prioritise and attend Board meetings and any additional meetings wherever possible.

Details of Directors who served during the year are set out in the Directors' report. The Board is currently comprised of two Executive Directors and three Non-Executive Directors, one of whom acts as Chair. There are separate roles for the Chair and the Chief Executive Officer.

The Board has established an Audit Committee, which comprises of two Non-Executive Directors. The Audit Committee meets two or three times a year and the Group's external auditor is invited to meetings where appropriate. The main responsibilities of the Audit Committee are to review and report to the Board on matters relating to:

- The integrity of the financial statements of the Group, including its annual and interim accounts;
- The effectiveness of the Group's internal controls and risk management systems;
- The accounting policies and practices of the Group;
- Audit plans and the Auditor's report, including any significant concerns the external auditor may have arising from their audit work; and
- The terms of appointment, remuneration and independence of the auditor.

The Board also has an established Remuneration Committee, which comprises the Non-Executive Chair and one Non-Executive Director. The Remuneration Committee meets at least twice a year and reviews the performance of the Executive Directors and the scale and structure of their remuneration having due regard to the interests of our Shareholders. The Committee is also responsible for awards under the Group's share option and incentive plans. No Director is involved in any decision relating to their own remuneration.

The remuneration of the Non-Executive Directors is determined by the Board.

Corporate governance statement continued

Communication with Shareholders

The Board encourages regular and transparent dialogue with the Group's Shareholders. All Shareholders are invited to the AGM at which Directors are available for questioning. The notice of AGM is sent to all Shareholders at least 21 clear days before the meeting. The number of proxy votes received for and against each resolution is disclosed at the AGM and a separate resolution is proposed on each item. Financial and other information about the Group is available on the Group's website www.zephyrplc.com.

Internal controls

The Board is responsible for establishing the Group's system of internal controls and for reviewing its effectiveness. Reflecting the size of the Group, a key control procedure is the close day-to-day supervision of the business by the Executive Directors, supported by the senior management with responsibility for key tasks and operations.

The key procedures that have been established, and which are designed to provide effective internal control are as follows:

- Each of the Group's subsidiaries is managed by an Executive Director and there is a management reporting process in place to enable the Board to monitor the performance of the Group on a regular basis;
- Monthly cash forecasts are prepared and formally reviewed by the Board;
- The Board reviews the major business risks faced by the Group and determines the appropriate course of actions required to manage those risks;
- The Board approves proposals for the acquisition of assets or new businesses and sets guidelines for the development of new properties. Capital expenditure is regulated and written proposals must be submitted to the Board for any expenditure above specified levels;
- Consolidated management information is prepared on a regular basis; and
- The Board has regular briefings from the Company's Nominated Adviser and Legal Counsel.

The Board reviews the effectiveness of the system of internal controls and the control environment.

In April 2026, Zephyr announced that it has been the target of a highly sophisticated cybersecurity incident which involved the diversion of a single payment to a contractor and resulted in funds of circa US$0.95 million being transferred to a third-party account. While Zephyr uses industry standard practices in relation to its technology and payment systems, additional layers of security have been implemented as a result of this attack.

Other than the cybersecurity incident, no other significant control deficiencies were reported during the year under review and no other weaknesses in internal controls resulted in any material losses, contingencies or uncertainty which would require disclosure as recommended by the guidance for Directors on reporting on internal controls.

The Board has reviewed the need for an independent internal audit function and has concluded that, at the current time, the Group is not yet large enough to warrant this.

Corporate governance statement continued

As outlined above, the Board adopts the QCA code and an overview of the extent of the Group's compliance with the ten principles that comprise the Code, are set out below. Similar information can be found on the Company's website under the corporate governance section of the AIM Rule 26 disclosure.

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 1 **Establish a purpose, strategy and business model which promotes long-term value for Shareholders.**	Fully Compliant	Zephyr's purpose is to focus on hydrocarbon exploration, appraisal and production in the Rocky Mountain region of the U.S., a region of low sovereign risk where its specialist expertise lies, and with a clear objective to deliver Shareholder value over the medium and long term. Zephyr is focused on maximising the potential returns to Shareholders through carefully targeted exploration, appraisal, development and production activities in established and highly prospective areas underpinned by detailed geological analysis. Where appropriate, the Company will also consider undertaking value accretive acquisitions or divestitures of assets following careful analysis and, as appropriate, Shareholder engagement. A summary of the Group's business model and strategy can be found in the Strategic report within this Annual Report. Key risks and mitigating actions are detailed in the Principal risks section of the Strategic report within this Annual Report.	Strategic report
QCA Code 2 **Promote a corporate culture that is based on ethical values and behaviours.**	Fully Compliant	The Board spends a significant amount of time formulating and agreeing on the core principles and values under which Zephyr will operate. In short, Zephyr's team will always strive to be responsible stewards of its investors' capital and responsible stewards of the environment in which we work. We believe that good environmental performance, together with good governance practices, will translate into good business performance and we are therefore focused on delivering strong economic returns in the most environmentally responsible manner practical. The Company's corporate culture is defined by the Board of Directors and communicated throughout the organisation by the CEO and the senior management team. The Company upholds a culture founded on ethical values and behaviours, ensuring that employees, consultants, and operational and financial stakeholders are treated fairly and with respect. This corporate culture and system of values guide and support the Company's purpose, objectives, business model and strategy of the Company. The Board communicates the desired corporate culture regularly with the CEO, and throughout the year in their interactions with staff. The CEO further implements the culture across the Company through regular weekly leadership team meetings, routine engagement with all staff at the individual level, emails and presentations, always advocating respectful dialogue with employees, consultants and other stakeholders. Reinforcing this culture, the Company has implemented a number of policies and procedures to drive ethical values and behaviours to every aspect of the business of the Company including a whistleblower, anti-bribery, anti-corruption policies, travel and expense policies. During the year, no material deviations from the Company's stated values were identified.	Chair's statement, Strategic report Corporate governance statement

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 3 **Seek to understand and meet Shareholder needs and expectations.**	Fully Compliant	The Board is committed to maintaining good communication and having dialogue with private and institutional Shareholders, as well as analysts who cover the Company. The Company maintains an informative and regularly updated website through which Shareholders can obtain copies of the Company's financial reports, and other regulatory documents and regulatory information service releases. The website includes copies of presentations made to Shareholders and the investment community, as well as providing key background information about the Company and its projects. The Company's progress on achieving its key targets is regularly communicated to investors via regulatory information services. In accordance with stock exchange regulations, the Company provides operational updates, publishes financial results on a half yearly basis, information releases relating to matters of material importance to the Company's business, and releases of a regulatory nature. The Company retains the services of a corporate communications firm which actively engages with the press, investors, analysts, and, as appropriate, with social media. The Company also retains two Corporate Brokers and a Nominated Adviser ("NOMAD"), to ensure compliance with stock exchange regulations as well as to ensure communications to Shareholders are suitable for them to understand the Company's operations and activities. The Company regards the AGM as an important opportunity to communicate directly with Shareholders. In addition, the Company also proactively hosts regular webinars which are open to all Shareholders and interested parties. The Company also undertakes investor roadshows and analyst meetings, as and when appropriate. Over the past year, the Company considers that it has communicated with a significant portion of its Shareholder base and has a clear understanding of Shareholder expectations. In all communications with Shareholders and the general market, the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations. Contact details are provided on the Company's website and within public documents, should Shareholders wish to communicate with the Company.	www.zephyrplc.com; Regulatory updates, Annual General Meeting, investor presentations and full contact details on the Group's website. Strategic report, Environmental, Social and Governance ("ESG") section.

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 4 **Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success**	Partially Satisfied	This Annual Report includes a section 172 statement which discusses how the Company considers the interests of Shareholders and other relevant stakeholders in its decision making. Directors and employees adopt a broad view during decision making to take meaningful account of the impact of the business on all key stakeholder groups. The Company recognises that long-term success relies upon good relations with a range of different stakeholder groups, and as such recognises their responsibilities to stakeholders within the areas it operates. Given the current size of the Company, stakeholders are able to communicate directly with management and staff members, allowing the Board to receive reports of such interactions and act appropriately on any such feedback. The Company is conscious of its impact on the geological, archaeological, cultural and biological resources in its operating environment, and has implemented measures to ensure that each person working on our projects, including company personnel, contractors and subcontractors, are informed of the environmental, social and cultural concerns, as well as health and safety measures that relate to that person's job, so that we can minimise any negative impacts. For example, prior to any major field operation, the Company holds training sessions with the contracting crew assigned to the project to relay the Company's policies related to cultural, environmental, and safety conscious operations. The Company seeks to conduct its activities in a way that keeps its environmental and social impacts to a minimum. Stakeholders can contact the Company via the website or can contact the Company's retained corporate communications advisers when required. Additionally, the Company has a whistleblower policy whereby employees or stakeholders can raise concerns in confidence, knowing there are processes in place to ensure such matters are carefully considered and, where appropriate, actions can be taken. At present, the Board does not use Key Performance Indicators (KPIs) or defined forward-looking targets for tracking performance on environmental and social issues that the Board considers material to the Group, as these have not been areas of significance raised by the Company's Shareholders to date, although the Company will consider the need for this going forward should there be a material expectation from Shareholders for this.	www.zephyrplc.com S172 statement Strategic report

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 5 **Embedding effective risk management internal controls and assurance activities considering both opportunities and threats, throughout the organisation.**	Fully Compliant	The Board operates a comprehensive system of internal controls designed (to the extent considered appropriate) to safeguard the Group's assets and protect the business from identified risks, including reputational risk. As well as tight oversight exercised by the Executive Directors, and appropriately trained and qualified staff, the Board engages appropriate auditors and consultants to assist in identifying and managing risk. The Company's approach to the management and identification of risk is set out in the Principal risks and uncertainties section of the Strategic report. The Company's key risks centre around the geological, operational and engineering risk associated with drilling and testing wells at the Paradox project, and the implications of disappointing results, together with the financial costs of drilling such wells. Prior to undertaking any major operational activities, the Company carefully estimates costs (including contingency), which provides an estimate of the financial risk associated with that particular activity. The Company carefully assesses that risk and undertakes a formal approval process for such expenditures, representing the maximum financial (cash) risk associated with an activity, and these expenditures are approved prior to committing to that expenditure. As part of its risk management process, the Company also considers potential impacts on the broader asset position resulting from the outcome of that activity. Given the Company's current size, the Board considers that the executive management team, with consultation and feedback from the Non-Executive Directors and relevant advisers, to be sufficient to identify risks applicable to the Company and its operations and to implement an appropriate system of controls. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Company are appropriate to the size and cost structure of the business.	Corporate Governance section of Annual Report Strategic report Principal risks and uncertainties

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 6 **Establish and maintain the board as a well-functioning, balanced team led by the Chair.**	Fully Compliant	The Board comprises the Non-Executive Chair, two Executive Directors and two Non-Executive Directors (both of which are considered by the Board to be independent). One of the Non-Executive Directors, GB Stein, acts as the Group's Senior Independent Director. The Board is constantly reviewing its makeup to ensure that it has a sufficient blend between independence on the one hand, and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively. Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chair holds regular update meetings with each Director to ensure they are performing as they are required. Board meetings take place, on average, every four weeks, normally held by video conference owing to the diverse geographic locations of the Board members. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of exploration, development and production of oil and gas assets. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association. The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by Shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Group's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Finance Director. The Chair continually assesses the contribution of each member of the Board to ensure that: • Their contribution is relevant and effective • That they have a commitment to progressing the Group's objectives in order to increase Shareholder value • Where relevant, they have maintained their independence.	See Corporate Governance section of the Annual Report, and the Directors report for full details on the Board structure

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 7 **Maintain appropriate governance structures and ensure that individually and collectively the Directors have the necessary up-to-date experience, skills and capabilities**	Fully Compliant	The Board meets regularly for both formal Board meetings and for informal discussions. The Board sets the direction of the Group through a schedule of matters reserved for its decision. The Board and its committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and committee papers are distributed several days before meetings take place. Any Director may challenge the Group's proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by the Group's management. The Executive Directors consists of the Chief Executive Officer and the Group Finance Director with input from the other Directors. They are ultimately responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. They also manage and oversee key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change. The controls applied by the Executive Directors to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board. The Board is supported by the Audit and Remuneration Committees. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Group, to enable the Committee to discharge its duties. The Audit Committee is Chaired by the Senior Non-Executive Director, GB Stein. The Non-Executive Director, TH Reynolds, is the other member of the Committee. The Remuneration Committee is Chaired by the Non-Executive Director, TH Reynolds. The Non-Executive Chair, RL Grant, is the other member of the Committee. In relation to the cybersecurity incident in April 2026 the Board retained third-party consultants to assist the Company in determining the full nature of the incident and to advise the Company on how it could strengthen its internal controls to mitigate the risk of any further incidents of this nature in the future. The Remuneration Committee uses FIT Remuneration Consultants, a third-party organisation to advise on Board and senior management remuneration.	Corporate Governance section of the Annual Report

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA Code 8 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	Partially Satisfied	The Company regularly considers Board effectiveness and continues to build its effectiveness and self-awareness through discussions with its stakeholders, advisers and Shareholders as well as with the Company's senior management team. The Company's non-executive Directors have expertise in a number of key areas including public corporate finance, project and debt finance, geology, and government and regulation. This expertise is essential when considering the needs of the Board and in monitoring the overall performance of the Company. When reviewing the structure of the Board, consideration is given to current Board composition and skill sets, recent performance, and filling gaps and potential blind spots. Engaging outside expertise (such as discussions with the Company's advisers or consultants) requires the Board to participate in Company self-evaluation and assessment to ensure that the appropriate skill sets, values, and personal attributes needed for Company success are appropriately identified. The Board intends to implement an annual performance review process and will consider the use of external advisors periodically where appropriate. As the Company continues to grow, the Board will review each Director's performance and effectiveness and will add additional resources where appropriate. The Company will continue to liaise with its advisors as to the most appropriate composition and effectiveness of the Board and executive management team. The Company intends to implement a formal self-assessment process of evaluation during the 2026 calendar year.	Chair's statement, Strategic report Corporate governance statement

Corporate governance statement continued

Principle	Extent of current compliance	Commentary	Further disclosure(s)
QCA CODE 9 **Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose, strategy, and culture.**	Fully Compliant	The Remuneration Committee meets regularly to review and consider the Company's remuneration arrangements, ensuring they effectively incentivise the executive management team while supporting the long-term enhancement of Shareholder value. The compensation framework for the executive team has been designed to be clear, transparent and aligned to the Company's purpose, strategy and culture, given its stage of development. Further details are provided in the Remuneration Committee report. The Company puts forth its remuneration report to a non-binding Shareholder vote in order to be fully compliant.	Remuneration report Directors report
QCA CODE 10 **Communicate how the company is governed and is performing by maintaining a dialogue with Shareholders and other key stakeholders.**	Fully Compliant	The Group communicates with Shareholders through the Annual Report, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new Shareholders. The Group also keeps Shareholders updated on progress and developments through its regular market announcements. The CEO remains a key part of encouraging Shareholder interaction and listening to feedback. A range of corporate information (including all group announcements and presentations) is available to Shareholders, investors and the public on the Company's website www.zephyrplc.com. The Board receives regular updates on the views of Shareholders through briefings and reports from the Chief Executive Officer, Group Finance Director and the Group's brokers. The Group communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. Please refer to extensive reporting of Shareholder and stakeholder engagement comments under QCA Code 3 and Code 4, above.	Corporate governance statement Investor section of the Company's website

JC Harrington
Chief Executive Officer

29 June 2026

Directors' report

The Directors present the Annual Report and Financial Statements of the Group for the year ended 31 December 2025.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2025 (2024: nil).

Directors

The Directors who held office during the year, and since the year end are as follows:

JC Harrington
RL Grant
TH Reynolds
GB Stein
CJ Eadie

Directors' remuneration

This information is contained within the Remuneration report.

Directors' interests in shares and share options

The Directors who held office at 31 December 2025 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2025	1 January 2025
CJ Eadie	8,229,640	7,229,640
JC Harrington	179,925,766[1]	160,408,482[1]
TH Reynolds	1,033,333	1,000,000
GB Stein	2,383,333	2,350,000
RL Grant	2,117,284[1]	1,500,000[1]

1 JC Harrington is indirectly the controlling shareholder of Origin Creek Energy LLC ("OCE") which was the beneficial owner of 177,237,262 shares at 31 December 2025. RL Grant is a 19% shareholder of OCE.

Directors' interests in share options of the Company, including family interests, as at 31 December 2025 were as follows:

	Date of grant	No. of shares	Exercise price	Option exercise period
CJ Eadie	24 Mar 2017	500,000	14.0p	24/03/18 to 23/03/27
CJ Eadie	6 April 2018	1,300,000	3.5p	06/04/19 to 05/04/28
CJ Eadie	29 May 2020	6,000,000	0.6p	29/05/21 to 28/05/30
CJ Eadie	10 April 2024	10,447,898	0.1p	10/04/24 to 09/04/34
JC Harrington	29 May 2020	12,000,000	0.6p	29/05/21 to 28/05/30
JC Harrington	10 April 2024	26,601,988	0.1p	10/04/24 to 09/04/34
TH Reynolds	29 May 2020	2,000,000	0.6p	29/05/21 to 28/05/30
TH Reynolds	29 May 2020	818,181	0.1p	29/05/20 to 28/05/27
TH Reynolds	10 April 2024	1,671,730	0.1p	10/04/24 to 09/04/34
RL Grant	29 May 2020	3,000,000	0.6p	29/05/21 to 28/05/30
RL Grant	29 May 2020	1,353,363	0.1p	29/05/20 to 28/05/27
RL Grant	10 April 2024	2,349,545	0.1p	10/04/24 to 09/04/34
GB Stein	29 May 2020	2,000,000	0.6p	29/05/21 to 28/05/30
GB Stein	29 May 2020	545,455	0.1p	29/05/20 to 28/05/27
GB Stein	10 April 2024	1,671,730	0.1p	10/04/24 to 09/04/34

Directors' report continued

Third party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2025, Directors and Officers liability insurance for the benefit of all Directors of the Company.

Corporate governance

Corporate governance matters are set out on pages 34-60.

Substantial shareholdings

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 29 June 2026[1]:

	Number of shares	Percentage of issued share capital
Tyndall Investment Management	212,395,269	10.1%
Origin Creek Energy LLC	177,237,262	8.4%
Premier Miton	127,439,302	6.1%
SGR Investments LLC	64,045,768	3.0%

1 As per most recent notification to the Company

Going concern

The Directors have prepared cashflow forecasts for the Group and Company for the period to 31 December 2027 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. The Company's going concern assessment has been performed as part of the Group's going concern assessment. The Directors have also considered the impact of certain sensitivity scenarios on the cashflow forecasts.

These cashflow forecasts include the forecast revenues from, and the operating costs of, the Group's operations, together with all financing costs, committed development expenditure and operational cashflows. The Directors also considered downside sensitivities on both production volumes and realised commodity prices and concluded that under each scenario modelled the Group would retain sufficient liquidity to meet its obligations throughout the going concern assessment period.

The Group and the Company have existing borrowings, as disclosed in note 23, including a revolving credit facility with FIBT that is due for renewal in December 2026. To meet this obligation, the Group and the Company will require debt refinancing of these borrowings, asset sales or raising of new funding to repay the obligation. The facility has been renewed in each of the previous four years, and the Directors are confident that this will be the case in 2026.

As such, the Group and the Company's ability to continue as a going concern is dependent on debt refinancing of existing borrowings, or alternatively through asset sales or raising new funding, which is not guaranteed.

This indicates the existence of a material uncertainty which may cast significant doubt over the Group and the Company's ability to continue as going concerns, and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors have a high degree of confidence that the Group and the Company will be able to refinance their existing borrowings and will have sufficient funds, or be able to raise sufficient funds, to enable the Group and the Company to continue in operation for at least the next 12 months from the date of approval of the financial statements.

The Directors have extensive experience in raising capital for projects and ventures and remain confident in the Group and the Company's ability to raise the capital necessary to maintain and deliver on its commitments and continue as a going concern.

The Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Post balance sheet events

Events after the balance sheet date have been disclosed in note 32 to the financial statements.

Financial instruments

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 30 to the financial statements.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

BDO LLP served as the Group's external auditor throughout the year under review. The Directors resolved that BDO LLP be re-appointed as auditor. BDO LLP has indicated its willingness to continue in office.

On behalf of the Board,

CJ Eadie
Group Finance Director

29 June 2026

Audit Committee report

I am pleased to present the report of the Audit Committee for the financial year ended 31 December 2025.

This report provides stakeholders an overview of the committee's activities during the financial year, as well as key matters considered following the year-end.

The Audit Committee is a standing committee of the Board that supports the Board in overseeing the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the independence and performance of the external auditor, and the effectiveness of internal accounting and financial controls.

The Committee reviews and monitors the Company's risk management and internal control systems, oversees the external audit function, and provides the Board with information on significant financial matters requiring its attention. It also undertakes any additional oversight activities delegated by the Board. The Committee met on a number of occasions during the financial year with a number of ad hoc discussions between members of the Audit Committee, the Board and the Executive team, senior management.

The Committee's responsibilities are limited to oversight. The Company's management is responsible for establishing and maintaining accounting policies and procedures in accordance with relevant generally accepted accounting principles ("GAAP"), International Financial Reporting Standards ("IFRS") and other applicable reporting and disclosure standards and for preparing the Company's financial statements. The Company's independent auditors are responsible for auditing and reviewing those financial statements.

Each member of the Committee is entitled to rely on the integrity of those persons within the Company and from the professionals and experts from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

Key matters considered by the Committee during the financial year and since the year end:

- Overseeing the performance and reappointment of the Company's independent auditors.
- Reviewing the appropriateness and effectiveness of the Company's internal controls, in particular following the cybersecurity incident in April 2026.
- Reviewing and approving the Company's Delegations of Authority processes and recommending it to the Board.
- Reviewing the financial reporting judgements and key accounting estimates related to the Company's financial results.
- Reviewing the Company's risk management processes

We welcome dialogue with our Shareholders on the matters contained within this report.

GB Stein
Chair, Audit Committee

29 June 2026

Remuneration Committee report

I am pleased to present the report of the Remuneration Committee (the "RemCom") for the financial year ended 31 December 2025.

The RemCom, along with the Board, is dedicated to attracting and retaining talent across the Board and management team. It ensures policies and frameworks are in place to reward staff and, in turn, create value for Shareholders.

The Company offers a fixed remuneration package, including salary, pension, and other specified benefits, along with a discretionary share option scheme. Bonus awards and options for the CEO and Group FD are discretionary and contingent on individual and Company performance. A pension scheme is provided to all employees meeting certain criteria.

The fees paid to the non-executive Directors are set at a level both in line with the market and to appropriately reward and retain individuals of a high calibre. The fees paid reflects the level of commitment and contribution to the Company. Fees are paid monthly and inclusive of all committee roles and responsibilities.

Key decisions taken during 2025:

- Base salaries were reviewed and held flat in line with market benchmarking;
- No bonus awards were paid during the year; and
- No LTIP awards were granted during the year.

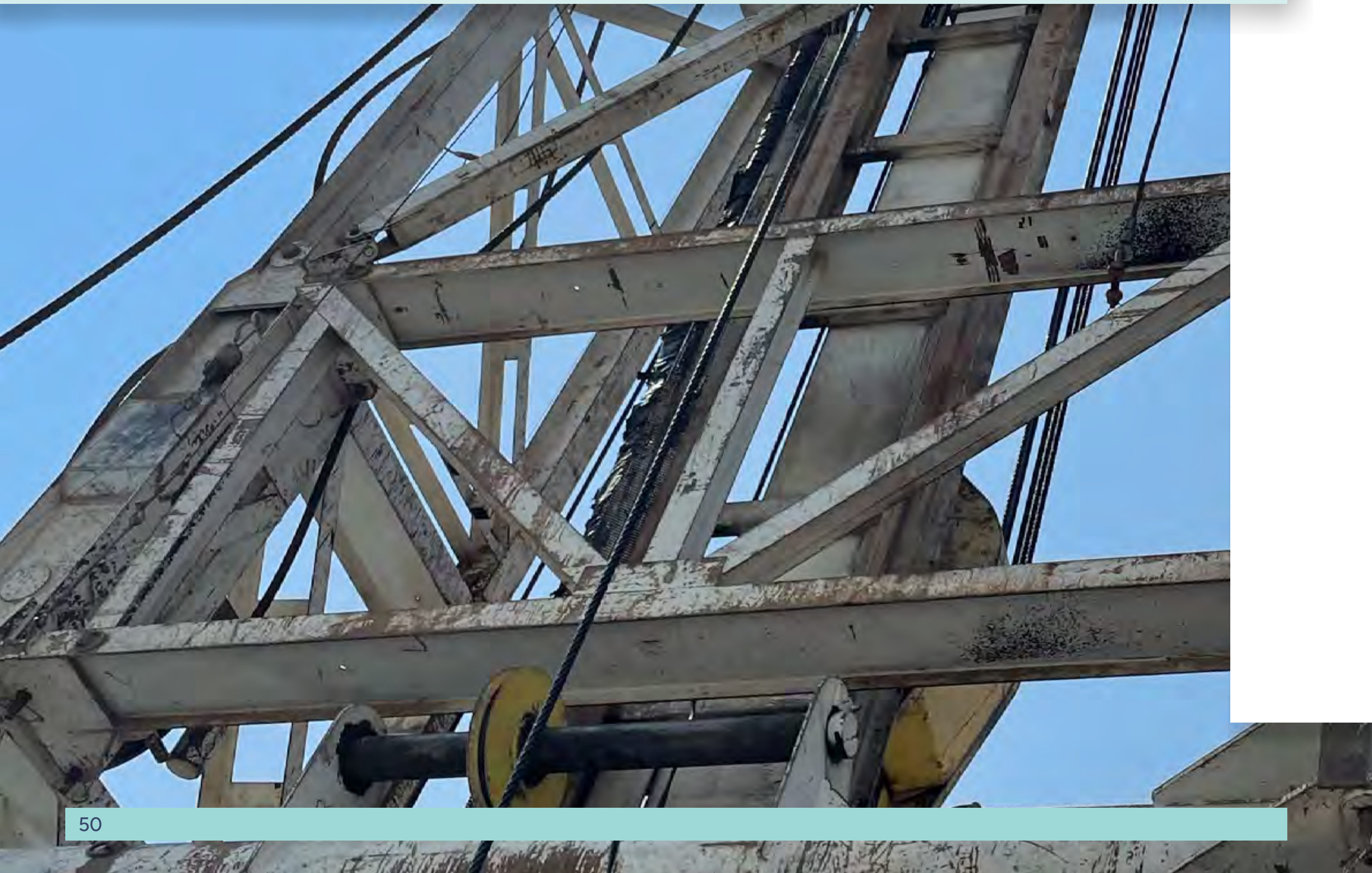
RemCom considered Zephyr's wider stakeholder context, including the pay and conditions of the broader workforce, when making its decisions. We are satisfied that the executive remuneration outcomes for 2025 are fair and proportionate.

We welcome dialogue with our Shareholders on the matters contained within this report.

It is worth reiterating that RemCom works closely with FIT Remuneration Consultants, an independent remuneration specialist, in respect of both U.S. and U.K. remuneration metrics. FIT provide RemCom with benchmarking and market advice in respect of the Company's remuneration packages.

TH Reynolds
Chair, Remuneration Committee

29 June 2026



Remuneration Committee report continued

Remuneration policy

This section summarises the Company's remuneration policy for Executive and Non-Executive Directors. The policy is designed to attract, retain and motivate high-calibre individuals who can deliver the Company's strategic objectives and create sustainable long-term value for Shareholders.

Policy principles:

- Remuneration should be competitive relative to comparable AIM-quoted companies in the oil and gas sector;
- Remuneration should recognise different remuneration expectations and practices which exist in different countries where employees are based; for example, between the U.K. and the U.S;
- A proportion of executive pay should be performance-related and linked to the achievement of stretching financial, operational and strategic targets;
- Long-term incentive arrangements should align executive and Shareholder interests; and
- The Committee will have regard to pay and conditions across the wider workforce when setting executive remuneration.

Executive Director Remuneration - components

The table below summarises each element of the remuneration package available to Executive Directors.

Element	Purpose	Operation	Maximum opportunity
Base Salary	To attract and retain high-calibre executives.	Reviewed annually. Benchmarked against comparable AIM companies.	Set at a level appropriate to role, experience and market.
Benefits	To provide a competitive benefits package.	Includes: private medical insurance	Reasonable market-rate benefits.
Pension / Salary Supplement	To provide retirement income benefits.	Company contribution to personal pension	10% of base salary.
Annual Bonus	To incentivise achievement of annual financial and strategic objectives.	Performance assessed over the financial year against a mix of financial and non-financial KPIs set by the Committee at the start of the year.	Up to 50% of base salary (50% of this payable in cash and 50% payable in share options)
Long-Term Incentive Plan (LTIP)	To align executive interests with long-term Shareholder value creation.	Conditional share awards or nil-cost options over Zephyr shares, vesting subject to performance conditions measured over 3 years.	Up to 50% of base salary per annum.

Non-Executive Director Fees

Non-Executive Directors (including the Chair) receive a fixed annual fee. They do not participate in any variable pay arrangements, pension schemes, or long-term incentive plans. Fees are reviewed periodically and benchmarked against comparable AIM-listed companies. Non-Executive Directors may be reimbursed for reasonable expenses incurred in the performance of their duties.

Role	Annual Fee
Non-Executive Chair (US$)	100,000
Non-Executive Director (GBP)	65,000

In addition to the Board meetings, the Non-Executive Directors are also consulted on a wide range of other corporate and business issues.

In addition, Gordon Stein serves as Chair of the Audit Committee and Tom Reynolds serves as Chair of the RemCom.

Remuneration Committee report continued

Annual report on remuneration

This section provides details of how the Company's remuneration policy was implemented during the year ended 31 December 2025, and how it will be applied in the forthcoming year.

Remuneration Committee

The Remuneration Committee comprises the following Non-Executive Directors:

Member	Role	Appointed to Committee
Tom Reynolds	Chair	2019
Rick Grant	Member	2022

The Committee met multiple times during 2025. The Chief Executive Officer and other relevant advisers may attend meetings by invitation but are not present when their own remuneration is discussed. The Committee was advised during the year by FIT Remuneration Consultants.

Executive Directors: Base salary

The following base salaries were in effect during 2025 (the salaries were determined following a benchmarking exercise carried out by FIT Remuneration Consultants:

Director	Base Salary 2025	Base Salary 2024	Change %
Colin Harrington, Chief Executive Officer (US$)	500,000	500,000	0%
Chris Eadie, Group Finance Director (GBP)	175,000	175,000	0%

Notes: (1) No salary increases were implemented for the Executive Directors in 2025.

Benefits

During 2025, Executive Directors received the following benefits:

- Private medical insurance (family cover)

Pension arrangements

Executive Directors receive a pension contribution of 10% of base salary. This is in line with the pension provision available to the wider workforce. Total pension contributions for Executive Directors during 2025 are shown in the single total figure table below.

Single total figure of remuneration – Executive Directors

The table below sets out the total remuneration received by each Executive Director in respect of 2025 and the prior year.

Director	Salary US$	Benefits US$	Pension US$	Bonus US$	LTIP US$	Total US$
Colin Harrington	500,000	19,254	50,000	0	142,662*	711,916
Chris Eadie	230,559	29,607	23,056	0	52,493*	335,715

Notes: (1) Benefits include private medical insurance. (2) Chris Eadie paid in GBP, these amounts are converted into US$ (3) no changes to salary or pension levels during 2025.

*These amounts are 'non-cash' charges that relate to the issue of share options under the 2021 and 2022 LTIP (as announced on 10 April 2024).

Remuneration Committee report continued

Non-executive Directors: fees

The following fees were paid to Non-Executive Directors during 2025:

Non-Executive Director	Fees 2025	Fees 2024	Change %
Rick Grant, Non-Executive Chair (US$)	100,000	100,000	0%
Tom Reynolds, Chair of RemCom (GBP)	65,000	65,000	0%
Gordon Stein, Chair of Audit Committee (GBP)	65,000	65,000	0%

Notes: (1) No salary increases were implemented for the Non-Executive Directors in 2025.

Directors' shareholdings and share interests

For further details on the Directors shareholdings, please refer to the Directors report.

Implementation of remuneration policy in 2026

Base salaries:

There have been no salary increases in 2026 to date.

Annual bonus:

RemCom will determine the quantum of any discretionary awards for the 2026 based against its pre-determined performance criteria.

LTIP:

The Company is currently looking at implementing a wider LTIP for Executive Directors and Senior Management of the Company.

Non-Executive Director fees:

There have been no salary increases for NEDs in 2026 to date.

Statement of Directors' responsibilities

In respect of the Strategic report, the Directors' report and the Financial statements

The Directors are responsible for preparing the Strategic report and the Directors' report and the Financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and the Company financial statements are required by law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

a. Select suitable accounting policies and then apply them consistently;

b. Make judgements and accounting estimates that are reasonable and prudent;

c. State whether they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006; and

d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Zephyr Energy plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Zephyr Energy plc

Report on the audit of the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2025 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Zephyr Energy plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2025 which comprise of the following:

Group	Company
Consolidated statement of comprehensive income	
Consolidated balance sheet	Balance sheet
Consolidated statement of changes in equity	Statement of changes in equity
Consolidated statement of cash flows	Cash flow statement
Notes to the consolidated financial statements	Notes to the company financial statements
Material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial statements, which indicates that the Group and the Company's ability to continue as going concerns is dependent on refinancing of existing borrowings, or alternatively raising new funding, which is not guaranteed. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The financial statements do not include any adjustments that would be necessary if the Group and the Company were unable to continue as going concerns. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining and evaluating Management's assessment of going concern for the forecast period, the assessment of risks and uncertainties and the supporting cash flow forecast prepared by Management. We formed our own assessment of risks and uncertainties based on our understanding of the business and the oil and gas sector. Specifically, we considered the impact of ongoing commodity price volatility on the Group's revenue forecasts and the challenging market conditions for capital fundraising for exploration and production companies, which directly relates to the Group's dependency on the equity fundraise;
- Assessing the appropriateness of the period over which going concern is being assessed against the requirements of the applicable accounting standard;
- Testing the mathematical accuracy of the cash flow forecasts and assessing the base case cash flow forecast and the underlying key assumptions which have been approved by the Board. In doing so, we considered metrics affecting the future cash flows, such as operating costs, production, forecast oil prices and capital expenditure commitments approved by the Board against actual performance for the 2025 financial year;

Independent auditor's report continued

- Considering the historic ability of the Group to renew the loan facility and obtain other sources of finance;
- Agreeing cash balances used in the forecast close to the date of approval of these financial statements by tracing the cash position to bank account statements;
- Obtaining and assessing the sensitivity analysis reflecting adverse scenarios and performing reverse stress testing by applying a lower than forecast oil price or lower than forecast production;
- Reviewing post-year end press releases, Regulatory News Services announcements and board minutes for any indicators of obligations or significant adverse issues; and
- Reviewing and evaluating the adequacy and completeness of disclosures in the financial statements in respect of going concern based on the evidence obtained through the procedures as per above.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2025	2024
Key audit matters	Carrying value of oil and gas properties	✔	✔
	Going concern	✔	✔
Materiality	Group financial statements as a whole US$1.2 million (2024: US$1.4 million) based on 1.5% (2024: 1.5%) of total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. We identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

From the above risk assessment and planning procedures, we determined which of the Group's components were likely to include risks of material misstatement relevant to the Group's financial statements. We then determined the type of procedures to be performed at these components, and the extent to which component auditors were required to be involved.

As part of performing our Group audit, we have determined there to be three components in scope. In determining these components, we have considered how components are organised within the Group, and the commonality of control environments, legal and regulatory framework, and level of aggregation associated with individual entities. Whilst there is relative commonality of controls across the Group, differences in jurisdictional risk, and the legal and regulatory frameworks under which the entities operate, prevent the further amalgamation of components.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included procedures on the entire financial information of the component, including performing substantive procedures.

Procedures performed at the component level

We performed procedures to respond to group risks of material misstatement at the component level that included the following:

Component	Component Name	Entity	Group Audit Scope
1	Zephyr Energy Plc	Zephyr Energy Plc (Parent Company)	Statutory audit and procedures on the entire financial information of the component.
2	Rose Petroleum (US) LLC	Rose Petroleum (US) LLC Rose Petroleum (Utah) LLC Zephyr Bakken LLC Zephyr Williston LLC Zephyr Hawk LLC Zephyr Salt Wash LLC	Procedures on the entire financial information of the component.
3	Rose Petroleum (UK) Ltd	Rose Petroleum (UK) Ltd	Statutory audit and procedures on the entire financial information of the component.

The Group engagement team has performed all procedures directly and has not involved component auditors in the Group audit.

Locations

The Group's operations are spread over United States and United Kingdom. The audit work over the entities in United States was performed by the Group Engagement team.

Changes from the prior year

There have been no significant changes to the Group audit scope from the prior year.

Independent auditor's report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit responded to the risk
Carrying value of oil and gas properties Refer to notes 3 and 15.	The oil and gas development and producing assets form a significant part of the Group's statement of financial position. The Directors are required to consider if there are any facts or circumstances (potential impairment indicators) that would suggest that the oil and gas producing properties would be impaired in accordance with IAS 36, "Impairment of assets". Where indicators of impairment are identified, impairment testing is required to ensure that the Group's assets are carried at no more than their recoverable amount. At year end, the Directors considered the requirements of IAS 36 Impairment of assets in respect of its oil & gas properties. They have satisfied themselves that there were no indicators of impairment and, therefore, there was no requirement to perform an impairment test. Given the financial significance of the oil and gas producing properties, and the significant judgement involved in determining whether any indicator of impairment exist, we consider this to be a significant risk and a key audit matter.	In response to the key audit matter, we performed the following procedures: • We assessed how the Directors allocated assets to the cash generating unit (CGU) for evaluating impairment indicators. • We examined the Directors' assessment of impairment indicators, ensuring it met the requirements of IAS 36 'Impairment of assets'. • We assessed the economic forecast for oil and gas properties as per the Competent Person's Report. This involved reviewing pricing information, production volumes, and operating and transportation costs against forecasts from the Competent Person's Report (CPR) issued by independent reservoir engineers. We challenged and corroborated key assumptions and estimates by comparison to actual performance and assessed pricing forward curves against independent third party sources. • We assessed the competence and objectivity of the Directors' experts who prepared the CPR on oil and gas reserves. • We reviewed the economic forecast as per CPR based on future cash flows from proved plus probable reserves discounted at 10% to conclude whether there is any information available that could contradict management's conclusion that there were no impairment indicators as of 31 December 2025. • We reviewed the adequacy of the Group's disclosures in the financial statements concerning the impairment testing of oil and gas properties, including the key assumptions used, to ensure compliance with IAS 36. **Key observations** Based on our work performed, we consider the assessment for indicators of impairment and the impairment charge recognised by the Directors to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent auditor's report continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Company financial statements	
	2025 US$ million	2024 US$ million	2025 US$ million	2024 US$ million
Materiality	1.2	1.4	0.8	0.6
Basis for determining materiality	1.5% of total assets		1.5% of total assets	
Rationale for the benchmark applied	Given the asset-based focus of the business with its significant exploration asset base we considered it appropriate to adopt a total assets-based measure of materiality.		Given the asset-based focus of the business as a holding company we considered it appropriate to adopt a total assets-based measure of materiality.	
Performance materiality	0.9	0.9	0.6	0.4
Basis for determining performance materiality	75% of materiality (2024: 70%).			
Rationale for the percentage applied for performance materiality	Performance materiality was set at 75% based on consideration of factors including the level of historical errors and nature of activities.			

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Company whose materiality and performance materiality are set out above, based on a percentage of between 30% and 95% (2024: 8% and 95%) of Group performance materiality dependent on a number of factors including potential significant risks of material misstatements at the component, relative size of components, extent of disaggregation of the financial information across components, control environment our assessment of the risk of material misstatement of those components. Component performance materiality ranged from US$ million 0.3 to US$ million 0.8 (2024: US$0.1 million to US$0.9 million).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US$60,000 (2024: US$28,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the 'Annual Report' other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

Other companies act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, UK adopted international accounting standards, UK and US tax legislation, the QCA Corporate Governance Code and the AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law and applicable health and safety legislation.

Independent auditor's report continued

Our procedures in respect of the above included:

- Enquires of management whether there were any litigations and claims;
- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Holding discussions with the audit engagement team as to how and where fraud might occur in the financial statements and where any potential indicators of fraud may arise in the Group in order to consider how our audit strategy should reflect our considerations;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a random sample of journal entries throughout the year for unpredictability, by agreeing to supporting documentation;
- In addition to the key audit matters as per above we assessed and challenged key areas of judgement and estimation made by management to identify potential management bias, including management's assumptions and key judgements related to impairment and decommissioning liabilities;
- Agreeing revenue to supporting documentation of monthly operators' revenue statements/joint interest billings to confirm volume and pricing, together with evidence regarding the receipt of cash;
- Performing cut-off testing on revenue around the year-end to ensure that revenue is recognised in the correct period. This included obtaining revenue statements from the operator post year-end and verifying the related revenue was recorded in the correct period;
- Inquiring of management and those charged with governance of known or suspected instances of fraud, potential litigation and claims. We read minutes of meetings of those charged with governance; and
- Obtaining an understanding of the design and implementation of relevant controls surrounding the financial reporting close process such as controls over the posting of journals and the consolidation process and obtained an understanding of the segregation of duties in these processes.

We also communicated potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

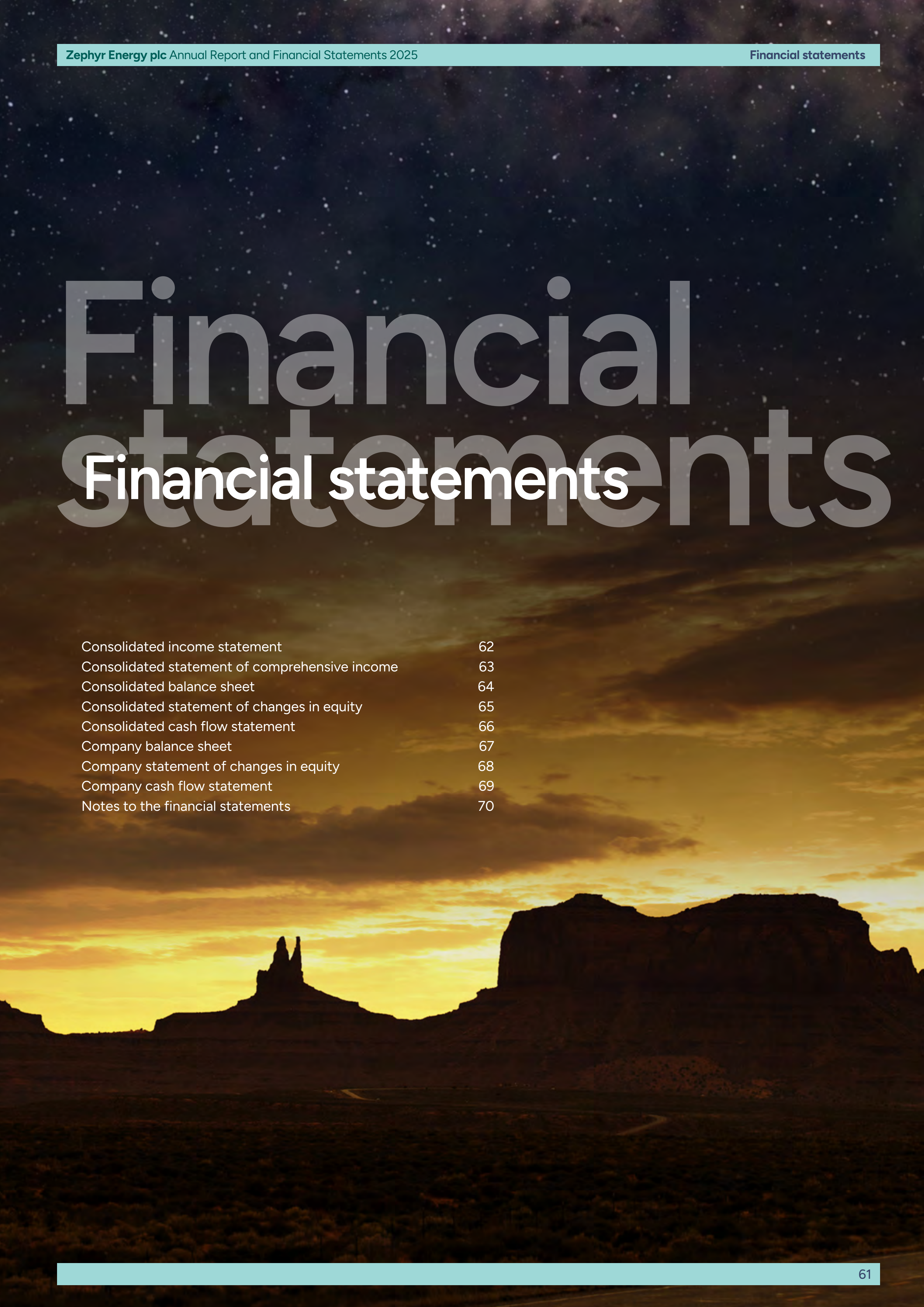
Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor London, United Kingdom

29 June 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Financial statements

Financial statements

Consolidated income statement

For the year ended 31 December 2025

	Notes	2025 US$'000	2024 US$'000
Revenue	6	**13,911**	24,279
Operating and transportation expenses		**(5,364)**	(5,809)
Production taxes		**(1,068)**	(2,046)
Depreciation, depletion and amortisation	15	**(5,201)**	(9,241)
Gain on derivative contracts	20	**269**	14
Gross profit		**2,547**	7,197
Administrative expenses		**(5,835)**	(5,976)
Allowance for expected credit losses	18	**-**	(1,226)
Impairment of property and equipment	15	**-**	(14,541)
Share-based payments	29	**(248)**	(3,129)
Foreign exchange (losses)/gains	12	**(4,544)**	1,007
Finance income		**24**	2
Finance costs	7	**(2,704)**	(3,303)
Loss on ordinary activities before taxation	8	**(10,760)**	(19,969)
Taxation credit	11	**-**	395
Loss for the year attributable to owners of the parent company		**(10,760)**	(19,574)
Loss per Ordinary Share			
Basic and diluted, cents per share	13	**(0.58)**	(1.13)

The notes on pages 70 to 104 form part of the financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2025

	2025 US$'000	2024 US$'000
Loss for the year attributable to owners of the parent company	**(10,760)**	(19,574)
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation differences on foreign operations	**4,381**	(1,007)
Total comprehensive loss for the year attributable to owners of the parent company	**(6,379)**	(20,581)

The notes on pages 70 to 104 form part of the financial statements.

Consolidated balance sheet

As at 31 December 2025

Company No 04573663

	Notes	2025 US$'000	2024 US$'000
Non-current assets			
Exploration and evaluation assets	14	**58,783**	53,236
Property and equipment	15	**27,604**	27,292
		86,387	80,528
Current assets			
Trade and other receivables	18	**3,802**	2,676
Cash and cash equivalents	19	**2,986**	10,267
Derivative contracts	20	**-**	3
		6,788	12,946
Total assets		**93,175**	93,474
Current liabilities			
Trade and other payables	21	**(4,599)**	(4,383)
Advance from joint operator	22	**-**	(7,394)
Borrowings	23	**(15,235)**	(20,933)
Lease liabilities		**(16)**	(31)
Derivative contracts	20	**-**	(86)
Provisions	25	**(2,170)**	(549)
		(22,020)	(33,376)
Non-current liabilities			
Borrowings	23	**(8,383)**	(5,384)
Lease liabilities		**-**	(17)
Provisions	25	**(4,115)**	(3,560)
		(12,498)	(8,961)
Total liabilities		**(34,518)**	(42,337)
Net assets		**58,657**	51,137
Equity			
Share capital	26	**43,124**	42,649
Share premium account	28	**87,236**	74,792
Warrant reserve	27	**2,117**	1,887
Share-based payment reserve	28	**6,217**	5,665
Cumulative translation reserve	28	**(9,838)**	(14,219)
Accumulated deficit	28	**(70,199)**	(59,637)
Equity attributable to owners of the parent company		**58,657**	51,137

The financial statements on pages 62 to 69 were approved by the Directors and authorised for issue on 29 June 2026 and are signed on its behalf by:

CJ Eadie
Group Finance Director

The notes on pages 70 to 104 form part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2025

	Share capital US$'000	Share premium account US$'000	Warrant reserve US$'000	Share-based payment reserve US$'000	Cumulative translation reserve US$'000	Accumu-lated deficit US$'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	81	3,816	-	-	-	-	3,897
Grants of warrants	-	(49)	-	49	-	-	-
Exercise of warrants	-	-	-	(3)	-	3	-
Expenses of issue of equity shares	-	(380)	-	371	-	-	(9)
Warrant exercise extension	-	(330)	330	-	-	-	-
Share-based payments	-	-	-	3,129	-	-	3,129
Transfer to accumulated deficit in respect of expired and lapsed options	-	-	-	(1,151)	-	1,151	-
Total transactions with owners in their capacity as owners	81	3,057	330	2,395	-	1,154	7,017
Loss for the year	-	-	-	-	-	(19,574)	(19,574)
Other comprehensive loss:							
Currency translation differences	-	-	-	-	(1,007)	-	(1,007)
Total other comprehensive loss for the year	-	-	-	-	(1,007)	-	(1,007)
Total comprehensive loss for the year	-	-	-	-	(1,007)	(19,574)	(20,581)
As at 31 December 2024	42,649	74,792	1,887	5,665	(14,219)	(59,637)	51,137
Transactions with owners in their capacity as owners:							
Issue of equity shares	**475**	**13,777**	**-**	**-**	**-**	**-**	**14,252**
Fair value of warrants issued for placing services	**-**	**(502)**	**-**	**502**	**-**	**-**	**-**
Expenses of issue of equity shares	**-**	**(831)**	**-**	**-**	**-**	**-**	**(831)**
Warrants issued in connection with convertible loan notes	**-**	**-**	**230**	**-**	**-**	**-**	**230**
Share-based payments	**-**	**-**	**-**	**248**	**-**	**-**	**248**
Transfer to accumulated deficit in respect of expired, lapsed and forfeit options	**-**	**-**	**-**	**(198)**	**-**	**198**	**-**
Total transactions with owners in their capacity as owners	**475**	**12,444**	**230**	**552**	**-**	**198**	**13,899**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(10,760)**	**(10,760)**
Other comprehensive income:							
Currency translation differences	**-**	**-**	**-**	**-**	**4,381**	**-**	**4,381**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**4,381**	**-**	**4,381**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**4,381**	**(10,760)**	**(6,379)**
As at 31 December 2025	**43,124**	**87,236**	**2,117**	**6,217**	**(9,838)**	**(70,199)**	**58,657**

The notes on pages 70 to 104 form part of the financial statements.

Consolidated cash flow statement

For the year ended 31 December 2025

	2025 US$'000	2024 US$'000
Operating activities		
Loss on ordinary activities before taxation	**(10,760)**	(19,969)
Adjustments for:		
Allowance for expected credit losses	**-**	1,226
Impairment of property and equipment	**-**	14,541
Finance income	**(24)**	(2)
Finance costs	**2,704**	3,303
Depreciation and depletion of property and equipment	**5,241**	9,292
Share-based payments	**248**	3,129
Unrealised foreign exchange losses/(gains)	**4,544**	(1,006)
Operating cash inflow before movements in working capital	**1,953**	10,514
(Increase)/decrease in trade and other receivables	**(1,126)**	1,315
Unrealised (gain)/ loss on derivative contracts	**(83)**	362
(Decrease)/increase in trade and other payables	**(139)**	788
Cash generated from operations	**605**	12,979
Income tax paid	**-**	-
Net cash generated from operating activities	**605**	12,979
Investing activities		
Acquisitions of exploration and evaluation assets	**(3,040)**	-
Additions to exploration and evaluations assets	**(3,707)**	(12,768)
Acquisition of oil and gas properties	**(3,295)**	-
Additions to oil and gas properties	**(395)**	(962)
Increase/(decrease) in capital expenditures related payables	**229**	(3,367)
Proceeds on disposal of oil and gas properties	**250**	-
Proceeds on disposal of exploration and evaluation assets	**1,066**	-
Insurance proceeds received in respect of exploration and evaluation assets	**-**	11,420
Net use of advance funds from joint operator	**(7,394)**	-
Grant funds received in respect of exploration and evaluation assets	**20**	250
Interest received	**4**	2
Net cash used in investing activities	**(16,263)**	(5,425)
Financing activities		
Net proceeds from issue of shares	**13,421**	1
Net advance from joint operator	**-**	7,394
Net proceeds from borrowings	**1,947**	5,600
Repayment of borrowings	**(4,689)**	(9,958)
Repayment of lease liabilities	**(32)**	(65)
Interest and fees paid on borrowings	**(2,264)**	(3,868)
Interest paid on leases	**(4)**	(2)
Net cash generated from/(used in) financing activities	**8,379**	(898)
Net (decrease)/increase in cash and cash equivalents	**(7,278)**	6,656
Cash and cash equivalents at beginning of year	**10,267**	3,611
Effect of foreign exchange rate changes	**(3)**	-
Cash and cash equivalents at end of year	**2,986**	10,267

The notes on pages 70 to 104 form part of the financial statements.

Company balance sheet

As at 31 December 2025

Company No 04573663

	Notes	2025 US$'000	2024 US$'000
Non-current assets			
Investments	17	**64,241**	45,198
Property and equipment	15	**-**	19
		64,241	45,217
Current assets			
Trade and other receivables	18	**119**	108
Cash and cash equivalents	19	**88**	68
		207	176
Total assets		**64,448**	45,393
Current liabilities			
Trade and other payables	21	**(1,114)**	(376)
Borrowings	23	**(1,754)**	-
Lease liabilities		**-**	(9)
		(2,868)	(385)
Total liabilities		**(2,868)**	(385)
Net assets		**61,580**	45,008
Equity			
Share capital	26	**43,124**	42,649
Share premium account	28	**87,236**	74,792
Warrant reserve	27	**2,117**	1,887
Share-based payment reserve	28	**6,217**	5,665
Cumulative translation reserve	28	**(8,470)**	(11,656)
Accumulated deficit	28	**(68,644)**	(68,329)
Total equity		**61,580**	45,008

As permitted by section 408 of the Companies Act 2006, the Parent Company's Income Statement and Statement of Comprehensive Income have not been included in these financial statements.

The loss for the Company for the year ended 31 December 2025 is US$0.5 million (2024: profit US$13.4 million).

The financial statements on pages 62 to 69 were approved by the Directors and authorised for issue on 29 June 2026 and are signed on its behalf by:

CJ Eadie
Group Finance Director

The notes on pages 70 to 104 form part of the financial statements.

Company statement of changes in equity

For the year ended 31 December 2025

	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	(10,968)	(56,072)	52,090
Transactions with owners in their capacity as owners:							
Issue of equity shares	81	3,816	-	-	-	-	3,897
Grant of warrants	-	(49)	-	49	-	-	-
Exercise of warrants	-	-	-	(3)	-	3	-
Expenses of issue of equity shares	-	(380)	-	371	-	-	(9)
Warrant exercise extension	-	(330)	330	-	-	-	-
Share-based payments	-	-	-	3,129	-	-	3,129
Transfer to accumulated deficit in respect of expired and lapsed options	-	-	-	(1,151)	-	1,151	-
Total transactions with owners in their capacity as owners	81	3,057	330	2,395	-	1,154	7,017
Loss for the year	-	-	-	-	-	(13,411)	(13,411)
Other comprehensive loss:							
Currency translation differences	-	-	-	-	(688)	-	(688)
Total other comprehensive loss for the year	-	-	-	-	(688)	-	(688)
Total comprehensive loss for the year	-	-	-	-	(688)	(13,411)	(14,099)
As at 31 December 2024	42,649	74,792	1,887	5,665	(11,656)	(68,329)	45,008
Transactions with owners in their capacity as owners:							
Issue of equity shares	**475**	**13,777**	**-**	**-**	**-**	**-**	**14,252**
Fair value of warrants issued for placing services	**-**	**(502)**	**-**	**502**	**-**	**-**	**-**
Expenses of issue of equity shares	**-**	**(831)**	**-**	**-**	**-**	**-**	**(831)**
Warrants issued in connection with convertible loan notes	**-**	**-**	**230**	**-**	**-**	**-**	**230**
Share-based payments	**-**	**-**	**-**	**248**	**-**	**-**	**248**
Transfer to accumulated deficit in respect of expired, lapsed and forfeit options	**-**	**-**	**-**	**(198)**	**-**	**198**	**-**
Total transactions with owners in their capacity as owners	**475**	**12,444**	**230**	**552**	**-**	**198**	**13,899**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(513)**	**(513)**
Other comprehensive income:							
Currency translation differences	**-**	**-**	**-**	**-**	**3,186**	**-**	**3,186**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**3,186**	**-**	**3,186**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3.186**	**(513)**	**2,673**
As at 31 December 2025	**43,124**	**87,236**	**2,117**	**6,217**	**(8,470)**	**(68,644)**	**61,580**

The notes on pages 70 to 104 form part of the financial statements.

Company cash flow statement

For the year ended 31 December 2025

	2025 US$'000	2024 US$'000
Operating activities		
Loss before taxation	**(513)**	(13,411)
Adjustments for:		
Finance income	**(1,769)**	(1,936)
Depreciation of property and equipment	**20**	41
Allowance for expected credit losses	**-**	12,121
Share-based payments	**105**	1,485
Finance cost	**72**	-
Unrealised foreign exchange (gains)/losses	**(430)**	54
Operating cash outflow before movements in working capital	**(2,515)**	(1,646)
Increase in trade and other receivables	**(11)**	(12)
Increase/(decrease) in trade and other payables	**737**	(74)
Net cash used in operating activities	**(1,790)**	(1,732)
Investing activities		
(Loans to)/repayment of loans from subsidiary undertakings	**(13,485)**	1,820
Net cash (used in)/generated from in investing activities	**(13,485)**	1,820
Financing activities		
Net proceeds from the issue of shares	**13,421**	1
Net proceeds from borrowings	**1,880**	-
Repayment of lease liabilities	**(10)**	(61)
Net cash generated from/(used in) financing activities	**15,291**	(60)
Net increase in cash and cash equivalents	**17**	28
Cash and cash equivalents at beginning of year	**68**	40
Effect of foreign exchange rate changes	**3**	-
Cash and cash equivalents at end of year	**88**	68

The notes on pages 70 to 104 form part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2025

1.Corporate information

Zephyr Energy plc (the "Company" and, together with its subsidiaries, the "Group") is a public company limited by shares, domiciled and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 5th Floor 167-169 Great Portland Street, London W1W 5PF.

The Company's Ordinary Shares are approved to trade on the OTCQB Venture Market ("OTCQB") in the U.S. under the ticker ZPHRF. The ability to trade in the Company's Ordinary Shares on AIM is not affected by the OTCQB listing.

Zephyr Energy plc is a technology-led Exploration & Production company focused on the delivery of superior economic returns through responsible resource development from its portfolio of operated and non-operated assets in the Rocky Mountain region of the U.S.

2. Adoption of new and revised standards

Standards adopted during the year

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatory and relevant to the Group's activities for the current reporting period.

The following new and revised Standards have been adopted but have not had any material impact on the amounts reported in these financial statements:

- Amendments to IAS 21 – *Lack of exchangeability*
- Amendments to the SASB standards to enhance their international applicability

Standards issued but not yet effective

Any new or amended Accounting Standards or interpretations that are not yet mandatory (and in some cases, had not yet been endorsed by the UK Endorsement Board) have not been early adopted by the Group for the year ended 31 December 2025. They are as follows:

- Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*
- IFRS 18 - Presentation and disclosures in financial statements
- IFRS 19 - *Subsidiaries without public accountability: disclosures*
- Amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments
- Annual improvements to IFRS accounting standards - Volume 11
- IFRS S1 - General requirements for disclosure of sustainability - related financial information
- IFRS S2 - Climate-related disclosures
- Third edition of the IFRS for SMEs
- Amendments to IFRS S2 - *Amendments to greenhouse gas emissions disclosures*

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

3. Material accounting policies

Basis of preparation

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 financial statements have been prepared on the historical cost basis, other than certain financial assets and liabilities, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated and the Company financial statements are presented in United States dollars ("US$"). All amounts have been rounded to the nearest thousand unless otherwise indicated.

The functional currency of the Company is pounds sterling ("£") and that of the U.S. subsidiaries is US$.

As described below, the Directors continue to adopt the going concern basis in preparing the consolidated and the Company financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of the financial statements in compliance with UK-adopted international accounting standards requires management to make estimates and the Directors to exercise judgement in applying the Group's accounting policies. The significant judgments made by the Directors in the application of these accounting policies that have significant impact on the financial statements and the key sources of estimation uncertainty are disclosed in note 4.

Going concern

The Directors have prepared cashflow forecasts for the Group and Company for the period to 31 December 2027 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. The Company's going concern assessment has been performed as part of the Group's going concern assessment. The Directors have also considered the impact of certain sensitivity scenarios on the cashflow forecasts.

Notes to the financial statements continued

3. Material accounting policies continued

These cashflow forecasts include the forecast revenues from, and the operating costs of, the Group's operations, together with all financing costs, committed development expenditure and operational cashflows. The Directors also considered downside sensitivities on both production volumes and realised commodity prices and concluded that under each scenario modelled the Group would retain sufficient liquidity to meet its obligations throughout the going concern assessment period.

The Group and the Company have existing borrowings, as disclosed in note 23, including a revolving credit facility with FIBT that is due for renewal in December 2026. To meet this obligation, the Group and the Company will require debt refinancing of these borrowings through asset sales or raising of new funding to repay the obligation. The facility has been renewed in each of the previous four years, and the Directors are confident that this will be the case in 2026.

As such, the Group and the Company's ability to continue as a going concern is dependent on debt refinancing of existing borrowings, or through asset sales, or raising new funding, which is not guaranteed. This indicates the existence of a material uncertainty which may cast significant doubt over the Group and the Company's ability to continue as going concerns, and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors have a high degree of confidence that the Group and the Company will be able to refinance their existing borrowings and will have sufficient funds, or be able to raise sufficient funds, to enable the Group and the Company to continue in operation for at least the next 12 months from the date of approval of the financial statements.

The Directors have extensive experience in raising capital for projects and ventures and remain confident in the Group and the Company's ability to raise the capital necessary to maintain and deliver on its commitments and continue as a going concern.

The Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (together, "the Group") made up to 31 December each year.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date on which control is transferred to the Group or, up to the date that control ceases, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

The Group applies the acquisition method to account for business combinations. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and asset acquisitions

In accordance with the requirements of IFRS 3 *Business combinations*, the Group performs an assessment of each acquisition to determine whether the acquisition should be accounted for as an asset acquisition or a business combination. For each transaction, the Group may elect to apply the concentration test as permitted by the amendment to IFRS 3 to determine if the fair value of assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition qualifies as an acquisition of a group of assets and liabilities, and not of a business.

The requirements of IFRS 3 are applied once it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

When less than the entire interest of an entity is acquired, the choice of measurement of the non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis.

Investments in subsidiary undertakings

Long-term investments representing interests in subsidiary undertakings are stated at cost less any provision for impairment in the value of the non-current investment.

Notes to the financial statements continued

3. Material accounting policies continued

Exploration and evaluation assets

The Group applies the full cost method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under the full cost method of accounting, costs of exploring for and evaluating mineral resources are accumulated by reference to appropriate cost centres being the appropriate licence area but are tested for impairment on a cost pool basis as described below.

E&E assets comprise costs of (i) E&E activities that are on-going at the balance sheet date, pending determination of whether or not commercial reserves exist and (ii) costs of E&E that, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

All costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as E&E assets.

Costs include directly attributable overheads together with the cost of other materials consumed during the exploration and evaluation phases.

Treatment of E&E assets at conclusion of appraisal activities

E&E assets related to each exploration licence/project are carried forward until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E asset are assessed for impairment on a cost pool basis as set out below and any impairment is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets.

E&E assets that related to E&E activities that are determined not to have resulted in the discovery of commercial reserves remain capitalised as E&E assets at cost, subject to meeting a pool-wide impairment test in accordance with the accounting policy for impairment of E&E assets set out below.

Impairment of exploration and evaluation assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and include the point at which a determination is made as to whether or not commercial reserves exist.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, the E&E assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash-generating unit.

The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cashflow expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The Group considers each area of oil and gas exploration, on a geographical basis to be a separate cost pool and therefore aggregates all specific assets for the purposes of determining whether impairment of E&E assets has occurred.

Property and equipment

Oil and gas properties

Oil and gas properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimate of the asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any consideration given to acquire the asset.

Oil and gas properties are depleted using the unit-of-production method based on production for the period divided by the Group's estimated total proved and probable reserve volumes (before royalties) of the geographic region concerned. Production and reserves volumes for natural gas are converted at the energy equivalent of six thousand cubic feet of natural gas to one barrel of oil. Estimates of future development costs for developing the proved and probable reserves are included in the depletion base.

Notes to the financial statements continued

3. Material accounting policies continued

Office equipment and right-of-use assets

Office equipment and right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of office equipment and right-of-use assets comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives at the following rates:

Office equipment	straight-line over 5 years
Right-of-use assets	straight-line over the shorter of the lease term and the useful life of the underlying asset

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of office equipment and right-of-use asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property and equipment

In accordance with the requirements of IAS 36 *Impairment of assets*, at each reporting date, the Directors assess whether indications exist that the carrying value of an asset may be impaired. If there are indicators of impairment the Directors estimate the asset's recoverable amount. An assets recoverable amount is the higher of an assets, or cash-generating units, fair value less costs to sell and its value-in-use, and is determined on a portfolio basis, based on geographical location.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and writes it down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cashflows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors will utilise an appropriate valuation model.

Joint arrangements

The Group is party to a joint arrangement when there is a contractual agreement that sets out the terms of the relationship over the relevant activities of the Group and at least one other party. Management has a legal degree of control over these joint operating arrangements through Joint Operating Agreements.

The Group classifies its interests in joint arrangements as joint operations where the Group has both the right to assets and obligations for the liabilities of the joint arrangement. It accounts for its interests in joint operations by recognising its share of assets and liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Group accounts for its own assets, liabilities and cashflows measured in accordance with the terms of the Joint Operating Agreement and the accounting treatment reflects the agreement's commercial effect.

Where the percentage ownership in joint arrangements changes during a reporting period, the arrangement is reassessed to ensure it is still appropriately classified, and the Group's share of income and expenses is adjusted prospectively from the date of change.

Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position are expressed in United States dollar, which is the presentation currency for both company and consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each group company ("foreign currencies") are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in the profit or loss in the period in which they arise, except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which, therefore, form part of the net investment in the foreign operation. Foreign exchange differences arising on the translation of the Group's net investment in foreign operations are recognised as a separate component of Shareholders' equity via the statement of other comprehensive income. On disposal of foreign operations and foreign entities, the cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

Notes to the financial statements continued

3. Material accounting policies continued

For the purpose of presenting company and consolidated financial statements, the assets and liabilities of the Company, and the Group's subsidiaries, which have a functional currency other than United States dollar, are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Foreign exchange differences arising are recognised in other comprehensive income and accumulated in equity. Equity items are translated at the exchange rates at the date of transactions and foreign exchange differences arising are accumulated directly in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Where there is no change in the proportionate percentage interest in an entity then there has been no disposal or partial disposal and accumulated exchange differences attributable to the Group are not reclassified to profit or loss.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Taxation

The tax expense represents the sum of the tax currently payable for the year and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Investments and other financial instruments

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss.

Investments and other financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cashflow characteristics of the financial asset unless an accounting mismatch is being avoided.

Notes to the financial statements continued

3. Material accounting policies continued

Financial liabilities are subsequently measured at either amortised cost or fair value.

Fair value measurement
Assets and liabilities recognised at fair value through the income statement are measured at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and risk inherent in valuation techniques and the inputs to valuations. Fair value measurements are classified and disclosed in one of the following categories:

Level 1: Fair value is based on actively quoted market prices, if available.

Level 2: In the absence of actively quoted market prices, the Group seeks price information from external sources including broker quotes and industry publications. Substantially all of these inputs are observable in the market place during the entire term of the instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the market place.

Level 3: If valuations require inputs that are both significant to the fair value measurement and less observable from objective sources, we must estimate prices based on available historical and near-term future price information and certain statistical methods that reflect the Group's market assumptions.

Derecognition of financial assets and financial liabilities
The Group derecognises a financial asset only when the contractual rights to cashflows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

On derecognition of a financial asset and financial liability a gain or loss is recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Trade and other receivables
Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped on the basis of days overdue.

Cash and cash equivalents
Cash and cash equivalents comprise cash-in-hand.

Derivative contracts
The Group uses derivative financial instruments, including forward commodity contracts, to manage its exposure to commodity price and other financial risks. Derivatives include both standalone derivative instruments and embedded derivatives that are separated from host contracts in accordance with IFRS 9.

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at each reporting date in accordance with the Group's accounting policy for financial instruments.

Derivative contracts are presented as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Changes in fair value are recognised in profit or loss. The Group has not applied hedge accounting.

Notes to the financial statements continued

3. Material accounting policies continued

Embedded derivatives
Embedded derivatives are components of hybrid financial instruments that include both a non-derivative host contract and a derivative component.

Embedded derivatives are separated from the host contract and accounted for as standalone derivatives when:

- the economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative; and
- the hybrid instrument is not measured at fair value through profit or loss.

Where separation is required, the embedded derivative is recognised initially at fair value and subsequently measured at fair value through profit or loss. Changes in fair value are recognised in finance income or finance costs.

For certain derivatives, including embedded derivatives within financing arrangements, fair value may be determined using valuation techniques incorporating unobservable inputs.

Trade and other payables
Trade and other payables are initially measured at their fair value, and are subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method, if applicable.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the income statement.

Interest on borrowing is accrued as applicable to each class of borrowing.

Convertible financial instruments
The component parts of convertible financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset, for a fixed number of the Company's own equity instruments is recognised as an equity instrument.

Where an instrument does not meet the "fixed-for-fixed" criteria, the instrument is assessed to determine whether it includes an embedded derivative requiring separation from the host liability in accordance with IFRS 9.

Where separation is required, the embedded derivative is recognised at fair value on initial recognition and subsequently remeasured to fair value at each reporting date, with changes recognised through the profit or loss. Fair value is determined using an option pricing model and is classified within Level 3 of the fair value hierarchy.

The host liability is initially recognised at fair value, being the proceeds received less the fair value of the embedded derivative and any other separately identifiable instruments issued as part of the transaction. The host liability is subsequently measured at amortised cost using the effective interest method.

Incremental transaction costs, including the fair value attributed to any warrants issued in connection with convertible financial instruments, are included in the carrying amount of the host liability and amortised using the effective interest method.

Warrants
Warrants issued are classified within Shareholders' equity and are valued at fair value on issuance. The Group uses the Black-Scholes model to estimate fair value. Upon exercise, the consideration received is recorded as an increase in share capital.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cashflow estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Notes to the financial statements continued

3. Material accounting policies continued

Decommissioning

Where a liability for the retirement of a well, removal of production equipment and site restoration at the end of the production life of a well exists, the Group recognises a liability for asset retirement. Provision for asset retirement is recognised in full when the related assets are installed or acquired, and are then reassessed at the end of each reporting period.

The provision recognised is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the life of the asset. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is, therefore, charged to the income statement in accordance with the Group's policy for depreciation of property and equipment or for impairment of exploration and evaluation assets, depending upon the stage of the assets at the time of retirement.

The unwinding of the discount on the decommissioning liability is included as accretion of the provision and is presented in finance costs in the income statement.

The Group recognises changes in estimates prospectively, with corresponding adjustments to the liability and the associated non-current asset.

Share-based payments

The Group has applied the requirements of IFRS *2 Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan and a share-based compensation plan in respect of certain Directors, employees and consultants. The Group also issues warrants to certain advisors which are classed as share-based payments. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value of the service received in exchange for the grant of options/warrants and equity is recognised as an expense. The fair value determined at the grant date of equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The fair value of option and warrant grants are measured using the Black Scholes model for non-performance-based options. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The grant by the Company of options and share-based compensation plans over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Revenue recognition

Natural Gas, NGLs and Oil

Revenue is comprised of the fair value of the consideration received or receivable from the sale of natural gas, NGLs and crude oil products in the ordinary course of the Group's activities and is recognised when control is transferred to the purchaser. This is generally met when title, risk of loss and the right to payment pass from the Group to its customer. Revenue represents the Group's working-interest share of production.

The Group earns substantially all of its revenue from its interest in non-operated oil and gas properties. For non-operated properties, sales are administered by third-party operators under joint operating agreements and related marketing arrangements. The Group recognises revenue for its proportionate share of production as it acts as principal in respect of that share, consistent with its rights to production and exposure to associated risks and rewards.

For non-operated properties, operator settlement statements are typically received in arrears. Accordingly, revenue for these properties is accrued at the reporting date based on estimated volumes and realised prices using available production data, pricing information and other third-party sources. Differences between estimated and actual amounts are recognised in revenue in the period they are identified.

The Group sells its petroleum and natural gas pursuant to variable-price contracts with terms generally of one year or less. The transaction price is based on observable commodity index prices at the point of title transfer and may include adjustments for quality, location and other contractual factors. As such, the consideration is variable; however, the variability is resolved at, or shortly after, the point of sale and therefore does not result in a significant constraint. Revenue is recognised when a customer obtains legal title to the product, which is when volumes are physically transferred to the contract counterparty at a point of sale.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

Notes to the financial statements continued

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's and Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Critical judgements

Exploration and evaluation assets - Group

The decision to transfer assets from exploration and evaluation assets to property and equipment is based on the estimated proved and probable reserves which are in part, used to determine a project's technical feasibility and commercial viability.

There has been no transfer of exploration and evaluation assets during the year ended 31 December 2025 (2024: nil).

Business combination and asset acquisitions - Group

The determination of whether a transaction is a business combination or an asset acquisition is based on management's assessment of each individual transaction based on the criteria IFRS 3 *Business combinations*.

If the optional concentration test is met, then the acquisition is accounted for as an asset acquisition and no further analysis is required. If the initial test is not met, the acquisition is further analysed to determine whether the acquisition meets the definition of a business under IFRS 3. If the acquisition meets the criteria and is, therefore, considered to be a business combination, the Group applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, the liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction.

During the year ended 31 December 2025, the Group acquired operated working interests, non-operated working interests, overriding royalty interests and undeveloped land acreage located in the Rocky Mountain region, including the Williston Basin (North Dakota), the Powder River Basin (Wyoming), and Colorado. When analysed individually, the Directors consider that none of the acquired asset classes meet the definition of a business under IFRS 3 based on the lack of substantive processes acquired and the nature of the Joint Operating Agreements associated with the interests acquired, and have therefore, been accounted for as an acquisition of assets and are presented within property and equipment. See note 15.

Impairment of oil and gas properties - Group

At each reporting date, the Directors consider whether there is any indicator of impairment in the carrying value of its property and equipment. Indicators can include significant or prolonged decreases in commodity pricing, negative market changes, downward revisions of reserve estimates, or increases in operating costs. Where such indicators are identified, the Directors compare the carrying value of these properties to their recoverable amount.

Significant management judgement is required to analyse internal and external indicators of impairment. At 31 December 2025, the Directors considered the requirements of IAS 36 *Impairment of assets* in respect of its oil & gas properties. They noted the addition of the acquired assets and the moderate strength of commodity prices. The Directors have satisfied themselves that there were no indicators of impairment and, therefore, there was no requirement to perform an impairment test. As a result, no provision for impairment has been made in respect of these assets at 31 December 2025 (2024: US$14.5 million).

It is possible that any or all of these key assumptions may change, which may then require a material adjustment to the carrying value of the assets in future periods.

Convertible loan notes - Group and Company

Under IAS 32, the component parts of convertible financial instruments are classified on initial recognition as financial liabilities and equity instruments in accordance with the substance of the contractual arrangements. A conversion option is classified as an equity instrument only where it will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments (the "fixed-for-fixed" criteria).

Notes to the financial statements continued

4. Critical accounting judgements and key sources of estimation uncertainty continued

The Directors determined that the convertible loan notes issued during the year do not meet the fixed-for-fixed criteria, as the instruments are denominated in US Dollars while the Company's functional currency is GBP. Although the conversion amount is fixed in US Dollar terms, it varies in GBP terms due to exchange rate movements, resulting in a variable number of shares being issued upon conversion.

Accordingly, the loan notes have been recognised as a financial liability and an equity component has not been recognised. However, the conversion feature is not closely related to the host contract and the Directors have determined that the financial liability includes an embedded derivative requiring separation from the host liability in accordance with IFRS 9.

Estimations

Impairment of oil and gas properties - Group

Where indicators of impairment exist, the Group determines the recoverable amounts of the CGUs and individual assets based on the higher of value-in-use and fair value less costs to dispose. These calculations require the use of estimates and assumptions including information on forecasted oil and gas commodity prices, expected production volumes, quantity of reserves and discount rates, as well as future development costs, operating costs and royalty costs. Key assumptions in the determination of cashflows include reserves estimated by the Group's independent third-party reserve evaluators. If the carrying value exceeds fair value, the Group recognises an impairment by writing down the value of the properties to their fair value. For the year ended December 31, 2025, no such impairments were recorded.

If an impairment charge has been recognised in a prior period, the Group assesses at each reporting date whether the circumstances have changed and the recoverable amount exceeds the net book value at the time. When reversing impairment losses, the asset's carrying amount will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) if no impairment loss had been recognised in prior years. No such reversals were recorded during the years ended December 31, 2025, 2024. For more details, refer to note 15.

Convertible loan notes - Group and Company

The Directors determined that there were incremental transaction costs amounting to US$0.2 million, including the fair value of the warrants issued as part of the convertible loan note agreement, which have been allocated to the host liability and will be amortised over the life of the convertible loan notes using the effective interest method. See note 23.

The Directors further determined that the financial liability includes an embedded derivative resulting from the conversion feature, requiring separation from the host liability in accordance with IFRS 9. The embedded derivative was valued at US$0.2 million. See note 23.

Recoverability of loans to subsidiary undertakings - Company only

The Company has outstanding loans from its directly held subsidiary which has then made a number of loans to indirectly held subsidiaries as the primary method of financing the activity of those subsidiaries. The principal loans are shown in the Company Balance Sheet on the basis that the loans incur interest at a commercial rate according to the Group's intercompany loan policy, which is being rolled up until such time as the subsidiaries are in a position to settle.

In accordance with IFRS 9 *Financial instruments*, as the subsidiary undertakings cannot repay the loans at the reporting date, the Directors have made an assessment of expected credit losses ("ECL"). Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, the Directors have determined that no ECL charge or credit is required for the year ending 31 December 2025. A cumulative lifetime ECL of US$20.8 million (2024: US$ 19.4 million) has been recognised at 31 December 2025, reflecting movements in foreign exchange rates during the year.

The calculation of the allowance for lifetime ECL requires a significant degree of estimation, in particular in determining the probability-weighted likely outcome for each scenario considered. The Directors assessment of ECL included repayment through future cashflows over time (which are inherently difficult to forecast for the Company at its current stage of development) and also the amount that could be realised through an immediate sale of the Company's U.S. assets. The Directors assessment of repayment through future cashflows included scenarios where the loan was not recovered in full. The Directors allocated a probability weighting of 50% to scenarios where recovery would be repayment over time and 50% to the scenario where immediate sale of the assets was contemplated.

It is possible that any or all of these key assumptions may change, which may then impact the estimated future cashflows expected to arise within the Company and may then require a material adjustment to the carrying value of the loans in future periods.

At 31 December 2025, the Company has total loans in its directly held subsidiaries of US$85.0 million (2024: US$64.6 million). See note 17.

Notes to the financial statements continued

4. Critical accounting judgements and key sources of estimation uncertainty continued

Reserve estimates

Reserves are estimates of the amount of natural gas, NGLs and oil product that can be economically and legally extracted from the Group's properties. To calculate the reserves, significant estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data, such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Given the economics used to estimate reserve changes from year to year and, because additional geological data is generated during the course of operations, estimates of reserves may change from time to time.

Decommissioning

Decommissioning costs will be incurred by the Group at the end of the operating life of certain facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In addition, the Group determines the appropriate discount rate at the end of each reporting period. The Group uses a risk-free discount rate to determine the present value of the estimated future cash outflows to settle the obligation and this may change in response to numerous market factors. As a result, there could be significant adjustments to the provisions established which would affect future financial results. See note 25.

5. Segmental information

When considering the requirements of IFRS 8 *Operating segments*, the Board of Directors have determined that the Group has one main operating segment, the exploration, development and production of oil and gas resources based in the U.S. As a result, no segmental information is presented.

Notes to the financial statements continued

6. Revenue

Petroleum and natural gas revenue earned by the Group in the U.S. is disaggregated by commodity, as follows:

	2025 US$'000	2024 US$'000
Crude oil	**11,620**	21,782
Natural gas liquids	**1,324**	1,594
Natural gas	**967**	903
	13,911	24,279

7. Finance costs

	2025 US$'000	2024 US$'000
Loan interest and fees	**2,272**	2,916
Lease interest	**3**	2
Other interest charges	**1**	21
Amortisation of debt costs	**230**	130
Unwinding of discount on decommissioning	**198**	234
	2,704	3,303

8. Loss on ordinary activities before taxation

The loss before taxation for the year has been arrived at after (crediting)/charging:

	2025 US$'000	2024 US$'000
Gains on derivative contracts	**(269)**	(14)
Depreciation and depletion of property and equipment	**5,241**	9,292
Staff costs excluding share-based payments	**3,339**	3,113
Allowance for expected credit losses	**-**	1,226
Impairment of property and equipment	**-**	14,541
Share-based payments	**248**	3,129
Foreign exchange losses/(gains)[1]	**4,544**	(1,007)

1 Foreign exchange (losses)/gains) include a loss of US$4.5 million (2024: gain US$1.0 million) in respect of the translation of GBP designated loans between the Company and its U.S. subsidiary entities at 31 December 2025.

9. Auditor's remuneration

Amounts payable to the external auditors and their associates in respect of audit services:

	2025 US$'000	2024 US$'000
Audit of these financial statements	**257**	207

Notes to the financial statements continued

10. Staff costs

The average monthly number of employees (including Executive Directors) was:

	Group		Company	
	2025 Number	2024 Number	**2025 Number**	2024 Number
Office and management	**8**	8	**1**	1
Operations	**3**	3	**1**	1
	11	11	**2**	2

Their aggregate remuneration comprised:

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Wages and salaries	**2,635**	2,450	**494**	404
Social security costs	**227**	228	**55**	46
Other pension costs	**176**	180	**46**	45
Share-based payments	**248**	2,564	**105**	1,057
	3,286	5,422	**700**	1,552

Included within Company wages and salaries is US$0.3 million (2024: US$0.2 million) which relates to the activities of its subsidiary entities.

Refer to the Directors' Remuneration Report for details regarding the remuneration of the highest paid Director and the total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations.

11. Taxation

	2025 US$'000	2024 US$'000
Current tax:		
Current year	**-**	-
Deferred tax:		
Origination and reversal of temporary differences	**(12)**	(395)
Adjustment in respect of prior years	**12**	-
	-	(395)
Tax credit on loss for the year	**-**	(395)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2025 US$'000	2024 US$'000
Loss before tax	**(10,760)**	(19,969)
Loss multiplied by applicable tax rate - 25% U.S. (2024: 25% U.S.)	**(2,690)**	(4,992)
Effects of:		
Share-based payments	**62**	782
Deferred tax assets not recognised	**2,058**	3,849
Losses not deductible for tax purposes	**555**	(36)
Adjustments in respect of prior years	**12**	2
Expenses not deductible for tax purposes	**3**	-
Tax credit on loss for the year	**-**	(395)

Notes to the financial statements continued

12. Foreign exchange losses/(gains)

	2025 US$'000	2024 US$'000
Unrealised foreign exchange losses/(gains)	**4,544**	(1,007)

The Group has GBP-denominated intercompany loans that are recognised by certain U.S. subsidiaries in U.S. dollars. As these loans are monetary items under IAS 21, they are retranslated at each reporting date, with the resulting unrealised foreign exchange gains and losses recognised in profit or loss.

This volatility reflects movements in the GBP/USD exchange rate and does not result in cash flows unless and until the loans are settled.

13. Loss per Ordinary Share

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

	2025 US$'000	2024 US$'000
Losses		
Losses for the purpose of basic and diluted loss per Ordinary Share being net loss for the year	**(10,760)**	(19,574)

	2025 Number '000	2024 Number '000
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per Ordinary Share	**1,840,893**	1,728,196

	2025 Number '000	2024 Number '000
Loss per Ordinary Share		
Basic and diluted, cents per share	**(0.58)**	(1.13)

The Company has options issued over 102,138,428 (2024: 102,238,428) Ordinary Shares, and warrants issued over 173,912,770 (2024: 134,730,952) Ordinary Shares that are potentially dilutive. See notes 27 and 29.

Due to the losses incurred from continuing operations in the years presented, there is no dilutive effect from the existing share options or warrants.

Notes to the financial statements continued

14. Exploration and evaluation assets

	Paradox Project US$'000	Undeveloped Land US$'000	Total US$'000
Cost			
At 1 January 2024	49,941	-	49,941
Additions	12,768	-	12,768
Decommissioning - additions and change in estimates	(472)	-	(472)
Insurance proceeds	(8,751)	-	(8,751)
Funds received in lieu of grants	(250)	-	(250)
At 1 January 2025	53,236	-	53,236
Acquisitions	-	3,040	3,040
Additions	3,707	-	3,707
Disposals	-	(1,066)	(1,066)
Decommissioning - additions and change in estimates	(134)	-	(134)
At 31 December 2025	**56,809**	**1,974**	**58,783**

State 36-2R well joint operation

During the year ended 31 December 2025, the Group drilled an extended lateral section on the State 36-2 LNW-CC-R well (the "State 36-2R well"). The extended lateral was drilled pursuant to a Joint Development Agreement ("JDA") and Joint Operating Agreement ("JOA") entered into with a U.S.-based industry partner during the prior year. Under the terms of the JDA, the partner acquired a 50% non-operated working interest in the State 36-2R well in exchange for funding US$7.5 million of the drilling costs associated with the extended lateral. The amount received was recorded as an advance and applied against qualifying exploration and evaluation expenditures as costs were incurred. The advance was fully utilised and all subsequent costs were borne by the parties in proportion to their respective working interest shares.

E&E acquisitions and disposals

The Group acquired approximately 6,350 undeveloped, non-producing acres as part of the Acquisition, which are separate from the Group's Paradox Project asset. During the year, the Group divested of a portion of this acreage, as it was determined that the acres had potential for long lead times for development and/or significant future capital expenditure. The acquisitions and disposals presented in the table above relate to these non-Paradox acres. See note 16.

In accordance with the Group's purchase price allocation and due to the short period of time between the acquisition and the disposals, no gain or loss has been recognised on any of the transactions described in this note.

IMPAIRMENT

The Directors assessed for indicators of impairment as set out in IFRS 6 and none were identified. On this basis the Directors have satisfied themselves that there was no requirement to perform an impairment test at 31 December 2025 and, as a result, no provision for impairment has been made in respect of these assets at 31 December 2025 (2024: nil).

Notes to the financial statements continued

15. Property and equipment

	Group				Company		
	Oil and gas properties US$'000	Office equipment US$'000	Right-of-use assets US$'000	Total US$'000	Office equipment US$'000	Right-of-use assets US$'000	Total US$'000
Cost							
At 1 January 2024	74,359	25	77	74,461	25	77	102
Additions	1,336	-	43	1,379	-	-	-
Disposals	(612)	-	-	(612)	-	-	-
Decommissioning -additions and change in estimates	(715)	-	-	(715)	-	-	-
Exchange differences	-	-	(1)	(1)	-	(1)	(1)
At 1 January 2025	74,368	25	119	74,512	25	76	101
Acquisitions	5,629	-	-	5,629	-	-	-
Additions	395	-	-	395	-	-	-
Disposals	(250)	-	-	(250)	-	-	-
Decommissioning -additions and change in estimates	(222)	-	-	(222)	-	-	-
Exchange differences	-	2	6	8	2	6	8
At 31 December 2025	**79,920**	**27**	**125**	**80,072**	**27**	**82**	**109**
Accumulated depreciation							
At 1 January 2024	23,579	21	21	23,621	21	21	42
Charge for the year	9,241	2	49	9,292	2	39	41
Disposals	(233)	-	-	(233)	-	-	-
Exchange differences	-	-	(1)	(1)	-	(1)	(1)
At 1 January 2025	32,587	23	69	32,679	23	59	82
Charge for the year	5,201	2	38	5,241	2	18	20
Exchange differences	-	2	5	7	2	5	7
At 31 December 2025	**37,788**	**27**	**112**	**37,927**	**27**	**82**	**109**
Impairment							
At 1 January 2024							
Charge for the year	14,541	-	-	14,541	-	-	-
At 1 January 2025 and 31 December 2025	**14,541**	**-**	**-**	**14,541**	**-**	**-**	**-**
Carrying amount							
At 31 December 2025	**27,591**	**-**	**13**	**27,604**	**-**	**-**	**-**
At 31 December 2024	27,240	2	50	27,292	2	17	19
At 1 January 2024	50,780	4	56	50,840	4	56	60

Notes to the financial statements continued

15. Property and equipment continued

The Group depreciation and depletion charge has been allocated to the income statement as follows:

	2025 US$'000	2024 US$'000
Depreciation, depletion and amortisation	**5,201**	9,241
Administrative expenses	**40**	51
	5,241	9,292

Impairment

At 31 December 2025, the Directors considered the requirements of IAS 36 *Impairment of assets* in respect of its oil & gas properties. They have satisfied themselves that there were no indicators of impairment and, therefore, there was no requirement to perform an impairment test. As a result, no provision for impairment has been made in respect of these assets at 31 December 2025 (2024: US$14.5 million).

16. Asset acquisitions and disposals

Rocky Mountain Asset acquisition

On 21 August 2025, the Group completed the Acquisition of a portfolio of oil and gas interests, comprising operated working interests, non-operated working interests, overriding royalty interests and undeveloped land acreage located in the Rocky Mountain region, including the Williston Basin (North Dakota), the Powder River Basin (Wyoming), and Colorado.

The effective date of the acquisition was 1 June 2025 with a closing date of 21 August 2025 when legal title and possession of the assets transferred to the Group. Accordingly, the Group determined that control of the acquired assets passed on the closing date. Revenue and operating expenses attributable to the assets between the effective date and the closing date have been treated as purchase price adjustments rather than recognised in the consolidated income statement.

The Group applied the requirements of IFRS 3 *Business combinations* to the acquisition and concluded that it meets the requirements to be classified as an asset acquisition. See note 4.

The cost of the acquisition was US$ 7.3 million, payable in cash, and revenue and operating expenses attributable to the assets between the effective date and the closing date have been treated as purchase price adjustments rather than recognised in the consolidated income statement.

The fair value of the assets/(liabilities) acquired were:

	2025 US$'000
Assets	
Proved developing producing	5,269
Proved undeveloped	359
	5,628
Exploration and evaluation assets	3,040
	8,668
Liabilities	
Decommissioning liabilities	(2,333)
Identifiable net assets at fair value	6,335
Cash paid at date of completion	7,291
Post-closing settlement adjustments received prior to year end	(468)
Post-closing settlement adjustments accrued at year end; cash received post year end	(488)
	6,335

Notes to the financial statements continued

16. Asset acquisitions and disposals continued

Disposal of oil & gas properties

During the year ended 31 December 2025, following the Acquisition, the Group completed a series of disposals and assignments of oil and gas interests and land acreage in connection with the Acquisition, as described below. In accordance with the Group's purchase price allocation, no gain or loss has been recognised on any of the transactions described in this note.

Operated Well Disposals

The Group received cash proceeds of approximately US$0.68 million from one party in respect of a North Dakota well and associated interests.

In a separate transaction, the Group paid approximately US$0.45 million (net of US$33,392 closing adjustments) to a second party to transfer certain Colorado well interests and associated decommissioning obligations.

No gain or loss has been recognised in respect of these transactions.

Leasehold and other interests

On 29 December 2025, the Group completed the sale of certain leasehold interests acquired as part of the Acquisition, in Wyoming for gross consideration of approximately US$1.1 million. Following a title review process, amounts of approximately US$0.1 million were refunded to the counterparty in early 2026, resulting in net proceeds of approximately US$1.0 million. In accordance with the Group's purchase price allocation and due to the short period of time between the acquisition and the disposals, no gain or loss has been recognised. See note 15.

In addition, the Group completed a number of smaller assignments of working interests and wellbore participations during the year and shortly thereafter, with aggregate proceeds of approximately US$0.1 million. No gain or loss has been recognised on these transactions. These amounts have also been reflected as reductions to the total cost of assets acquired. See note 15.

Notes to the financial statements continued

17. Investments

	Company		
	Shares in subsidiary undertakings US$'000	Loans to subsidiary undertakings US$'000	Total US$'000
Cost			
At 1 January 2024	4,955	82,338	87,293
Derecognised	(4,955)	(22,296)	(27,251)
Additions	-	4,003	4,003
Capital contribution	-	1,643	1,643
Exchange differences	-	(1,120)	(1,120)
At 1 January 2025	-	64,568	64,568
Additions	-	15,256	15,256
Capital contribution	-	143	143
Exchange differences	-	5,072	5,072
At 31 December 2025	**-**	**85,039**	**85,039**
Impairment			
At 1 January 2024	4,955	29,924	34,879
Derecognised	(4,955)	(22,296)	(27,251)
Charge for the year	-	12,121	12,121
Exchange differences	-	(379)	(379)
At 1 January 2025	-	19,370	19,370
Exchange differences	-	1,428	1,428
At 31 December 2025	**-**	**20,798**	**20,798**
Carrying amount			
At 31 December 2025	**-**	**64,241**	**64,241**
At 31 December 2024	-	45,198	45,198

Company

The Company has outstanding loans made to its subsidiaries which incur interest. The loans are due for repayment on demand, however repayment will not take place until the subsidiaries are generating surplus cashflows from their revenue-generating activities, having met their operating, administrative and capital expenditure. This is not anticipated to happen within the next 12 months and, therefore, the loans are presented within non-current assets.

The Directors have made an assessment of expected credit losses and have determined that no ECL charge or credit is required for the year ending 31 December 2025. A cumulative lifetime ECL of US$20.8 million (US$ 19.4 million) has been recognised at 31 December 2025, reflecting movements in foreign exchange rates during the year. See note 4.

Notes to the financial statements continued

17. Investments continued

Capital contribution

Capital contribution represents the push-down of the fair value charge of share-based payments which relate to the Company's subsidiary entities.

The Company had investments in the following subsidiary undertakings as at 31 December 2025:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Directly owned:				
Rose Petroleum (UK) Limited	UK	100%	100%	Holding company
Indirectly owned:				
Rose Petroleum (US) LLC	U.S.	100%	100%	Holding company
Rose Petroleum (Utah) LLC	U.S.	100%	100%	Exploration and development
Zephyr Bakken LLC	U.S.	100%	100%	Production and development
Zephyr Williston LLC	U.S.	100%	100%	Production and development
Zephyr Hawk LLC	U.S.	100%	100%	Production and development
Zephyr Salt Wash LLC	U.S.	100%	100%	Exploration and development

During the year ended 31 December 2025, Vane Minerals (UK) Limited was removed from the register of companies at Companies House.

The registered office address for all companies incorporated in the United Kingdom is 5th Floor 167-169 Great Portland Street, London W1W 5PF.

The registered office address for all companies registered in the U.S. is 410 17th Street, Suite 1300, Denver, CO 80202.

18. Trade and other receivables

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Trade receivables	**2,875**	2,203	**-**	-
VAT recoverable	**54**	37	**54**	37
Other receivables	**592**	271	**-**	-
Prepayments	**281**	165	**64**	71
	3,802	2,676	**118**	108

Trade receivables are due from third-party working interest operators. The Group consistently assesses the collectability of these receivables and, at 31 December 2025, do not consider that any additional allowance for ECL is required. The US$1.2 million allowance recognised at 31 December 2024 remained outstanding and was not reversed at the reporting date. Approximately US$1.0 million was recovered subsequent to the year end; this recovery was not known at the reporting date and has not been recognised in the current period. The ECL will be reversed in the year ended 31 Dec 2026.

At 31 December 2025, other receivables include the sum of US$58,512 (2024: US$44,391) in respect of amounts due in respect of settled derivative contracts.

At 31 December 2025, other receivables include the sum of US$0.5 million (2024: nil) in respect of settlement funds relating to the Acquisition. See note 16.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value, and represents the Group's maximum exposure to credit risk.

Notes to the financial statements continued

18. Trade and other receivables continued

Trade receivables

	Group	
	2025 US$'000	2024 US$'000
Trade receivables	**4,101**	3,429
Less: allowance for expected credit losses	**(1,226)**	(1,226)
	2,875	2,203

19. Cash and cash equivalents

Cash and cash equivalents held by the Group and the Company as at 31 December 2025 were US$3.0 million and US$0.1 million respectively (2024: US$10.3 million, US$68,000). The Directors consider that the carrying amount of these assets approximate to their fair value and do not believe that the Group is exposed to any significant credit risk on its cash.

Included within cash and cash equivalents at 31 December 2024 was the sum of US$7.4 million the use of which was restricted to the funding of drilling, completion and production testing costs for the State 36-2R well. The funds have now been fully utilised. See note 14.

20. Derivative contracts

The Group faces volatility in market prices affecting the predictability of its cashflows from commodity sales. To manage this risk, the Group utilises derivative financial instruments, including collars (put and call options) and swaps linked to commodity prices. These instruments are accounted for as derivative financial instruments measured at fair value through profit or loss. The Group has not applied hedge accounting.

This note includes only standalone derivative contracts used for commodity price risk management. Embedded derivatives arising from financing arrangements, including those associated with convertible loan notes, are accounted for separately and are disclosed within note 23.

At 31 December 2024, the Group's stand alone derivative financial instruments included collars (put and call options) and swaps:

- Collars - Arrangements that include a fixed floor price (purchased put option) and a fixed ceiling price (sold call option) based on an index price have no net costs overall. At the contract settlement date, (i) when the index price is higher than the ceiling price, the Group pays the counterparty the difference between the index price and ceiling price, (ii) when the index price is between the floor and ceiling prices, no payments are due from either party ;and (iii) when the index price is below the floor price, the Group will receive the difference between the floor price and the index price.
- Swaps - When the Group sells a swap, it agrees to receive a fixed price for the contract while paying a floating market price to the counterparty.

At 31 December 2025, all positions were settled and accordingly there were no derivative or hedging relationships outstanding.

	2025 US$'000	2024 US$'000
Current assets	**-**	3
Current liabilities	**-**	(86)
	-	(83)

The fair value measurement of derivative contracts has been categorised as Level 2 in the fair value hierarchy as they are valued using inputs and outputs other than quoted prices that are observable for the assets and liabilities.

Notes to the financial statements continued

20. Derivative contracts continued

The recognised gain on derivative contracts was as follows:

	2025 US$'000	2024 US$'000
Realised gain	**186**	376
Change in fair value	**83**	(362)
	269	14

21. Trade and other payables

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Trade payables	**2,351**	1,868	**679**	98
Taxes and social security	**31**	26	**31**	26
Other payables	**-**	105	**-**	-
Accruals	**2,217**	2,384	**523**	252
	4,599	4,383	**1,233**	376

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

No interest is generally charged on balances outstanding.

The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Advance from joint operator

On 17 December 2024, the Group entered into a JDA to fund all expected drilling, completion and production testing costs of the State 36-2R well. Funding of US$7.5 million was secured from a U.S. based industry investor in exchange for an immediate 50% non-operated working-interest in the State 36-2R well. The Group also entered into a JOA to govern operations for the project and the well, which designates Zephyr as the operator. See note 14.

After the actual costs incurred to reach completion of the project exceed the advance of US$7.5 million, each party is responsible for paying its working interest share of the excess. Net revenues from the well will be split 50:50 between Zephyr and the investor from the time of first production.

At 31 December 2025, the advance from the joint operator had been utilised in its entirety to fund the original AFE estimate.

Notes to the financial statements continued

23. Borrowings

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
FIBT facility				
First term loan	**-**	6,467	**-**	-
Second term loan	**-**	5,013	**-**	-
Third term loan	**10,808**	-	**-**	-
Revolving credit	**11,133**	15,000	**-**	-
	21,941	26,480	**-**	-
Capitalised debt issue costs	**(77)**	(163)	**-**	-
	21,864	26,317	**-**	-
Strategic Industry Lender				
Convertible loan – host liability	**2,133**	-	**2,133**	-
Capitalised debt issue costs – host liability	**(567)**	-	**(567)**	-
	1,566	-	**1,566**	-
Convertible loan – embedded derivative	**188**	-	**188**	-
	1,754	-	**1,754**	-
Total borrowings	**23,618**	23,618	**1,754**	-
Current borrowings	**15,235**	20,933	**1,754**	-
Non-current borrowings	**8,383**	5,384	**-**	-
	23,618	26,317	**1,754**	-

Remaining contractual maturity analysis

The following table details the Group's remaining maturity for its borrowings. The table has been drawn up based on the undiscounted cashflows based on the earliest date on which the borrowings are required to be paid. The table includes both principal and interest cashflows.

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Maturity analysis				
Less than 6 months	**2,152**	4,151	**-**	-
6 months to 1 year	**15,167**	19,148	**1,880**	-
1 year to 2 years	**3,292**	3,403	**-**	-
2 years to 5 years	**6,309**	2,563	**-**	-
	26,920	29,265	**1,880**	-

First International Bank & Trust ("FIBT")

On 16 February 2022, the Group entered into credit facility agreements with FIBT through its U.S. subsidiaries, Zephyr Bakken LLC and Rose Petroleum (Utah) LLC. FIBT has a lien on the assets of those U.S. subsidiaries.

Notes to the financial statements continued

23. Borrowings continued

Term loans

The first term loan of US$18.0 million was repayable by 48 monthly instalments and carried interest at a rate of 6.74% per annum.

On 19 June 2024, the Group entered into a new facility agreement with FIBT. Under the terms of the agreement, the Group received a second term loan of US$5.6 million, repayable by 48 monthly instalments and carried interest at a fixed rate of 10% per annum.

On 10 November 2025, the Group refinanced its existing FIBT term loan facilities. The two outstanding term loans were consolidated into a single facility, with US$4.0 million of the revolving credit facility also rolled into the new term loan. The resulting term loan of US$11.1 million is repayable by 48 monthly instalments commencing December 2025 and carries interest at a fixed rate of 8.99% per annum.

Revolving credit facility

The revolving credit facility has a standard redetermination every six months. In October 2024, the repayment term of the revolving credit facility was extended to 16 December 2025, and the interest charge was adjusted to a fixed rate of 10% per annum. At 31 December 2024, the Group had drawn US$15.0 million in respect of the facility.

On 10 November 2025, US$4.0 million of the drawn revolving credit facility balance was rolled into the new term loan as described above. On 16 December 2025, following the redetermination, the repayment term of the revolving credit facility was extended to 16 December 2026, and the interest charge was adjusted to a fixed rate of 8.99% per annum. At 31 December 2025, the Group had drawn US$11.1 million in respect of the facility.

Under the terms of the FIBT agreements, the credit facilities are subject to a financial covenant which is a debt service coverage ("DSC") ratio, measured annually as of 31 December. The Group has always been compliant with the DSC covenant.

Strategic Industry Lender ("the Lender")

On 19 November 2025, the Company secured US$2.0 million in loan financing from the Lender. The facility is secured over the intercompany loan balances due to the Company.

The loan has an initial term of 12 months and carries an implied interest rate of 12% per annum, payable in cash at the end of the term. An implementation fee equivalent to 6% of the principal is payable for each 12-month period.

The Company may elect to extend the original maturity date by a further 12 months, subject to certain conditions including market capitalisation thresholds and lender consent.

The Lender has the right to convert all outstanding amounts into new Ordinary Shares of 0.1 pence each in the share capital of the Company at a price of 3.75 pence per Ordinary Share, representing a premium of 56% to the closing mid-market price of the Company's Ordinary Shares on the day preceding the announcement. At 31 December 2025 no conversions have taken place.

The conversion feature has been assessed in accordance with IAS 32 and IFRS 9 and has been determined not to meet the criteria for equity classification, as it does not satisfy the 'fixed-for-fixed' requirement. The fair value of the embedded derivative has been calculated using the Black-Scholes model. The significant inputs into the model were as follows:

Spot price (pence)	2.55
Strike price (pence)	3.75
Expected volatility (%)	64
Expected life (years)	1
Risk free rate (%)	3.73
Performance condition	None

The fair value measured at 31 December 2025 is US$0.2 million. The fair value is classified within Level 3 of the fair value hierarchy as it incorporates significant unobservable inputs, primarily expected share price volatility.

Under the terms of the agreement, the Lender was also granted warrants to subscribe for 18,181,818 Ordinary Shares of 0.1 pence each. The fair value of the warrants was US$0.2 million and has been treated as a cost of debt. See note 27.

Notes to the financial statements continued

23. Borrowings continued

The movement in total borrowings during the year was:

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
At 1 January	**26,317**	35,351	**-**	-
Net cashflows – financing activities – repayment of borrowings	**(4,689)**	(9,958)	**-**	-
Net cashflows – financing activities – additions to borrowings	**1,947**	5,600	**1,880**	-
Non-cash movements – movement in capitalised interest and loan costs	**241**	(789)	**72**	-
Non-cash movements – share-based payments	**(230)**	(3,887)	**(230)**	-
Non-cash movements – movement due to foreign exchange rate changes	**32**	-	**32**	-
At 31 December	**23,618**	26,317	**1,754**	-

24. Deferred tax

	2025 US$'000	2024 US$'000
At 1 January	**-**	395
Credit	**-**	(395)
At 31 December	**-**	-

Represented by:

	2025 US$'000	2024 US$'000
U.S. tax losses	**(10,087)**	(10,008)
Oil and gas property	**10,063**	10,053
Decommissioning	**-**	(1,027)
Unrealised foreign gain	**-**	(982)
Mark to Market adjustments	**21**	-
Temporary timing differences	**3**	-
Net deferred tax liability	**-**	-

Unrelieved tax losses arising in the UK of US$1.1 million (2024: US$0.6 million) have not been recognised as a deferred tax asset as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses can be carried forward indefinitely but must be utilised in relation to the same operations.

Unrelieved tax losses, temporary timing differences and mark to market adjustments arising in the U.S. amounting to US$25.7 million (2024: US$15.4 million) have not been recognised as a deferred tax asset as there is currently insufficient evidence that the assets will be recoverable in the foreseeable future.

Notes to the financial statements continued

25. Provisions

	Group Decommissioning	
	2025 US$'000	2024 US$'000
At 1 January	**4,109**	5,067
Acquisitions	**2,333**	-
Additions	**-**	92
Disposal	**-**	(5)
Change in estimates	**(355)**	(1,279)
Accretion interest	**198**	234
At 31 December	**6,285**	4,109
Current provision	**2,170**	549
Non-current provision	**4,115**	3,560
	6,285	4,109

In accordance with the Group's environmental policy and applicable legal requirements, where a liability for the retirement of a well, removal of production equipment and site restoration at the end of the production life of a well exists, the Group recognises a liability for decommissioning.

During the year ended 31 December 2025, the Group recognised a provision for the decommissioning liability in respect of wells where a change of status indicated the requirement for decommissioning provisions and any changes in estimates in respect of all relevant assets at 31 December 2025. See note 4.

Changes in estimates primarily represent the movement in the inflation factor and risk-free rate used in the calculation of decommissioning during the years presented.

The relevant rates used by the Group in calculating the provision for decommissioning are:

	31 December 2025 %	31 December 2024 %
Inflation factor	**2.68**	2.89
Risk free rate 1 - 5 year maturity	**3.73**	4.86
Risk free rate 6 - 10 year maturity	**4.18**	4.86
Risk free rate 11 - 20 year maturity	**4.79**	4.86
Risk free rate 20+ year maturity	**4.84**	4.86

The cost of decommissioning assets is included as part of the relevant asset as follows:

	2025 US$'000	2024 US$'000
Exploration and evaluation assets	**1,560**	1,695
Oil and gas properties	**3,800**	1,688
	5,360	3,383

Notes to the financial statements continued

26. Share capital

	Group and Company			
	2025		2024	
	Number '000	**US$'000**	Number '000	US$'000
Authorised				
Ordinary Shares of 0.1 pence each	**7,779,297**	**10,458**	7,779,297	9,740
Deferred Shares of 9.9 pence each	**227,753**	**30,310**	227,753	28,230
	8,007,050	**40,768**	8,007,050	37,970
Allotted, issued and fully paid				
Ordinary Shares of 0.1 pence each	**2,100,719**	**2,819**	1,750,719	2,344
Deferred Shares of 9.9 pence each	**227,753**	**40,305**	227,753	40,305
	2,328,472	**43,124**	1,978,472	42,649

The Deferred Shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at, any general meetings, have no entitlement to receive a dividend or other distribution or any entitlement to receive a repayment of nominal amount paid up on a return of assets on a 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.

Due to the difference in functional and presentation currencies of the Parent Company, foreign exchange differences can arise between the authorised share capital which is restated at each period end, and the allotted, issued and fully paid share capital which is presented at historical rates of exchange.

ISSUED ORDINARY SHARE CAPITAL

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$3.9 million (£3.1 million) of the Group's SGRI revolving credit facility. This has been treated as a share-based transaction. See note 29.

On 16 May 2024, the Company issued 171,429 Ordinary Shares of 0.1 pence each in respect of warrants which were exercised at a price of 4.375 pence per Ordinary Share, raising gross proceeds of US$9,506 (£7,500). See note 29.

On 27 June 2025, the Company issued 175,071,902 Ordinary Shares of 0.1 pence each at a price of 3 pence per Ordinary Share, raising gross proceeds of US$7.2 million (£5.3 million).

On 15 July 2025, the Company issued 151,594,765 Ordinary Shares of 0.1 pence each at a price of 3 pence per Ordinary Share, raising gross proceeds of US$6.1 million (£4.5 million).

On 15 July 2025, the Company issued 23,333,333 Ordinary Shares of 0.1 pence each at a price of 3 pence per Ordinary Share in respect of certain Director and employee subscriptions, raising gross proceeds of US$0.9 million (£0.7 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2024	1,686,502	227,753
Allotment of shares	64,217	-
At 1 January 2025	1,750,719	227,753
Allotment of shares	350,000	-
At 31 December 2025	**2,100,719**	**227,753**

Notes to the financial statements continued

27. Warrant reserve

On 19 November 2025, the Company secured financing from the Lender. Under the terms of the agreement, the lender was granted warrants to subscribe for 18,181,818 Ordinary Shares of 0.1 pence each. The warrants are exercisable at a price of 3.75 pence per Ordinary Share for a period of 4 years from the date of grant.

	Warrants Number '000
At 1 January 2024 and 1 January 2025	64,000
Granted	18,182
At 31 December 2025	**82,182**

The fair value of the warrants granted during the year has been calculated using the Black-Scholes model. The significant inputs into the model for the IFRS 2 valuation were as follows:

	Issued in year 18,181,818 Warrants
Exercise price (pence)	3.75
Expected volatility (%)	67
Expected life (years)	3.5
Risk free rates (%)	3.83
Expected dividends	-
Performance condition	None

The fair value of the warrant granted during the year was US$0.2 million (2024: nil).The fair value of the warrants issued in connection with the financing arrangement has been treated as a cost of debt. See note 23. Accordingly, this amount has been deducted from the initial carrying value of the related borrowing and is being amortised over the life of the loan using the effective interest method. The corresponding credit has been recognised in the warrant reserve within equity.

28. Reserves

The share premium account represents the sum paid, in excess of the nominal value, of shares allotted, net of the costs of issue.

The warrant reserve represents accumulated charges made in respect of the issue of warrants to Shareholders and other stakeholders. See note 27.

The share-based payment reserve represents accumulated charges made under IFRS 2 in respect of share-based payments.

The cumulative translation reserve represents foreign exchange differences arising on the translation of foreign operations. The cumulative translation reserve also represents the net effect of the fact that the functional currency of the parent undertaking is GBP, whilst its reporting currency is US$, resulting in exchange differences on translation of the parent undertakings equity.

The accumulated deficit includes all current and prior period retained profits/(losses).

Notes to the financial statements continued

29. Share-based payments

Equity settled share option plan

The Company has a Share Option Plan, 2013 Share Option Plan Part A (employees) and 2013 Share Option Plan Part B (non-employees), under which options to subscribe for the Company's shares have been granted to certain Directors and to selected employees and consultants.

At 31 December 2025, 102 million share options had been granted under the terms of the Share Option Plans and not exercised.

Details of the share options outstanding at the end of the year were as follow:

	2025		2024	
	Number of options '000	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at 1 January	**102,238**	**0.90**	44,764	4.30
Granted	**-**	**-**	61,503	0.10
Expired	**(100)**	**182.50**	(497)	198.25
Lapsed	**-**	**-**	(3,532)	2.40
Outstanding at 31 December	**102,138**	**0.72**	102,238	0.90
Exercisable at 31 December	**98,916**	**0.74**	92,053	0.99

The Company has no legal or constructive obligation to repurchase or settle the options in cash. The latest date for exercise of the options is 10 April 2034 and, unless otherwise agreed, the options are forfeited if the employee or consultant leaves the Group before the options vest, or in respect of those options that have already vested, are not exercised within an agreed time period.

The options outstanding at 31 December 2025 had an estimated weighted average remaining contractual life of 6.3 years (2024: 7.3 years), with an exercise price ranging between 0.1 pence and 14.0 pence as follows:

- 1,500,000 with an exercise price of 14 pence
- 7,900,000 with an exercise price of 3.5 pence
- 32,000,000 with an exercise price of 0.6 pence
- 60,738,428 with an exercise price of 0.1 pence

There were no options awarded during the year ended 31 December 2025 (2024: 61.5 million).

Warrants

On 15 July 2025, the Company granted 21,000,000 warrants to TPI, in respect of broker services provided by them in relation to the placing of the Company's Ordinary Shares in 2025. The warrants permit the holder to subscribe for one new Ordinary Share of 0.1 pence at a price of 3 pence per Ordinary Share and are exercisable at any time until 15 July 2030.

The fair value of the warrants granted during the year has been calculated using the Black-Scholes model. The significant inputs into the model for the IFRS 2 valuation were as follows:

	Grants in year 21,000,000 Warrants
Exercise price (pence)	3.0
Expected volatility (%)	74
Expected life (years)	4.5 years
Risk free rates (%)	3.92
Expected dividends	-
Performance condition	None

Notes to the financial statements continued

29. Share-based payments continued

The expected volatility was calculated using the historic volatility of the Company's share price by considering share price movements over a period commensurate with the expected term immediately prior to the date of grant.

The fair value of the warrants granted during the year was US$0.5 million (2024: US$48,776). The share price of the Company's Ordinary Shares on the date of grant was 2.95 pence per Ordinary Share.

In accordance with the Group's accounting policy, the costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided. As a result, the US$0.5 million (2024: US$48,776) fair value charge relating to the warrants issued in respect of services provided in relation to the placing of the Company's Ordinary Shares has been treated as a movement between equity reserves.

No warrants have been exercised or expired during the year ended 31 December 2025.

Details of the warrants included in share-based payments and outstanding at the end of the year were as follow:

	Warrants Number '000
At 1 January 2024	68,305
Granted	2,597
Exercised	(171)
At 1 January 2025	70,731
Granted	21,000
At 31 December 2025	**91,731**

In the year ended 31 December 2025, the Company recognised a total expense of US$0.2 million (2024: US$3.1 million) in respect of share-based payments, being US$0.2 million (2024: US$3.1 million) in respect of the share option plan and US$ nil (2024: nil) in respect of warrants.

30. Financial instruments

Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include cashflow interest rate risk, foreign currency risk, credit risk, liquidity risk, and commodity price risk.

The policies for managing these risks are regularly reviewed and agreed by the Board who aim to minimise potential adverse effects on the Group's financial performance on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy is to minimise costs and liquidity risk.

The Group is not subject to externally imposed capital requirements.

The capital structure of the Group consists of cash and cash equivalents, interest bearing borrowings, lease liabilities and equity attributable to owners of the Parent Company, comprising issued capital, reserves and retained earnings.

The Group plans its capital requirements on a regular basis and as part of this review the Directors consider the cost of capital and the risks associated with each class of capital.

Notes to the financial statements continued

30. Financial instruments continued

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Financial assets measured at amortised cost				
Cash and cash equivalents	**2,986**	10,267	**88**	68
Trade receivables	**2,875**	2,203	**-**	-
Other receivables	**592**	271	**-**	-
Loans to subsidiary undertakings	**-**	-	**85,039**	64,568
	6,453	12,741	**85,127**	64,636

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Financial (liability)/assets measured at fair value				
Derivative contracts – hierarchy, Level 2	**-**	(83)	**-**	-
Convertible loan - embedded derivative - hierarchy, Level 3	**188**	-	**(188)**	-
	188	(83)	**(188)**	-

	Group		Company	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
Financial liabilities measured at amortised cost				
Trade payables	**2,351**	1,868	**679**	98
Other payables	**-**	105	**-**	-
Accruals	**2,217**	2,384	**404**	252
Advance from joint operator	**-**	7,394	**-**	-
Borrowings	**23,618**	26,317	**-**	-
Lease liabilities	**16**	48	**-**	9
	28,202	38,116	**1,083**	359

Notes to the financial statements continued

30. Financial instruments continued

Fair value of financial instruments

The Directors consider that the carrying amount of its financial instruments approximates to their fair value.

Interest rate risk management

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis.

The Group is exposed to interest rate risk on cash held on deposit at banks but these accounts are held for liquidity rather than investment and the interest rate risk is not considered material to the Group.

The Group's main interest rate risk arises from borrowings that incur interest charges at a fixed rate above established parameters. See note 23. However, the majority of the Group's borrowings incur a fixed interest rate charge and, as a result, the Directors do not consider that the Group has substantial exposure to fluctuating interest rates on its liabilities and accordingly, no sensitivity analysis has been presented.

Foreign exchange risk and foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposure to exchange rate fluctuations arises.

Other than small amounts of cash balances and other payables that are held in currencies other than the functional currency of the relevant entity, the majority of the Group's monetary assets and monetary liabilities are denominated in the functional currency of the relevant entity. As a result, there is limited exposure to fluctuations in exchange rates that would impact the income statement of the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2025 US$'000	2024 US$'000	**2025 US$'000**	2024 US$'000
GBP	**2,341**	112	**48**	21

The Group has intercompany loans which are eliminated on consolidation. However, the loans are GBP denominated loans which are recognised in U.S. subsidiaries as US$. As a result, the Group is exposed to exchange rate fluctuations on restatement of the loans at the reporting date. As the loans have not been treated as net investment in foreign subsidiaries the impact of exchange rate fluctuation is recognised in the income statement.

The financial statements of certain of the Group's foreign subsidiaries are denominated in currencies that differ from the Group's presentation currency. As a result, the Group is exposed to movements in US$ in respect of foreign exchange differences arising on the translation of recognised assets and liabilities, which may impact equity.

The Group does not normally hedge against the effects of movements in exchange rates.

Foreign currency sensitivity analysis

Sensitivity analysis has been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between GBP and US$. The analysis is based on the weakening and strengthening of US$ by 5%. A movement of 5% reflects a reasonably positive sensitivity when compared to historical movements over a three to five-year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

Notes to the financial statements continued

30. Financial instruments continued

The table below details the Group's sensitivity to a 5% decrease in US$ against GBP. A positive number below indicates an increase in profit where US$ strengthens 5% against GBP. For a 5% weakening of US$ there would be an equal and opposite impact on the profit, and the balance below would be negative. The sensitivity calculated below is primarily attributable to the restatement of GBP denominated intercompany loans in the Group's U.S. subsidiaries.

	2025 US$'000	2024 US$'000
Income statement	**(4,410)**	(3,292)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cashflow.

With the exception of borrowings, see note 23, the Group's financial liabilities mature within less than six months. At 31 December 2025, the Group was compliant with all the terms of its borrowings.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored by the Board.

At 31 December 2025, the maturity of undiscounted borrowings including interest was as follows:

	Group		Company	
	2025 US$'000	2024 US$'000	2025 US$'000	2024 US$'000
Maturity analysis				
Less than 6 months	**2,168**	4,172	**-**	9
6 months to 1 year	**15,167**	19,161	**1,880**	-
1 year to 2 years	**3,292**	3,420	**-**	-
2 years to 5 years	**6,309**	2,563	**-**	-
	26,936	29,316	**1,880**	9

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets. The Group does not hold any collateral. Generally, financial assets are written off when there is no reasonable expectation of recovery.

The Group does not have any significant credit risk exposure on trade and other receivables, which are current and collectible.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit-rating agencies.

Commodity price management

The Group is exposed to commodity price risks relating to its ongoing business operations and uses derivative contracts to manage this risk.

The Group uses oil forward contracts to manage some of its transaction exposures and are intended to reduce the level of risk due to fluctuations in oil price. The forward contracts are not designated as cashflow hedges and are entered into for periods consistent with exposure of the underlying transactions.

Notes to the financial statements continued

31. Related party transactions

Amounts due from subsidiaries

Group

Other than foreign exchange losses and gains attributable to the restatement of GBP denominated intercompany loans in the Company's U.S. subsidiaries, balances and transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. A foreign exchange loss of US$4.5 million (2024: gain US$1.0 million) has been recognised in the income statement for the year ending 31 December 2025.

Company

The Company has entered into a number of unsecured related party transactions with subsidiary undertakings. The most significant transactions carried out between the Company and their subsidiary undertakings are management charges for services provided to the subsidiary company and long-term financing. Details of these transactions are as follows:

	2025		2024	
	Transactions in the year US$'000	**Amounts owing US$'000**	Transactions in the year US$'000	Amounts owing US$'000
Loans	**13,485**	**67,480**	2,067	50,033
Management charges	**-**	**5,414**	-	5,042
Interest (1% over UK base rate)	**1,771**	**9,925**	1,936	7,561
Capital contribution	**143**	**2,220**	1,644	1,932

Remuneration of key management personnel

Key management personnel are regarded to be members of the Company's Board of Directors.

The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2025		2024	
	Purchase of services US$'000	**Amounts owing US$'000**	Purchase of services US$'000	Amounts owing US$'000
Short-term employee benefits	**1,170**	**-**	999	-
Post-employment benefits	**73**	**50**	72	53
Share-based payments	**195**	**-**	2,097	-
	1,438	**50**	3,168	53

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All transactions with related parties have been conducted on an arm's length basis.

Directors' pensions

	2025 No	2024 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	**2**	2

Notes to the financial statements continued

31. Related party transactions continued

Services

During the year ended 31 December 2025, the Group received office services from OCE which is a related party as JC Harrington is indirectly the controlling shareholder and RL Grant is also a shareholder.

During the year ended 31 December 2025, the Group received consulting services from Quixote Advisers Limited, which is a related party as T Reynolds is the controlling shareholder.

	2025 US$'000	2024 US$'000
Office services	**20**	23
Consulting services	**109**	-
	129	23

32. Post balance sheet events

In April 2026, Zephyr announced that one of its U.S. subsidiary companies has been targeted in a cybersecurity incident. The highly sophisticated incident involved the diversion of a single payment to a contractor and resulted in funds of circa US$0.95 million being transferred to a third-party account. Upon discovery of the incident, the Company immediately notified the relevant law enforcement authorities and continues to work with the corresponding banks and consultants to attempt to recover the diverted funds.

In May 2026, and as part of the Company's ongoing portfolio management, the Company announced that it had completed multiple cash generative divestments of non-core, non-producing acreage that was obtained in conjunction with the Acquisition. Since the completion of the US$7.3 million Acquisition, Zephyr announced that it had generated circa US$7.0 million in total consideration from the divestment of non-core assets (comprised of US$5.8 million in cash proceeds and the divestment of US$1.2 million in near-term plugging, abandonment and capital liabilities).

In June 2026, Zephyr announced that it acquired an additional circa 24,000 acres in the Paradox Basin, increasing its total leasehold position to approximately 70,000 acres. This acquisition represents a further step in expanding the scale of the Paradox project and provides additional prospective resource potential not yet reflected in current reserves estimates.

Other information

Other information

Directors, advisers and officers

Directors

RL Grant	Non-Executive Chairman
TH Reynolds	Non-Executive Director
GB Stein	Non-Executive Director
JC Harrington	Chief Executive Officer
CJ Eadie	Group Finance Director

Secretary
CJ Eadie

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Joint Brokers
Turner Pope Investments Ltd
3 Queen Street
London
W1J 5PA

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Glossary

AGM	Annual General Meeting
bbls	Barrels
BLM	U.S. Bureau of Land Management
bo	Barrel of oil
boe	Barrel of oil equivalent
boepd	Barrels of oil equivalent per day
2C	Best estimate of contingent resources
CAPEX	Capital expenditure
CGU	Cash Generating Unit
Code	Corporate Governance Code
CPR	Competent persons report
Enbridge	Enbridge, Inc
ESG	Environmental, social and governance
ECL	Expected credit losses
E&E	Exploration and evaluation
E&P	Exploration and production
FIBT	First International Bank & Trust
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
KPI	Key performance indicator
<	Less than
LTI	Lost time injuries
M&A	Merger & Acquisition
mmboe	Million barrels of oil equivalent
>	More than
NED	Non-Executive Director
OCE	Origin Creek Energy LLC
OTCQB	OTCQB Venture Market
£ / GBP	Pound Sterling
2P	Proved plus probable reserves
PDP	Producing well
PNP	Proved not producing well
PUD	Proved but undeveloped well
Slawson	Slawson Exploration Company
Sproule	Sproule International
U.S.	United States
US$	United States Dollar
2U	Unrisked prospective resources
VERs	Verified emission reductions
WSU	White Sands Unit

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