# ZENITH ENERGY LTD.

## UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 AND COMPARATIVE PERIOD (SEPTEMBER 30, 2021).

## Management's Responsibility

To the Shareholders of Zenith Energy Ltd.:

The accompanying unaudited condensed interim consolidated financial statements of Zenith Energy Ltd. (the "**Company**" or the "**Group**") as at and for the six months ended September 30, 2022, have been prepared by and are the responsibility of the management of the Company and are approved by the board of directors of the Company. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on currently available information.

(signed) "Andrea Cattaneo"
President and Chief Executive Officer

(signed) "Luca Benedetto"
Chief Financial Officer

November 30, 2022

London, UK

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## COMPANY INFORMATION

**Directors**
Dr. Jose Ramon Lopez-Portillo (Chairman and Non-Executive Director)
Andrea Cattaneo (Chief Executive Officer & President, Executive Director)
Luca Benedetto (Chief Financial Officer & Executive Director)
Dario Ezio Sodero (Non-Executive Director)
Sergey Borovskiy (Non-Executive Director)

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**Registered Corporation Number**
BC0803216

**Website**
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**Independent Auditor**
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London EC1V 9EE

**Principal Bankers**

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP, United Kingdom

**Competent Person**
Chapman Petroleum Engineering Ltd
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**Depositary and Registrar**
Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1, Canada

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## HIGHLIGHTS

Highlights for the six months ended September 30, 2022, include the following:

- The Group generated revenues from oil and natural gas of CAD$11,571k (2021 – CAD$2,344k).
- During the six months ended September 30, 2022, the Company produced 90,591 barrels of oil from its Tunisian assets (2021 – 94,662 barrels)
- During the six months ended September 30, 2022, the Company sold 79,223 barrels of oil produced from its Tunisian assets (2021 – 67,916 barrels)
- During the six months ended September 30, 2022, the Company sold 5,309 MWh of electricity produced from its Italian assets (2021 – 2,792 MWh).
- During the six months ended September 30, 2022, the Company sold 5,623 mcf of natural gas produced from its Italian assets (2021 – 4,742 mcf).
- During the six months ended September 30, 2022, the Company sold 137 barrels of condensate produced from its Italian assets (2021 – nil).

**On April 22, 2022,** the Company announced that an international crude lifting of approximately 62,000 barrels of oil has successfully been concluded at a price of approximately US$103 per barrel for production from its 45% interest in the Ezzaouia concession, as well its 100% interest in the El Bibane and Robbana concessions.

Total receivables from the sale are expected to be approximately US$6.4 million and are to be paid during 2022.

A second international crude lifting for a quantity of at least approximately 52,000 barrels of oil produced from the Company's 22.5% working interest in the Sidi El Kilani concession (onshore Tunisia) is expected to take place in 2022.

**On May 3, 2022**, the Company announced that that it had fully settled

- its liability resulting from the loan agreements entered into with Winance, announced to the market respectively on May 26, 2021, and December 6, 2021 (collectively the "**Loan Agreements**").

  The Company has made repayments for a total of EUR 650,000 in cash, with the balance having been paid by way of the Reserve Shares issued in connection with the Loan Agreements.

- the liability in respect of the existing Convertible Loan, having made repayments for a total of US$0.6 million.

**On May 10, 2022**, the Company announced:

1. Signing of a non-convertible loan agreement (the "**Loan**") with a financial institution for a total amount of EUR 1.3 million (equivalent to approximately 13.1 million NOK or £1,111,800).

   The Loan has a duration of ten months, attracts an interest of 5% per annum and includes normal warranties and default clauses.

In connection with the Loan Agreement, the Company issued the following share purchase warrants (the "**Warrants**"):

- 85 million Warrants to acquire one common share for each Warrant at an exercise price of **NOK 0.20** (equivalent to approximately £0.017).
- 85 million Warrants to acquire one common share for each Warrant at an exercise price of **NOK 0.25** (equivalent to approximately £0.021).

The Warrants have a duration of ten months from the date of issue.

The Company plans to use the funds received in connection with the Loan to provide additional financial support for the achievement of its business development objectives in the Republic of the Congo, as well as for general working capital purposes.

2. It had agreed to sell the A-100 workover rig (the "**Rig**") that it had previously acquired in Azerbaijan during 2018 by way of its fully owned subsidiary, Zena Drilling Limited.

   The expected lack of spare parts and technical support for the Rig, a rig type widely used in the oil industry of the Russian Federation and post-Soviet Republics, as well as the estimated high transportation costs of the Rig from Azerbaijan to the Company's oil and gas portfolio in Africa, were the reasons for the sale.

**On May 16, 2022**, the Company announced that it had issued a new series of unsecured, multi-currency Euro Medium Term Notes at par value (the "**Notes**").

The Notes have been issued as part of Zenith's existing EUR 25,000,000 multi-currency Euro Medium Term Notes Programme.

The following Notes have been issued:
- Series No.5: EUR 2,000,000 bearing an interest of 10.125 per cent per year. ISIN: **XS2478298909**
- Series No.6: GBP 2,000,000 bearing an interest of 10.50 per cent per year. ISIN: **XS2478299030**
- Series No.7: USD 2,000,000 bearing an interest of 10.375 per cent per year. ISIN: **XS2478299113**

The Notes will mature on May 9, 2026, are governed by Austrian law and are not convertible into equity of the Company.

On July 27, 2022, the Company announced that coupon payments had been made, in full and on time, in respect of the following multi-currency Euro Medium Term Notes, listed on the Vienna MTF of the Vienna Stock Exchange:

- ZEEX 10.000 01/27/24 MTN XS2108546818 CHF
- ZEEX 10.125 01/27/24 MTN XS2108546735 EUR
- ZEEX 10.300 01/27/24 MTN XS2108546651 USD
- ZEEX 10.375 01/27/24 MTN XS2108546578 GB

**On September 21, 2022**, the Company announced that BCRA Credit Rating Agency AD ("**BCRA**") has upgraded Zenith's long-term debt issuer credit rating to 'B with Positive Outlook'.

> BCRA is an independent credit rating agency operating since 2003. The Financial Supervision Commission ("**FSC**") and European Securities and Markets Authority ("**ESMA**") have fully registered BCRA in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

**On September 22, 2022**, the Company announced that on September 15, 2022, it had presented an offer to the relevant Ministry in the Republic of Benin for the award of an initial nine-year licence to operate Block 1 containing the Sèmè oilfield, offshore Benin ("**Block-1**").

About Block-1

- A proven oilfield, with significant unexploited potential, having estimated recoverable reserves (P2) of 22-28 million barrels of oil and 428 billion cubic feet of natural gas (Kerr McGee 2005).
- Has produced a reported 22 million barrels of oil to date, with last production having taken place in 1998.
- Historical recovery factor of 22%, leaving significant margin for improvement of the recovery factor utilising modern completion techniques, horizontal drilling, and improved 3D seismic.
- Last produced at a rate of approximately 2,000 barrels of oil per day.
- 23 wells have been drilled in Block-1, with the last well having been drilled in 2009 by South Atlantic Petroleum (SAPETRO). This well discovered oil, however, due to the prevailing oil price at the time (approx. US$30) it was deemed uncommercial.
- Located in shallow water (30m) offshore with onshore facilities and tank farm for processing of oil production.
- Discovered in 1967 by Union Oil, Block-1 covers 551 sq. km with over 355 sq. km of recent 3D seismic data.
- Significant development and exploration potential in the emerging Syn-Rift play extending from neighbouring Nigeria.
- Production facilities comprised of three platforms, the last being installed in 2014-2015.

# CEO STATEMENT

I am pleased to report that Zenith Energy has continued to implement its growth strategy with the objective of maximizing shareholder value by creating a balanced portfolio of highly prospective development and low-risk exploration energy production assets in Africa, Europe, and the Middle East.

We are greatly encouraged by the current energy pricing environment and the outlook in terms of growth potential for credible junior operators, enabling Zenith to access large, high-quality assets being divested by oil and gas majors in view of the ongoing energy transition.

The results for the period ended September 30, 2022, reflect Zenith's sustained record revenue generation made possible by way of the Company's production activities in Tunisia and Italy during the current high energy pricing climate. The exceptional profitability of our Italian electricity production continues to provide significant cashflow to fund the development of Zenith's Italian portfolio. Our assets have significant unexploited potential which we can now to develop in view of a new European energy policy more favorable to domestic energy production following recent geopolitical events.

Regarding our business development ambitions in the Republic of the Congo, our confidence remains unchanged. Moreover, we expect to receive full repayment of the approximately US$5.7 million owed to our fully owned subsidiary, Anglo African Oil and Gas Congo S.A.U ("**AAOG Congo**"), by Société Nationale des Pétroles du Congo ("**SNPC**").

Furthermore, we are delighted to have submitted an offer for the award of an initial nine-year licence to operate Block 1 containing the Sèmè oilfield in the Republic of Benin, representing an extremely exciting opportunity to develop the largest and most prospective oilfield in the country.

Post period, we opened a representative office in the city of Aden, located in the Republic of Yemen, with the aim of establishing Zenith within the country and to provide a foothold to potentially expand our portfolio in the Middle East. We see great potential in Yemen due to the country's very significant oil and gas reserves and the positive political developments achieved during 2022 have given hope of long-term stability being successfully maintained.

Finally, we are grateful to our shareholders for their commitment and continued confidence in the Company's development potential. The Board and the management team believe that there are several potentially transformational growth opportunities between now and the end of our 2023 financial year.

Sincerely,

**Andrea Cattaneo**
**Chief Executive Officer**

November 30, 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended | |
|---|---|---|---|
| | | September 30, 2022 | September 30, 2021 |
| **Continuing operations** | **Note** | **CAD $'000** | **CAD $'000** |
| Revenue | | 11,571 | 2,344 |
| **Cost of sales** | | | |
| Production costs | | (4,328) | (2,106) |
| Depletion and depreciation | 9 | (578) | (366) |
| **Gross profit/(loss)** | | **6,665** | **(128)** |
| Administrative expenses | 5 | (4,951) | (6,294) |
| **Operating profit/(loss)** | | **1,714** | **(6,422)** |
| Gain on business combination | | - | 76,444 |
| Finance expense | 7 | (1,455) | (1,211) |
| **Gain for the period before taxation** | | **259** | **68,811** |
| Taxation | 8 | (140) | - |
| **Net Profit for the period** | | **119** | **68,811** |
| **Other comprehensive income** | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax (no cash item) | | (1,178) | (911) |
| Other comprehensive loss for the period, net of tax | | **(1,178)** | **(911)** |
| **Total comprehensive (loss)/income for the period attributable to owners of the parent** | | **(1,059)** | **67,900** |
| **Earnings per share** | 20 | **CAD $** | **CAD $** |
| Profit for the period - basic | | 0.0001 | 0.05 |
| Profit for the period – diluted | | 0.00 | 0.04 |
| From continuing operations - basic | | 0.0001 | 0.05 |
| From continuing operations - diluted | | 0.00 | 0.04 |

The notes on pages 13 to 56 form part of the Financial Statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Six months ended | |
|---|---|---|---|
| | | September 30, 2022 | September 30, 2021 |
| **ASSETS** | **Note** | **CAD $'000** | **CAD $'000** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 227,770 | 132,029 |
| Financial assets at amortised cost | 10 | 730 | 64,281 |
| | | **228,500** | **196,310** |
| **Current assets** | | | |
| Inventory | 11 | 8,005 | 1,550 |
| Trade and other receivables | 12 | 22,102 | 9,924 |
| Cash and cash equivalents | | 1,465 | 3,024 |
| | | **31,572** | **14,498** |
| **TOTAL ASSETS** | | **260,072** | **210,808** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 14 | 60,121 | 52,039 |
| Share warrants & option reserve | 15 | 5,094 | 3,952 |
| Contributed surplus | | 4,943 | 4,689 |
| Retained earnings | | 31,873 | 36,578 |
| **Total equity** | | **102,031** | **97,258** |
| | | | |
| **Non-current liabilities** | | | |
| Loans | 17 | 1,924 | 186 |
| Non-convertible bonds | 18 | 17,885 | 5,374 |
| Deferred consideration payable | 6 | 67,372 | 62,464 |
| Deferred tax liabilities | 8 | 14,231 | 2,398 |
| Decommissioning provision | 19 | 30,395 | 11,265 |
| Provision | | 576 | - |
| **Total non-current liabilities** | | **132,383** | **81,687** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | 17,619 | 19,518 |
| Loans | 17 | 5,123 | 4,341 |
| Non-convertible bonds | 18 | 204 | 4,805 |
| Deferred consideration payable | 6 | 2,712 | 3,199 |
| **Total current liabilities** | | **25,658** | **31,863** |
| **TOTAL EQUITY AND LIABILITIES** | | **260,072** | **210,808** |

Approved by the Board dated on November 30, 2022

Jose Ramon Lopez-Portillo Chairman
The notes on pages 13 to 56 form part of the Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share warrants & option reserve** | **Contributed surplus** | **Retained earnings** | **Total** |
| **Balance as at April 1, 2021** | **48,017** | **2,465** | **4,643** | **(31,322)** | **23,803** |
| Profit for the period | - | - | - | 68,811 | 68,811 |
| Other comprehensive income | - | - | - | (911) | (911) |
| Total comprehensive income | - | - | - | 67,900 | 67,900 |
| Share issue net of costs – debt settlement | 767 | - | - | - | 767 |
| Share issue net of costs - private placement | 2,445 | - | - | - | 2,445 |
| Value of warrants issued | - | 1,576 | - | - | 1,576 |
| Exercise of warrants | 810 | (43) | - | - | 767 |
| Fair value of options expired | | (46) | 46 | - | - |
| Total transactions with owners recognized directly in equity | 4,022 | 1,487 | 46 | - | 5,555 |
| **Balance as at September 30, 2021** | **52,039** | **3,952** | **4,689** | **36,578** | **97,258** |
| | **CAD $'000** | **CAD $'000** | **CAD $'000** | **CAD$'000** | **CAD $'000** |
| **Balance as at April 1, 2022** | **60,121** | **5,284** | **4,753** | **32,932** | **103,090** |
| Profit for the period | - | - | - | 119 | 119 |
| Other comprehensive income/(loss) | - | - | - | (1,178) | (1,178) |
| Total comprehensive income/(loss) | - | - | - | (1,059) | (1,059) |
| Share issue net of costs – debt settlement | - | - | - | - | - |
| Share issue net of costs - private placement | - | - | - | - | - |
| Value of warrants issued | - | - | - | - | - |
| Warrants expired | - | (190) | 190 | - | - |
| Total transactions with owners recognized directly in equity | - | (190) | 190 | - | - |
| **Balance as at September 30, 2022** | **60,121** | **5,094** | **4,943** | **31,873** | **102,031** |

| **Reserve** | **Description and purpose** |
|---|---|
| Share capital | Amount subscribed for share capital |
| Share warrants & option reserve | Relates to increase in equity for services received – equity settled share transactions |
| Contributed surplus | Expired share options and warrants issued in previous years |
| Retained earnings | Cumulative net gains and losses recognized in the consolidated statement of comprehensive income. |

The notes on pages 13 to 56 form part of the Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Six months ended | |
|---|---|---|---|
| | | September 30, 2022 | September 30, 2021 |
| **OPERATING ACTIVITIES** | **Note** | **CAD $'000** | **CAD $'000** |
| Profit for the period before taxation | | 259 | 68,811 |
| Foreign exchange | | (2,698) | (1,861) |
| Gain on business combination | 6 | - | (76,444) |
| Finance expense | 7 | 1,455 | 808 |
| Depletion and depreciation | 9 | 578 | 366 |
| Change in working capital | 13 | (6,570) | 3,354 |
| Warrants charge | 15 | - | 1,533 |
| **Net cash used in operating activities** | | **(6,976)** | **(3,433)** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 9 | (10) | (44) |
| Disposal of property, plant and equipment | 9 | 3 | - |
| **Net cash used in investing activities** | | **(7)** | **(44)** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares, net of transaction costs | | - | 1,039 |
| Proceeds from exercise of options | | - | 767 |
| Repayments of loans | 17 | (1,612) | (1,655) |
| Proceeds from loans | 17 | 325 | 2,995 |
| Interests on loans | 17 | (338) | (228) |
| Proceeds from issue of bonds | 18 | 8,074 | 2,872 |
| Repayment of bonds | 18 | (347) | (162) |
| Interests on bonds | 18 | (678) | (580) |
| **Net cash generated from financing activities** | | **5,424** | **5,048** |
| Net (decrease)/increase in cash and cash equivalents | | (1,559) | 1,571 |
| **Cash and cash equivalents at beginning of period** | | **3,024** | **1,453** |
| **Cash and cash equivalents at end of period** | | **1,465** | **3,024** |

**Notes to the financial statements**

**Notes to the financial statements**

## 1. Corporate and Group information

The consolidated financial statements of Zenith Energy Ltd. and its subsidiaries (collectively, the "**Group**") have been prepared on the basis set out below. Zenith Energy Ltd are exempt from the preparation of separate parent company financial statements for the year ended 30 September 2022 in line with the Canada Business Corporations Act.

Zenith Energy Ltd. ("**Zenith**" or the "**Group**") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on September 20, 2007 and is domiciled in Canada. The address of the Group's registered office is Suite 2400, 745 Thurlow Street, Vancouver BC V6E 0C5, Canada and its business address is Suite 4000, 421 - 7th Avenue SW, Calgary, T2P 4K9, Alberta, Canada. The Group's primary business activity is the international development of oil and gas production and development assets. As publicly reported, the Group is currently in the process of seeking to complete a number of acquisitions in Africa.

The Company's website is: www.zenithenergy.ca.

Zenith is a public company listed on the Main Market of the London Stock Exchange under the ticker "**ZEN**", with its entire common share capital admitted to trading on the Euronext Growth Oslo under the ticker "**ZENA**".

## 2. Basis of preparation

The consolidated financial statements presented in this document have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The financial statements have been prepared under the historical cost convention except for financial instruments which are measured at fair value through profit or loss. The financial statements are presented in Canadian Dollars (CAD$) and have been rounded to the nearest thousand (CAD$'000) except where otherwise indicated.

The Board has reviewed the accounting policies set out below, which have been applied consistently, and considers them to be the most appropriate to the Group's business activities.

**Presentation and functional currency**

The presentation currency of the Group is the Canadian dollar ("**CAD$**").

Functional currency is the currency of the primary economic environment in which a company operates. The functional currencies of the Group's subsidiaries are; United States ("**US$**") dollars for the subsidiaries in Tunisia, Dubai, British Virgin Islands and Republic of Congo, Euros ("**EUR**") for the subsidiary in Italy, Sterling ("**GBP**") for the subsidiary in the United Kingdom, Swiss Francs ("**CHF**") for the subsidiary in Switzerland and Norwegian Krone ("**NOK**") for the subsidiary in Norway.

The functional currency is determined by the Directors by looking at a number of relevant factors including the currency in which Group entities usually generate and spend cash and in which business transactions are normally denominated.

All of the transactions that are not in the functional currency are treated as foreign and indicate currency transactions.
The factors that have determined the adoption of the CAD $ as presentation currency include:

- mainly affects the prices at which the goods or services are consolidated;
- Canada is the country whose regulations, market conditions and competitive forces mainly affect the pricing policy of the entity;
- influences the costs and expenses of the entity;
- the funds are usually generated in that currency; and
- the receipts from operating activities are retained in that currency.

**Going concern**

These financial statements have been prepared on a going concern basis which presumes that the Group will continue its operations in the normal course of business for the foreseeable future. In assessing whether going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group. As part of their assessment, the Directors have also taken into account the ability to raise additional funding whilst maintaining sufficient cash resources to meet all commitments.

The Directors have reviewed the cash flow forecasts prepared by management up to and including August 2023, which are prepared on the basis that the Group continues to hold title to the African oil and gas asset and which takes into account the fund raises completed post year end, as well as loan repayments which fall due within 12 months of the date of the signing of the financial statements. The cashflow forecasts also include the investments in respect of well interventions in Tunisia, which the Group believe will be covered by a combination of funding generated by operations, funds raised post year end, funds to be received from the national oil company of the Republic of the Congo (SNPC), as well as further planned fund raises within the going concern period. The Directors believe that the planned fund raises via the various sources of capital available to the Group will be successful. The Group's ability to raise funds has been demonstrated in the period ended September 30, 2022. However, as at the date of approval of the financial statements, these funds have not been secured. At present the Group believes that there should be no significant material disruption to its operations from COVID-19 in the near term, but the Board continues to monitor these risks and the Group's business continuity plans.

The Directors, having made due and careful enquiry, are of the opinion that the Group has adequate working capital to execute its operations over the next 12 months. The Directors therefore have made an informed judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

**New standards and interpretations**

**a. Adoption of new and revised standards**

The following IFRSs or IFRIC interpretations are those that were effective for the first time for the financial year beginning April 1, 2021, and relevant to the entity:

| STANDARD | CHANGE |
|---|---|
| *Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions* | As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. |
| IFRS 3 *Business Combinations* | *Definition of Business:* The amendments:<br>• confirmed that a business must include inputs and a process, and clarified that:<br>  ▪ the process must be substantive; and<br>  ▪ the inputs and process must together significantly contribute to creating outputs.<br>• narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and<br>• added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. |
| IFRS 7 *Financial Instruments Disclosures,* IFRS 9 *Financial Instruments &*IAS 39 *Financial Instruments: Recognition and Measurement* | *Interest Rate Benchmark Reform*: The amendments to IFRS 9, IAS 39 andIFRS 7 amend requirements for hedge accounting to support the provisionof useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.<br>• The amendments modify some specific hedge accounting requirements to provide relief from potential effects of theuncertainty caused by the IBOR reform.<br>▪ In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. |
| IAS 1 *Presentation of Financial Statements* | *Definition of Material:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. |

| | |
|---|---|
| IAS 8 *Accounting Policies, Changes in Accounting Estimatesand Errors* | *Definition of Material:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. |
| *References to the Conceptual Framework* | The revised Conceptual Framework was published in March 2018. Together with the publication, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards.<br><br>The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20,IFRIC 22, and SIC-32. |

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

**b. New standards and interpretations in issue but not yet effective**

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

***Standards Issued and Effective on or after 1 January 2023***

| STANDARD | CHANGE |
|---|---|
| IFRS 17 *Insurance Contracts* | IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS.<br><br>This standard replaces IFRS 4 – Insurance contracts.The key principles in IFRS 17 are that an entity:<br>a) identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specifieduncertain, future event (the insured event) adversely affects the policyholder.<br>b) separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.<br>c) divides the contracts into groups it will recognise and measure.<br>d) recognises and measures groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all the available information about the fulfilment cash flows in a way that is consistent with observable marketinformation plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin);<br>e) recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk, if a group of contracts is or becomes loss-making, an entity recognises the loss immediately.<br>f) presents separately insurance revenue, insurance service expenses |

| | |
|---|---|
| | and insurance finance income or expenses.<br>g) discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. To do this, an entity discloses qualitative and quantitative information about:<br>h) the amounts recognised in its financial statements from insurance contracts.<br>i) the significant judgements, and changes in those judgements, made when applying the Standard; and<br>j) the nature and extent of the risks from contracts within the scope of this Standard. |

***Narrow Scope Amendments Effective on or after 1 January 2023***

| STANDARD | CHANGE |
|---|---|
| IAS 1 *Presentation of Financial Statements* | *Classification of Liabilities as Current or Non-current:* Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

## 3. Significant accounting policies

The following entities have been consolidated within the Group's financial statements:

| *Name* | *Country of incorporation and place of business* | *Proportion of ownership interest* | *Principal activity* |
|---|---|---|---|
| Canoel Italia S.r.l. (1) | Genova, Italy | 98.6% | Gas, electricity and condensate production |
| Ingenieria Petrolera del Rio de la Plata S.r.l. | Argentina | 100% | Not trading |
| Zenith Aran Oil Company Limited | British Virgin Islands | 100% | In liquidation |
| Aran Oil Operating Company Limited | British Virgin Islands | 80% owned subsidiary of Zenith Aran Oil Company Limited | In liquidation |
| Zenith Energy (O&G) Ltd | United Kingdom | 100% | Administrative services |
| Zena Drilling Limited | Incorporated in UAE<br>Place of business: Azerbaijan | 100% | Oil and gas drilling |
| Altasol SA | Switzerland | 100% | Oil trading |
| Zenith Norway AS (2) | Norway | 100% | Holding Company |
| Anglo African Oíl & Gas Congo S.A.S. (3) | Republic of the Congo | 100% | Oil production |
| Zenith Energy África Holdings (4) | United Kingdom | 100% | Holding Company |
| Zenith Energy África Ltd (4) | United Kingdom | 100% on behalf of Zenith Energy Holdings | Holding Company |
| Ecumed Petroleum Zarzis Ltd | Incorporated in Barbados and place of business Tunisia | 100% on behalf of Zenith Energy Africa Ltd | Oil production |

| | | | |
|---|---|---|---|
| Compagnie du Desert Holdings Ltd (5) | United Kingdom | 100% | Holding Company |
| Compagnie du Desert Ltd (5) | United Kingdom | 100% on behalf of Compagnie du Desert Holdings Ltd | Holding Company |
| Ecumed Petroleum Tunisia Ltd | Incorporated in Barbados and place of business Tunisia | 100% on behalf of Compagnie du Desert Ltd | Oil production |
| Zenith Overseas Assets Holdings Ltd (5) | United Kingdom | 100% | Holding Company |
| Zenith Overseas Assets Ltd (6) | United Kingdom | 100% on behalf of Zenith Overseas Assets Holdings Ltd | Holding Company |
| Canadian North Africa Oil&Gas Ltd | Incorporated in B.V.I. and place of business Tunisia | 100% on behalf of Zenith Overseas Assets Ltd | Oil production |
| Zenith Energy Congo SA | Republic of the Congo | 100% | Oil production |

(1) Zenith Energy Ltd. has 100% control over Canoel Italia S.r.l. The Group granted 1.4% to the Director managing the Italian subsidiary in order to limit the risk of any liability to that entity. Therefore, no non-controlling interest arises from the consolidation of this subsidiary.

(2) On January 30, 2020, the Company announced the establishment of its fully owned Norwegian subsidiary, Zenith Energy AS **("Zenith Norway"**), to be used as a vehicle for intended participation in future licensing bids to be organized by the Norwegian Ministry of Petroleum and Energy, as well as to actively pursue the potential acquisition of working interests in mature energy production assets across Northern Europe.

(3) On January 13, 2020, the Company announced the passing of a resolution by the shareholders of Anglo African Oil & Gas plc to approve the share purchase agreement, signed between the parties on December 27, 2019, for the acquisition of its fully owned subsidiary in the Republic of the Congo, Anglo African Oil & Gas Congo S.A.S.

(4) On March 15, 2021, the Company announced that Zenith Energy Africa Limited ("**ZEAL**"), its newly incorporated fully owned subsidiary (controlled on behalf of Zenith Energy Africa Holdings Ltd), has entered into a share purchase agreement ("SPA") with Candax Energy Limited ("**Candax**") for the acquisition of a 100 percent interest in Candax's fully owned subsidiary in Barbados, Ecumed Petroleum Zarzis Ltd ("EPZ") (the "Acquisition"), which holds a 45% interest in the Ezzaouia Concession ("**Ezzaouia**").

(5) On April 30, 2021, the Company announced that Compagnie Du Desert Ltd ("CDD"), its recently

incorporated fully owned subsidiary, has entered into a share purchase agreement ("**SPA**") with Candax Energy Limited ("**Candax**") for the acquisition of a 100 percent interest in Candax's fully owned subsidiary in Barbados, Ecumed Petroleum Tunisia Ltd ("**EPT**") (the "**Acquisitions**"), which holds a 100% interest in the El Bibane and Robbana concessions in Tunisia.

(6) On November 22, 2021, the Company announced that Zenith Overseas Assets ("**ZOA**"), its fully owned subsidiary, had entered into a sale and purchase agreement ("**SPA**") for the acquisition of a 100 percent interest of the issued, allotted, outstanding and fully paid-up share capital of Canadian North Africa Oil & Gas Ltd. ("**CNAOG**") (previously named CNPC International (Tunisia) Ltd), a 100% subsidiary of CNPC International Ltd.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Adjustments are made to the results of subsidiaries to bring the accounting policies used by them, with those used by the Group.

Intercompany balances and transactions are eliminated on consolidation, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

The following entities have not been consolidated within the Group’s financial statements because they are considered to be immaterial to the Group:

| ***Name*** | ***Country of incorporation and place of business*** | ***Proportion of ownership interest*** | ***Principal activity*** |
|---|---|---|---|
| Leonardo Energy Consulting S.r.l. | Genova, Italy | 48% | Dormant |
| Zenith Energy Netherlands BV | Netherlands | 100% | Dormant |

**Property, plant and equipment**

**Development and production expenditures**

Development and production (“**D&P**”) assets include costs incurred in developing commercial reserves and bringing them into production. Items of property and equipment, including D&P assets, are carried at cost less accumulated depletion and depreciation and accumulated impairment losses.

When significant parts of D&P assets have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of D&P assets are determined by comparing the proceeds of disposal with the carrying amount of the item and are recognised in profit or loss.

**Business combinations**

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognised immediately in the consolidated statement of comprehensive income.

Transaction costs that are incurred in connection with a business combination other than those associated with the issue of debt or equity instruments are expensed as incurred.

Intercompany balances and transactions are eliminated on consolidation, and any unrealised income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

**Subsequent costs**

Costs incurred subsequent to the determination of technical feasibility and commercial viability, costs of replacing parts of property and equipment and workovers of property and equipment are recognised only if they increase the economic benefits of the assets to which they relate. All other expenditures are recognised in profit or loss when incurred. The carrying amounts of previous inspections or any replaced or sold components are derecognized. The costs of day-to-day servicing of an item of property and equipment are recognised in profit or loss as incurred.

**Depletion and depreciation**

The net book value of producing assets is depleted on a field-by-field basis using the unit of production method with reference to the ratio of production in the year to the related proved and probable reserves, as determined by an independent reserve engineer, taking into account estimated future development costs necessary to bring those reserves into production. For purposes of these calculations, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

**Impairment**

At the end of each reporting period, the Group reviews the D&P assets for circumstances that indicate the assets may be impaired. Assets are grouped together into cash-generating units ("**CGUs**") for the purpose of impairment testing.

If any such indication of impairment exists, the Group makes an estimate of its recoverable amount. A CGUs recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted 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. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from the production of proved and probable reserves.

Fair value less costs to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of

D&P assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account.
These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. When the recoverable amount is less than the carrying amount, the asset or CGU is impaired. For impairment losses identified on a CGU, the loss is allocated on a pro rata basis to the assets within the CGU. The impairment loss is recognised as an expense in profit or loss.

At the end of each subsequent reporting period, these impairments are assessed for indicators of reversal.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU 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 have been recognised for the asset or CGU in prior periods.

A reversal of an impairment loss is recognised in profit or loss.

**Decommissioning provision**

The Group recognizes a decommissioning obligation in the period in which a well is drilled or acquired, and a reasonable estimate of the future costs associated with removal, site restoration and asset retirement can be made. The estimated decommissioning provision is recorded with a corresponding increase in the carrying amount of the related cost center.

Decommissioning provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the provision is adjusted at the end of each period to reflect the unwinding of discount and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the unwinding of discount is recognised as finance expenses. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash deposits in bank accounts and cash in hand.

**Inventory**

Inventory consists of crude oil which is recorded at the lower of cost and net realisable value. The cost of producing crude oil is accounted on a weighted average basis. This cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil is the producing cost, including royalties. Net realisable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any expected selling costs.

**Financial instruments**

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost using the effective interest method:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*Impairment of financial assets*

The Group applies the expected credit loss model to financial assets measured at amortized cost or at fair value through other comprehensive income. There are no financial assets other than trade receivables.

**De-recognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

**Financial liabilities and equity**

*Classification as debt or equity*
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

*Financial liabilities*
All financial liabilities are measured subsequently at amortised cost using the effective interest method.

*Compound financial instruments*
Compound financial instruments include convertible notes which can be converted into a fixed number of common shares for a fixed amount of consideration. The compound financial instrument is bifurcated and recorded with a liability and equity component. The liability component is initially recognised as the fair value of the liability without the conversion feature, which is calculated using inputs that fall within level 1 of the fair value hierarchy of IFRS 13. The equity component is recognised as the difference between the fair value of the convertible debt and the fair value of the liability component.
Transaction costs are proportionately allocated between the components. Subsequently, the liability component is measured at amortised cost using the effective interest method and accretes up to the principal balance at maturity.

The equity component is not re-measured after initial recognition. Upon conversion, the liability component is reclassified to equity and no gain or loss is recognised. If the number of common shares to which the loan can be converted is not fixed, then the loan is recorded as a liability with no debt / equity split.

**De-recognition of financial liabilities**

The Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished-i.e., when the obligation specified in the contract is discharged or cancelled or expires.

*Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.
Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

The Group’s financial assets were classified as financial assets measured subsequently at amortized cost. The Group’s financial liabilities were classified as financial liabilities measured subsequently at amortized cost. The Group does not choose to classify any financial liabilities as measured at fair value through profit or loss.

**Share capital**

Share capital is classified as equity if it is non-redeemable, and any dividends are discretionary or is redeemable but only at the Group's option. Dividends on share capital classified as equity are recognised as distributions within equity. Non-equity share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the consolidated income statement as a financial expense.

Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

**Share-based payments**

The cost of providing share-based payments to employees is charged to the statement of comprehensive income (or treated as a share issue cost) over the vesting period of the related share options or share allocations. The cost is based on the fair values of the options, which is determined using the Black Scholes method. The value of the charge is adjusted to reflect expected and actual level of vesting. Charges are not adjusted for market related conditions that are not achieved. Where equity instruments are granted to persons other than Directors or employees the consolidated statement of comprehensive income is charged with the fair value of the related goods or services received.

**Earnings per share**

The Group presents basic and diluted earnings per share for its common shares. Basic earnings per share amounts are calculated by dividing the profit or loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period. Diluted earnings per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted, for the effects of all dilutive potential common shares.

**Revenue from contracts with customers**

The Group enters into contracts for the sale of oil and gas. Revenue is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards or ownership have been transferred to the customer and collection of the sales price is reasonably assured. The performance obligation is identified to be the delivery of oil and gas to the customer, and the transaction price is allocated to the amount of oil and gas delivered. These criteria for performance obligation are assessed to have occurred once the product has been delivered to the customer.

**Foreign currency translation**

Foreign currency transactions are translated into the respective functional currencies of the Group and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and,
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations on the statement of comprehensive income and are reported as a separate component of shareholders' equity. These differences are recognised in profit or loss in the period in which the operation is disposed.

**Finance expense**

Finance expense is comprised of interest on debt, accretion of the decommissioning obligation, accretion of convertible notes and other miscellaneous interest charges.

**Taxation**

Income tax expense is comprised of current and deferred tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded, using the asset and liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not recorded on taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of assets and liabilities in a transaction other than a business combination that affect neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

**Interest-Bearing Loans and Borrowings**

Interest-bearing loans and borrowings are initially recognised at fair value, which equates to the value of proceeds received net of any directly attributable arrangement costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method.

## 4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions about the future. The relating accounting estimates will by definition, seldom equal to related achieved result. The estimates and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Going concern**
Management have prepared the financial statements on a going concern basis of accounting which, as stated in note 2, is dependent on the group being able to raise additional funding as required. This is considered to be a critical accounting judgement.

**Property, plant and equipment**
Management reviews the Group’s property, plant and equipment annually for impairment indicators.

The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management’s estimates having regard to past experience and the known characteristics of the individual assets, reserves and future production, which are discussed further on note 11. The carrying value of property, plant and equipment as of September 30, 2022, was CAD$227,770k (2021 – CAD$132,029k).

**Proved and probable reserves and contingent resources**
The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations. Contingent resources affect the valuation of exploration and exploration assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests.

Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The Group's reserves are evaluated and reported on by independent reserve engineers at least annually. The engineers issue a Competent Person's Report ("**CPR**"), and the latest version was issued in July 2021 in relation to the Group's Italian and Congolese assets. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgement and interpretation.

**Decommissioning costs**

Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations.

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the Statement of Financial Position date. Provision is made for the estimated cost at the Statement of Financial Position date, using a discounted cash flow methodology and a risk-free rate of return. Details of the Group's decommissioning costs are disclosed in note 22. The carrying value of the decommissioning costs as of September 30, 2022, is CAD $30,395k (2021 – CAD $11,265k).

**Provisional fair values used in business combination accounting**

As disclosed in note 6 the Group has applied the provisions within IFRS 3 to use provisional fair values in the business combination accounting in respect of the acquisition of AAOG. Management has elected to recognise the assets and liabilities at their book value, without any adjustment for fair value at the date of acquisition which is considered to be the most prudent approach while an exercise to complete a formal purchase price allocation is undertaken. Once the purchase price allocation has been completed management will update the provisional accounting to their fair values where there are material differences.

**Recoverability of other receivables**

Trade receivables qualify as financial assets and would be considered impaired if its carrying amount exceeds its recoverable amount. An impairment loss should be regarded as incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition.

*Equity Sharing Agreement (ESA)*

As of March 31, 2020, the Company identified a trade receivable, that could be impaired due to the conditions of the contract.

On February 14, 2020, the Company announced that it has entered into an equity sharing agreement, with a consortium of institutional investors, for a total amount of NOK 9,700k (approximately CAD$1,389k), by a subscription for 50,000,000 new common shares, an issue price of NOK 0.194 per share.

As of September 30, 2022, the facility was completely settled, and no additional provision is required.

Congo – receivable from SNPC

As part of the business combination of AAOG, the Group acquired another receivable due from SNPC, of approximately US$5.7 million (equivalent to approximately CAD$8M) as a result of the work conducted to date on the License. Zenith has met with SNPC and expects to obtain the full repayment of the aforementioned amount. In addition, it is expected that the signature bonus of US$2 million that will become payable should the Group be successful in its tender for a new license will be offset from the receivable which would further demonstrate the recoverability of the amount.

Management has therefore not recognised an impairment in respect of this receivable.

## 5. Administrative expenses

During the six months ended September 30, 2022, the Group incurred CAD$ 4,951k (2021 - CAD$ 6,294k) of administrative expenses. Furthermore, during the same period the Group incurred CAD$ 382k (2021 - CAD$ 1,829k) of non-recurring expenses which relate to the cost of raising funds, negotiation costs for the potential acquisition of producing assets.

| | **Six months ended September 30,** | |
|---|---|---|
| | **2022** | **2021** |
| | **CAD$'000** | **CAD$'000** |
| Auditors remuneration - audit fees Group | **12** | **-** |
| Accounting and bookkeeping | **29** | **39** |
| Other professional fees | **2,215** | **1,397** |
| Office | **511** | **127** |
| Administrative expenses | **782** | **69** |
| Foreign exchange (gain)/loss | **(369)** | **1,861** |
| Other administrative expenses | **-** | **87** |
| Salaries | **1,088** | **617** |
| Travel | **301** | **268** |
| **General and administrative expenses** | **4,569** | **4,465** |
| | | |
| **Non-recurring expenses** | | |
| Listing costs | **117** | **36** |
| Negotiation costs for acquisitions | **238** | **115** |
| Bond Issue costs | **27** | **145** |
| Share based payments | **-** | **1,533** |
| **Total non-recurring expenses** | **382** | **1,829** |
| **Total general and administrative expenses** | **4,951** | **6,294** |

## 6. Business combinations

### *a) Ecumed Petroleum Tunisia acquisition*

On April 30, 2021, Zenith announced that, following its market announcement dated April 21, 2021, Compagnie Du Desert Ltd ("**CDD**"), its recently incorporated fully owned subsidiary, has entered into a share purchase agreement ("**SPA**") with Candax Energy Limited ("**Candax**") for the acquisition of a 100 percent interest in Candax's fully owned subsidiary in Barbados, Ecumed Petroleum Tunisia Ltd ("**EPT**") (the "**Acquisitions**"), which holds a 100% interest in the El Bibane and Robbana concessions in Tunisia.

Pursuant to the terms of the SPA, CDD has agreed to acquire 100% of the issued share capital of EPT for a nominal consideration of US$100 payable at completion, as well an additional consideration of approximately USD$200,000 in the form of assumption of debt payable by the close of May 2021.

The El Bibane concession ("**El Bibane**") is located 16 kilometers offshore from the port of Zarzis in the Gulf of Gabes, covering an area of approximately 228 square kilometers and in approximately 7-8 meters water depth. The field was discovered by Marathon Oil Corporation in 1982. However, it was not developed until 1998. Upon initial development, a peak production of 4,500 bopd was achieved. The reservoir is located in the Cretaceous Zebbag fractured dolomite formation at approximately 2,150 meters below surface. Zenith has acquired a 100% working interest in El Bibane. A total of three wells remains active. A total of 6 wells plus 4 side tracks have been drilled. El Bibane expires on December 31, 2033.

The Robbana concession ("**Robbana**"), covering 48 square kilometers and located onshore in the island of Djerba in the southern Gulf of Gabes, was discovered in 1988, achieving a peak production of 500 bopd in 1994.

The ROB-1 well encountered two hydrocarbon-bearing reservoirs in the Cretaceous Upper Meloussi Sandstone formation. Only two wells have been drilled in Robbana since discovery, ROB-1 which is still in production and ROB-2 which is temporarily abandoned. Robbana expires on November 4, 2034.

The fair values of the assets acquired, the liabilities and contingent liabilities assumed are based on the Net Present Value ("**NPV**") of future cash flows included in the Competent Persons Report prepared on behalf of the Group by Chapman Petroleum Engineering Ltd. ("**Chapman**"), a registered Professional Engineer in the Province of Alberta (Canada), permit number P 4201 of the association of Professional Engineers and Geoscientist of Alberta (Canada).

b) Canadian North Africa Oil & Gas Ltd

On November 22, 2021, the Company announced that Zenith Overseas Assets ("**ZOA**"), its fully owned subsidiary, had entered into a sale and purchase agreement ("**SPA**") for the acquisition of a 100 percent interest of the issued, allotted, outstanding and fully paid-up share capital of Canadian North Africa Oil & Gas Ltd. ("**CNAOG**") (previously named CNPC International (Tunisia) Ltd), a 100% subsidiary of CNPC International Ltd.

CNAOG holds an undivided 22.5% interest in the North Kairouan permit and the Sidi El Kilani Concession in Tunisia ("**SLK**" or the "**Concession**"), together with 25 Class B shares in Compagnie Tuniso-Koweito-Chinoise de Pétrole ("**CTKCP**"), the operator of the Concession, representing 25% of the issued share capital of CTKCP.

Pursuant to the terms of the SPA, ZOA acquired CNAOG for a consideration of US$1,658,680, paid by the Company upon completion (the "**Consideration**"). As at the Completion date, the volume of crude oil produced from the Concession and allocated to and received by CNAOG, which has not been sold or otherwise disposed of, amounted to approximately 30,000 barrels of crude oil.

c) There was an effective USD$100 (CAD$126 equivalent) acquisition price for Ecumed Petroleum Tunisia and USD$1,690k (CAD$2,109k equivalent) for Canadian North Africa Oil & Gas Ltd. The acquisitions have been accounted for as a business combination using the acquisition method of accounting and resulted in a bargain purchase as follows:

**Fair value of net assets acquired CAD$'000**

| | El Bibane | Side el Kilani |
|---|---|---|
| Development and production assets (net of taxation and royalties) | 26,092 | 17,950 |
| Capital Costs | (15,626) | (12,220) |
| Decommissioning Obligations | (1,172) | (1,861) |
| NPV of the assets | 9,294 | 3,869 |
| Other liabilities acquired | (69,682) | (4,138) |
| Novation of debt | 138,673 | - |
| Less: Consideration paid | - | (2,109) |
| Gain/(loss) on business combination | 78,285 | (2,378) |

The activity of the newly acquired Tunisian subsidiaries are included within note 29 'Operating segments'.

**Development and production (D&P) assets**

The estimated value of the D&P assets acquired was determined using both estimates and an independent reserve evaluation based on oil and gas reserves discounted at 10%.

**Decommissioning provisions**

The fair value of decommissioning obligations assumed was determined using the timing and estimated costs associated with the abandonment, restoration, and reclamation of the wells and facilities acquired, discounted at a credit adjusted rate.

**DEFERRED CONSIDERATION PAYABLE**

***Capital Costs***

According to the CPR Report, total capital expenditures amounting to USD$ 20 million have been estimated for the overall property.

***Operating costs***

Operating costs have been estimated to be USD$ 72.4 million based on historical and budget information provided by operator of the property.

| DEFERRED CONSIDERATION PAYABLE | September 30, 2022 CAD$'000 | September 30, 2021 CAD$'000 |
|---|---|---|
| **Capital costs** | | |
| Current portion | 2,712 | 3,199 |
| Non-Current portion | 67,372 | 62,464 |
| **As of 30 September** | **70,084** | **65,663** |
| | | |
| Deferred Consideration payable current | 2,712 | 3,199 |
| Deferred Consideration payable non-current | 67,372 | 62,464 |
| Total | **70,084** | **65,663** |

The deferred consideration liability has been measured at the present value of contracted future cash flows. The value and timing of contracted future cash flows has been included in note 24.

## 7. Finance expense

| | Six months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **CAD $'000** | **CAD $'000** |
| Effective interest on financial liabilities held at amortised cost | (677) | (580) |
| Interest expense | (690) | (228) |
| Finance expenses | (88) | (403) |
| **Net finance expense** | **(1,455)** | **(1,211)** |

## 8. Taxation

| | Six months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **CAD $'000** | **CAD $'000** |
| Current tax | **140** | **-** |
| Deferred tax | **-** | **-** |
| **Total tax charge for the period** | **140** | **-** |

The tax (credit) / charge for the six months ended September 30, 2022 comprised CAD$ 140k (2021 – CAD$ nil) of current tax expense and CAD$ nil deferred tax reduction (2021 – CAD$ nil deferred tax reduction).

## 9. Property, plant and equipment

| | D&P Assets CAD$'000 |
|---|---|
| **Carrying amount at April 1, 2021** | **100,482** |
| Additions | 44 |
| Acquired on business combination (see note 6) | 31,903 |
| Depletion and depreciation | (366) |
| Foreign exchange differences | (34) |
| **Carrying amount at September 30, 2021** | **132,029** |
| | |
| **Carrying amount at April 1, 2022** | **229,774** |
| Additions | 10 |
| Disposals | (3) |
| Depletion and depreciation | (571) |
| Foreign exchange differences | (1,440) |
| **Carrying amount at September 30, 2022** | **227,770** |

### Impairment test for property, plant and equipment

As of September 30, 2022, a review was undertaken of the carrying amounts of property, plant and equipment to determine whether there was any indication of a trigger that may have led to these assets suffering an impairment loss.

As there is no readily available market for the Group's oil and gas properties, fair value is derived as the net present value of the estimated future cash flows arising from the continued use of the assets, incorporating assumptions that a typical market participant would take into account. The value in use of an oil and gas property is generally lower than its Fair Value Less Costs of Disposal ('FVLCD') as value in use reflects only those cash flows expected to be derived from the asset in its current condition. FVLCD includes appraisal and development expenditure that a market participant would consider likely to enhance the productive capacity of an asset and optimize future cash flows. Consequently, the Group determines recoverable amount based on FVLCD using a Discounted Cash Flow ('DCF') methodology.

The DCF was derived by estimating discounted after-tax cash flows for each CGU based on estimates that a typical market participant would use in valuing such assets. The impairment tests compared the recoverable amount of the respective CGUs noted below to the respective carrying values of their associated assets. The estimates of FVLCD meet the definition of level three fair value measurements as they are determined from unobservable inputs.

Italian Cash Generating Unit

Key assumptions:

- **Production profiles:** these were based on the latest available information from management.
- **Capital and operating costs:** these were based on the current operating and capital costs in Italy.
- **Gas price:** An average 2022 gas price of $32.63/Mscf based on information from the World Bank European gas price forecast and information provided by management.
- **Discount rate:** The estimated fair value less costs to sell of the Italian CGU was based on 15% (2021 – 15%). This was based on a Weighted Average Cost of Capital analysis consistent with that used in previous impairment reviews.

Tunisia Cash Generating Unit
Two assets in Tunisia were acquired during the year. The carrying amount is that of the audited financial statements as of September 30, 2022.

The Group controlled the local audit results, the balance sheet amounts and asset register correspondence, checking the historical amounts and the related depreciation, determining the carrying value of the subsidiary plant and equipment, acquired as a business combination.

The Group recognised the business acquisition calculation result, and it considers that the field infrastructure, geological data and associated equipment that are owned by the Group in Tunisia, as of September 30, 2022, had a fair value amount not less than the carrying amount recoverable at the same date. As a result, no impairment was recognised in the period ended September 30, 2022 (2021 - N/A) in the consolidated statement of comprehensive income.

Further, the Company commissioned a Competent Person's Report ("**CPR**") for the Tunisian licence in compliance with Canadian securities laws, specifically the COGE Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities.* The fair value included in the CPR exceeds the carrying value which also supports the Group's position that no impairment is required. The field estimates of the reserves held can be found at: www.zenithenergy.ca

**Sidi El Kilani asset evaluation**

On November 22, 2021, the Company acquired a 22.5% working interest in the Sidi El Kilani concession ("**SLK**"), as detailed in the business combination (note 6 of this document).
The license for this concession will expire December 2022, however, the Company started the renewal process in good time.
The Board is confident to achieve a positive outcome in respect of the renewal, based on historical precedent, namely that concession renewals have always been granted to existing operator applicants.
In accordance with this factually substantiated position, the Board has decided to include the NPV of this asset acquired in in the carrying amount of its assets as at September 30, 2022, with the intention that in the unlikely event of a negative conclusion of the renewal process, and in any case in the 12 months following the closing date of this financial year, this value will be totally removed from its assets.

## 10. Non-current financial assets held at amortized cost

| | September 30, 2022<br>CAD $'000 | September 30, 2021<br>CAD $'000 |
|---|---|---|
| Other assets | 730 | 64,281 |
| | **730** | **64,281** |

The balance held as of September 30, 2021, was reclassified as property, plant and equipment.

## 11. Inventory

As of September 30, 2022, inventory consists of CAD$ 6,003k (2021 – CAD $1,378k) in relation to 127,759 barrels of crude oil that has been produced but not yet sold, and CAD$ 2,002k of materials (2021 – CAD $172k).

| | September 30,2022 CAD $'000 | September 30 ,2021 CAD $'000 |
|---|---|---|
| Congo - materials | - | - |
| Italy – materials | - | 8 |
| Tunisia | 6,003 | 1,378 |
| Tunisia - materials | 2,002 | 164 |
| | **8,005** | **1,550** |

## 12. Trade and other receivables

| | September 30, 2022 CAD $'000 | September 30, 2021 CAD $'000 |
|---|---|---|
| Trade receivables | 13,456 | 1,464 |
| Other receivables | 8,646 | 8,460 |
| **Total trade and other receivables** | 22,102 | 9,924 |

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The Group's customers are all State customers, therefore, the lifetime expected losses are considered to be CAD$ nil.

## 13. Change in working capital

| | September 30, 2022 CAD $'000 | September 30, 2021 CAD $'000 |
|---|---|---|
| Trade and other receivables | 10,042 | (4,732) |
| Inventory | 6,455 | 868 |
| Prepaid expenses | 472 | (39) |
| Trade and other payables | (10,399) | 549 |
| **Total change in working capital** | 6,570 | (3,354) |

## 14. Share Capital

Zenith is authorised to issue an unlimited number of Common Shares, of which nil were issued at no par value and fully paid during the six months ended September 30, 2022 (2021 – 243,822,319). All Common Shares have the right to vote and the right to receive dividends. Zenith is authorised to issue an unlimited number of preferred shares, issuable in series, of which none have been issued as of the date of these Financial Statements. The Directors of the Group may by resolution fix the rights, privileges, restrictions, and conditions of the preferred shares of each series.

The Company has 1,872,574,449 common shares in issue and admitted to trading on the Euronext Growth of the Oslo Stock Exchange and on the Main Market of the London Stock Exchange, as of September 30, 2022.

| **Issued**<br>**Description** | **Number of**<br>**common shares** | **Amount**<br>**CAD $'000** |
|---|---|---|
| **Balance – 01 April 2020** | **577,072,921** | **40,400** |
| Non-brokered unit private placement (i) | 75,000,000 | 907 |
| Finder's fee | | (4) |
| Non-brokered unit private placement (ii) | 60,000,000 | 900 |
| Non-brokered unit private placement (iii) | 80,000,000 | 1,339 |
| **Balance – 30 June 2020** | **792,072,921** | **43,542** |
| Non-brokered unit private placement (iv) | 60,000,000 | 467 |
| Non-brokered unit private placement (v) | 90,000,000 | 1,060 |
| Non-brokered unit private placement (vi) | 100,000,000 | 637 |
| **Balance – 30 September 2020** | **1,042,072,921** | **45,706** |
| **Balance – 31 December 2020** | **1,042,072,921** | **45,706** |
| Exercise of warrants (vii) | 28,571,429 | 637 |
| Settlement of debt (viii) | 1,816,410 | 40 |
| Exercise of warrants (ix) | 16,428,571 | 363 |
| Non-brokered unit private placement (x) | 75,000,000 | 1,271 |
| **Balance – 31 March 2021** | **1,163,889,331** | **48,017** |
| Exercise of warrants (xi) | 45,000,000 | 810 |
| Non-brokered unit private placement (xii) | 60,000,000 | 871 |
| Non-brokered unit private placement (xiii) | 108,400,000 | 1,574 |
| **Balance – 30 June 2021** | **1,377,289,331** | **51,272** |
| Settlement of debt (xiv) | 30,422,319 | 767 |
| **Balance – 30 September 2021** | **1,407,711,650** | **52,039** |
| Settlement of debt (xv) | 3,953,708 | 73 |
| Non-brokered unit private placement (xvi) | 272,727,273 | 5,078 |
| Settlement of debt (xvi) | 108,181,818 | 1,591 |
| Settlement of debt (xvii) | 80,000,000 | 1,340 |
| **Balance – 31 December 2021** | **1,872,574,449** | **60,121** |
| **Balance – 31 March 2022** | **1,872,574,449** | **60,121** |
| **Balance – 30 June 2022** | **1,872,574,449** | **60,121** |
| **Balance – 30 September 2022** | **1,872,574,449** | **60,121** |

i) On April 8, 2020, the Company completed an offering in the United Kingdom, and an offering in Norway (the "**Financings**"). Zenith raised an aggregate total amount of approximately £525k or NOK 6,750k or CAD$921k, issuing 75,000,000 new Common shares at a price of £0.007 (0.7 pence), CAD$0.012 or NOK 0.09.

ii) On April 30, 2020, the Company announced the issue of 60,000,000 new common shares, raising gross proceeds of approximately £540k or NOK 6,600k or CAD$900k (the "**Private Placement**"). The issue price of the new common shares issued under the Private Placement is £0.009 (0.90 pence), NOK0.11 or CAD$0.015.

iii) On June 9, 2020, the Company announced that it had completed a private placement in Norway, to raise an aggregate total amount of approximately NOK 7,600k (approximately £645k or CAD$1,098k), issuing a total of 80,000,000 common shares of no-par value in the capital of the Company at an issue price of NOK 0.095, equivalent to approximately £0.008 (0.8 pence) or CAD$0.013.

iv) On July 10, 2020, the Company announced that it has completed a private placement in Norway, to raise an aggregate total amount of approximately NOK 3,120k (approximately £260k or CAD$449k), issuing a total of 60,000,000 common shares of no-par value in the capital of the Company at an issue price of NOK 0.08, equivalent to approximately £0.007 (0.7 pence) or CAD$0.012 per share.

v) On August 6, 2020, the Company announced that it has completed a private placement in Norway, to raise an aggregate total amount of approximately NOK 7,200k (approximately £604k or CAD$1,060k). The issue price of the Financing was NOK 0.08 per common share of no-par value in the capital of the Company (“**Common Shares**”), equivalent to approximately £0.007 (0.7 pence) or CAD$0.012.

Zenith has issued a total of 90,000,000 new Common Share units ("**Units**"). Each Unit comprises 1 Common Share and half a warrant. The Company therefore issued 90,000,000 new Common Shares in connection with the Financing and 45,000,000 Common Share purchase warrants (the "**Warrants**") exercisable within 12 months at an exercise price of NOK 0.15 (approximately CAD$0.022).

vi) On September 25, 2020, the Company announced that it has completed a private placement in Norway, to raise an aggregate total amount of approximately NOK 4,520k (approximately £409k or CAD$ 635k), issuing a total of 100,000,000 common shares of no-par value in the capital of the Company at an issue price of NOK 0.045, equivalent to approximately £0.004 (0.4 pence) or CAD$0.01 per share.

vii) On January 6, 2021, the Company announced that an investor in the Company has exercised warrants to acquire a total of 28,571,429 new common shares of no-par value (the "**Common Shares**") in the capital of the Company with an exercise price of NOK 0.15 (equivalent to approximately £0.013) for a total consideration of NOK 4,285k NOK (approximately £371k or CAD$641k).

viii) On February 24, 2021, Zenith issued a total of 1,816,410 new common shares ("**Debt Settlement Shares**") at a price of NOK 0.145 (equivalent to approximately £0.0124) to settle an amount owed by the Company to a creditor wishing to be paid in equity. The amount settled was NOK 263k (approximately£22k or CAD$39k).

ix) On March 19, 2021, an investor in the Company exercised warrants to acquire a total of 16,428,571 new common shares of no-par value the capital of the Company with an exercise price of NOK 0.15 (equivalent to approximately £0.013) for a total consideration of 2,464,286 NOK (approximately £209,600 or CAD$362,318)

x) On March 22, 2021, the Company announced that it has completed a private placement in Norway, to raise an aggregate total amount of approximately NOK 8,625k (approximately £725k or EUR 846k or CAD$1,258k), issuing a total of 75,000,000 common shares of no-par value in the capital of the Company at an issue price of NOK 0.115, equivalent to approximately £0.01 (1 pence) or CAD$0.02 per share.

xi) On April 30, 2021, The Company announced that an investor in the Company had exercised warrants to acquire a total of 45,000,000 new common shares of no-par value (the "**Warrant Shares**") in the capital of the Company with an exercise price of NOK 0.12 (approximately £0.01) for a total consideration of 5,400,000 NOK (approximately £450,000)

xii) On May 10, 2021, the Company announced that it had secured Norwegian institutional investment in Zenith by way of a private placement in Norway which had also attracted the participation of a high-net-worth private investor (the "**Private Placement**").

The Private Placement has resulted in the issuance of 60 million new common shares in the share capital of the Company, at ac subscription price of the Placement Shares was NOK 0.10 (equivalent to approximately £0.087) (the "**Private Placement Shares**"), for a total consideration of NOK 6,000,000 (approximately £522,000 or EUR 600,000).

In connection with this private placement the Company issued 60,000,000 share purchase warrants, of which 45 million warrants with an exercise price of NOK 0.25 expiring on 01/07/20222 and 15,000,000 warrants with an exercise price of NOK 0.325 expiring on 07/07/2023.

xiii) On May 26, 2021, Zenith announced that it had entered into a loan agreement with Winance, a Dubai registered company (the "**Lender**"), for a total amount of EUR 2.1 million (approximately £1.8 million or approximately NOK 21.4 million) (the "**Loan Agreement**").

100,000,000 new common shares of no-par value (the "**Reserve Shares**") were issued to the Lender to be held in a depositary institution.

The Company has also issued a total of 8,400,000 new common shares at a price of NOK 0.10 (equivalent to approximately £0.085) to be held in Treasury (the "**Treasury Shares**").

xiv) On July 29, 2021, the Company announced that it had concluded a debt settlement agreement (the "**Debt Settlement**") in respect of the drawdown of EUR 500,000 (approximately £426k or CAD$742k) (the "**Credit Facility**") made following the signing of a revolving line of credit agreement with a financial institution announced on February 24, 2021.

The Company issued a total of 30,422,319 new common shares at a price of NOK 0.1725 (equivalent to approximately £0.01412 or CAD$0.025) to settle the Credit Facility in full.

xv) On October 5, 2021, the Company issued 3,953,708 new common shares of no-par value (the "**New Common Shares**") at an issue price of NOK 0.1266 (equivalent to approximately £0.011) to Winance in respect of the Loan Agreement announced to the market on May 26, 2021.

xvi) On November 12, 2021, the Company announced that it had received approval from the UK Financial Conduct Authority ("**FCA**") for publication of a UK prospectus document (the "**Prospectus**").

In connection with the Prospectus, the Company issued:

- 272,727,273 new common shares announced on November 2, 2021, from a successful subscription for £3m (the "**Subscription Shares**").

- 108,181,8181 new Common Shares in settlement of liabilities as set out below (collectively the "**Capitalization Shares**").

  The Capitalization Shares are made up of 8,181,818 new Common Shares at an issue price of £0.011 (equivalent to approximately NOK 0.13) in full and final settlement of an existing liability of £90,000. In addition, Zenith agreed to issue a further 100,000,000 new Common Shares at an issue price of €0.01 to Winance in full and final settlement of the €1m outstanding in respect of the loan facility announced on May 26, 2021. The 108,181,818 Capitalization Shares were issued fully paid at Admission.

xvii) On December 6, 2021, the Company issued 80,000,000 (eighty million) new common shares of no-par value (the "**Reserve Shares**") to the Winance at a price of NOK 0.12 (equivalent to approximately £0.01) to be held in a depositary institution designated by the Lender, in relation to the supplementary loan agreement announced on that date.

**15. Warrants and options**

| | Number of options | Number of warrants | Weighted average exercise price | Amount CAD$'000 |
|---|---|---|---|---|
| **Balance – April 1, 2021** | **94,317,858** | **177,851,484** | **0.03** | **2,465** |
| Warrants issued | - | 250,646,238 | 0.02 | 892 |
| Warrants exercised | - | -45,000,000 | 0.02 | (43) |
| Warrants expired | - | -1,373,750 | 0.07 | (46) |
| Option Issued | 46,453,307 | - | 0.02 | 684 |
| **Balance –September 30, 2021** | **140,771,165** | **382,123,972** | **0.03** | **3,952** |

| | | | | |
|---|---|---|---|---|
| **Balance – April 1, 2022** | **187,257,445** | **529,395,330** | **0.03** | **5,284** |
| Warrants issued | - | - | - | - |
| Warrants exercised | - | - | - | - |
| Warrants expired | - | - 60,000,000 | 0.04 | (190) |
| Option Issued | - | - | - | - |
| **Balance –September 30, 2022** | **187,257,445** | **469,395,330** | **0.03** | **5,094** |

During the six-month period to September 30, 2022, the Company issued Nil warrants (2021 – 250,646,238), Nil warrants were exercised (2021 – 450,000,000l) and 60,000,000 (2020 - 1,373,750) warrants expired.

As of September 30, 2022, the Group had 469,395,330 warrants (2021 – 382,123,972) warrants outstanding (relating to 469,395,330 shares) and exercisable at a weighted average exercise price of CAD$0.03 per share with a weighted average life remaining of 0.62 years.

There were no options in the money as of September 30, 2022.

The issue of Nil warrants (2021 – 250,646,238) during the six months ended 30 September 2020, originated a fair value amount of CAD$Nil (2021 – CAD$892k) that was debited as share-based payment, non-cash item cost, in the P&L.

The expiry of 60,000,000 (2021 – 45,000,000) warrants during the year was recognized in the contributed surplus amount of Equity section.

**Options**

| Grant Date | September 30, 2022 | | September 30, 2021 | | |
|---|---|---|---|---|---|
| | **Number of options** | **Exercise price per unit CAD$** | **Number of options** | **Exercise price per unit CAD$** | **Expiry Date** |
| November 2016 | - | - | 1,100,000 | $0.10 | November 2021 |
| April 2018 | 6,374,511 | 0.12 | 6,374,511 | $0.12 | April 2023 |
| December 2020 | 41,428,572 | 0.03 | 41,428,572 | $0.03 | December 2025 |
| January 2021 | 45,414,775 | 0.03 | 45,414,775 | $0.03 | January 2026 |
| 13 May 2021 | 32,571,075 | 0.02 | 32,571,075 | $0.02 | May 2026 |
| 06 September 2021 | 13,882,232 | 0.02 | 13,882,232 | $0.02 | September 2026 |
| 31 January 2022 | 47,586,280 | 0.02 | | | January 2027 |
| TOTAL | **187,257,445** | **0.03** | **140,771,165** | **$0.03** | |

The Group has a stock options plan (the "**Plan**") for its directors, employees and consultants. The maximum number of shares available under the Plan is limited to 10% of the issued and outstanding common shares at the time of granting options. Granted options are fully vested on the date of grant, at which time all related share-based payment expense is recognized in the consolidated statement of comprehensive income. Share options expire five years from the date of granting.

The table below represent the movement of the options during the FY 2020, and the comparative period 2019.

| | **Number of options** |
|---|---|
| **Balance – April 1, 2021** | **94,317,858** |
| Options issued | 46,453,307 |
| Options exercised | **-** |
| Options expired | **-** |
| **Balance – September 30, 2021** | **140,771,165** |
| | |
| **Balance – April 1, 2022** | **187,257,445** |
| Options issued | - |
| Options exercised | - |
| Options expired | - |
| **Balance – September 30, 2022** | **187,257,445** |

As of September 30, 2022, the Group had 187,257,445 (2021 – 140,771,165) stock options outstanding relating to 187,257,445 shares and exercisable at a weighted average exercise price of CAD$ 0.03 (2021 – CAD$ 0.03) per share with a weighted average life remaining of 3.20 years.

The fair value of the options was calculated using the Black-Scholes pricing model calculations based on the following significant assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.50% - 0.70% |
| Expected volatility | 100% |
| Expected life | 5 years |
| Dividends | Nil |

**Granting of options**

- On May 13, 2021, the Board of Directors resolved to grant its directors, certain employees and consultants a total of 32,571,075 stock options, in accordance with the Company's Stock Option Plan. The Options will have an exercise price of NOK 0.12 per Option (approximately equivalent to £0.01), a premium of approximately 12% in respect of the last closing price on Euronext Growth Oslo (12.05.2021). The Options are fully vested and have the duration of five years from the date of granting.

- On September 9, 2021, the Board of Directors resolved to grant its directors, certain employees and consultants a total of 13,882,232 stock options, in accordance with the Company's Stock Option Plan. The Options will have an exercise price of NOK 0.125 per Option (approximately equivalent to £0.01). The Options are fully vested and have the duration of five years from the date of granting.

- On January 31, 2022, the Company granted a total of 47,586,280 stock options (the "Options") to certain Directors, Advisory Committee members and employees of the Company in accordance with the Company's Stock Option Plan. The Options have an exercise price of NOK 0.11 per Option (approximately equivalent to £0.009), are fully vested, and have the duration of five years from the date of granting.

**Exercise of options**

There was no exercise of options during the period

**Expiry of options**

There were no options expired during the period

**Warrants**

| Type | Grant Date | Number of Warrants | Price per unit CAD$ | Expiry Date |
|---|---|---|---|---|
| Warrants | Oct-19 | 6,477,734 | $0.06 | Oct-22 |
| Warrants | Feb-21 | 85,000,000 | $0.03 | Feb-23 |
| Warrants | Feb-21 | 85,000,000 | $0.04 | Feb-23 |
| Warrants | Apr-21 | 13,593,113 | $0.02 | Apr-24 |
| Warrants | May-21 | 34,284,000 | $0.04 | Jul-22 |
| Warrants | May-21 | 25,716,000 | $0.05 | Jul-22 |
| Warrants | May-21 | 89,053,125 | $0.02 | May-23 |
| Warrants | Jul-21 | 20,000,000 | $0.02 | Jul-23 |
| Warrants | Jul-21 | 23,000,000 | $0.03 | Jul-23 |
| | **Total warrants at 30 September 2021** | **382,123,972** | | |

| Type | Grant Date | Number of Warrants | Price per unit CAD$ | Expiry Date |
|---|---|---|---|---|
| Warrants | Oct-19 | 6,477,734 | $0.06 | Oct-22 |
| Warrants | Feb-21 | 85,000,000 | $0.03 | Feb-23 |
| Warrants | Feb-21 | 85,000,000 | $0.04 | Feb-23 |
| Warrants | Apr-21 | 13,593,113 | $0.02 | Apr-24 |
| Warrants | May-21 | 89,053,125 | $0.02 | May-23 |
| Warrants | Jul-21 | 20,000,000 | $0.02 | Jul-23 |
| Warrants | Jul-21 | 23,000,000 | $0.03 | Jul-23 |
| Warrants | dic-21 | 55,176,667 | $0.02 | dic-23 |
| Warrants | mar-22 | 92,094,691 | $0.02 | mar-24 |
| | **Total warrants at 30 September 2022** | **469,395,330** | | |

As of September 30, 2022 the Group had 469,395,330 (2021 - 382,123,972) warrants outstanding relating to 469,395,330 shares and exercisable at a weighted average exercise price of CAD$0.03 per share with a weighted average life remaining of 0.93 years.

The fair value of the warrants was calculated using the Black-Scholes pricing model calculations based on the following significant assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.50% - 0.70% |
| Expected volatility | 75-100% |
| Expected life | 2 years |
| Dividends | Nil |

## 16. Trade and other payables

| | September 30, 2022 CAD $'000 | September 30, 2021 CAD $'000 |
|---|---|---|
| Trade payables | 7,704 | 13,774 |
| Other payables | 9,915 | 5,744 |
| **Total trade and other payables** | **17,619** | **19,518** |

## 17. Loans

| | Six months ended September 30 | |
|---|---|---|
| | **2022** | **2021** |
| | **CAD$'000** | **CAD$'000** |
| Loan payable - current | 5,123 | 4,341 |
| Loan payable – non-current | 1,924 | 186 |
| **Total** | **7,047** | **4,527** |

| | **2022** | **2021** |
|---|---|---|
| **Loans – current** | **CAD $'000** | **CAD $'000** |
| As at 1 April | 6,533 | 4,359 |
| Transfer from non-current | (255) | - |
| Repayments | (1,612) | (921) |
| Conversion into shares | - | (2,173) |
| Loan receipt | 325 | 2,995 |
| Interest | 207 | 76 |
| Foreign exchange | (75) | 5 |
| **As at September 30** | **5,123** | **4,341** |

| | **2022** | **2021** |
|---|---|---|
| **Loans – non current** | **CAD $'000** | **CAD $'000** |
| As at 1 April | 1,442 | 920 |
| Loan repayment | - | (734) |
| Transfer to current | 255 | - |
| Interest | 232 | - |
| Foreign exchange | (5) | - |
| **As at September 30** | **1,924** | **186** |

**a) Loan in Tunisia TND 3,500,000**

On November 24, 2021, Ecumed Petroleum Zarzis, obtained a 3,500.000 TND loan (CAD$1,450,000 equivalent) from Banque Internationale Arabe de Tunisie "BIAT". The loan is unsecured, bears fixed interest at 10.5% per annum, and the scheduled repayment date is January 4, 2023. As of September 30, 2022, the outstanding amount of the loan was 3,500.000 TND l(CAD$ 1,450,000 equivalent) and it was classified as a current liability. On November 4, 2022, the Company partially repaid this facility for CAD$700,000 (CAD$960,000).

**b) Loan in Tunisia USD 2,400,000**

On January 18, 2022, Canadian North Africa Oil & Gas Ltd obtained a 2,400.000 USD loan (CAD$ 3,285,000 equivalent) from the Union Internationale des Banques" UIB". The loan is unsecured, bears fixed interest at Libor +2.5% per annum, and the scheduled repayment date was amended to January 4, 2023. As of September 30, 2022, the outstanding amount of the loan was 2,400.000 USD loan (CAD$ 3,285,000 equivalent) and it was classified as a current liability.

**c) SACE/SIMEST Loan in Italy Euro 126,100**

On October 13, 2020, the Group obtained a Euro 126,100 loan from SACE/SIMEST, a parastatal organization that support Italian companies, large companies and SMEs, who wish to build a presence in the global markets. The loan is guaranteed by the Italian State, and bears fixed interest at 0.0085% per annum and the final repayment is due on August 7, 2026.

As of September 30, 2022, the amount of Euro 126k (CAD$170k) (September 30, 2021 – CAD$187k) was classified as a non-current liability.

**d) US$6,000,000 unsecured convertible loan facility**

On March 17, 2022, the Company announced that it had entered into a US$6,000,000 unsecured convertible loan facility (the "**Facility**") with a consortium of institutional lenders (the "**Lenders**"), to provide additional funding for the Company's field development operations in Tunisia and potential near-term business development in the Republic of the Congo.

The Facility included an initial immediate advance of US$2,000,000 (the "**Drawdown**").

Under the terms of the Facility, the Company issued the Lenders with 92,094,691 share purchase warrants (the "**Warrants**") to subscribe for the equivalent number of common shares of no par value in the share capital of Zenith ("**Common Shares**") at a price of NOK 0.1458 per Common Share (equivalent to approximately £0.012) for subscription at any time, with a 24-month term from the date of issuance, and subject to the articles of the Company and the terms and conditions of the Facility.

During the term of the Note, the Lenders may, from time to time, elect to convert varying amounts of Principal and Interest of the Facility. Half of each Drawdown may be converted at 130% of the relevant Reference Price, and half at 150% of the relevant Reference Price, the Reference Price being the average of the 15 daily VWAPs, on the Euronext Growth Oslo, preceding each Drawdown. The Lenders have trading restrictions meaning they cannot sell more than 15% of monthly volume for the duration of the Facility.

In accordance with the terms of the Facility, repayment of each Drawdown can be made in cash ("**Cash Repayment**") for a charge of 2.5% of the relevant Drawdown amount outstanding.

The Facility agreement includes normal warranties and default clauses.

The Chief Executive Officer & President of the Company, Mr. Andrea Cattaneo, has agreed to act as a third-party guarantor in support of the Company, in connection with the Facility. On March 16, 2022, Mr. Cattaneo pledged a total of 11,228,022 common shares in the capital of the Company, in which he has a direct beneficial interest.

As of September 30, 2022, the outstanding amount of this facility was US$1.17M (CAD$1.6M) (September 30, 2021 – n/a) and it was classified as a current liability. No conversion took place in relation to the Facility as of the date of this document.

## 18. Non-convertible bonds

| **Non-convertible bonds** | **September 30, 2022** | **September 30, 2021** |
|---|---|---|
| | **CAD $'000** | **CAD $'000** |
| Current | 204 | 4,805 |
| Non-current | 17,885 | 5,374 |
| **Total** | **18,089** | **10,179** |

| **Non-convertible bonds** | **CAD $'000** |
|---|---|
| **Balance – April 1, 2021** | **7,466** |
| Issue of bonds | 2,874 |
| Payment of interest | (161) |
| **Balance – September 30, 2021** | **10,179** |
| | |
| **Balance – April 1, 2022** | **10,360** |
| Issue of bonds | 8,074 |
| Payment of interest | (345) |
| **Balance – September 30, 2022** | **18,089** |

***Loan Notes***

To avoid the risk of the excessive dilution of the capital, the Company issued two different sets of EMTN (Bond) accruing interest payable semi-annually and listed on European Stock Exchanges.

*1. Zenith EMTN Programme up to Euro 25+M*

1.1. On January 20, 2020, the Company announced the issuance of the following unsecured, multi-currency Euro Medium Term Notes, governed by Austrian law, at par value (the "**Notes**"):

- EURO 1,000,000 bearing interest of 10.125 per cent per year (the "**EUR-Notes**")
- GBP 1,000,000 bearing interest of 10.50 per cent per year (the "**GBP-Notes**")
- USD 1,000,000 bearing interest of 10.375 per cent per year (the "**USD-Notes**")
- CHF 1,000,000 bearing interest of 10.00 per cent per year (the "**CHF-Notes**")

The Notes will mature on January 27, 2024, are governed by Austrian law and are not convertible into equity of the Company.

1.2. On May 16, 2022, the Company announced that it had issued a new series of unsecured, multi-currency Euro Medium Term Notes at par value (the "Notes").

The following Notes have been issued:

- Series No.5: EUR 2,000,000 bearing an interest of 10.125 per cent per year. ISIN: **XS2478298909**
- Series No.6: GBP 2,000,000 bearing an interest of 10.50 per cent per year. ISIN: **XS2478299030**
- Series No.7: USD 2,000,000 bearing an interest of 10.375 per cent per year. ISIN: **XS2478299113**

The Notes will mature on May 9, 2026, are governed by Austrian law and are not convertible into equity of the Company.

These Notes were admitted to trading on the Third Market (MTF) of the Vienna Stock Exchange ("**Wiener Borse AG**"). As of September 30, 2022, the Company sold Notes, as follows:

| Currency | | CAD$ equivalent | ISIN | Description |
|---|---|---|---|---|
| EUR | 1,996,000 | 2,659,011 | XS2108546735 | ZEEX 10.125 01/27/24 MTN |
| USD | 7,016,000 | 9,274,052 | XS2108546651 | ZEEX 10.500 01/27/24 MTN |
| GBP | 1,920,000 | 2,872,762 | XS2108546578 | ZEEX 10.375 01/27/24 MTN |
| CHF | 30,000 | 41,924 | XS2108546818 | ZEEX 10.000 01/27/24 MTN |
| EUR | 1,345,000 | 1,792,769 | XS2478298909 | ZEEX 10.125 05/09/26 MTN |
| GBP | 175,000 | 261,840 | XS2478299030 | ZEEX 10.500 05/09/26 MTN |
| USD | 312,000 | 425,115 | XS2478299113 | ZEEX 10.375 05/09/26 MTN |

The issue of the Notes is aligned with the Group's strategy of diversifying its financing towards non-equity dilutive funding to support its successful development.

The Company has been using the EMTN Programme to finance its activities in the Republic of the Congo, Tunisia and Italy. The Company chose the Vienna Stock Exchange as it was viewed as a highly accessible market in terms of simplicity of process and listing costs.

On January 28, 2022, the Company announced that it had fully paid the semi-annual interest in relation to the Notes. The most recent interest payment in relation to the Notes is the third such payment, with previous interest payments having taken place during the months of June and December 2019, 2020, and 2021 respectively.

*2. Revolving facility*

On February 2022, the Company entered into a credit line facility with Linear Investments Limited, for the amount of Euro 200k (CAD$ 273k) for a duration of 18 months. As at the date of this document this facility was outstanding for Euro 58k (CAD$78k). This facility was totally repaid during October 2022.

## 19. Decommissioning provision

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Group's oil and gas properties:

| | September 30, 2022<br>CAD $'000 | September 30, 2021<br>CAD $'000 |
|---|---|---|
| **Balance – April 1** | **30,901** | **16,219** |
| Decrease | - | (4,991) |
| Foreign currency translation | (506) | 37 |
| **Balance – September 30** | **30,395** | **11,265** |

The provision has been made by estimating the decommissioning cost at current prices using existing technology. The following significant weighted average assumptions were used to estimate the decommissioning obligation:

| ***Italy*** | **2022** | **2021** |
|---|---|---|
| Undiscounted cash flows – uninflated | CAD $8,000 | CAD $8,000 |
| Undiscounted cash flows - inflated | CAD $8,000 | CAD $8,000 |
| Risk free rate | CAD $8,000 | CAD $8,000 |
| Inflation rate | 1.4% | 1.4% |
| Expected timing of cash flows | 10.5 years | 11.5 years |

***Tunisia*** **2022**

**A - Decommissioning provision recalculation**

| **Description** | **in USD** | **Comments** |
|---|---|---|
| Start current period | 01/04/2021 | |
| Anticipated abandonment date | 31/12/2033 | Minus between, economic and legal end of date (cf. IM.7 impairment test) |
| Years to abandonment | 12,94 | |
| Undiscounted well costs | 5.946.000 | 2019 figures submitted to DGH, while estimation is outdated (2014) |
| Undiscounted facilities costs | 2.050.000 | |
| **Total undiscounted obligation** | **7.996.000** | |
| TND inflation rate (as per the Tunisian Central Bank) | 5,00% | |
| USD inflation rate (as per the submitted assumption to DGH) | 2,00% | |
| **Inflation Rate** | **4,00%** | TND share in MARETAP expenses are higher than USD |
| **Inflated obligation** | **13.280.608** | |
| Discount Rate | 2,00% | |
| **Discounted obligation** | **10.279.339** | |
| **EPZ Share in the obligation** | **4.625.702** | This should be recognised as asset against provision as a 1st time recognition |

**B - Unwinding interest recalculation**

| | |
|---|---|
| **Interest unwind of the obligation for the period** | **92.514** |

The timings of the cash flows depend on the capital expenditure incurred and the development of assets in each concession. Each concession has a license for a set number of years; however, the licenses could be extended for longer periods if the operator incurs capital expenditure and develops the area. The application process starts after a license is not extended or when the reserves of a particular concession have been fully extracted.

## 20. Earnings per share

| | | 2022 CAD $'000 | | 2021 CAD $'000 |
|---|---|---|---|---|
| Net profit for the period | | 119 | | 68,811 |
| Net profit from continuing operations | | 119 | | 68,811 |
| Basic weighted average number of shares | | 1,872,574 | | 1,345,881 |
| Potential dilutive effect on shares issuable under warrants | | 656,653 | | 522,895 |
| Potential diluted weighted average number of shares | | 2,529,227 | | 1,868,776 |
| Net earnings per share – basic (1) | $ | 0,0001 | $ | 0.05 |
| Net earnings per share – diluted | $ | 0.00 | $ | 0.04 |

(1) The Group did not have any in-the-money convertible notes, warrants and stock options during the six months ended September 30, 2022 and 2021.

## 21. Related party transactions

Related party transactions are considered to be in the normal course of operations and are initially recognized at fair value. The related party transactions during the six months ended September 30, 2022 and 2021 not disclosed elsewhere in these consolidated financial statements are as follows:

a) During the period ended September 30, 2021, Zenith granted Leonardo Energy Consulting S.r.l., an entity where Zenith holds a 48% interest on its share capital, a loan of CAD$nil (2020 - CAD$nil), to develop its activities. The loan is unsecured, interest free and repayable on demand. The balance outstanding on September 30, 2022 is CAD$39,690 (2020 – CAD$39,690).

## 22. Financial risk management and financial instruments

| **Financial assets at amortized cost** | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---|---|
| Non-current financial assets at amortized cost | 730 | 64,281 |
| Trade and other receivables | 22,102 | 9,924 |
| Cash and cash equivalents | 1,465 | 3,024 |
| **Total financial assets** | **24,297** | **77,229** |

| **Financial liabilities at amortized cost** | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---|---|
| Trade and other payables | 17,619 | 19,518 |
| Loans | 7,047 | 4,527 |
| Non-convertible bond and notes | 18,089 | 10,179 |
| Deferred consideration | 70,084 | 65,663 |
| **Total financial liabilities** | **112,839** | **99,887** |

Zenith finances its operations through a mixture of equity, debt and retained earnings. Finance requirements are reviewed by the Board when funds are required for acquisition, exploration and development of projects.

Zenith's policy is to maintain an appropriate financial position to sustain future development of the business. There were no changes to the Group's capital management approach during the six months ended September 30, 2021.

Zenith's treasury functions, which are managed by the board, are responsible for managing fund requirements and investments which include banking, cash flow management, interest and foreign exchange exposure to ensure adequate liquidity to meet cash requirements.

Zenith's principal financial instruments are cash and deposits, and also trade and other receivables. These instruments are used for meeting the Group's requirement for operations.

Zenith's main financial risks are foreign currency risk, liquidity risk, interest rate risk, commodity price risk and credit risks. Set out below are policies that are used to manage such risks:

***a) Credit risk***

Credit risk is the risk of an unexpected loss if a customer or counter party to a financial instrument fails to meet its commercial obligations. The Group's maximum credit risk exposure is limited to the carrying amount cash of CAD$ 1,465k (2021 – CAD$ 3,024k) and trade and other receivables of CAD$ 22,102k (2021 – CAD$ 9,924k).

Deposits are, as a general rule, placed with banks and financial institutions that have credit rating of not less than AA or equivalent which are verified before placing the deposits.

The composition of trade and other receivables is summarized in the following table:

| | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---:|---:|
| Oil and natural gas sales | 13,456 | 1,464 |
| Other | 8,646 | 8,460 |
| | **22,102** | **9,924** |

The receivables related to the sale of oil and natural gas are due from large companies who participate in the oil and natural gas industry in Argentina and Italy. Oil and natural gas sales receivables are typically collected in the month following the sales month. No expected credit losses have been recognized in respect of trade receivables of this nature.

The Group's receivables are aged as follows:

| | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---:|---:|
| Current | 22,102 | 9,924 |
| 90 + days | - | - |
| | 22,102 | 9,924 |

***b) Liquidity risk***

Liquidity risk is the risk that the Group will incur difficulties meeting its financial obligations as they are due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions without incurring unacceptable losses or risking harm to the Group's reputation.

The Directors have considered the recoverability of the outstanding debts of the Group and do not consider there to be any impairment necessary.

As of September 30, 2022, the contractual cash flows, including estimated future interest, of current and non-current financial assets mature as follows:

| | Carrying Amount CAD $'000 | Contractual cash flow CAD $'000 | Due on or before 30 September 2023 CAD $'000 | Due on or before 30 September 2024 CAD $'000 | Due after 30 September 2024 CAD $'000 |
|---|---|---|---|---|---|
| Non-current financial assets at amortized cost | 730 | 730 | 730 | - | - |
| Trade and other receivables | 22,102 | 22,102 | 22,102 | - | - |
| Cash and cash equivalents | 1,465 | 1,465 | 1,465 | | |
| | **24,297** | **24,297** | **24,297** | - | - |

As of September 30, 2022, the contractual cash flows, including estimated future interest, of current and non-current financial liabilities mature as follows:

| | Carrying Amount CAD $'000 | Contractual cash flow CAD $'000 | Due on or before 30 September 2023 CAD $'000 | Due on or before 30 September 2024 CAD $'000 | Due after 30 September 2024 CAD $'000 |
|---|---|---|---|---|---|
| Trade and other payables | 17,619 | 17,619 | 17,619 | - | - |
| Loans | 7,047 | 7,116 | 5,192 | 1,754 | 170 |
| Non-convertible bond | 18,089 | 21,275 | 2,045 | - | 19,230 |
| | 42,755 | 46,010 | 24,856 | 1,754 | 19,400 |

***c) Foreign currency risk***

Foreign currency exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange rates to Canadian dollars for the noted dates and periods are as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| US dollars | 1.3739 | 1.2710 | 1.2905 | 1.2438 |
| Euro | 1.3460 | 1.4729 | 1.3367 | 1.4820 |
| Swiss Franc | 1.4010 | 1.3611 | 1.3367 | 1.3595 |

| | | | | |
|---|---|---|---|---|
| British Pound | 1.5295 | 1.7105 | 1.5694 | 1.7258 |
| Norwegian Crown | 0.1272 | 0.1450 | 0.1332 | 0.1451 |
| Tunisian Dinar | 0.4185 | 0.4504 | 0.4163 | 0.4450 |

The following represents the estimated impact on net (loss)/income of a 10% change in the closing rates as of September 30, 2022 and 2021 on foreign denominated financial instruments held by the Group, with other variables such as interest rates and commodity prices held constant:

| | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---|---|
| US dollars | - | - |
| Euro | 17 | 19 |
| Tunisian Dinar | 448 | - |
| | 465 | 19 |

***d) Commodity price risk***

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices.

As of September 30, 2022, a 5% change in the price of natural gas produced in Italy would represent a change in net result for the six-month ended September 30, 2022 of approximately CAD$ 4k (2021 – CAD$ 2k) and a 5% change in the price of electricity produced in Italy would represent a change in net result for the six-month ended September 30, 2022 of approximately CAD$ 127k (2021 – CAD$ 23k).

***e) Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Group has fixed interest on notes payable, loans payable and convertible notes and therefore is not currently exposed to interest rate risk.

## 23. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to explore and develop its projects to provide returns for shareholders and benefits for other stakeholders. The Group manages its working capital deficiency, long-term debt, and shareholders' equity as capital.

| | **September 30, 2022 CAD $'000** | **September 30, 2021 CAD $'000** |
|---|---|---|
| Working capital | (6,570) | (17,365) |
| Long-term debt | 1,924 | 186 |
| Shareholders' equity | 102,031 | 97,258 |

The Group's cash flows from its Italian operations will be needed in the near term to finance the operations and repay vendor loans. If the publicly announced acquisitions in Tunisia will be completed with the receipt of regulatory approval, and a new 25-year license will be received in Congo for the Tilapia oilfield, the revenues generated from these assets will be required to fund the Group's development costs and activities. At this time, Zenith's principal source of funds will therefore remain the issuance of equity. The Group's ability to raise future capital through equity is subject to uncertainty and the inability to raise such capital may have an adverse impact on the Group's ability to continue as a going concern. The Group is not subject to any externally imposed capital requirements.

## 24. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | September 30, 2022 CAD $'000 | September 30, 2021 CAD $'000 |
|---|---|---|
| Cash and cash equivalents | 1,465 | 3,024 |
| Loans – repayable within one year | (5,123) | (4,341) |
| Loans – repayable after one year | (1,924) | (186) |
| Non-convertible bond – repayable within one year | (204) | (4,805) |
| Non-convertible bond – repayable after one year | (17,885) | (5,374) |
| | (23,671) | (11,682) |

| | Cash | Loans due within one year | Loans due after one year | Non-convertible bond due within one year | Non-convertible bond due after one year | Total |
|---|---|---|---|---|---|---|
| **Net debt** | **CAD $'000** | **CAD $'000** | **CAD $'000** | **CAD $'000** | **CAD $'000** | **CAD $'000** |
| **September 30, 2020** | **1,453** | **(1,903)** | **(1,903)** | **(294)** | **(4,456)** | **(7,103)** |
| Issue of non-convertibles bonds | 5,591 | | | (4,673) | (918) | |
| Repayment of non-convertible bonds | (162) | | | 162 | | |
| Transfer from non-current to current | | (3,271) | 3,271 | | | |
| Issue of loans | 4,549 | (2,995) | (1,554) | | | |
| Conversion into shares | | 2,173 | | | | 2,173 |
| Repayment of loans | (1,655) | 1,655 | | | | |
| Net cash flow | (6,752) | | | | | (6,752) |
| **September 30, 2021** | **3,024** | **(4,341)** | **(186)** | **(4,805)** | **(5,374)** | **(11,682)** |
| Issue of non-convertibles bonds | 8,255 | | | (265) | (7,990) | |
| Repayment of non-convertible bonds | (345) | | | 345 | | |
| Transfer from non-current to current | | 256 | (256) | 4,521 | (4,521) | |
| Issue of loans | 3,774 | (2,518) | (1,256) | | | |
| Conversion into shares | (1,612) | 1,612 | | | | |
| Repayment of loans | | (207) | (232) | | | (439) |
| Interest on loans | | 75 | 6 | | | 81 |
| Net cash flow | (11,631) | | | | | (11,631) |
| **September 30, 2022** | **1,465** | **(5,123)** | **(1,924)** | **(204)** | **(17,885)** | **(23,671)** |

## 25. Operating segments

The Group's operations are conducted in one business sector, the oil and natural gas industry. Geographical areas are used to identify Group's reportable segments. A geographic segment is considered a reportable segment once its activities are regularly reviewed by the Board of the Directors.

The Group has four reportable segments which are as follows:

- Italy, which commenced gas operations following the acquisition of assets in June 2013;
- The Republic of the Congo, which was acquired during the 2020 FY
- Tunisia, which was acquired during the 2021 FY
- Other, which includes corporate assets and the operations in the Canadian, Swiss, Argentinian and Norwegian entities.

| **PERIOD 2021** | **Congo CAD $000** | **Italy CAD $000** | **Tunisia CAD $000** | **Other CAD $000** | **Total CAD $000** |
|---|---|---|---|---|---|
| Property and equipment | - | 7,386 | 119,901 | 4,742 | 132,029 |
| Other assets | 349 | 888 | 73,871 | 3,672 | 78,780 |
| Total liabilities | 50 | 11,383 | 79,524 | 22,593 | 113,550 |
| Capital Expenditures | - | 4 | 31,903 | 40 | 31,947 |
| Revenue | - | 511 | 1,833 | - | 2,344 |
| Operating and transportation | (81) | (245) | (1,360) | (420) | (2,106) |
| General and Administrative | 18,663 | (126) | (394) | (24,437) | (6,294) |
| Depletion and depreciation | - | (56) | - | (310) | (366) |
| Gain on business combination | - | - | (26,398) | 102,842 | 76,444 |
| Finance and other expenses | - | 2 | (147) | (1,066) | (1,211) |
| Taxation | - | - | - | - | - |
| **Segment profit/(loss)** | **18,582** | **86** | **(26,466)** | **76,609** | **68,811** |

| **PERIOD 2022** | **Congo CAD $000** | **Italy CAD $000** | **Tunisia CAD $000** | **Other CAD $000** | **Total CAD $000** |
|---|---|---|---|---|---|
| Property and equipment | 8 | 5,998 | 218,174 | 3,590 | 227,770 |
| Other assets | 660 | 2,253 | 23,756 | 5,632 | 32,301 |
| Total liabilities | 271 | 10,662 | 118,073 | 29,035 | 158,041 |
| Capital Expenditures | | 10 | | | 10 |
| Revenue | - | 2,627 | 8,944 | - | 11,571 |
| Operating and transportation | - | (693) | (3,576) | (59) | (4,328) |
| General and Administrative | (153) | (420) | (618) | (3,760) | (4,951) |
| Depletion and depreciation | - | (289) | (8) | (281) | (578) |
| Gain on business combination | - | - | - | - | - |
| Finance and other expenses | - | - | (125) | (1,330) | (1,455) |
| Taxation | - | - | (140) | - | (140) |
| **Segment (loss)/profit** | **(153)** | **1,225** | **4,477** | **(5,430)** | **119** |

The following customers combined have 10% or more of the Group's revenue:

| | | | |
|---|---|---|---|
| | | **2022** | **2021** |
| | | **CAD $000** | **CAD $000** |
| Customer A | | 2,543 | 1,833 |

**26. Controlling party**

At as of September 30, 2022, the Directors do not consider there to be a controlling party.

**27. Events subsequent to the period end**

**On November 14, 2022**, the Company announced that it had opened a representative office in the city of Aden, located in the Republic of Yemen.

**On November 16, 2022**, the Company announced that it had made coupon payments, in full and on time, in respect of the following multi-currency Euro Medium Term Notes the Company has listed on the Vienna MTF of the Vienna Stock Exchange:

- Zenith 10,125% EUR - N.22-26/S5 (ISIN: XS2478298909)
- Zenith 10,5% GBP - N.22-26/S6 (ISIN: XS2478299030)
- Zenith 10,375% USD - N.22-26/S7 (ISIN: XS2478299113)