ZENITH ENERGY LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

CONTENTS

COMPANY INFORMATION

Directors
Dr. Jose Ramon Lopez-Portillo (Chairman and Non-Executive Director)
Andrea Cattaneo (Chief Executive Officer & President, Executive Director)
Luigi Regis Milano (Executive Director)
Dario Ezio Sodero (Non-Executive Director)
Erik Larre (Non-Executive Director)
Sergey Borovskiy (Non-Executive Director)

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CHAIRMAN'S STATEMENT

Introduction

In the year ended March 31, 2020, a number of material changes took place with regards to the Group's development strategy and geographic concentration.

The Group is pursuing an ambitious acquisition campaign in Africa by maximizing the use of its financial resources to enrich its portfolio. This opportunity has arisen as a result of the significant decline in oil prices caused by the COVID-19 pandemic. The Group has acquired a highly prospective production, development and exploration assets in the Republic of the Congo and after the year end in Tunisia.

The Board believes this strategy will enable Zenith to develop successfully and, in doing so, create value for all stakeholders.

New African development strategy

On March 2, 2020, the Company announced that, in view of Zenith's strategic focus on pursuing large-scale oil production and development opportunities in Africa, it would return the Contract Rehabilitation Area ("**CRA**") to SOCAR.

The Group had difficulties increasing production from the CRA and was unable to satisfy the minimum production levels which the Group was contractually obligated to meet within a specified time frame in accordance with the REDPSA, as disclosed in the Prospectus document published in January 2017 for Admission to the London Stock Exchange and other key documents. The aforementioned, as well as the Group's future investment obligations required to increase production from the CRA, led the Board of Directors to unanimously agree, in the interests of shareholders, that the Group's future success could be better achieved in other assets with existing production and near-term development and exploration potential in Africa. These operations are shown as discontinued within the financial statements.

The low oil price environment has facilitated access to a number of highly attractive acquisition opportunities as a result of large international oil companies restructuring their portfolios and selling their working interests in small to medium size assets across the region at advantageous commercial terms.

On April 20, 2020, and on September 8, 2020, Zenith entered into two separate conditional acquisitions in Tunisia from KUFPEC and CNPC respectively, two world-renowned oil companies, for their respective working interests in the Sidi El Kilani Concession. Upon completion, conditional upon regulatory approval being granted by the *Comité Consultatif des Hydrocarbures* ("**CCH**") of the Republic of Tunisia, it is expected that Zenith will have a daily production ranging between 250-300 barrels of oil per day. The Board of Directors is highly satisfied with the commercial terms agreed for the transaction and is currently exploring further opportunities of this kind.

The acquisition of Anglo African Oil & Gas Congo S.A.U ("**AAOG Congo**") from AAOG plc (a company quoted on the AIM of the London Stock Exchange), the former operator of the highly prospective Tilapia license in the Republic of the Congo, represents a potentially transformational opportunity for the Group. The Board is pleased to have been able to renegotiate the initially agreed consideration of £1 million for an 80% interest (announced on December 27, 2019) to a final consideration of £200,000 for a 100% interest in AAOG Congo (announced on April 17, 2020). The acquisition of AAOG Congo has not only enabled Zenith to acquire an existing operator in the Republic of the Congo, but also US$5.3 million in receivables owed to AAOG Congo by Société Nationale des Pétroles du Congo ("**SNPC**"), the national oil company of the Republic of the Congo, which will be offset by a US$2 million signature bonus payable to the Republic of the Congo as part the application for a new licence.

The Tilapia licence expired in July 2020 and the Group has submitted a comprehensive commercial and technical offer to the Ministry of Hydrocarbons of the Republic of the Congo for the award of a new 25-year license for the Tilapia oilfield. The Group has established Zenith Energy Congo SA (“**Zenith Congo**”), at the request of the Ministry of Hydrocarbons of the Republic of the Congo, for the purpose of participating in the bid process and it is hoped that it will receive a new 25-year license for the Tilapia oilfield.

We thank shareholders for their support during what have been unprecedented times and we look forward with enthusiasm to delivering on our publicly announced objectives.

Production activities

During the financial year ended March 31, 2020, the Group:

- **a)** Produced 74,290 bbls of oil from its assets in Azerbaijan, as compared to 85,524 bbls of oil produced in the 2019 similar period.
- **b)** Sold 70,005 bbls of oil from its assets in Azerbaijan, as compared to 75,913 bbls of oil sold in the 2019 similar period. As of March 31, 2020, inventory consists of CAD $14k (2019 – CAD $nil) of crude oil that has been produced but not yet sold, and CAD $785k of materials (2019 – CAD $156k).
- **c)** Sold 17,666 mcf of natural gas from its Italian assets, as compared to 10,868 mcf of natural gas in the 2019 similar period.
- **d)** Sold 10,500 MWh of electricity from its Italian electricity production assets, as compared to 9,433 MWh for the corresponding period of 2019.
- **e)** Sold 214 bbls of condensate from its Italian assets, as compared 628 bbls of condensate in the 2019 similar period.

Financing activities

The Company issued equity during the course of the financial year ended March 31, 2020, raising a combined net total of CAD$11.5m to finance its operational activities and finance the purchase of key operational equipment for the development of its operational activities in Azerbaijan. The funding was also used to finance the Group’s development strategy in Africa.

During the year, 316,645,857 new common shares were issued, as detailed in the financial statements (note 16).

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 were issued, and kept in Treasury, under Zenith's EUR 25,000,000 multi-currency Euro Medium Term Notes Programme, as announced by the Company on November 6, 2019, and will be due on January 27,

2024. The Notes were admitted to trading on the Third Market (MTF) of the Vienna Stock Exchange ("**Wiener Borse AG**"). As of March 31, 2020, the Company sold Notes for GBP 76,000 and USD$30,000.

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

Financial Results

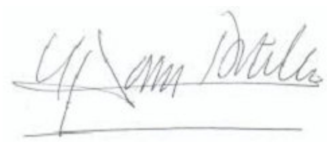
The Group recorded an after-tax loss of CAD$570,309k for the year ended March 31, 2020, compared to a loss of CAD$9,762k for the year ended March 31, 2019. This result was brought about by the loss from discontinued operations (CAD$580,633), related to the results of the subsidiary in Azerbaijan, explained in note no. 21 of these financial statements.

Group production costs for the year were CAD$2,364k, compared to CAD$530k in 2019.

Finance expense for the year was CAD$1,742k (2019: CAD$1,121k expense).

Cash balances of CAD$ 1,220k (2019: CAD$3,058k) were held at the end of the financial year.

Total equity attributable to the ordinary shareholders of the Group was CAD$9,829k as of March 31, 2020, (2019: CAD$569,081k).



Dr. José Ramón López-Portillo
Chairman
October 28, 2020

CEO STATEMENT

Zenith Energy Ltd. ("**Zenith**" or "the **Group**") is an international oil and gas production Group, incorporated in Canada, listed on the Main Market for listed securities of the London Stock Exchange under the ticker symbol "ZEN" and on the Merkur Market of the Oslo Børs under the ticker "ZENA:ME". The Company has also issued two series of EMTN, that are listed on the third Vienna Stock Exchange Market.

Zenith's strategic objective is to become a mid-tier, Africa focused hydrocarbon production and exploration Group. Specific attention is directed towards assets with proven development potential via development drilling, field rehabilitation, and low-risk exploration activities.

In view of the recent decline in oil prices, as well as macroeconomic developments caused by the COVID-19 pandemic, opportunities have arisen for companies such as Zenith to acquire, at highly commercially advantageous terms, oil and gas production and exploration assets being divested by many oil majors and leading oil and gas companies. As a leadership team, we are seeking to maximize this opportunity in order to ensure Zenith emerges from the current low oil price environment a much stronger and larger entity with significant future development potential.

We are very pleased to have entered into two separate conditional transactions in relation to an onshore oil production asset in Tunisia. The first with KUFPEC, a subsidiary of Kuwait Petroleum Corporation, and the second with CNPC, one of the largest oil and gas corporations in the world, and KUFPEC, to acquire their respective working interests of 22.5% in the Sidi El Kilani Concession and the North Kairouan permit in Tunisia, which contain the producing Sidi El Kilani oilfield. We look forward to receiving regulatory approval from the *Comité Consultatif des Hydrocarbures* of the Republic of Tunisia in respect of the transfer of ownership for both acquisitions within the next 60 days.

Similarly, we are delighted to have established a presence in the Republic of the Congo following our acquisition of Anglo African Oil & Gas Congo S.A.U ("**AAOG Congo**"), the former Congolese subsidiary of Anglo African Oil & Gas plc (a company listed on the AIM of the London Stock Exchange) in May 2020. The decline in oil prices brought about by the COVID-19 pandemic, as well as renegotiations with the seller, enabled Zenith to acquire, at highly advantageous terms, an interest, albeit brief, in the now expired Tilapia II license (expired on July 18, 2020), as well as receivables of approximately US$5.3 million dollars owed by SNPC (Société Nationale des Pétroles du Congo).

As publicly announced, the Company has presented a comprehensive commercial and technical offer (the "**Offer**") to the Ministry of Hydrocarbons of the Republic of the Congo in order to be awarded a new 25-year license for the Tilapia oilfield (to be named Tilapia II). We are confident that we shall be successful in obtaining a new 25-year license. In the event our Offer is accepted, the Company will look to deploy its 1,200hp drilling rig in the Republic of the Congo in order to begin drilling activities in well TLP-103C.

We are aware that the Company's operational track record in Azerbaijan, and the handover of the Contract Rehabilitation Area ("**CRA**") to SOCAR announced to the market on March 2, 2020, disappointed market expectations. However, in view of the significant resources deployed to date and the future obligations required for future development, as well as the underwhelming operational results, the Board of Directors is firmly of the view that this outcome was in the best interests of shareholders and the future commercial success of the Company. The operational challenges, as publicly communicated on a number of occasions, was due, *inter alia*, to the severely dilapidated condition of the wells from the Soviet era, the unreliability of historical data, and the highly challenging geology of the field.

The results for the year ended March 31, 2020, ("**2020 FY"**) reflect the significant changes the Group has undergone during the course of the 2020 Financial Year, specifically in result of the impairment resulting from the handover of the CRA in Azerbaijan and its associated reserves.

We are very excited about our countercyclical acquisition campaign in Africa in the current low oil price environment, especially the highly prospective development production potential of the Tilapia oilfield and the material daily production revenue to be obtained from completion of our acquisitions in Tunisia. Indeed, we are hopeful to conclude further acquisitions of a similar kind in due course.

I thank shareholders for their loyal support. As is clear, my confidence in Zenith, as well as that of the team, remains unchanged. We fully believe that our new geographic concentration in Africa, in less geologically challenging assets acquired at highly advantageous commercial terms, will enable the Group to achieve its operational objectives and deliver value to our investors.

The Board is committed to sustained growth and exploiting any value accretive opportunities that may present themselves. We shall continue to evaluate the acquisition of additional energy production opportunities building on the momentum of our recent progress to further support the Group's expansion.

Andrea Cattaneo
President, CEO and Director

October 28, 2020

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. Jose Ramon Lopez-Portillo (*Chairman and Non-Executive Director*)

Mr. Lopez-Portillo has been managing Director and then Chairman of the Board since 24 September 2007. He is an economist with a large network of business contacts worldwide, and who previously served as Mexican Permanent Representative in Rome, Italy. Mr. Lopez- Portillo is a leading researcher in the energy security of Mexico and acts as Deputy Minister at Mexico's Planning and Budget Secretariat. Mr. Lopez-Portillo holds a Doctorate degree in Political Sciences and International Relations from the University of Oxford.

Andrea Cattaneo (*Director, President and CEO*)

Mr. Cattaneo has been a Director of the Company since 9 December 2008 and has served as President and CEO of the Group since 2009. He is an energy specialist with a focus on emerging countries and has 30 years' experience in advising governments in financial, industrial and energy-related matters. Mr. Cattaneo has strong expertise and experience in structuring and negotiating contracts in the international markets, specifically the oil industry. He also has significant experience in former socialist countries and arranged the first US$ loan to Vietnam, the then third poorest county in the world, towards the beginning of his financial career in 1985. Mr. Cattaneo holds an undergraduate degree in Economics from the University of Genoa and a postgraduate degree in Taxation Law from the University of Bologna. He currently serves as Non-Executive Member of the Anglo-Azerbaijan Society, Partner of the Buenos Aires Stock Exchange and Member of the IADC Caspian Chapter Steering Committee. He is a former member of the Business Advisory Council to the Great Tumen Initiative, a United Nations project for regional economic cooperation in Northeast Asia. He is one of Zenith's founders.

Luigi Regis Milano (*Director*)

Mr. Regis Milano was appointed as Director of the Company on 24 September 2008 and served as Chief Financial Officer from 28 November 2012 until 7 March 2016. He is also currently Managing Director of the Company's Italian subsidiary, Canoel Italia S.r.l. He has a strong background in petroleum chemistry, having developed an extensive network of relationships within the European and global oil industry over the course of more than 60 years' experience. He has acted as executive director for a large trading company specialising in crude oil and petroleum products, and also as executive director of a large European refinery. He is currently a director and part owner of an Italian oil refinery (and has been since 2000).

Dario Ezio Sodero (*Non-Executive Director and Chairman of the Audit Committee*)

Mr. Sodero was appointed to the Board on 24 June 2009. As an experienced energy industry executive with 47 years of experience in North America, the Sub-Arctic, North Africa and the Middle East, Mr. Sodero has strong geological, exploration and technical expertise. Mr. Sodero has formerly acted as director and executive of several other TSX- and TSXV-listed exploration and production companies. Mr. Sodero holds a Doctorate degree in Geology from the University of Turin, Italy.

Erik Larre (*Non-Executive Director*)

Mr. Larre has been a Director of the Company since 22 March 2011. Mr. Larre specialises in international real estate development projects and banking. He has served as Deputy Chairman of Sparebanken Nord-Norge, Member of the Supervisory Board at Sparebanken Vest and currently serves as Deputy Member of the Board of Directors at SpareBank 1 Nord-Norge. Erik is also the director of several real estate companies in southern Europe and the Middle East. By training Erik is an engineer and holds a master's degree in Civil Engineering from Milan Polytechnic University.

Sergey Borovskiy (Non-Executive Director)

Sergey Borovskiy has over 25 years of experience in business management in China and Hong Kong. He has lived and worked in China since 1991 and is fluent in Russian, English and Mandarin.

Sergey is CEO of Sanju Environmental Protection (Hong Kong) Limited, overseeing the international projects of controlling shareholder Sanju Group (sanju.cn), a company specialised in energy purification and environmental protection technologies listed on the Shenzen Stock Exchange.

He is CEO and Chairman of General Transactions Inc., an oil & gas consulting, engineering, trading, seismic research and exploration services company. Sergey also serves as Chairman of the Board of Directors at Petro Chemical Solutions and South China Heavy Industries Group. Sergey studied in both China and Russia and holds a degree in economics.

Senior Management

Luca Benedetto (*Chief Financial Officer*)

Luca Benedetto is an Italian national, trained in Italy as a registered accountant with further education in IFRS accounting and consolidation at IPSOA Milan. He has more than twenty-five years of accounting, auditing and financial administration experience. Mr. Benedetto began his professional career as an accountant and computer programmer responsible for financial software development and worked for the Italian division of IBM as an internal auditor and accountant as well as providing staff training in these aforementioned fields. He also served for seven years as a financial and administrative officer in a well-established Italian company specialising in the construction of fuel and water storage tanks.

He joined the Zenith Energy Ltd. group in 2013 as Chief Financial Officer of the Group's Italian subsidiary, Canoel Italia S.r.l., and has since progressed to also hold the position of Group Financial Controller. In this capacity he has been directly involved in the monitoring of business performance, cash flow management, budgetary oversight, accounts team supervision, accounts preparation and strategic planning. Since January 2016 he has also been responsible for the compiling and reviewing of the quarterly Consolidated Financial Statements and Management's Discussion and Analysis of the Group.

DIRECTORS' REPORT

The Directors present their Annual Report and Financial Statements of the Group for the year ended March 31, 2020.

Delisting from TSX-V

On May 28, 2020, the Company announced that effective at the close of business Friday, May 29, 2020, the common shares of the Company would be delisted from the TSX-V at Zenith's request.

As announced on April 22, 2020, following the Company's dual listing on the Main Market for listed securities of the London Stock Exchange ("**LSE**") in January 2017 and the admission of its entire share capital to the Merkur Market of the Oslo Stock Exchange ("**Merkur Market**") in November 2018, the Company has seen its investor base move increasingly towards the UK and Norway, with limited investor support from the Canadian market.

Given the aforementioned, and in light of the impact of the COVID-19 pandemic and low oil price environment, the Company reviewed its corporate structure to maximize cost control and, following this review, elected to delist from the TSX-V. The benefits of delisting include materially lower administrative costs, greater operational efficiency and management time savings.

Financial review of activity for the period

The Group issued equity on a number of occasions during the financial year ended March 31, 2020, raising a combined net total of CAD$11.534m to finance, in the first part of the financial year, its drilling activities and the purchase of key operational equipment for the development of its assets in Azerbaijan. In the latter part of the financial year, once the Group reconfigured its development strategy, it deployed the funds raised to finance its new African development strategy.

During the year, 316,645,857 new Ordinary Shares were issued, as detailed in the financial statements (note 16) and as per the following table.

	Number of Shares	**Amount CAD$'000**
Balance – March 31, 2019	**260,427,064**	**28,866**
Unit private placement proceeds	247,323,573	9,515
Units issued in settlement of debt	18,011,080	748
Equity sharing agreement	50,000,000	1,389
Exercise of stock option	1,311,204	158
Issue costs	-	(276)
Total for the year	**316,645,857**	**11,534**
Balance – March 31, 2020	**577,072,921**	**40,400**

Following the issue of the new Ordinary Shares, the Company had 577,072,921 common shares in issue and admitted to trading on the Mekur Market of the Oslo Bors, as of March 31, 2020.

As of the same date, Zenith had 286,403,856 common shares in issue and admitted to trading on the Main

Market of the London Stock Exchange.

Furthermore, to avoid the risk of the excessive dilution of the capital, the Company issued 2 different sets of EMTN (Bond) accruing interest payable semi-annually and listed on the third Vienna Stock Exchange.

a. *Zenith 8% EMTN - ISIN AT0000A23S79*

During the financial year 2019, the Group issued Loan Notes to finance its development activities in Azerbaijan for a total amount of €3,120k (equivalent to CAD$4,759k), with the duration of 2 years. During the financial year ended March 31, 2020, the Company issued additional loan Notes for a total amount of €6,880k (equivalent to CAD$9.8M). The maturity date of the Notes is 20 December 2021, and they carry an interest charge of 8% per annum, payable at maturity.

During the year ended March 31, 2020, the Company sold €1,837k (equivalent to CAD$2,617k) (2019 - €620k (equivalent to CAD$883k)) of Zenith 8% EMTN – ISIN AT0000A23S79 and at March 31, 2020 had in treasury €7,543k (equivalent to CAD$11,030k), ready to be sold.

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

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 were issued, and kept in Treasury, under Zenith's EUR 25,000,000 multi-currency Euro Medium Term Notes Programme, as announced by the Company on November 6, 2019, and will be due on January 27, 2024. The Notes were admitted to trading on the Third Market (MTF) of the Vienna Stock Exchange ("**Wiener Borse AG**"). As of March 31, 2020, the Company sold Notes for GBP76k (equivalent to CAD$128k) and USD$30k (equivalent to CAD$40k). The balance of the Notes issued were kept in Treasury, ready to be sold, at that date.

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 EMTN Programme, created with the primary purpose of financing the Company’s development activities in Azerbaijan, with the related Prospectus being approved on November 6, 2019. Since its strategic reconfiguration, 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 30 June 2020, 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 2019 and December 2019 respectively.

On March 2, 2020, the Company announced that, in view of Zenith's strategic focus on pursuing large-scale oil production and development opportunities in Africa, it would return the Contract Rehabilitation Area (“**CRA**”) to SOCAR. This return of the CRA to SOCAR resulted in the termination of the Group's oil production operations in Azerbaijan, and the consequent removal of the related economic and financial effects. This has had a significant impact on the financial situation of the Group, specifically as the oil production revenues in Azerbaijan are no longer available.

The Group's yearly loss was mostly impacted by the loss from discontinued operations, related to the results of write-off of the producing operations in Azerbaijan, better explained at note no. 21 of this document.

During the year the Group incurred Production costs of CAD$2,364k (2019 – CAD $530) and General and Administrative costs of CAD$6,991k (2019 – CAD $6,429k). The comparative amounts contained the results of the Azeri operations which was included within discontinued operations in the year ended March 31, 2020.

Cash flow

Cash used in investing activities totalled CAD$1,242k (2019 - CAD $4,827k). The cash from financing activities in 2020 totalled CAD$11,465k (2019 - CAD $12,142k), due to the share placings, issue of convertible loans and issue of bonds.

Closing cash

As of March 31, 2020, the Group held CAD$1,220k in cash (2019 - CAD $3,058k).

Position of Group's business at the year end

The Group refocused the geographic area of its investment plans. In fact, on March 2, 2020, the Company announced that, in view of Zenith's strategic focus on pursuing large-scale oil production and development opportunities in Africa, it will hand over the Contract Rehabilitation Area to SOCAR.

The handover of the Contract Rehabilitation Area ("**CRA**") was effectively concluded in June 2020. The Group continued to operate the CRA from March 2020 until June 2020 when the handover of the CRA was completed. The Group achieved a near total reduction of operating expenses in Azerbaijan upon completion of the handover of the Contract Rehabilitation Area.

The Group explained this decision stating that initially in 2015, it viewed the Azeri acquisition as an important opportunity and its main asset, which was acquired with no consideration because of the then-ongoing oil crisis. This acquisition greatly helped the Group gain credibility and presence whilst it was preparing for Admission to the London Stock Exchange Main Market.

However, after several years and more than US$5 million invested, the Company decided to abandon the operations in Azerbaijan due to the challenging geology of the oilfield and its production reservoirs, the unreliability of historical field data rendering the planning and execution of well interventions significantly more difficult, as well as the poor condition of many of the Soviet-era wells. These were the contributing factors which prevented the Group from achieving the minimum production levels which they were contractually obligated to meet. The Group's inability to meet these levels within a specified time period resulted in a material breach of the contract. The Group entered into discussions with SOCAR and reached agreement in March 2020 to handover the CRA and assets after a 3-month transition period. In addition, with the environment of the country rapidly changing, the Company decided to reconfigure its strategy, having deliberated that Zenith's financial resources would be best deployed in new assets with less complex geological and technical profiles. This decision was additionally influenced by the Company's success in establishing high-level relationships in French speaking African countries. The CEO of the Group, as well as other Directors, are French speaking individuals who have long-established professional relationships in Africa. Further, the Group has established a network of advisors in Africa in support of its development strategy.

At the year end the Group's Statement of Financial Position shows current assets totaling CAD$15,943k (2019 – CAD$8,627k) and non-current assets totaling CAD$34,318k (2019 – CAD$ 1,080,061k).

Business strategy

As of the date of this report the Company's primary activity is that of being an international oil and gas production, development and exploration business. The Company has a portfolio of oil and gas assets in Italy and Africa. The Group's principal assets are held through: (i) its wholly-owned subsidiary, Zenith Energy Netherlands BV ("**Zenith Netherlands**"), which entered into a conditional agreement to acquire a 22.5% interest in the Sidi El Kilani Concession in Tunisia from KUFPEC (announced to the market April 20, 2020) which is subject to the regulatory approval of *Comité Consultatif des Hydrocarbures* of the Republic of Tunisia; (ii) Zenith Netherlands entered into a second conditional agreement to acquire a 22.5% interest in the Sidi El Kilani Concession in Tunisia from CNPC International (Tunisia) Ltd (announced to the market on September 8, 2020) (iii) its wholly-owned subsidiary, Anglo African Oil e Gas Congo SAU ("AAOGC") which is expected to hold a 56% majority interest in, and be the operator of, the Tilapia oilfield in the Republic of the Congo upon acceptance of the comprehensive commercial and technical offer to the Ministry of Hydrocarbons by the Republic of the Congo in order to be awarded a new 25-year license for the Tilapia oilfield; and (iv) Canoel Italia S.r.l. (in which the Company has a 98.64% shareholding), which holds various working interests in 13 onshore exploration and production properties in Italy.

The Company's strategy is, among other things, to (i) grow through international acquisitions; (ii) increase the production and reserves from its international inventory of oil and gas assets; (iii) target its operations at areas with advantageous access points for its exploration activities with a reasonably stable economic and business environment; (iv) develop a balanced portfolio of short, medium and long-term opportunities; (v) seek innovative ways to unlock value; (vi) achieve and maintain a robust, well-funded business with the financial flexibility to fund high-impact exploration, appraisal and development programmes; and (vii) unlock oil and gas reserves still unexploited in old and marginal oil and gas fields through the use of new technology.

Principal risks and uncertainties

The Group operates in an uncertain environment and is subject to a number of risk factors. The Directors consider the following risk factors are of particular relevance to the Group's activities and to any investment in the Group. It should be noted that the list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply. The risk factors are summarised below:

The impact of global oil prices on the Company

Demand for oil and gas is closely related to the health of the world economy while supply is determined more by political matters. The price of oil and gas is set at a global level with small variances for local conditions. Zenith is a very small producer and the price it receives for the oil and gas it produces is determined by global supply and demand factors beyond its control.

Oil and gas prices depend on numerous factors over which the Group does not have any control, including global supply, international economic trends (such as the current downturn caused by COVID-19), currency exchange fluctuations, inflation, consumption patterns and global or regional political events.

The Group's financial performance may therefore be substantially impacted both positively and negatively by factors. Changes in global prices for oil and gas may result in the Group no longer being able to produce oil and/or gas on a profitable basis. Historically, international crude oil and natural gas prices have fluctuated widely. A material decline in the price of crude oil or natural gas would have a material adverse effect on the Group's financial results and reserves estimates.

A substantial portion of the Group's assets and operations outside of Europe are exposed to political and economic risks, and future disruptions may have a material adverse effect on THE GROUP's business

A significant portion of the Group's oil and gas assets and of the Group's supply sources is located in countries outside of the European Union – with developing economies or unstable political environments. As a result, a significant portion of the Group's revenue is derived from, or is dependent on, countries in which the Group's operations are exposed to economic and political risks, including expropriation and nationalisation of property, civil strife and acts of war or terrorism. In addition, in certain countries in which the Group is active, it may be difficult to repatriate investment and profits. If it is perceived that the Group is not respecting or advancing the economic and social progress of the communities in which it operates, its reputation and shareholder value could be damaged. Any future disruptions may have a material adverse effect on the Group's business, results of operations and financial condition.

Activities in the oil and gas sectors can be dangerous, posing health, safety and environmental risks

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property as well as the environment or personal injury.

In particular, the Group may produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in a liability to the Group.

In accordance with industry practice, the Group is not fully insured against all of these risks, nor are all such risks insurable. Although the Group maintains liability insurance (in respect of its Italian operations only) in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Group could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations.

Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's business strategy

The Group is dependent on the ability of the Directors to identify suitable investment opportunities and to implement the Group's strategy. There is no assurance that the Group's activities will be successful in implementing its strategy or acquiring a suitable investment that will ultimately be developed.

Environmental and other regulatory requirements

The event of a breach with any environmental or regulatory requirements may give rise to reputational, financial or other sanctions against the Group, and therefore the Board considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks. Whilst the Board has a good record of compliance, there is no assurance that the Group's activities will always be compliant.

Government intervention and regulation may have a material adverse effect on Zenith's business. Zenith might not be able to comply with its obligations under licences.

The oil and gas industry is subject to regulation and intervention by governments, in particular in matters such as the award of exploration and production interests, restrictions on production and exports, environmental measures, control over the development and abandonment of fields and installations, the nationalization or renationalization of assets, imposition of specific drilling obligations, environmental and health and safety protection controls and other risks relating to changes in local government regimes and policies.

In addition, Zenith has to comply with conditions contained in licenses, such as operating permits. A failure by Zenith to comply with substantial conditions might lead to governmental intervention. Any violations of substantial conditions may therefore have a material adverse effect on Zenith's business, results of operations and financial condition.

Zenith buys, sells and trades oil and gas products in certain regulated commodity markets. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that feature a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or government interventions, Zenith could be required to curtail or cease certain operations, or Zenith could incur additional costs, all of which may have a material adverse effect on Zenith's business, results of operations and financial condition.

Lack of diversification of the Company's business activity

The Company is currently only involved in oil production in Africa and natural gas and electricity production in Italy. Therefore any legal, regulatory or other change of the framework conditions in one of those national industries may have a substantial negative effect on the financial situation of the whole Group, since it will likely not be able to compensate negative effects that appear in one field of business with its business activities in another area of operations.

Financing

The Board are seeking to grow and acknowledge that financing could depend upon the Group's ability to obtain financing primarily through a further raising of new equity capital. The Group's ability to raise further funds may be affected by the success of its investments both in terms of both in terms of acquisitions and developing its asset base. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Group may be required to reduce the scope of its operations. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available.

Brexit

The Group does not foresee any material issues with Brexit at this stage and indeed would not look to conclude any transaction where the possibility of a detrimental effect caused by Brexit would be likely. There may be issues raising funds from investors in the short term however investor markets in the UK have continued to be strong and it remains too early to say if there will be any direct impact. The Directors continue to monitor events and as the Directors receive more information from the Government and the EU, they will assess the impact to the Group and take appropriate steps as required.

COVID-19

The recent global health crisis brought about by the COVID-19 pandemic has affected the Group's business operations in a very limited manner. More particularly, only its operations in Italy were affected to a limited degree because third-party employees working on the concessions were working a reduced regime as per government guidelines.

However, it should be underlined that the crisis has proven favourable for the Group's acquisition campaign in Africa. Specifically, the Group has been able to obtain favourable commercial terms in its conditional agreement for the acquisition of onshore production acreages in Tunisia and an acquisition in the Republic of the Congo. The decline in oil prices caused by the COVID-19 pandemic has therefore been beneficial to the Group in pursuing its acquisition activities.

In addition, management has taken significant steps during 2020 to reduce the Group's cost base to help the Group navigate a more challenging macro-economic environment as a result of the COVID-19 pandemic. While significant cost savings have been identified and implemented, additional funds will still need to be raised to enable the Group to remain in operation for the foreseeable future. At the date of preparing these financial statements, this funding has not been secured. This represents a material uncertainty regarding the ability of the Group to continue as a going concern.

Market conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflations rates, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organizations, some of which may have greater resources or be more established in a particular territory. The Board considers and reviews all market conditions to try and mitigate any risks that may arise from these.

Substantial shareholders

As of October 23, 2020, the total number of issued Ordinary Shares with voting rights in the Company was:

Class of share	Total number of shares	Number of voting rights per share	Total number of voting rights per class of share
Common Shares in issue and admitted to trading on the Main Market of the London Stock Exchange	313,400,824	1	313,400,824
Common Shares in issue and admitted to trading on the Merkur Market of the Oslo Børs - representing the total outstanding common share capital of the Company	1,042,072,921	1	1,042,072,921

Zenith holds 25,395,828 Common Shares in treasury. The above figure for total number of Common Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Directors interest

This table represents the Directors interests in the Company, as of the date of publication of this report:

PARTY NAME	2020		2019	
	NUMBER OF ORDINARY SHARES	% OF SHARE CAPITAL	NUMBER OF ORDINARY SHARES	% OF SHARE CAPITAL
ANDREA CATTANEO	57,984,115	5.56	21,007,911	6.72
ERIK LARRE (1)	4,334,068	0.42	4,334,068	1.39
LUIGI REGIS MILANO (2)	10,813,674	1.04	8,662,963	2.77
SERGEY BOROWSKIY	3,849,289	0.37	-	-
DARIO SODERO (3)	77,500	0.01	77,500	0.02
JOSE RAMON LOPEZ-PORTILLO	48,000	0.01	48,000	0.01

1) Mr. Larre controls no. 4,334,068 Common Shares of the Company in indirect ownership. The 4,334,068 Common Shares in which Erik Larre has a beneficial interest are held by Tonsenhagen Forretningssentrum, a company controlled by Mr. Larre. Mr. Larre owns 100% of the share capital of Tonsenhagen Forretningssentrum.

2) Mr. Regis Milano controls 2,150,711 Common Shares of the Company in direct ownership and 8,662,963 Common Shares in

indirect ownership.
The 8,662,963 Common Shares stated for Luigi Regis Milano are held by Pole Position SRL, a company controlled by members of Mr. Regis Milano's immediate family. The relevant members of Mr. Regis Milano's immediate family own 100% of the share capital of Pole Position SRL. Mr. Regis Milano is also the sole director of Pole Position SRL

3) Mr. Sodero controls 77,500 Common Shares of the Company in indirect ownership. The 77,500 Common Shares in which Dario Sodero has a beneficial interest are held by Planaval Resources Ltd., a company controlled by Mr. Sodero. Mr. Sodero owns 100% of the share capital of Planaval Resources Ltd.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at the date of approval of this report.

	2020		2019	
PARTY NAME	**NUMBER OF ORDINARY SHARES**	**% OF SHARE CAPITAL**	**NUMBER OF ORDINARY SHARES**	**% OF SHARE CAPITAL**
ANDREA CATTANEO	57,984,115	5.56	21,007,911	6.72
DEAN ANTONY CLARK	46,500,000	4.46	28,000,000	8.96
MITON UK MICROCAP TRUST PLC	19,848,312	1.90	13,848,312	4.43
MIRABAUD & CIE SA	11,556,167	1.11	11,556,167	3.70

Dividends

The Directors do not propose a dividend in respect of the year ended March 31, 2020 (March 31, 2019: nil).

Events subsequent to the year end

Details of events subsequent to the year-end are set out in note 31.

Going concern

The Group's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement. In addition, note 26 to the financial statements discloses the Group's financial risk management policy and note 2 details out further considerations made by the Director in respect of going concern. Their consideration has included a review of forecasts and an assessment as to whether the Tilapia Oilfield licence will be granted to the Group.

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 access to 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. Further details on assumptions and conclusions drawn on going concern are included in the statement of going concern included in note 2 to the financial statements.

The auditors have made reference to going concern by way of a material uncertainty in their audit report.

Auditors

The auditors, PKF Littlejohn LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB"). The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by the Board dated on October 28, 2020

Signed ....
Jose Ramon Lopez-Portillo Chairman

GOVERNANCE REPORT

General

As Zenith Energy Ltd has a standard listing within the United Kingdom, it is not required to comply with the Financial Conduct Authority's requirements report on compliance with, and application of, the UK Corporate Governance Code. The disclosures below, however, are required by Disclosure Guidance & Transparency Rules and NI 58-101 Disclosure of Corporate Governance Practices. The board of directors (the "Board") of Zenith Energy Ltd. (the "Company") has not adopted a Governance Code as the size of the Company and the number of staff at the parent Company does not warrant the adoption of such code, however, the Board recognizes that good corporate governance is of fundamental importance to the success of the Group and procedures are in place in operating entities.

The Group's governance practices are the responsibility of the Board.

Leadership

The Group is headed by an effective Board which is collectively responsible for the long-term success of the Group. The role of the Board is to oversee the activity of management and to decide the strategy going forward. The role of the Non-Executive Directors is to review and monitor the activity of the Directors and managers that are involved in the operations of the Group. Acquisitions and disposals, borrowing facilities, equity issuances and any other major decisions out of the ordinary course of business are specifically reserved for the Board.

The Board is formed by a highly incentivized and committed group of indviduals, including founders of the Group with significant interest in the common share capital of the Group, that understand and believe in the Group's strategy, providing their support even without an effective remuneration, waiting for the desired development to lead to financial conditions such that the recognition of a fee does not divert funds from investments.

Mr Borowskiy was unable to attend certain Board meetings due to other professional commitments and time zone differences. However, he has provided consistent support and constant interaction with the Company's management, specifically in relation to the Company's fruitful new relationship with CNPC.

Mr. Larre has been heavily engaged in his own important investment projects and, during the year, was unable to attend Board meetings. It is expected that Mr. Larre will stand down as a Non-Executive Director at the next AGM.

The Directors attendance to meetings up to the date of this report was as follows:

Date of Board Meeting	Jose Ramon Lopez-Portillo	Andrea Cattaneo	Luigi Regis Milano	Dario Ezio Sodero	Erik Larre	Sergey Borowskiy
29/07/2019 (AC)	✓	✓	✓	✓	✓	
29/08/2019 (B)	✓	✓	✓	✓		✓
11/11/2019 (AC)	✓	✓	✓	✓	✓	
11/11/2019 (B)		✓	✓	✓		✓
11/02/2020 (B)		✓	✓	✓		
12/02/2020 (AC)	✓	✓	✓	✓	✓	
13/04/2020 (B)	✓	✓	✓	✓		

AC: Audit Committee Meeting – B: Board Meeting

The Board

The Board is ultimately responsible for the effectiveness of the Group's system of internal controls. The Board verifies the implementation and effectiveness of the system that the top and middle management have implemented in the Group to prevent losses, fraud, corruption and missuse of assets, human resources and cash. Its key strategy has been to establish financial reporting procedures that provide the Board of Directors with a reasonable basis to make judgements as to the financial position and prospects of the Group.
Executive directors and non-executive directors have been appointed by the Board to assist with the implementation of this strategy and report progress to the Board. All the non-executive directors are considered independent from executive directors and management.

The Group's board of directors consists of six members namely

- Jose Ramon Lopez-Portillo (Chairman and Non-Executive Director)
- Andrea Cattaneo (President, CEO and Director)
- Luigi Regis Milano (Director)
- Dario Ezio Sodero (Non-Executive Director)
- Erik Larre (Non-Executive Director)
- Sergey Borowskiy (Non-Executive Director)

As demonstrated by the background of the directors and managers, the Board present a large diversity in citizenship, age, education, profession and religion. The Board is committed to equal opportunities and intends to appoint a female Non-Executive Director in the near future.

Directorships and partnerships

In addition to their respective roles and directorships at the Group, the Directors are members of the administrative, management or supervisory bodies (the "**directorships**") or partners of the following companies or partnerships:

Name	**Current directorships/partnerships**
Jose Ramon Lopez-Portillo	Hybridair Ltd World SkyCat Ltd
Luigi Regis Milano	DP Lubrificanti S.r.l. Pole Position S.r.l.
Andrea Cattaneo	–
Dario Ezio Sodero	Planaval Resources Ltd
Erik Larre	Black Sea Property EME Int. Ltd German Property AS TF Italia Srl Tonsenhagen Forrenthingssentrum AS Tonsenhagen Forrenthingssentrum 2
Sergey Borovskiy	Sanju Environmental Protection (Hong Kong) Limited General Transactions Inc. Petro Chemical Solutions South China Heavy Industries Group

Orientation and continuing education

The Board is responsible for the orientation and education of new members of the board of directors and all new directors are provided with copies of the Group's board and committee mandates and policies, the Group's by-laws, documents from recent Board meetings and other reference materials relating to the duties and obligations of directors, the business and operations of the Group. New directors are also provided with opportunities for meeting and discussions with senior management and other directors.
Prior to joining the board, each new director will meet with the Chief Executive Officer of the Group. Such officer is responsible for outlining the business and prospects of the Group, both positive and negative, with a view to ensuring that the new director is properly informed to commence his duties as a director.

Each new director is also given the opportunity to meet with the auditors and counsel to the Group. As part of the annual Board of Directors' assessment process, the Board of Directors determines whether any additional education and training is required for its members.

Ethical business conduct

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility. In addition, the Group has adopted a Code of Conduct which addresses the Group's continuing commitment to integrity and ethical behavior. The Code of Conduct establishes procedures that allow directors, officers and employees of the Group to confidentially submit their concerns to the Chief Executive Officer or the Chairman of the Board regarding questionable ethical, moral, accounting or auditing matters, without fear of retaliation. To the Group's knowledge there have been no departures from this Code of Conduct that would necessitate the filing of a material change report.

A copy of the Code of Conduct is available to review at the head office of the Group during business hours.

Nomination of Directors

The Board as a whole is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders of the Group, with the goal of ensuring that the Board consists of an appropriate number of directors who collectively possess the competencies identified as being appropriate to the effectiveness of the Board as a whole.

Remuneration

The Remuneration Committee is responsible for reviewing the Group's overall compensation strategy, as well as being responsible for reviewing and recommending for approval the salaries and compensation of the Group's executive officers.

The Remuneration Committee also reviews the compensation of the outside directors on an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable organizations.

The remuneration for key management personnel, specifically those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly, are detailed in the following note 7-b) Key management compensation

Board Committees

The Group's Board of Directors has three committees, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee.

(a) Audit Committee

The Audit Committee comprises Jose Ramon Lopez-Portillo, Dario Sodero and Erik Larre and is chaired by Dario Sodero. The Audit Committee meets at least three times a year and otherwise as required. It has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing the effectiveness of the Group's internal control review function and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. The Audit Committee has unrestricted access to the Group's external auditors. The ultimate responsibility for reviewing and approving the annual reports and accounts and the interim reports remains with the Board. The Audit Committee gives due consideration to laws and regulations and the requirements of the Listing Rules. The Group has an Audit Committee Charter.

(b) Remuneration Committee

The Remuneration Committee comprises Jose Ramon Lopez-Portillo, Dario Sodero and Erik Larre and is chaired by Jose Ramon Lopez-Portillo. The Remuneration Committee has not met during the year ended 31 March 2020. The Remuneration Committee has responsibility for determining the Group's policy on the remuneration packages of the Group's chief executive, the chairman, the executive and non-executive directors and other senior executives. The Remuneration Committee also has responsibility for (i) recommending to the Board a compensation policy for directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Group's Shareholders the total individual remuneration package of the chairman, each executive and non-executive director and the chief executive officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Group's remuneration policy and in consultation with the chairman of the Board and/or the chief executive officer. No Director or manager may be involved in any discussions as to their own remuneration.

(c) Corporate Governance Committee

The Corporate Governance Committee comprises Sergey Borovskiy, Dario Sodero and Jose Ramon Lopez-Portillo and is chaired by Sergey Borovskiy. The Corporate Governance Committee has not met during the year ended 31 March 2020. The Corporate Governance Committee ensures that the Group has in place sufficient procedures, resources and controls to enable it to comply with its continuing obligations as a company admitted to the Standard Segment of the Official List. The Corporate Governance Committee also monitors the Group's procedures to approve (a) announcements to ensure that the information disclosed by the Group is timely, accurate, comprehensive and relevant to the business of the Group and (b) any share dealings by directors or employees or announcements made by the Group to ensure compliance with the Group's policies, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and the Listing Rules and such other regulations to which the Group is subject from time to time.

Assessments

The Remuneration Committee is responsible for developing an annual assessment of the overall performance of the Board and its committees.

The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. To date, the Remuneration Committee and the Board have not put into place a formal process for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Group's size, its stage of development and the number of individuals on the Board of Directors, the Remuneration Committee and the Board consider a formal assessment process to be inappropriate at this time. The Remuneration Committee and the Board plan to continue evaluating the Board's effectiveness on an ad hoc basis.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH ENERGY LIMITED

Opinion

We have audited the financial statements of Zenith Energy Ltd ('the group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB).

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as of 31 March 2020 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. In addition, for the purposes of the group's regulatory filing requirements as a reporting issuer in Canada, we have also conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (ISAs (IAASB)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and the International Ethics Standards Board for Accountants' Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group is required to raise additional funds within the going concern period in order to continue developing its oil and gas projects and to simultaneously satisfy loan repayments which are due within the going concern period. The Group has not secured these funds at the date of this report. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our application of materiality

Group materiality 2020	**Group materiality 2019**	**Basis for materiality**
CAD$530k	*CAD$10,800k*	*4% of net assets excluding net assets acquired on business combination*

The basis of materiality represents a change from that used to calculate the materiality in 2019 which was 1% of gross assets. We considered net assets excluding those acquired in the business combination during the year to be the most relevant consideration of the group's financial performance as the group focuses on a new geographical strategy. We consider this is likely to be the most stable metric at a time when the structure of the group is changing significantly.

Whilst materiality for the financial statements as a whole was CAD$530k, each significant component of the group was audited to a level of materiality ranging between CAD$120k – CAD$400k. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of CAD$26.5k (2019: CAD$540k). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material.

An overview of the scope of our audit

In designing our audit, we determined materiality, as above, and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain. These include the Key Audit Matters, including going concern. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Of the ten reporting components of the group, an audit was performed on the financial information of six components. The other four components were not deemed to be significant but two of them had material balances and were subject to limited review procedures. The remaining two components were deemed not significant or material and as such these components were subject to analytical review procedures at group level.

Of the six reporting components subject to an audit of the financial information, one was located in Azerbaijan and we had oversight of, and regular communication with, the component auditor who was operating under our instructions. A further component was located in The Republic of the Congo and we had oversight of, and regular communication with, the component auditor who was operating under our instructions. The audit of the remaining four components subject to an audit of their financial information was carried out by ourselves along with the limited review procedures and analytical review procedures on the non-significant components. An audit file review of the non-PKF component auditors were performed by members of the Group audit team. This, in conjunction with additional procedures performed, gave us sufficient appropriate evidence for our audit opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the key audit matter</th></tr>
<tr><td>
Carrying value of Property, Plant and Equipment (“PPE”) (refer to notes 4 and 11)

The carrying value of PPE in the financial statements is CAD$34.3m which represents 67% of the Group’s total assets.

Included within PPE is CAD$20.1m of assets which were acquired in the business combination of AAOG for which a purchase price allocation (“PPA”) is not yet available. The carrying value also includes CAD$14.2 million of PPE in respect of the Group’s producing assets in Italy and its Dubai entity. The Group has fully impaired the PPE in Azerbaijan resulting in a charge to the statement of comprehensive income of CAD$1,065m.

Management are required to use their estimation and judgement in assessing the carrying value of PPE for impairment and for this reason, we consider the carrying value of PPE to be a key audit matter.

In addition, the following external indications of impairment existed at 31 March 2020:

The carrying amount of the Group’s net assets exceed the market capitalisation; and
Global oil and gas prices have been impacted as a result of COVID-19 as well as other factors and these will directly impact the value in use calculation.

</td><td>
Our work in this area included:

Obtaining the board approved impairment assessment paper and challenging the key assumptions and estimations therein;
Reviewing management’s assessment of recoverable amount (likely a VIU calculation) and critically assessing all inputs;
Reviewing the underlying economic models used in the Comptent Persons Report (“CPR”) from which the valuation arises and challenging the key assumptions therein including:

Ensuring that the Competent Person had the relevant expertise to perform their work to the appropriate level of skill;
Comparing commodity price assumptions to future prices;
Challenging key inputs into the models including the discount rates used and benchmarking them where appropriate;
Reviewing the CPR for mathematical accuracy and performing sensitivity analysis of the various underlying assumptions;
Assessing the carrying value by considering the range of valuations indicated by the differing scenarios;
Considering the ability of the group to perform the required site development to ensure the site can meet production levels included in and underlying the CPR valuation and to have access to the capital resources required to develop projects successfully;
A review of historical forecasts/budgets against actual to assess the ability of management and their experts to accurately forecast; and

</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the key audit matter
	• Reviewing the work performed by the component auditors and requesting additional procedures where required. We draw attention to note 4 and note 11 of the financial statements which explains that the Tilapia licence, which is central to generating returns from the AAOG acquisition, expired in July 2020 and the Group is waiting to hear on the outcome of a competitive tender process. An unsuccessful outcome may result in the impairment of the related PPE which would likely have a material impact on the financial statements. Our opinion is not modified in this respect.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Business combination and fair value accounting (refer to notes 4 and 6) During the period under review management undertook a material transaction in respect of the acquisition of AAOG. Management have not completed a purchase price allocation ("PPA") in respect of the business combination and have used provisional values to account for the transaction as at 31 March 2020. Management have undertaken to engage a top 10 accounting firm to complete the PPA but this exercise has not been started at the date of this report. In the absence of a formal PPA, management have used their estimation and judgement in accounting for the acquisition of AAOG in line with IFRS 3 Business combinations including their provisional assessment of the fair values of the net assets acquired. We consider the business combination accounting to be a key audit matter.	Our work in this area included: • Obtaining and reviewing the terms within the acquisition agreement and assessing them in accordance with the control criteria in IFRS 3 to ascertain if a business combination had taken place; • Critically reviewing Management's assessment of the timing that the business combination took place; • Reviewing management's assessment of fair value and challenging all judgements and estimations within that assessment; • Obtaining and reviewing the latest CPR for indication of impairment including direct discussion with the preparer to discuss their report; • Reviewing the CPR for mathematical accuracy and performing sensitivity analysis on the key inputs and assumptions; • Reviewing the CPR against performance to date and budgeted performance including challenging how management will meet the levels within the CPR;

Key Audit Matter	How the scope of our audit responded to the key audit matter
	• Consideration of management's ability to have access to the capital resources to meet the minimum required levels within the CPR; and • Reviewing the work performed by the component auditors and requesting additional procedures where required. We draw attention to note 4 and note 6 of the financial statements which explains that management have employed a third party to perform a PPA exercise in respect of the acquisition of AAOG. This exercise remains incomplete as at the date of signing the financial statements therefore the amount included within these financial statements represents managements best provisional estimate but may be subject to change following the external PPA exercise. The process undertaken by management is in accordance with IFRS 3 "Business Combinations" which allows for up to one year from the date of acquisition, being the measurement period, for the completion of such an exercise. The Tilapia licence, which is central to generating returns from the AAOG acquisition, expired in July 2020 and the Group is waiting to hear on the outcome of a competitive tender process. An unsuccessful outcome may result in the impairment of the fair valued acquired assets and negatively impact the Group's African expansion, as well as the result of the third party PPA exercise. The acquisition of AAOG resulted in Zenith obtaining a receivable of US$5.3 million from the Congolese government. The outcome of the competitive tender process may impact the valuation and recoverability of this balance. Our opinion is not modified in this respect.

Other information

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) or ISA (IAASB) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Joseph Archer

Joseph Archer (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 28 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Financial year ended	
		March 31, 2020	March 31, 2019
Continuing operations	**Note**	**CAD $'000**	**CAD $'000**
Revenue		735	834
Cost of sales			
Production costs		(2,364)	(530)
Depletion and depreciation	11	(846)	(425)
Gross loss		**(2,475)**	**(121)**
Administrative expenses	5	(6,991)	(6,429)
Operating loss		**(9,466)**	**(6,550)**
Gain on business combination	6	20,111	-
Other gains and losses	8	1,425	-
Finance expense	9	(1,742)	(1,121)
Gain/(loss) for the year before taxation		**10,328**	**(7,671)**
Taxation	10	(4)	(1)
Gain/(loss) for the year from continuing operations attributable to owners of the parent		**10,324**	**(7,672)**
Loss from discontinued operations (attributable to owners of the parent)	21	(580,633)	(2,090)
Loss for the year attributable to owners of the parent		**(570,309)**	**(9,762)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(651)	(132)
Other comprehensive income for the year, net of tax		**(651)**	**(132)**
Total comprehensive income for the year attributable to owners of the parent		**(570,960)**	**(9,894)**
Earnings per share	23	**CAD $**	**CAD $**
Loss for the year - basic		(1.42)	(0.04)
Loss for the year – diluted		(1.42)	(0.04)
From continuing operations - basic		0.03	(0.03)
From continuing operations - diluted		0.03	(0.03)
From discontinued operations - basic and diluted		(1.45)	(0.01)

The notes on pages 38 to 87 form part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Financial year ended	
		March 31, 2020	**March 31, 2019**
ASSETS	**Note**	**CAD $'000**	**CAD $'000**
Non-current assets			
Property, plant and equipment	11	34,305	1,079,639
Financial assets at amortised cost	12	13	422
		34,318	**1,080,061**
Current assets			
Inventory	13	799	156
Trade and other receivables	14	14,386	5,249
Director's loan account	7, 14	360	164
Cash and cash equivalents		1,220	3,058
		16,765	**8,627**
TOTAL ASSETS		**51,083**	**1,088,688**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	40,400	28,866
Share warrants & option reserve	17	1,010	1,147
Contributed surplus		4,320	4,125
Retained earnings		(35,901)	534,943
Total equity		**9,829**	**569,081**
Non-current liabilities			
Loans	19	2,260	3,417
Non-convertible bonds	20	4,273	4,759
Deferred consideration payable	21	-	483,178
Deferred tax liabilities	21	-	2,398
Decommissioning provision	22	13,543	9,089
Retirement provision		50	-
Total non-current liabilities		**20,126**	**502,841**
Current Liabilities			
Trade and other payables	18	18,832	12,115
Loans	19	2,210	3,776
Non-convertible bonds	20	86	199
Deferred consideration payable	21	-	676
Total current liabilities		**21,128**	**16,766**
TOTAL EQUITY AND LIABILITIES		**51,083**	**1,088,688**

Approved by the Board dated on October 28, 2020
Signed ....
Jose Ramon Lopez-Portillo Chairman
The notes on pages 38 to 87 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
	CAD $'000	CAD $'000	CAD $'000	CAD$'000	CAD $'000
Balance as at 1 April 2018	**22,792**	**875**	**3,390**	**544,837**	**571,894**
Loss for the year	-	-	-	(9,762)	(9,762)
Other comprehensive income	-	-	-	(132)	(132)
Total comprehensive income	-	-	-	(9,894)	(9,894)
Share issue net of costs – debt settlement	371	-	-	-	371
Share issue net of costs - private placement	5,703	-	-	-	5,703
Value of warrants issued	-	167	-	-	167
Issue of options	-	928	-	-	928
Fair value of options expired	-	(401)	313	-	(88)
Warrants expired	-	(422)	422	-	-
Total transactions with owners recognised directly in equity	6,074	272	735	-	7,081
Balance as at March 31, 2019	**28,866**	**1,147**	**4,125**	**534,943**	**569,081**
Loss for the year	-	-	-	(570,309)	(570,309)
Other comprehensive income	-	-	-	(651)	(651)
Total comprehensive income	-	-	-	(570,960)	(570,960)
Share issue net of costs – debt settlement	748	-	-	-	748
Share issue net of costs - private placement	10,628	-	-	-	10,628
Value of warrants issued	-	174	-	-	174
Exercise of options	158	(116)	-	116	158
Warrants expired	-	(195)	195	-	-
Total transactions with owners recognised directly in equity	11,534	(137)	195	116	11,708
Balance as at March 31, 2020	**40,400**	**1,010**	**4,320**	**(35,901)**	**9,829**

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 recognised in the consolidated statement of comprehensive income.

The notes on pages 38 to 87 form part of the Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

		Financial year ended	
		March 31, 2020	**March 31, 2019**
OPERATING ACTIVITIES	**Note**	**CAD $'000**	**CAD $'000**
Loss for the year before taxation		(570,305)	(9,761)
Shares issued for services		-	371
Options/warrants charge	17	174	1,007
Foreign exchange		(1,266)	(441)
Gain on business combination		(20,111)	-
Depletion and depreciation	11	846	2,283
Discontinued operations	21	578,104	-
Other gains and losses	8	(1,425)	-
Finance expense	9	1,742	1,188
Change in working capital	15	180	(1,401)
Net cash used in operating activities		**(12,061)**	**(6,754)**
INVESTING ACTIVITIES			
Cash acquired on business combination	6	105	-
Purchase of property, plant and equipment	11	(1,347)	(5,205)
Proceeds from disposal of property, plant and equipment	11	-	378
Net cash used in investing activities		**(1,242)**	**(4,827)**
FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		10,689	5,703
Proceeds from exercise of options		158	-
Finance Expense	9	(830)	-
Repayments of loans	19	(3,420)	(208)
Proceeds from loans	19	2,004	2,109
Proceeds from issue of bonds		3,058	1,099
Repayment of bonds	20	(194)	(375)
Proceeds from bonds in treasury	20	-	3,814
Net cash generated from financing activities		**11,465**	**12,142**
Net (decrease)/increase in cash and cash equivalents		(1,838)	561
Cash and cash equivalents at beginning of year		**3,058**	**2,497**
Cash and cash equivalents at end of year		**1,220**	**3,058**

The cash transactions from discontinued operations included above are as follows:

Operating activities	(2,528)	(484)
Investing activities	(696)	(719)
Financing activities	-	3
Net cash used in discontinued operations	**(3,224)**	**(1,200)**

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 preparing separate parent company financial statements for the year ended 31 March 2020 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 20th Floor, 250 Howe Street, Vancouver, BC. VC6 3R8, Canada and its business address is 15th Floor, 850 - 2nd Street S.W., Calgary, Alberta T2P 0R8, 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**", and with its entire common share capital admitted to trading on the Merkur Market of the Oslo Børs under the ticker "**ZENA-ME**".

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 currency of the Group's subsidiaries are; United States ("**US$**") dollars for the subsidiaries in Dubai, British Virgin Islands (including Azerbaijan operations) and Democratic 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 November 2021, 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 and Congo, 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 year ended March 31, 2020. 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.

Having prepared cash flow forecasts based on current and expected future resources, 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 will continue to have 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 financial statements. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

The Auditors have made reference to going concern by way of a Material Uncertainty within their audit report.

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, 2019 and relevant to the entity:

Standard / Interpretation/Amendments	
IFRS 16	Leases
IAS 28 (long-term interests)	Long-term Interests in Associates and Joint Ventures to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRIC 23	Uncertainty over Income Tax Treatments.
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IAS 12 “Income Taxes”, IAS 23 “Borrowing Costs”, IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” as result of the IASB's annual improvements project.

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:

Standard / Interpretation	impact on initial application	effective date
IFRS 3	Definition of a business	1 January 2020
IAS 1 and IAS 8 (amendments)	Definition of material	1 January 2020
IAS 1 (amendments)	Classification of Liabilities as Current or Non-Current	1 January 2022
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9 , IFRS 16 and IAS 41	1 January 2022

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

Consolidation

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%	Oil production
Aran Oil Operating Company Limited	British Virgin Islands	80% owned subsidiary of Zenith Aran Oil Company Limited	Oil production
Zenith Energy (O&G) Ltd	United Kingdom	100%	Administrative services
Zena Drilling Limited	Incorporated in UAE 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 Oil & Gas Congo S.A.U. (3)	Democratic 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.U.

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

Discontinued operations

A discontinued operation is a component of the entity that represents a separate major line of business or geographical area of operations that has been disposed of, is held for sale or has been abandoned. The Group classifies operations as discontinued based on the criteria within IFRS 5. When an operation is classified as discontinued, the results of discontinued operations are presented separately in the Statement of Comprehensive Income and also reclassifies the equivalent amounts from the comparative amounts in order for the financial statements to be comparable.

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 work-overs 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 are 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 values 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 March 31, 2020 was CAD $34,305k (2019 – CAD $1,079,639k).

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 on September 22, 2020 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 March 31, 2020 is CAD $13,543k (2019 – CAD $9,089k).

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 at March 31, 2020, the current share price was lower than the benchmark price and the Board made calculations to estimate value of the receivable as of March 31, 2020. It resulted in an impairment of the facility of CAD$700k. If the share price continues to remain lower than the benchmark price within the contract, further impairments may arise.

Congo – receivable from SNPC

As part of the business combination of AAOG, the Group acquired an other receivable due from SNPC, of approximately US$5.3 million (equivalent to CAD$7.5M) 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 year ended March 31, 2020, the Group incurred CAD$ 6,991k (2019 - CAD$ 6,429k) of administrative expenses. Furthermore, during the same period the Group incurred CAD$ 2,970k (2019 - CAD$ 2,706k) of non-recurring expenses which relate to the cost of raising funds, negotiation costs for the potential acquisition of producing assets and share based payments costs, which is a non-cash item.

	Year ended	
	March 31, 2020	**March 31, 2019**
	CAD$'000	**CAD$'000**
Auditors remuneration - audit fees Group	**161**	129
Accounting and bookkeeping	**23**	30
Consultancy fees	**629**	990
Legal	**45**	163
Office	**733**	627
Administrative expenses	**255**	237
Foreign exchange gain	**(268)**	(314)
Salaries	**2,018**	1,294
Travel	**425**	567
General and administrative expenses	**4,021**	**3,723**
Non-recurring expenses		
Bond issue costs	**44**	127
Listing costs (Norway and UK)	**763**	1,167
Negotiation costs for acquisitions	**870**	-
Aborted Transaction Costs	**-**	405
Share based payments (see note 17)	**174**	1,007
Impairments from expected from credit losses (see note 14)	**700**	-
Release of prepaid insurance (see note 12)	**419**	-
Total non-recurring expenses	**2,970**	**2,706**
Total general and administrative expenses	**6,991**	**6,429**

6. Business combinations

On December 29, 2019, the Group obtained a controlling interest in Anglo African Oil & Gas Congo S.A.U ("AAOG Congo") from AIM quoted Anglo African Oil & Gas plc (the "Seller") upon signing a conditional share purchase agreement ("SPA"). Management consider that it obtained control over AAOG because the Group was fully funding and controlling the operations, including the application for renewal of the Tilapia licence. At the time of the acquisition, AAOG Congo had a 56 percent majority interest in, and was the operator of, the Tilapia oilfield in the Republic of the Congo. On April 17, 2020, the Group finalised the share purchase agreement with AAOG for the acquisition of a 100 per cent interest in AAOG Congo for total consideration of £200,000 (equivalent to CAD$351k).

This was the Company's first acquisition in Africa as part of its new African development strategy targeting oil & gas development, production and exploration opportunities in the continent.

The Group has consolidated the net assets and operations of AAOG from December 29, 2019, the date on which it obtained control. The Group has recognised a gain on bargain purchase in the statement of comprehensive income, as shown in the table below.

	CAD$'000
Cash consideration	351
Provisional fair value of net assets acquired on business combination	(20,462)
Gain on business combination	(20,111)

Provisional fair value of net assets acquired

	Book values CAD$'000	**Adjustments CAD$'000**	**Fair value CAD$'000**
Property, plant and equipment	20,184	-	20,184
Other net assets	5,839	-	5,839
Decommissioning Obligations	(5,561)	-	(5,561)
Provisional fair value of net assets acquired on business combination	20,462	-	20,462

The provisional fair values may change as a result of initialising a formal purchase price allocation and would also be impacted in the event that Zenith did not receive a new license in relation to the oil and gas assets owned by AAOG Congo at the time of the acquisition.

Summarised income statement

	Post acquisition CAD$'000	**Full year CAD$'000**
Revenue	94	544
Loss after tax	(3,199)	(1,704)

7. Staff cost

(a) *Employee compensation cost*

During the year the Group had an average of 192 (2019: 207) full time employees based in its offices in London in the UK, Baku in Azerbaijan, Pointe Noire in Congo and Genoa in Italy.

The following table details the amounts of total employee compensation included in the consolidated statement of comprehensive income:

	2020	2019
	CAD $'000	CAD $'000
Operating	611	-
General and administrative	2,018	1,294
Share based payments	174	1,007
Total employee compensation cost	2,803	2,301

(b) *Key management compensation*

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. The following table summarizes annual compensation and long-term compensation of the Group's "Named Executive Officers" for the two most recently completed financial years that ended on March 31, 2020. The named executive officers equate to key management personnel:

Name	Year(2)	Short term employee benefit CAD $'000	Other short-term benefits CAD $'000	Other long-term benefits CAD $'000	Share based payments CAD $'000	Other benefits CAD $'000	Total CAD $'000
Andrea Cattaneo (1)	2019	667	-	-	462	419	1,548
	2020	567	-	-	-	724	1,291
Luigi Regis Milano (2)	2019	60	-	-	36	17	113
	2020	61	-	-	-	31	92
Jose Ramon Lopez-Portillo	2019	-	-	-	22	-	22
	2020	-	-	-	-	31	31
Dario Ezio Sodero(3)	2019	8	-	-	18	-	26
	2020	19	-	-	-	31	50
Erik Larre	2019	-	-	-	62	-	62
	2020	-	-	-	-	-	-
Sergey Borovskiy	2019	-	-	-	62	-	62
	2020	-	-	-	-	31	31

Name	Year[2]	Short term employee benefit CAD $'000	Other short-term benefits CAD $'000	Other long-term benefits CAD $'000	Share based payments CAD $'000	Other benefits CAD $'000	Total CAD $'000
Luca [4] Benedetto	2019	199	-	-	116	23	338
	2020	231	-	-	-	38	269

Notes:

1. Andrea Cattaneo was appointed President and Chief Executive Officer effective 01 January 2009. As proposed by the Compensation Committee, Mr. Cattaneo's annual consulting fee payment is approximately £210k (CAD $367k), payable in equal monthly instalments, plus an annual bonus compensation of CAD$200k from the parent Company.

   In addition, Andrea Cattaneo also received other benefits for the year ended March 31, 2020 of CAD$724k which comprised CAD$181k for accommodation and health insurance and CAD$543k in respect of an additional bonus relating to a gain arising during the year from settlement of the JFI loan for an amount lower than the carrying value (see sub note 5 below for more details).

   In addition, Andrea Cattaneo received advanced cash payments of general, travelling and administrative expenditures for business activities conducted in Africa made on behalf of the Group using personal means, and for which Board approval has been obtained at the time of publication of these results. The amounts are advanced interest free and at the year end, Andrea Cattaneo owed the Group CAD$360k. Further details of this transaction can be found in note 24.

2. Mr. Luigi Regis Milano had a yearly compensation of CAD$61k from subsidiary undertakings for the year ended March 31, 2020

3. Mr. Sodero received a fee for professional consulting services of approximately CAD$19k during the year ended March 31, 2020.

4. Mr. Luca Benedetto was appointed as Chief Financial Officer from April 2017 and received compensation of CAD$168k from the parent Company and CAD$63k from subsidiary undertakings, and other benefits for CAD$7k, during the year ended March 31, 2020.

5. On August 28, 2019, the Board unanimously approved the split of the "paper profit" of US$1.1 million, through the settlement agreed with the Chinese lender, as follows: the "paper profit" portions of Zenith Energy Ltd (55%), and the balance between Mr. Cattaneo (35%) and the Directors and the CFO who were present at the meeting (10%). Andrea Cattaneo has already been paid for the portion of this bonus. The amounts due to the other directors will be paid if and when the financial conditions of Zenith will allow it. These amounts to be received are included in the column "other benefits" in the table above.

8. Other gains and losses

	2020 CAD $'000	2019 CAD $'000
Interest and debt waived	1,425	-
	1,425	-

Other gains and losses represent the credit recognised in profit or loss in respect of loans which were settled for an amount lower than the carrying value during the year. See note 19(a) for further details.

9. Finance expense

	2020 CAD $'000	2019 CAD $'000
Interest expense	884	402
Accretion of decommissioning provision	434	363
Effective interest on financial liabilities held at amortised cost	424	356
	1,742	**1,121**

10. Taxation

	2020 CAD $'000	2019 CAD $'000
Current tax	4	1
Deferred tax	-	-
Total tax charge for the year	**4**	**1**

The difference between tax expense for the year and expected income taxes based on the statutory tax rate arises as follows:

	2020 CAD $'000	2019 CAD $'000
Loss before taxation	(570,305)	(9,761)
Expected tax at 27%	(153,982)	(2,635)
Differences on tax rates attributable to other jurisdictions	39,942	85
Non-deductible expenses	110,045	272
Changes in enacted rates and other	-	(48)
Temporary differences	(108,238)	(30)
Tax losses carried forward	112,229	2,355
Under(over)provided in prior years		-
Tax charge	(4)	(1)

The tax charge for the year ended March 31, 2020 comprised CAD $4k (2019 – CAD $1k) of current tax expense and CAD $Nil deferred tax expense (2019 – CAD $Nil deferred tax expense).

Recognised deferred tax liabilities are attributable to the following:

	2020 CAD $'000	2019 CAD $'000
Property and equipment	(2,109)	(2,554)
Decommissioning obligation	1,751	47
Non-capital loss carryforwards	358	109
Recognised deferred tax liabilities	-	(2,398)

Deferred tax assets have not been recognised in respect of the following temporary differences as it is not certain when the timing of producing sufficient taxable income will allow the deferred tax assets to be utilized and recovered:

	2020 **CAD $'000**	**2019** **CAD $'000**
Property and equipment	9,218	-
Non-capital loss carryforwards	607,361	64,980
Share issuance costs	603	156
Decommissioning obligations	1,827	-
Capital losses	1,467	3,408
Other	76	978
Unrecognized deferred tax assets	620,552	69,522

As of March 31, 2020, the Group has accumulated non-capital losses in Canada totaling CAD $607,273 (2019 - CAD $638,484k) which expire in varying amounts between 2022 and 2040 and CAD $2,295k (2019 – CAD $795k) of non-capital losses with no expiry date.

11. Property, plant and equipment

	D&P Assets **CAD $'000**
Carrying amount at March 31, 2018	**1,077,445**
Additions	5,205
Disposals	(378)
Depletion and depreciation	(425)
Depletion and depreciation from discontinued operations	(1,858)
Compensatory oil delivered	(347)
Foreign exchange differences	(3)
Carrying amount at March 31, 2019	**1,079,639**
Additions	1,347
Acquired on business combination (see note 6)	20,184
Depletion and depreciation	(846)
Impairment – Discontinued operations (note 21)	(1,065,075)
Other impairment charges	(615)
Foreign exchange differences	(329)
Carrying amount at March 31, 2020	**34,305**

Impairment test for property, plant and equipment

As of March 31, 2020, 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. Following this review impairment triggers were noted in relation to the Azerbaijan assets following the Group's agreement with SOCAR to handover the Contract Rehabilitation Area.

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 2020 gas price of $4.944/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% (2019 – 15%). This was based on a Weighted Average Cost of Capital analysis consistent with that used in previous impairment reviews.

Based on the key assumptions set out above:

- The estimated recoverable amount of the Italian CGU on March 31, 2020 was higher than its carrying amount by CAD$8m, therefore, no impairment was recognised in the year ended March 31, 2020 (2019 - CAD $nil) in the consolidated statement of comprehensive income. A rise in the discount rate to 20% would reduce the excess of the recoverable amount by CAD$5m.

Congo Cash Generating Unit

The assets in Congo were acquired during the last quarter of the year. The carrying amount is that of the audited financial statements as at March 31, 2020. Management is still waiting to receive news on the renewal of the license. It therefore does not consider that an assessment of impairment losses is require at this time.

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

The Group believes there is a strong probability that the Tilapia licence will be renewed and considers that the field infrastructure, geological data and associated equipment that are owned by the Group in the Republic of the Congo, as of March 31, 2020, 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 year ended March 31, 2020 (2019 ‐ N/A) in the consolidated statement of comprehensive income. The Group considers the licence renewal to be a key estimate in considering its carrying value as without the licence the asset may be impaired.

Further, the Company commissioned a Competent Person's Report ("**CPR**") for the Tilapia 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.com.

12. Non-current financial assets held at amortised cost

	March 31, 2020 CAD $'000	March 31, 2019 CAD $'000
Italian prepaid insurance	-	422
Other assets acquired on business combination	13	-
	13	**422**

Upon the change of ownership of the assets acquired in Italy in the year 2016, the Group obtained an insurance policy for its Italian oil and gas operations. The policy has a five-year term for which the Group paid the total premium of EUR 567k (CAD $868k), of which CAD $419k (2019 – CAD $nil) has been recognised as an expense. The outstanding balance of CAD $nil (2019 - CAD $422k) is included in long-term assets. During the year 2016 the Group received the news that the insurance company was in default. The Directors decided to expense the full amount on the prepaid insurance as there is uncertainty that they will receive the reimbursement promised by the State of Romania, where the insurance company was based.

13. Inventory

As of March 31, 2020, inventory consists of CAD $14k (2019 – CAD $nil) of crude oil that has been produced but not yet sold, and CAD $785k of materials (2019 – CAD $156k) . The amount of inventory recognised in the statement of comprehensive income is CAD $167k (2019 - CAD $220k).

	2020 CAD $'000	2019 CAD $'000
Congo	14	-
Congo - materials	765	-
Azerbaijan - materials	-	148
Dubai – materials	12	-
Italy	8	8
	799	**156**

14. Trade and other receivables

	2020 CAD $'000	2019 CAD $'000
Trade receivables	2,692	1,362
Other receivables	11,694	3,887
Directors loan account	360	164
Total trade and other receivables	14,746	5,413

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.

In respect of other receivables, the Group has recognised an expected credit loss of CAD$700k on a specific contract known as an equity sharing agreement.

15. Change in working capital

	2020 CAD $'000	2019 CAD $'000
Trade and other receivables	(242)	(3,510)
Inventory	(136)	21
Prepaid expenses	(46)	5
Prepaid property and equipment insurance	(422)	19
Trade and other payables	1,026	2,064
Total change in working capital	180	(1,401)

16. Share Capital

Zenith is authorised to issue an unlimited number of Common Shares, of which 316,645,857 were issued at no par value and fully paid during the year ended March 31, 2020 (2019 – 101,628,366). 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.

Following the issue of the new Ordinary Shares, the Company had 577,072,921 common shares in issue and admitted to trading on the Mekur Market of the Oslo Bors, as of March 31, 2020.

As of the same date, Zenith had 286,403,856 common shares in issue and admitted to trading on the Main Market of the London Stock Exchange.

Issued	**Number of common shares**	**Amount CAD $'000**
Balance – April 1, 2018	**158,798,698**	**22,792**
Settlement of debt	1,123,068	185
Non-brokered unit private placement	54,172,451	3,694
Issue costs	-	(187)
Balance – June 30, 2018	**214,094,217**	**26,484**
Issue costs	-	(5)
Balance – September 30, 2018	**214,094,217**	**26,479**
Settlement of debt	2,225,941	186
Non-brokered unit private placement	20,782,429	1,141
Non-brokered unit private placement	2,857,143	157
Issue costs	-	(107)
Balance – December 31, 2018	**239,959,730**	**27,856**
Non-brokered unit private placement	10,364,640	517
Non-brokered unit private placement	10,102,694	519
Issue costs	-	(26)

Balance – 31 March 2019	**260,427,064**	**28,866**
Non-brokered unit private placement (i)	20,000,000	1,000
Issue costs	-	(40)
Non-brokered unit private placement (i)	17,647,059	794
Issue costs	-	(63)
Non-brokered unit private placement (ii)	14,334,602	702
Issue costs	-	(42)
Balance – 30 June 2019	**312,408,725**	**31,217**
Exercise of stock option (iii)	622,407	75
Exercise of stock option (iv)	688,797	83
Non-brokered unit private placement (v)	47,812,500	1,913
Issue costs	-	(34)
Settlement of debts (vi)	6,589,678	303
Balance – 30 September 2019	**368,122,107**	**33,557**
Settlement of debts (vii)	11,421,402	445
Non-brokered unit private placement (viii)	37,000,000	1,857
Issue costs		(97)
Non-brokered unit private placement (ix)	35,000,000	1,124
Balance – 31 December 2019	**451,543,509**	**36,886**
Non-brokered unit private placement (x)	55,529,412	1,610
Non-brokered unit private placement (xi)	9,000,000	232
Equity sharing agreement (xii)	50,000,000	1,389
Non-brokered unit private placement (xii)	11,000,000	283
Balance – 31 March 2020	**577,072,921**	**40,400**

i) On April 2, 2019, the Group announced that it had completed two offerings with a consortium of private and institutional investors and raised an aggregate total amount of approximately £1,020k (approximately CAD$1,794k).

Canadian Financing

Zenith issued a total of 20,000,000 common shares of no-par value in the capital of the Group ("**Common Shares**") at a price of CAD$0.05 in connection with the Canadian Financing to raise gross proceeds of CAD$1,000k (approximately £570k). The Company also paid related Issue costs for CAD$40k.

UK Financing

Zenith issued a total of 17,647,059 Common Shares of no-par value in the capital of the Group at a price of £0.0255 (approximately CAD$0.045) in connection with the UK Financing and raised gross proceeds of £450k (approximately CAD$794k). The Company also paid related Issue costs for CAD$63k.

ii) On May 3, 2019 the Group announced that it had completed a placing of new common shares of no-par value in the capital of the Group ("**Common Shares**") in the United Kingdom (the "**Financing**").

Zenith issued a total of 14,334,602 Common Shares at a price of £0.028 (approximately CAD$0.049) in connection with the Financing to raise gross proceeds of £401k (approximately CAD$702k). The Company also paid related Issue costs for CAD$42k.

iii) On July 3, 2019, the Chief Executive Officer & President of the Company, Mr. Andrea Cattaneo exercised stock options to acquire 622,407 common shares of no-par value in the capital of the Company, at an exercise price of CAD$0.12 per New Share.

iv) On July 4, 2019 the Chief Executive Officer & President of the Company, Mr. Andrea Cattaneo, exercised stock options to acquire 688,797 common shares of no-par value in the capital of the Company, at an exercise price of CAD$0.12 per New Share.

v) On August 2, 2019, the Company completed a placing in Canada issuing a total of 47,812,500 Common Shares, at a price of CAD$0.04 per unit, consisting of one common share of no par value in the capital of the Company ("**Common Shares**") and one full common share purchase warrant ("**Warrants**"), exercisable within 12 months at an exercise price of CAD$0.10, raising gross proceeds of CAD$1,912,500 (approximately £1,195,000 or NOK 12,856,000). The Company paid Issue costs for CAD$34k.

vi) On September 17, 2019 the Company has agreed to issue 6,589,678 common shares at an average price of CAD$0.05 per common share, to settle debts of CAD$303k owed by the Company.

vii) On October 24, 2019, the Company announced that It had received three Conversion Notices ("**Conversion**") from the consortium of lenders (the "**Lenders**") for the US$1,500,000 Convertible Loan Facility ("Convertible Loan") announced on September 5, 2018. A total of 11,421,402 Conversion Shares, equivalent to a total amount of US$340,000, were issued.

viii) On November 1, 2019, the Company announced the fully closing of the private placing on the Merkur Market of the Oslo Børs. The aggregate number of common shares issued as part of the private placement was 37,000,000 and the private placement was completed at a subscription price of NOK 0.35 per share (£0.03 or CAD$0.02). The Company also paid Issue costs for CAD$97k.

ix) On December 17, 2019, the Company announced a Private Placement on the Merkur Market of the Oslo Børs. The Company has successfully raised gross proceeds of NOK 7,700,000 (approximately £638,000 or CAD$1,123,430) to subscribe for 35,000,000 common shares of no-par value in the capital of the Company ("New Common Shares") at a price of NOK 0.22 per New Common Share (approximately £0.02 or CAD$0.03)

x) On January 29, 2020, the Company successfully raised gross proceeds of NOK 11,105,882 (approximately £935,000 or CAD$1,610,000) to subscribe for 55,529,412 common shares of no-par value in the capital of the Company at a price of NOK 0.20 per New Common Share (approximately £0.02 or CAD$0.03)

xi) On February 14, 2020, the Company completed an offering in the United Kingdom with a significant existing institutional shareholder, as well as a selection of high net-worth private investors, to issue 9,000,000 new common shares in the capital of the company to raise gross proceeds of £135,000 (approximately CAD$232,000). The issue price of the UK Financing is £0.015, representing a premium of 5.26% over the closing mid-market price of Zenith's common shares admitted to trading on the London Stock Exchange on February 13, 2020.

xii) 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 9,700,000 (approximately £810,000 or US$1,051,000), by a subscription for 50,000,000 new common shares, an issue price of NOK 0.194 per share, (approximately £0.02 or CAD$0.03)

xiii) On February 17, 2020, the Company issued 11,000,000 new common shares in Norway at a price of NOK 0.18. to raise gross proceeds of NOK 1,980,000 (approximately CAD$284,000 or £165,000)

17. Warrants and options

	Number of options	Number of warrants	Weighted average exercise price	Amount CAD$'000
Balance – April 1, 2018	**4,100,000**	**27,027,644**	**0.19**	**875**
Options issued	10,500,000	-	0.12	927
Options expired	(3,500,000)		0.15	(400)
Warrants issued	-	19,616,368	0.07	167
Warrants expired	-	(26,847,644)	0.18	(422)
Balance – March 31, 2019	**11,100,000**	**19,796,378**	**0.12**	**1,147**
Warrants issued	-	54,290,234	0.10	174
Options exercised	(1,311,204)		0.12	(116)
Options expired	(703,571)	-	0.12	(62)
Warrants expired	-	(18,422,628)	0.14	(133)
Balance – March 31, 2020	**9,085,225**	**55,663,984**	**0.12**	**1,010**

During the year ended March 31,2020, the Company issued 54,290,234 warrants (2019 – 19,616,368) and 18,422,628 (2019 - 26,847,644) warrants expired.

As of March 31, 2020, the Group had 55,663,984 (2019 – 19,796,378) warrants outstanding (relating to 55,663,984 shares) and exercisable at a weighted average exercise price of CAD$0.10 per share with a weighted average life remaining of 0.42 years.

There were no options in the money as of March 31, 2020.

The issue of 54,290,234 (2019 – 19,616,368) warrants during the year, originated a fair value amount of CAD$174k (2019 – CAD$167k) that was debited as share-based payment, non cash-item cost, in the P&L.

The expiry of 18,422,628 (2019 – 26,847,644) warrants during the year was recognised in the contributed surplus amount of Equity section.

Grant Date	**March 31, 2020**		**March 31, 2019**		
	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	1,100,000	0.10	November 2021
November 2017	500,000	0.18	500,000	0.18	November 2022
April 2018	7,485,225	0.12	9,500,000	0.12	April 2023
	9,085,225	0.12	11,100,000	0.12	

Options
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 recognised 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, 2018	**4,100,000**
Options issued	10,500,000
Options expired	(3,500,000)
Balance – March 31, 2019	**11,100,000**
Options exercised	(1,311,204)
Options expired	(703,571)
Balance – March 31, 2020	**9,085,225**

As of March 31, 2020, the Group had 9,085,225 (2019 – 11,100,000) stock options outstanding (relating to 9,085,225 shares) and exercisable at a weighted average exercise price of CAD$ 0.12 (2019 – CAD$ 0.12) per share with a weighted average life remaining of 2.73 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 April 3, 2018, the Board of Directors resolved to grant its directors, certain employees and consultants a total of 10,500,000 stock options (the "Options"), in accordance with the Company's Stock Option Plan. The exercise price of the Options was equivalent to the Company's TSXV closing price of March 26, 2018, being CAD$0.12 (approximately £0.067). The Options are fully vested and have an expiry date of five years from the date of granting.

Exercise of options

- On July 3, 2019, the Chief Executive Officer & President of the Company, Mr. Andrea Cattaneo, exercised stock options to acquire 622,407 common shares of no-par value in the capital of the Company, at an exercise price of CAD$0.12 per New Share.
- On July 4, 2019, the Chief Executive Officer & President of the Company, Mr. Andrea Cattaneo, exercised stock options and acquire 688,797 common shares of no-par value in the capital of the Company, at an exercise price of CAD$0.12 per New Share.

Expiry of options

A director, who had been granted share options, left the Group in previous quarters and, as stipulated in the stock option agreement, these options expired upon the elapsing of three months from the date of leaving. During the quarter ending December 31, 2019, 703,571 (2018 - 3,500,000) stock options expired.

Type	Grant Date	Number of Warrants	Price per unit CAD$	Expiry Date
Warrants	January-18	**180,000**	0.16	January-20
Warrants	April-18	**93,750**	0.40	May-21
Warrants	June-18	**1,280,000**	0.07	June-21
Warrants	Septeber-18	**6,977,988**	0.05	February-20
Warrants	February-19	**10,364,640**	0.10	February-20
Warrants	February 19	**900,000**	0.10	February 20
	Total warrants at 31 March 2019	**19,796,378**		
Warrants	April-19	**93,750**	0.40	May-21
Warrants	June-19	**1,280,000**	0.07	June-21
Warrants	August 19	**47,812,500**	0.10	August 20
Warrants	October-19	**6,477,734**	0.06	October-22
	Total warrants at 31 March 2020	**55,663,984**		

As of March 31, 2020, the Group had 55,663,984 warrants outstanding (relating to 55,663,984 shares) and exercisable at a weighted average exercise price of CAD$0.10 per share with a weighted average life remaining of 0.42 year.

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

18. Trade and other payables

	2020 CAD $'000	2019 CAD $'000
Trade payables	16,278	10,990
Other payables	2,554	290
Accrued interest	-	835
Total trade and other payables	18,832	12,115

19. Loans

Loans	2020	2019
	CAD $'000	CAD $'000
Loan payable - current	2,210	3,776
Loan payable – non-current	2,260	3,417
Total	**4,470**	**7,193**

	2020	2019
Loans – current	**CAD $'000**	**CAD $'000**
As at 1 April	3,776	237
Transfer from non-current	1,253	3,747
Loan receipt	2,004	-
Loan waived	(584)	-
Repayments	(4,107)	(208)
Foreign exchange	(132)	-
As at 31 March	**2,210**	**3,776**

	2020	2019
Loans – non current	**CAD $'000**	**CAD $'000**
As at 1 April	3,417	4,949
Loan receipt	-	2,109
Transfer to current	(1,253)	(3,747)
Foreign exchange	96	106
As at 31 March	**2,260**	**3,417**

a) USD loan payable

As of March 31, 2020, the Group was indebted to a third party lender for a USD$180k (CAD$233) (March 31, 2019 - USD$1,485k (CAD$1,982k)) loan payable which no longer bears interest (March 31, 2019- bearing fixed interest at 10% per annum).

On September 17, 2019, the Company entered negotiations with the lender to settle the liability at a significant discount, and, on October 1, 2019, the Company confirmed that, following negotiations with the lender, it had successfully agreed to settle the aforementioned liability for a total amount of US$1,000,000.

As of March 31, 2020, CAD$233k (March 31, 2019 – CAD$1,485) of principal is classified as a current liability (March 31, 2019 non-current liability) and CAD$nil (March 31, 2019 – CAD$733k) of accrued interest is included in trade and other payables.

b) Euro bank debt

On August 6, 2015, the Group obtained a €220k loan (CAD$349k) from the GBM Banca of Rome. The loan is unsecured, bears fixed interest at 7% per annum and is repayable in 60 monthly payments of principal and interest until August 6, 2020.

As of March 31, 2020, the principal balance of the loan was €35k (CAD$55k) (March 31, 2019 - €98k (CAD$147k)) which is classified as a current liability.

c) Euro bank debt

On December 17, 2015, the Group obtained a €200k loan (CAD$318k) from Credito Valtellinese Bank of Tortona. The loan is unsecured, bears fixed interest at 4.5% per annum and is repayable in 42 monthly payments of principal and interest until July 17, 2019. This loan was completely repaid in the year.

As of March 31, 2020, the principal balance of the loan was €nil (CAD$nil) (March 31, 2019 - €20k (CAD$31k)).

d) USD $320,000 General line of credit agreement

On April 5, 2017, the Group's wholly-owned subsidiary, Zenith Aran Oil Company Limited, entered into a general line of credit agreement with Rabitabank Open Joint Stock Company ("**Rabitabank**") up to an amount of US$320k (CAD$436k), for industrial and production purposes. The loan drawn down in one tranche and as of April 6, 2017, it was fully drawn down. Rabitabank can postpone or suspend the facility if there is a decline in oil production under the REDPSA of more than 30% from production levels as at the date of first drawdown, or if the REDPSA is terminated.

This Credit Agreement bears interest at a rate of 11% per annum. The loan is guaranteed by the Group. The loan granted for one-year period. The 25% of the principal amount should be paid on quarterly basis. The amount of interest to be paid on monthly basis.

On July 6, 2017, the terms of the repayment of the US$320k (CAD$436k) credit agreement were amended and the first repayment of the principal of US$80k was postponed to the end of July.

On July 31, 2017 US$20k (CAD$21k) was repaid and the balance of US$60k (CAD$63k) was agreed to be repaid on September 1, 2017. On July 31, 2018, US$40k (CAD$52k) was repaid. A subsequent credit committee decision taken in September 2017 amended the payment terms of the loan. Zenith Aran Oil Company Limited will pay interest on a monthly basis and the principal total amount of US$40k has been paid on September 30, 2018. The balance of the principal amount will be repaid at a new maturity date of April 6, 2019. Based on credit committee decision taken on 18th of April 2019 the payment of principal amount US$280K postponed for one year until 6th of April 2020. Based on credit committee decision in May 2020 payment of principal amount has been prolonged until 30 December 2020 and weekly repayments of 8,000 USD will be made.

As of March 31, 2020, the outstanding principal amount was US$287K (CAD$404k) (March 31, 2019 - USD$282K (CAD$376k)) and it was classified as a current liability.

e) USD $200,000 General line of credit agreement

On April 12, 2017, Zenith Aran entered into a general line of credit agreement with Rabitabank up to US$200k (CAD$272k). This Credit Agreement bears interest at a rate of 10% per annum. The loan was granted for one-year period and the principal amount of the loan will be paid at the end of the period. The amount of interest is repayable monthly. The loan is guaranteed by the Group. In March 2018, the repayment of the principal amount (US$200k) was extended by 15 months until July 12, 2019 and then the credit committee made the decision to roll-over the loan for another year with maturity date on July 12, 2020. Based on credit committee decision in May 2020 payment of principal amount has been prolonged until 30 December 2020 and weekly repayments of 8,000 USD will be made.

As of March 31, 2020, the amount of US$202k (CAD$256k) (March 31, 2019 - USD$187k (CAD$249k)) was classified as a current liability.

f) Swiss loan CHF 837,500

On March 30, 2017, the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed for the former owner on December 21, 2015 for the initial amount of CHF838k (CAD$1,161k). The loan bears interest at a rate of 2.32% per annum. The loan is repayable in anticipated quarterly tranches of CHF13k (plus accrued interest) (CAD$17k) and the maturity date is July 7, 2022.

As of March 31, 2020, the principal balance of the loan was CHF675k (CAD$993k) (March 31, 2019 - CHF687.5k (CAD$922k)).

g) Swiss loan CHF 1,000,000

On March 30, 2017, the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on December 21, 2015 for the initial amount of CHF1,000k. The loan bears interest at a rate of 2.2% per annum. The loan was repayable July 02, 2019 (plus accrued interest).

As of March 31, 2020, the principal balance of the loan was CHF nil (CAD$nil) (March 31, 2019 - CHF1,000k (CAD$1,350)).

h) Convertible loan USD 1,500,000

On September 5, 2018, the Company entered into a US$1,500,000 unsecured convertible loan facility with a term of 18 months starting from August 30, 2018. Zenith shall pay interest on the outstanding amount of the convertible loans at the rate of 0% per annum. The Facility includes an initial immediate advance of US$1,300,000 and a further advance of US$200,000, to be provided at a later time and only at the discretion of the Lenders.

i) Convertible loan GBP 1,000,000

On January 7, 2019, the Company entered into a new unsecured convertible loan facility for an aggregate total amount of up to £1 million with a consortium of lenders. The loan facility has a term of 24 months and the Company shall pay interest on the outstanding amount of the loan facility at the rate of 8% per annum. The loan facility is repayable on January 15, 2021.

j) Overdraft

The group has an overdrawn balance in one bank account of CAD$ nil (March 31, 2019 – CAD$ 39k). .

20. Non-convertible bonds

Non-convertible bonds	**2020**	**2019**
	CAD $'000	**CAD $'000**
Current	86	199
Non-current	4,273	4,759
Total	**4,359**	**4,958**

Non-convertible bonds

	CAD $'000
Balance – March 31, 2018	**407**
Interest	14
Issue of notes	153
Loan notes	4,759
Repayment of bonds	(375)
Balance – March 31, 2019	**4,958**
Interest	82
Loan notes	3,058
Bonds in treasury de-recognised	(3,814)
Repayment of bonds	(194)
Foreign exchange	269
Balance – March 31, 2020	**4,359**

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.

a. Zenith 8% EMTN - ISIN AT0000A23S79

During the financial year 2019, the Group issued Loan Notes to finance its development activities in Azerbaijan for a total amount of €3,120k (equivalent to CAD$4,759k), with the duration of 2 years. During the financial year ended March 31, 2020, the Company issued additional loan Notes for a total amount of €6,880k (equivalent to CAD$9.8M). The maturity date of the Notes is 20 December 2021, and they carry an interest charge of 8% per annum, payable at maturity.

During the year ended March 31, 2020, the Company sold €1,837k (equivalent to CAD$2,617k) (2019 - €620k (equivalent to CAD$883k)) of Zenith 8% EMTN – ISIN AT0000A23S79 and at March 31, 2020 had in treasury €7,543k (equivalent to CAD$11,030k), ready to be sold.

b. Zenith EMTN Programme up to Euro 25+M

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 were issued, and kept in Treasury, under Zenith's EUR 25,000,000 multi-currency Euro Medium Term Notes Programme, as announced by the Company on November 6, 2019, and will be due on January 27, 2024. The Notes were admitted to trading on the Third Market (MTF) of the Vienna Stock Exchange ("**Wiener Borse AG**"). As of March 31, 2020, the Company sold Notes for GBP76k (equivalent to CAD$128k) and USD$30k (equivalent to CAD$40k). The balance of the Notes issued were kept in Treasury, ready to be sold, at that date.

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 EMTN Programme, created with the primary purpose of financing the Company's development activities in Azerbaijan, with the related Prospectus being approved on November 6, 2019. Since its strategic reconfiguration, 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 30 June 2020, 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 2019 and December 2019 respectively.

c. *Revolving facility*

On October 18, 2019, the Company entered into a credit line facility with Linear Investments Limited, for the amount of Euro 200,000 (CAD$ 294k) for a duration of 18 months. The facility is secured by a corresponding EMTN Zenith 8%, 2021 value.

d. *Accounting situation as of March 31, 2020*

At the year ended March 31, 2020, CAD$82k (March 31, 2019 - CAD$14k) is classified as a current liability and CAD$4,273k (March 31, 2019 - CAD$4,759k) is classified as long-term.

21. Loss from discontinued operations

The Group has re-focused the geographic area of its activities. On March 2, 2020, the Company announced that, in view of Zenith's strategic focus on pursuing large-scale oil production and development opportunities in Africa, it would return the Contract Rehabilitation Area to SOCAR.

The handover of the Contract Rehabilitation Area ("**CRA**") was effectively concluded in June 2020. As publicly announced, the Group continued to operate the CRA from March 2020 until June 2020 when the handover of the CRA was completed. The Group achieved a near total reduction of operating expenses in Azerbaijan upon completion of the handover of the Contract Rehabilitation Area.

As per the REDPSA agreement with SOCAR, Zenith does not have to pay any kind of compensation fee as a result of the termination thereof. In addition, there are no decommissioning fees to be borne by Zenith. The Group has received a payment post year end for oil production of approximately US$508,000 from SOCAR corresponding to material revenues for the months of April, May and part of June 2020.

The costs associated with the termination of the Group's operations in Azerbaijan are approximately USD 0.5 million which are related to the transportation costs due to the relocation of the rig which was previously installed in Azerbaijan to its operations in Congo.

As a result of this decision, the results of the subsidiary in Azerbaijan have been included in the loss from discontinued operations in the statement of comprehensive income and they are comprised as follows:

	2020 **CAD$'000**	**2019** **CAD$000**
Revenue	4,074	5,733
Operating expenses	(3,041)	(4,370)
Depletion and depreciation	(1,118)	(1,857)
Administrative expenses	(2,383)	(1,528)
Finance expenses	(61)	(68)
Loss from operations in the year	(2,529)	(2,090)
Impairment of property, plant and equipment	(1,065,075)	-
Impairment of inventories	(747)	-
Impairment of assets acquired from Zena Drilling	(615)	-
Write back of deferred consideration payable	483,690	-
Write back of decommissioning provision	1,790	-
Write back of well abandonment obligations	60	-
Write back of deferred tax	2,793	-
Total	**(580,633)**	**(2,090)**

22. 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:

	2020	2019
	CAD $'000	**CAD $'000**
Balance – beginning of year	**9,089**	**9,140**
Accretion	714	363
On acquisition of subsidiary (note 6)	5,561	-
Eliminated on discontinued operations (Note 21)	(1,790)	-
Foreign currency translation	(31)	(414)
Balance – end of year	**13,543**	**9,089**

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	**2020**	**2019**
Undiscounted cash flows – uninflated	CAD $8 million	CAD $8 million
Undiscounted cash flows - inflated	CAD $8 million	CAD $8 million
Risk free rate	3.4%	3.4%
Inflation rate	1.4%	1.4%
Expected timing of cash flows	13.5 years	14.5 years

Congo	**2020**
Undiscounted cash flows – uninflated	CAD $8.5 million
Undiscounted cash flows - inflated	CAD $11.5 million
Risk free rate	3%
Inflation rate	1.5%
Expected timing of cash flows	15 years

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.

23. Earnings per share

		2020 CAD $'000		2019 CAD $'000
Net loss for the year		(580,633)		(9,762)
Net profit/(loss) from continuing operations		10,324		(7,672)
Net loss from discontinued operations		(570,309)		(2,090)
Basic weighted average number of shares		401,617		227,509
Potential dilutive effect on shares issuable under warrants		n/a		n/a
Potential diluted weighted average number of shares		n/a		n/a
Net earnings per share – basic and diluted (1)	$	(1.42)	$	(0.04)
From continuing operations – basic and diluted	$	0.03	$	(0.03)
From discontinued operations - basic and diluted	$	(1.45)	$	(0.01)

(1) The Group did not have any in-the-money convertible notes, warrants and stock options during the years ended March 31, 2020 and 2019.

24. 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 year ended March 31, 2020 and 2019 not disclosed elsewhere in these consolidated financial statements are as follows:

a) During the year ended March 31, 2020, the Company's Chief Executive Officer and President, Mr. Andrea Cattaneo:

Purchased a total amount of common shares of no-par value in the capital of the Company	47,923,289
Subscription of common shares from exercise of stock options	1,311,204
Common shares sold	(19,860,000)
Transferred common shares as a gift to a family member for nil consideration	(4,000,000)
Total increase during the FY ended March 31, 2020	25,374,493
Balance March 31, 2019	19,609,622
Balance March 31, 2020	**44,984,115**

b) Following the aforementioned dealings, as of March 31, 2020, Mr. Cattaneo was directly beneficially interested in a total of 44,984,115 (March 31, 2019 – 19,609,622) Common Shares in the capital of the Company, representing 7.80 per cent of the total issued and outstanding common share capital of the Company.

c) As of March 31, 2020, Mr. Cattaneo is also indirectly interested in a total of 480,000 Common Shares, today representing 0.08 per cent of the Company's issued and outstanding common share capital.

d) During the year ended March 31, 2020, Mr. Cattaneo has granted bank guarantees (the "**Guarantees**") in favor of the Zenith as listed below:

I. Surety guarantee provided on 29 August 2016 in favor of Jui Feng for the total amount of USD 2,185,336.70 (att. 1); subsequently in the month of February 2017 the amount of this Guarantee, decreased to USD 1,485,337 as a result of the Company partially repaying its debt and, from the October 1, 2019 the amount of this Guarantee decreased further to USD 1,000,000 following the Company's agreement with the debtor to settle the liability at this amount;

II. Surety guarantee in favour of Rabitabank (Azerbaijan), to support the credit facility of Zenith Aran Oil the 100% owned subsidiary, for the amount of USD 320,000;

III. Surety guarantee in favour of Rabitabank (Azerbaijan), to support the credit facility of Zenith Aran Oil the 100% owned subsidiary, for the amount of USD 200,000;

IV. Surety guarantee provided on 20 December 2019 in favour of a lender, for the total amount of GPB 250,000 represented by a financial collateral of no. 6,666,667 shares of the price of GBP 0.0225 per each (as of December 2019 quote).

The Board defined the remuneration for Guarantees in favor of Mr. Cattaneo in the measure of 2% of the total guarantees being £30k (equivalent to CAD$53k), and the associated terms and procedures for the payment, calculated as follows:

Guarantee	From	To	Days	Currency	Original Amount	GBP equivalent	Yearly Rate	Remuneration fee
I	01/04/2019	30/09/2019	182	USD	$ 1,485,337	£ 1,208,000	2%	£ 12,047
	30/09/2019	31/03/2020	183	USD	$ 1,000,000	£ 813,036	2%	£ 8,153
II	01/04/2019	31/03/2020	365	USD	$ 320,000	£ 260,171	2%	£ 5,203
III	01/04/2019	31/03/2020	365	USD	$ 200,000	£ 162,607	2%	£ 3,252
IV	20/12/2019	31/03/2020	102	£	n/a	£ 250,000	2%	£ 1,397
								£ 30,052

e) On May 15, 2019, Mr. Andrea Cattaneo, granted a call option on May 13, 2019 over 1,000,000 common shares of no-par value in the capital of the Company, owned by himself, at an exercise price of CAD$0.10 per Common Share (approximately £0.057) that can be exercised between July 1, 2019 and April 4, 2020.

f) Mr. Cattaneo has an overdrawn directors loan account which is used to make advances from the Group and to settle amounts that become payable to him.During the year, Mr Cattaneo received total advances of CAD$2,180k (2019: CAD$1,717k) from the Group which were used to settle remuneration and reimburse general, travelling and administrative expenditures for business activities conducted in Africa made on behalf of the Group using personal means, and for which Board approval has been obtained at the time of publication of these results, which amounted to CAD$1,984k (2019: CAD$1,475). At March 31, 2020 Mr Cattaneo owed the Group CAD$360k

(2019: CAD$ 164k)

The amount left at year end bears no interest, and it the total repayment is expected within the Financial Year ending March 31, 2021.

g) General Transaction Inc., represented by its Chief Executive Officer and Chairman Mr. Sergey Borovskiy, a Director of the Company, granted Zenith during past years a loan of CAD$127,878. The maturity date of the loan, plus accrued interest at the yearly rate of 15%, is July 31, 2021. The balance outstanding on March 31, 2020, is CAD$28,758 (2019 - CAD$127,878).

h) On February 17, 2020, Mr. Sergey Borovskiy, a Non-Executive Director of Zenith subscribed for a total of 3,849,289 Norwegian Financing Shares, at a price of NOK 0.18 per share.

Following the aforementioned dealing, Mr. Borovskiy is directly beneficially interested in a total of 3,849,289 Common Shares in the capital of the Company.

i) On February 17, 2020, Mr. Luigi Regis Milano, Executive Director of the Company, subscribed for a total of 1,150,711 Norwegian Financing Shares, at a price of NOK 0.18 per share.

Following the aforementioned dealing, Mr. Luigi Regis Milano, is directly beneficially interested in a total of 2,150,711 Common Shares in the capital of the Company. He is also indirectly interested in a total of 8,662,963 Common Shares.

j) Mr. Erik Larre, a Director of the Company, granted during past year Zenith a loan of Euro 20,000 (CAD$31,598). The principal is repayable upon request and accrued no interest. The balance outstanding on March 31, 2020 is CAD$31,598 (2019 - CAD$31,598).

k) In the year ended March 31, 2020, 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 (2019 - CAD$5,393), to develop its activities. The loan is unsecured, interest free and repayable on demand. The balance outstanding on March 31, 2020 is CAD$24,921 (2019 – CAD$24,921).

l) On November 7, 2018, the Board granted Mr. Cattaneo a guarantee for the monthly payment of his salary, with a further guarantee that his employment could not be terminated. This decision was taken as a result of a a dispute which has arisen with a Chinese investor who had loaned money to Zenith and that had filed a claim against Mr. Cattaneo, who has agreed to act as first ranking guarantor in relation to the liability and against whom the Chinese investor sought to take action. During the year ended March 31, 2020, the loan was repaid, and all disputes were settled. As a result, Mr. Cattaneo repaid the guarantee for the outstanding amount of CA$585,281.00.

m) During the financial year ended March 31, 2020 the Company paid to Mr, Saadallah Al-Fathy, a former Non-Executive Director of the Group, the amount of GBP 10k (CAD$17k) relating to Directors compensation granted in past exercises.

25. Commitments and contingencies

Asset Purchase commitments

The Company acquired the Congolese asset for a consideration of GBP 200,000, that was fully paid in May 2020.
On April 20, 2020, and on September 8, 2020, Zenith entered into two separate conditional acquisitions in Tunisia from KUFPEC and CNPC, two world-renowned oil companies, for their respective working

interests in the Sidi El Kilani Concession. Upon completion, conditional upon regulatory approval being granted by the Comité Consultatif des Hydrocarbures ("CCH") of the Republic of Tunisia, it is expected that Zenith will have a daily production ranging between 250-300 barrels of oil per day.

The acquisition from Kupfec was agreed for a consideration of USD 500,000, of which USD 250,000 was paid in June 2020, as per the terms of the conditional share purchase agreement in relation to this transaction. The balance of the purchase price is due upon completion of the acquisition, which is expected to be obtained during the month of November 2020.

The acquisition from CNPC was agreed for a consideration of USD 350,000, as per the terms of the conditional share purchase agreement in relation to this transaction. The payment of the purchase price is due upon completion of the acquisition.

26. Financial risk management and financial instruments

	March 31, 2020	**March 31, 2019**
Financial assets at amortised cost	**CAD $'000**	**CAD $'000**
Non-current financial assets at amortised cost	13	422
Trade and other receivables	14,386	5,249
Director's loan account	360	164
Cash and cash equivalents	1,220	3,058
Total financial assets	15,979	8,893

	March 31, 2020	**March 31, 2019**
Financial liabilities at amortised cost	**CAD $'000**	**CAD $'000**
Trade and other payables	18,832	12,115
Loans	4,470	7,193
Non-convertible bond and notes	4,359	4,958
Deferred consideration	-	483,854
Total financial liabilities	27,661	508,120

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 year ended March 31, 2020.

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 $1,220k (2019 – CAD $3,058k) and trade and other receivables of CAD $14,835k (2019 – CAD $5,413k).

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:

	March 31, 2020 CAD $'000	**March 31, 2019 CAD $'000**
Oil and natural gas sales	2,394	1,321
Goods and services tax	-	41
Other	12,352	4,051
	14,746	5,413

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:

	March 31, 2020 CAD $'000	**March 31, 2019 CAD $'000**
Current	2,394	1,238
90 + days	-	124
	2,394	1,362

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 March 31, 2020, 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 31 March 2021 CAD $'000	Due on or before 31 March 2022 CAD $'000	Due after 31 March 2022 CAD $'000
Non-current financial assets at amortised cost	13	13	13	-	-
Trade and other receivables	14,386	14,386	14,386	-	-
Director's loan account	360	360	360		
Cash and cash equivalents	1,220	1,220	1,220		
	15,966	15,966	15,966	-	-

As of March 31, 2020, 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 31 March 2021 CAD $'000	Due on or before 31 March 2022 CAD $'000	Due after 31 March 2022 CAD $'000
Trade and other payables	18,832	18,832	18,832	-	-
Loans	4,470	4,653	3,607	-	1,046
Non-convertible bond	4,273	7,882	680	7,001	201
	27,575	31,367	23,119	7,001	1,247

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 2020	Closing rate 2019	Average rate 2020	Average rate 2019
US dollars	1.4170	1.3347	1.3360	1.3120
Euro	1.5586	1.4971	1.4865	1.5186
Swiss Franc	1.4714	1.3408	1.3542	1.3245
British Pound	1.7532	1.7382	1.6857	1.7218
Norwegian Crown	0.1351	-	0.1399	-

The following represents the estimated impact on net (loss)/income of a 10% change in the closing rates as of March 31, 2020 and 2019 on foreign denominated financial instruments held by the Group, with other variables such as interest rates and commodity prices held constant:

	March 31, 2020 CAD $'000	March 31, 2019 CAD $'000
US dollars	69	63
Euro	6	18
Swiss Franc	99	226
	174	307

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 at March 31, 2020, a 5% change in the price of natural gas produced in Italy would represent a change in net loss for the year ended March 31, 2020 of approximately CAD $5k (2019 – CAD $7k) and a 5% change in the price of electricity produced in Italy would represent a change in net loss for the year ended March 31, 2020 of approximately CAD $27k (2019 – CAD $35k).

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.

27. 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.

	March 31, 2020 CAD $'000	March 31, 2019 CAD $'000
Working capital	180	(1,401)
Long-term debt	1,266	3,417
Shareholders' equity	9,829	569,081

The Group's cash flows from its Italian operations will be needed in the near term to finance the operations and repay vendor loans. Once the acquisition in Tunisia will be completed and the license in Congo will be renewed, it will be required to match the same goals. 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.

28. Net debt reconciliation

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

	March 31, 2020 CAD $'000	March 31, 2019 CAD $'000
Cash and cash equivalents	1,220	3,058
Loans – repayable within one year	(2,210)	(3,776)
Loans – repayable after one year	(2,260)	(3,417)
Non-convertible bond – repayable within one year	(86)	(199)
Non-convertible bond – repayable after one year	(4,273)	(4,759)
	(7,609)	(9,093)

	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**
April 1, 2018	**2,497**	**(237)**	**(4,949)**	**(407)**	**-**	**(3,096)**
Issue of non-convertibles bonds	1,099	-	-	(154)	(945)	-
Interest on non-convertible bonds	-	-	-	(13)	-	(13)
Bonds in treasury	-	-	-	-	(3,814)	(3,814)
Repayment of non-convertible bonds	(375)	-	-	375	-	-
Transfer from current to non-current	-	(3,747)	3,747	-	-	-
Issue of convertible loans	-	-	(2,109)	-	-	(2,109)
Repayment of loans	(208)	208	-	-	-	-
Foreign exchange	-	-	(106)	-	-	(106)
Net cash flow	45	-	-	-	-	45
March 31, 2019	**3,058**	**(3,776)**	**(3,417)**	**(199)**	**(4,759)**	**(9,093)**

March 31, 2019	**3,058**	**(3,776)**	**(3,417)**	**(199)**	**(4,759)**	**(9,093)**
Issue of non-convertibles bonds	3,328	-	-	-	(3,328)	-
Interest on non-convertible bonds	-	-	-	(81)	-	(81)
De-recognition of bonds held in treasury	-	-	-	-	3,814	3,814
Repayment of non-convertible bonds	(194)	-	-	194	-	-
Transfer from non-current to current		(1,253)	1,253	-	-	-
Issue of loans	2,004	(2,004)	-	-	-	-
Loan waived (net of expenses)	-	584	-	-	-	584
Repayment of loans	(4,107)	4,107	-	-	-	-
Foreign exchange	-	132	(96)	-	-	36
Net cash flow	(2,869)	-	-	-	-	(2,869)
March 31, 2020	**1,220**	**(2,210)**	**(2,260)**	**(86)**	**(4,273)**	**(7,609)**

29. 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 three 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
- Other, which includes corporate assets and the operations in the Canadian, Swiss, Argentinian and Norwegian entities.

Azerbaijan, which was acquired during the FY 2017 and divested during FY 2020, is mentioned only for comparative purposes with the past financial year. The results for Azerbaijan as of March 31, 2020 are included in the "Discontinued Operations" (note 21).

YEAR 2019	Azerbaijan	Italy	Other	Total
	CAD $000	CAD $000	CAD $000	CAD $000
Property and equipment	1,064,988	8,369	6,281	1,079,638
Other assets	1,058	1,025	6,966	9,049
Total liabilities	492,921	8,401	18,285	519,607
Capital Expenditures	719	74	4,412	5,205
Revenue	-	834	-	834
Operating and transportation	-	(210)	(320)	(530)
General and Administrative	-	(405)	(6,024)	(6,429)
Depletion and depreciation	-	(375)	(50)	(425)
Loss on discontinued operations	(2,090)	-	-	(2,090)
Finance and other expenses	-	(380)	(741)	(1,121)
Taxation	-	-	(1)	(1)
Segment loss	**(2,090)**	**(536)**	**(7,136)**	**(9,762)**

YEAR 2020	Azerbaijan	Congo	Italy	Other	Total
	CAD $000	CAD $000	CAD $000	CAD $000	CAD $000
Property and equipment	-	20,171	8,437	5,697	34,305
Other assets	1,318	10,531	1,316	3,613	16,778
Total liabilities	5,330	11,303	9,462	15,159	41,254
Capital Expenditures	696	60	60	531	1,347
Revenue	-	94	641	-	735
Operating and transportation	-	(131)	(376)	(1,857)	(2,364)
General and Administrative	-	(294)	(807)	(5,890)	(6,991)
Depletion and depreciation	-	(33)	(284)	(529)	(846)
Loss on discontinued operations	(580,633)	-	-	-	(580,633)
Gain on business combination	-	20,111	-	-	20,111
Other gains				1,425	1,425
Finance and other expenses	-	-	(449)	(1,293)	(1,742)
Taxation	-	(4)		-	(4)
Segment loss	**(580,633)**	**19,743**	**(1,275)**	**(8,144)**	**(570,309)**

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

			2020	2019
			CAD $000	CAD $000
Customer A			544	691

30. Controlling party

At as of the end of the financial year ending March 31, 2020, the Directors do not consider there to be a controlling party.

31. Events subsequent to the year end

- 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.

- On April 17, 2020, the Company announced that it has successfully renegotiated the terms for the acquisition from AIM listed Anglo African Oil & Gas plc ("AAOG") of its fully owned subsidiary in the Republic of the Congo, Anglo African Oil & Gas Congo S.A.U, ("AAOG Congo") which has a 56 per cent. majority interest in, and is the operator of, the Tilapia oilfield in the Republic of the Congo (the "License"). The Company has entered into a new conditional Deed of Variation (the " Deed of Variation") which now includes the acquisition of a 100 per cent. interest in AAOG Congo and related intercompany loans (the "Acquisition") for a revised total consideration of £200,000 (equivalent to CAD$349k) (“Revised Consideration”).

- On April 20, 2020, the Company announced that its newly created wholly owned subsidiary Zenith Energy Netherlands B.V. (“Zenith Netherlands”) has signed a conditional sale and purchase agreement (“SPA”) with KUFPEC (Tunisia) Limited (“Seller”), a 100% subsidiary of Kuwait Foreign Petroleum Exploration Company K.S.C.C, a subsidiary of the State of Kuwait’s national oil company, for the acquisition of a working interest in, inter alia, the North Kairouan permit and the Sidi El Kilani Concession (the “ Tunisian Acquisition “), which contains the Sidi El Kilani oilfield (“SLK”).

  The Seller holds an undivided 22.5% interest in the Tunisian Acquisition, together with 25 Class B shares in Compagnie Tuniso-Koweito-Chinoise de Pétrole (CTKCP), the operator, representing 22.5% of the issued share capital of the company.

  Zenith’s partners in the Tunisian Acquisition will include the national oil company of Tunisia, Entreprise Tunisienne d’Activités Pétrolières (ETAP) with a 55% interest and CNPC, China National Petroleum Corporation with a 22.5 % interest.

  The Seller has agreed to sell, assign and transfer to Zenith Netherlands the Tunisian Acquisition on the terms and subject to the conditions set out in the SPA.

  The consideration payable by Zenith Netherlands under the SPA is US$500,000 (equivalent to CAD$700k).

- On April 22, 2020, the Company announced:
  - its intention to delist from the TSX Venture Exchange (“TSX-V”)
  - confirmed the full repayment of its largest outstanding liability.

  Delisting from TSXV

  Following the Company’s dual listing on the Main Market for listed securities of the London Stock Exchange (“LSE”) in January 2017 and the admission of its entire share capital to the Merkur Market of the Oslo Børs (“Merkur Market”) in November 2018, the Company has seen its investor base move increasingly towards the UK and Norway, with limited investor support from the Canadian market. The Company has found UK and Norwegian investors to be more receptive to and interested in junior production and exploration companies, and therefore more suited to support companies such as Zenith. The Company intends on maintaining such listings and as such will provide continued trading liquidity of common shares in the capital of Zenith ("Common Shares") to its public shareholders.

Repayment of Loan Facility for US$1,485,000 and accrued interest

The amount of the principal, and related accrued interest, of the Loan Facility is represented and accounted as a liability in the audited Annual Financial Report of the Company as of March 31, 2019, and in the unaudited Q2 Financial Statements as of September 30, 2019, for an aggregate amount of US$2,080,523 (equivalent to CAD$2,755k).

On October 1, 2019, the Company announced that, following negotiations with the lender, it had successfully agreed to settle the aforementioned liability for a reduced amount of US$1,000,000 (equivalent to CAD$1,324k), representing a gain of US$1,080,523 (equivalent to CAD$1,431k).

The Company confirmed that the liability has been settled in full.

- On April 23, 2020, the Company confirmed that its Azerbaijan subsidiary received two payments for a total of approximately US$350,000 (equivalent to CAD$496k)from SOCAR.

- 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.

- On May 5, 2020, the Company announced the successful completion of the acquisition from AIM listed Anglo African Oil & Gas plc ("AAOG") of a 100 percent interest in its fully owned subsidiary in the Republic of the Congo, Anglo African Oil & Gas Congo S.A.U ("AAOG Congo"), which has a 56 percent majority interest in, and is the operator of, the Tilapia oilfield.
  In accordance with the terms of the amended share purchase agreement, completion ("Completion") has taken place within one business day of AAOG shareholder approval being obtained at the AAOG general meeting heldon May 4, 2020.

- On May 28, 2020, the Company announced the TSX Venture Exchange ("**TSX-V**") had confirmed that effective at the close of business Friday, May 29, 2020, the common shares of the Company will be delisted from the TSX-V at Zenith's request.

- 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.

- On June 11, 2020, the Company announced that it has made payment for a total of US$250,000 (approximately CAD$350k) to Kuwait Foreign Petroleum Exploration Company K.S.C.C ("KUFPEC"), a subsidiary of the State of Kuwait's national oil company, in relation to the acquisition of a 22.5% working interest in the North Kairouan permit and the Sidi El Kilani Concession (the "Tunisian Acquisition"), which contains the Sidi El Kilani oilfield ("SLK").
  Completion of the Tunisian Acquisition remains conditional on approval being granted by the Comité Consultatif des Hydrocarbures of the Republic of Tunisia in respect of the transfer of the Seller's right, title and interest in and under the Tunisian Acquisition to Zenith Netherlands. Zenith has initiated the

necessary formalities in relation to the aforementioned approval process, and that a decision is expected in due course.

- On June 25, 2020, the Company announced it completed the handover process (the "**Handover**") of the Contract Rehabilitation Area to SOCAR in the Republic of Azerbaijan. As a result of the Handover, Zenith has ceased all oil production operations in Azerbaijan and all field production personnel, approximately 170 employees, have been transferred to a division of SOCAR.

- On June 30, 2020, the Company announced that it has fully paid the semi-annual interest in relation to the following debt instrument "ZENITH ENERGY LTD 8% NOTES - 2021". 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 2019 and December 2019 respectively.

- On July 7, 2020, the Company announced that it has entered into a joint venture agreement (the "**Agreement**") with a local oil & gas company in the Republic of the Congo.

  The primary objective of the Agreement is the potential acquisition of an onshore oil production licence (the "Potential Acquisition"), last producing at a rate of approximately 300 barrels of oil per day from the regionally proven Mengo formation as recently as 2019. Production has currently been suspended pending the assignation of a new licence.

  The Potential Acquisition is located in the Kouilou region of the Republic of the Congo in proximity of Pointe-Noire, the country's second largest city, and is also in the vicinity of Tilapia, the Company's recently acquired oil production asset with transformational production potential.

  Under the terms of the Agreement, the Company and its local partner will jointly submit an application to the relevant authorities in the Republic of the Congo, including the Ministry of Hydrocarbons, for the award of a new licence in relation to the Potential Acquisition.

  Further, in accordance with the Agreement, it is stipulated that Zenith shall have the role of joint operator and majority partner in the event that a new licence is successfully obtained in relation to the Potential Acquisition.

  Following preliminary technical analysis of the Potential Acquisition, as part of the due diligence activities conducted prior to entering into the Agreement, Zenith is confident that profitable oil production operations can be achieved following the reactivation of the Potential Acquisition and the performance of targeted, low-intensity workover activities.

- 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.

- On July 31, 2020, the Company announced that its Italian subsidiary has received approval to be awarded a legally binding loan facility (the "**Loan**") for an amount of approximately EUR 300k (approximately CAD$474k) from an Italian governmental entity. The Loan attracts an interest rate of 0.85 per cent, has a grace period of 24 months during which only the interest will be payable, normal financial covenants, and a duration of six years. Under the terms of the Loan, all funds to be disbursed are to be utilised for the purpose of the establishment of commercial activities in Africa, specifically in the Republic of Congo and the broader West Africa region.

- On July 31, 2020, the Company announced the termination, by mutual agreement between the parties, of the sale and purchase agreement entered into with Coro Energy plc ("**Coro**") relating to the proposed acquisition by Zenith of Coro's entire Italian natural gas production and exploration portfolio.

- 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).

- On August 7, 2020, the Company announced it had extended the duration of the non-binding Letter of Intent signed with an Arab consortium of strategic institutional investors focused on African development opportunities and to provide an investment of US$2 million in Zenith's share capital for a period of 90 days (the "**Strategic Investment**"). The Strategic Investment is conditional and subject to a number of conditions, including the successful completion of the publicly announced Tunisian Acquisition, as well as the successful acquisition of two oil production licenses currently being negotiated with a national oil authority in West Africa. In addition, the Strategic Investment is also conditional on the appointment of a director proposed by the investors to Zenith's Board.

- On August 10, 2020, the Company announced it had incorporated Zenith Energy Congo SA ("**Zenith Congo**"), a fully owned subsidiary of the Company, created under the laws of the Republic of Condo. Zenith Congo has been established at the request of the Ministry of Hydrocarbons for the purpose of receiving a new 25-year licence following the submission of a comprehensive commercial and technical offer (the "**Offer**") to the Ministry of Hydrocarbons of the Republic of the Congo for the award of a new 25-year licence for the Tilapia oilfield to be named "Tilapia II". As a result, and in agreement with the Ministry of Hydrocarbons, the Company has terminated the Plan for the Continuation of Activities, first announced to the market on July 20, 2020, and returned operatorship of the Tilapia licence from AAOG Congo to a subsidiary of SNPC. It is planned that, in the event the Offer is accepted by the Ministry of Hydrocarbons of the Republic of the Congo, the new operator of Tilapia II will be Zenith Congo.

- On August 26, 2020, the Company announced that BCRA Credit Rating Agency AD ("**BCRA**") has assigned Zenith a "B-" with Stable Outlook long-term debt issuer credit rating.

- On September 8, 2020, the Company announced that its wholly owned subsidiary Zenith Energy Netherlands B.V. ("Zenith Netherlands") has signed a conditional sale and purchase agreement ("SPA") with CNPC International (Tunisia) Ltd., ("Seller"), a 100% subsidiary of CNPCI, CNPC International Ltd., f or the acquisition of a working interest in, inter alia, the North Kairouan permit and the Sidi El Kilani Concession (the " Tunisian Acquisition "), which contains the Sidi El Kilani oilfield ("**SLK**").

- The Seller holds an undivided 22.5% interest in the Tunisian Acquisition, together with 25 Class B shares in Compagnie Tuniso-Koweito-Chinoise de Pétrole (CTKCP), the operator, representing 25% of the issued share capital of the company.

  The Seller has agreed to sell, assign and transfer to Zenith Netherlands the Tunisian Acquisition on the terms and subject to the conditions set out in the SPA.

The consideration payable by Zenith Netherlands under the terms of the SPA is US$300,000 (the "**Consideration**").

Completion of the SPA is conditional on approval being granted by the Comité Consultatif des Hydrocarbures ("**CCH**") of the Republic of Tunisia in respect of the transfer of the Seller's right, title and interest in and under the SLK Concession to Zenith Netherlands ("**Completion**").

- 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 CAS$ 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.