THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 ("FSMA").

This Document comprises a prospectus relating to Zenith Energy Ltd. (the "Company") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of FSMA and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the FCA for all of the common shares in the Company to be issued in connection with the Placing (the "**Placing Shares**") to be admitted to the Official List maintained by the FCA (the "**Official List**") (by way of a standard listing under Chapter 14 of the listing rules published by the UK Listing Authority under section 73A of FSMA as amended from time to time (the "**Listing Rules**")) and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Placing Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). It is expected that Admission will become effective, and that unconditional dealings in the Placing Shares will commence, at 8.00 a.m. on 26 June 2018.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ BY PROSPECTIVE INVESTORS. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON SHARES, AS SET OUT IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 19 OF THIS DOCUMENT.

The Directors, whose names appear on page 41, and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

ZENITH ENERGY

Zenith Energy Ltd.

(Incorporated in British Columbia, Canada under the Business Corporations Act (British Columbia))

Placing of 46,500,000 Placing Shares at a Placing Price of 4 pence per Common Share

Subscription for 4,000,000 Subscription Shares at a Subscription Price of 4 pence

Offer for Subscription for up to 20,000,000 Offer Shares at an Offer Price of 4 pence per Common Share

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COMMON SHARES IN ISSUE IMMEDIATELY FOLLOWING THE PLACING AND SUBSCRIPTION

210,421,766

Allenby CAPITAL | DS&C | OPTIVA SECURITIES THE GLOBAL INVESTOR

Allenby Capital Limited
Financial Adviser

Daniel Stewart & Company plc
Broker

Optiva Securities
Broker

The Placing comprises an offer by the Company of 46,500,000 Placing Shares. Daniel Stewart & Company plc, who is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in relation to the Placing. Daniel Stewart & Company plc will not regard any other person (whether or not a recipient of this Document) as its client in relation to the Placing and will not be responsible to anyone (other than the Company) for protections afforded to the clients of Daniel Stewart & Company plc or for providing any advice in relation to the Placing, the contents of this Document or any transaction or arrangement referred to herein. No liability whatsoever is accepted by Daniel Stewart & Company plc for the accuracy of any information or opinions contained in this Document or for the omission of any material information, for which it is not responsible. However, nothing in this paragraph excludes or limits any responsibility which Daniel Stewart & Company plc may have under FSMA or the regulatory regime established thereunder, or which, by law or regulation cannot otherwise be limited or excluded.

Allenby Capital Limited, who is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser the Company in relation to the Admission and no one else. Allenby Capital Limited will not regard any other person (whether or not a recipient of this Document) as its client in relation to the Admission and will not be responsible to anyone (other than the Company) for protections afforded to the clients of Allenby Capital Limited or for providing any advice in relation to the Admission, the Placing, the contents of this Document or any transaction or arrangement referred to herein. No liability whatsoever is accepted by Allenby Capital Limited for the accuracy of any information or opinions contained in this Document or for the omission of any material information, for which it is not responsible. However, nothing in this paragraph excludes or limits any responsibility which Allenby Capital Limited may have under FSMA or the regulatory regime established thereunder, or which, by law or regulation cannot otherwise be limited or excluded.

This Document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer or invitation to buy or subscribe for, Common Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company.

The Common Shares are and, notwithstanding Admission, will continue to be, listed on the TSX Venture Exchange, a market operated by the TMX Group. However, this Document has not been approved by any securities regulatory authority in Canada.

The Common Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States or qualified for sale under applicable securities laws of Australia, Canada, Japan or the Republic of South Africa. Subject to certain exceptions, the Common Shares may not be, offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States or to or for the account or benefit of U.S. persons (as defined in Rule 902 under the Securities Act) or to persons in the United States, Australia, Canada (other than pursuant to exemptions from the prospectus requirement under Canadian securities legislation), Japan, the Republic of South Africa or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. The Placing Shares may not be resold in Canada or to a resident of Canada for a period of four months and one day following Admission.

The distribution of this Document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application has been made for the Placing Shares, Offer Shares, Subscription Shares and Admission Shares to be admitted to the standard list segment of the Official List. The Company's existing Common Shares (apart from the Admission Shares) are currently admitted to the standard list segment of the Official List. A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that neither the UK Listing Authority nor the London Stock Exchange has the authority to (and will not) monitor the Company's compliance with any of the Listing Rules or the disclosure requirements and transparency rules which the Company has indicated herein that it complies with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or Rule 3.4 of the Prospectus Rules, the publication of this Document does not create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this Document. Notwithstanding any reference herein to the Company's website, the information on the Company's website does not form part of this Document.

This prospectus is dated 20 June 2018.

CONTENTS

PART 1

SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A—E (A.1—E.7).*

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	**Warning to investors**	This summary should be read as an introduction to this Document. Any decision to invest in the Common Shares should be based on consideration of this Document as a whole by the investor. Where a claim relating to the information contained in this Document is brought before a court the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Document before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Document or it does not provide, when read together with the other parts of this Document, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent for intermediaries**	Not applicable. The Company has not given its consent to the use of this Document for the resale or final placement of the Placing Shares by financial intermediaries.

SECTION B – ISSUER		
B.1	**Legal and commercial name**	The legal and commercial name of the issuer is Zenith Energy Ltd.
B.2	**Domicile/Legal Form/Legislation/ Country of Incorporation**	The Company is a corporation domiciled in British Columbia, Canada. The Company was incorporated and registered as Canoel International Energy Ltd. under the Business Corporations Act (British Columbia) on 20 September 2007 and changed its name to Zenith Energy Ltd. on 2 October 2014. The Company's registered corporation number is BC0803216. The Company is governed by its Articles and the principal legislation under which the Company operates and under which the Common Shares are issued is the Business Corporations Act (British Columbia), SBC 2002 c57.
B.3	**Current operations/ Principal activities and markets**	**Introduction** The Company is an international oil and gas exploration, development and production company incorporated and domiciled in Canada. The Company has a portfolio of oil and gas assets in Italy and Azerbaijan. The Group's principal assets are held through: (i) its wholly-owned subsidiary, Zenith Aran Oil Company Limited ("Zenith Aran"), which holds an 80% interest in three petroleum producing onshore fields in Azerbaijan; and (ii) 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.

Business Strategy

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.

Azerbaijan

On 16 March 2016, Zenith Aran entered into a Rehabilitation, Exploration, Development and Production Sharing Agreement ("**REDPSA**") with the State Oil Company of Azerbaijan Republic ("**SOCAR**") and SOCAR Oil Affiliate ("**SOA**"). Pursuant to the terms of the REDPSA, the Company and SOA have the exclusive right to conduct petroleum operations from three petroleum-producing onshore fields in Azerbaijan (the "**Azerbaijani Operations**"), through a newly incorporated operating company, Aran Oil Operating Company Limited ("**Aran Oil**"), in which Zenith Aran has an 80% interest. On 24 June 2016, the President of the Republic of Azerbaijan signed the REDPSA into law, following approval and ratification by Parliament on 14 June 2016. The handover of the capital assets previously used in the petroleum operations at the Azerbaijani Operations, from the previous operating company to Aran Oil, officially completed on 11 August 2016.

The three fields which comprise the Azerbaijani Operations (Muradkhanli, Jafarli and Zardab) have a compounded acreage of 642 square kilometres. They produce approximately 300 barrels of crude oil per day at present, although they have produced much larger quantities previously (Source: SOCAR). Aran Oil is the operator of the concession, with the remaining 20% interest being held by SOA. The licence (which is subject to exploitation and production conditions) has a duration of 25 years. A possible additional five-year extension may be approved by SOCAR.

The Company's share of estimated total proved plus probable oil net reserves (which it could be possible to produce during the relevant 25-year contract period) was assessed at 31,735 MSTB of oil as of 31 March 2018 by the Competent Person.

The Company intends to grow the current base of production in Azerbaijan through investments in technology, enhanced production techniques, significant infill development opportunities and future step-out exploration. The Company considers its operations in Azerbaijan to be a key strategic asset and it is committed to developing its interest in the concession. Since becoming the operator, Zenith Aran has commenced a progressive programme of workovers and refurbishments of the existing wells. This has increased production by 25 bbls of oil per day (to 300 bbls per day) since 11 August 2016, an increase of 9%.

The Company's Azerbaijani operations produced 70,270 barrels of oil in the nine months to 31 December 2017, and 68,166 barrels of oil in the period from 11 August 2016 to 31 March 2017.

		Italy On 18 November 2010, Zenith established Canoel Italia S.r.l., a 98.7%-owned subsidiary of the Company, incorporated in Italy. On 5 June 2013, the Company completed the acquisition of various interests in 13 Italian producing and exploration properties. The assets comprise six operated onshore gas production concessions, three non-operated onshore gas production concessions, an operated exploration permit, a non-operated exploration permit and two exploration permit applications. On 1 October 2015, the Company acquired co-generation equipment and facilities from the owner of a plant that treats gas from the Masseria Vincelli 1 well in the Torrente Cigno concession in Italy. The acquisition has enabled the Company to produce electricity from the gas produced by the Masseria Vincelli 1 well which it sells directly into the national energy grid in Italy. The Company's share of estimated total proved plus probable natural gas net reserves (relating to the Torrente Cigno, Misano Adriatico, Lucera and San Mauro concessions) was assessed at 16,398 Mmscf and condensate net reserves were assessed at 257Mbbls as of 31 March 2018 by the Competent Person. The Company's Italian operations produced in the nine months to 31 December 2017: • 13,199 MCF of natural gas; • 782 barrels of condensate; and • 7,185 MWh of electricity.
B.4a	**Significant Trends**	Significant recent trends affecting the Group and the industry in which the Company operates include the following: • The global recession has created new challenges for oil and gas companies, who are currently faced with several near-term threats to returns. Conversely, the long-term outlook and prospects for growth remains optimistic. The industry is therefore being pressured to develop strategic responses to the conflict between near-term pressures and long-term potential. • Some companies in the industry have avoided or addressed immediate financial crisis challenges, but some still face refinancing and cash flows insufficient to sustain debt service, along with ongoing investment in operations and growth. • Upstream input costs in the industry (including equipment, materials and services) represent up to 80% of total operating costs and have not fallen as rapidly as commodity prices. • It is becoming increasingly important for oil and gas companies to capture the value of technology and technology application. • Strong demand growth post-recovery from the financial crisis may lead to increasing environmental concerns, carbon regulation and energy security issues.

<table>
<tr><td>B.5</td><td>Group Structure</td><td>The Company is the parent company of the Group. The Subsidiaries of the Company are as follows (the Company does not have any other subsidiaries or investments in other companies):
<table>
<tr><th>Name</th><th>Jurisdiction of incorporation</th><th>Proportion of Group ownership interest</th><th>Principal activity</th></tr>
<tr><td>Ingenieria Petrolera Patagonia Ltd.</td><td>Colorado, USA</td><td>100.00%</td><td>Oil services</td></tr>
<tr><td>Conoel Italia Srl</td><td>Italy</td><td>98.64%</td><td>Gas, electricity and condensate production</td></tr>
<tr><td>Altasol SA</td><td>Switzerland</td><td>100.00%</td><td>Oil trading</td></tr>
<tr><td>Zena Drilling Limited</td><td>Ras Al Khaimah FTZ, UAE</td><td>100.00%</td><td>Oilfield Service company</td></tr>
<tr><td>Zenith Aran Oil Company Limited</td><td>British Virgin Islands</td><td>100.00%</td><td>Oil production</td></tr>
<tr><td>Aran Oil Operating Company Limited</td><td>British Virgin Islands</td><td>80.00%</td><td>Oil production</td></tr>
<tr><td>Leonardo Energy Consulting Srl</td><td>Italy</td><td>48.00%</td><td>Service company</td></tr>
<tr><td>Zenith Energy (O & G) Limited</td><td>England & Wales</td><td>100.00%</td><td>Administrative service company</td></tr>
</table></td></tr>
<tr><td>B.6</td><td>Major Shareholders</td><td>Under Canadian law, any person or company that has beneficial ownership of, or control or direction over, whether direct or indirect, or a combination of beneficial ownership of, and control or direction over, whether direct or indirect, securities of an issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities, including securities (issued and unissued) that the person or company is the beneficial owner of, which are convertible into voting securities within 60 days following that date, or has a right or obligation permitting or requiring the person or company, whether or not on conditions, to acquire beneficial ownership of the security within 60 days, by a single transaction or a series of linked transactions, is required to notify their holdings publicly. As at 4 June 2018 (being the latest practicable date before publication of this Document), the Company is not aware of any Shareholders that have a notifiable interest under Canadian law. The Company makes all the required disclosures under the DTR, and as at 19 June 2018, the following required disclosure under the DTR:
<table>
<tr><th>Name</th><th>Number of Shares held</th><th>% of Issued Shares held</th></tr>
<tr><td>MIRABAUD & CIE SA</td><td>11,556,167</td><td>7.23</td></tr>
<tr><td>DEAN ANTONY CLARK</td><td>8,640,000</td><td>5.40</td></tr>
</table></td></tr>
</table>

B.7	Historical Key Financial Information	The table below sets out summary audited Consolidated Statement of Financial Position as at 31 March 2015, 2016 and 2017, and for the unaudited nine months ended 31 December 2017, together with the comparative period (31 December 2016).

Consolidated Statement of Financial Position

	Unaudited 9 months ended		*Audited financial year ended*		
	31-Dec-16 CAD $'000	*31-Dec-17 CAD $'000*	*31-Mar-15 CAD $'000*	*31-Mar-16 CAD $'000*	*31-Mar-17 CAD $'000*
ASSETS					
Non-current assets					
Property, Plant and Equipment	1,066,398	1,075,743	16,993	14,598	1,072,993
Capitalised expenses	—	2,378	—	—	—
Other receivables	161	430	355	207	401
	1,066,559	1,078,551	17,048	14,805	1,073,334
Current Assets					
Other	2,278	2,2080	1,262	1,365	1,838
Cash and cash equivalents	315	2,358	936	138	3,924
	2,593	4,566	2,198	1,492	5,762
TOTAL ASSETS	**1,069,152**	**1,083,117**	**19,246**	**16,297**	**1,079,096**
EQUITY AND LIABILITIES					
Equity attributable to equity holders for the parent					
Total equity	**606,174**	**578,917**	**4,289**	**(2,278)**	**575,447**
Current Liabilities					
Trade and other Payables	4.893	3.857	2,235	3,266	2,912
Oil share agreement	1,063	—	1,005	1,027	—
Azerbaijan Commitments	502	440	—	—	440
Debt	2,160	3,152	2,367	3,907	973
Total current Liabilities	**8,618**	**7,449**	**5,607**	**8,200**	**4,325**
Non-current liabilities					
Debt	3,685	2,339	1,174	1,595	912
Decommissioning Provision	9,704	7,980	5,779	7,897	7,980
Azerbaijan Commitments	287,044	484,034	—	—	484,034
Deferred taxation	153,927	2,398	2,397	883	2,398
Total non-current Liabilities	**454,317**	**497,177**	**9,350**	**10,375**	**499,324**
TOTAL EQUITY AND LIABILITIES	**1,069,311**	**1,080,059**	**19,246**	**16,297**	**1,079,096**

The table below sets out the audited Consolidated Statement of Comprehensive Income for the years ending 31 March 2015, 2016 and 2017 and for the unaudited nine months ended 31 December 2017, together with the comparative period (31 December 2016).

Consolidated Statement of Comprehensive Income

	Unaudited 9 months ended		*Audited financial year ended*		
	31-Dec-16 CAD $'000	*31-Dec-17 CAD $'000*	*31-Mar-15 CAD $'000*	*31-Mar-16 CAD $'000*	*31-Mar-17 CAD $'000*
Continuing operations					
Revenue	2,977	4,402	4,439	1,960	4.424
Cost of Sales	(2,327)	(2,935)	(2,481)	(2,365)	(4,332)
Gross Profit/(Loss)	650	1,467	1,958	(405)	92
Administrative expenses	(3,697)	(962)	(2,949)	(2,449)	(4,155)
Gain (impairment) on business Combination	771,189	—	—	(5,025)	576,010
Operating Profit/ (Loss)	768,142	505	(991)	(7,879)	571,947
Other	385	64	(1,285)	(1,310)	(206)
Profit/(loss) for the year before Taxation	767,757	569	(2,276)	(9,189)	571,741
Taxation	(153,044)	—	(99)	1,514	—
Profit/(loss) from Discontinued operations Net of tax	—	—	—	—	(4,363)
Profit/(loss) for the year attributable to owners of the Parent	614,713	569	(2,375)	(7,675)	567,378
Other Comprehensive Income	(8,428)	68	(1,598)	(142)	1,595
Total Comprehensive Income for the year attributable to owners of the Parent	606,285	637	(3,973)	(7,817)	568,973
Earnings per share (CAD)					
Basic	10.59	0.01	(0.11)	(0.23)	8.15
Diluted	5.90	0.01	(0.11)	(0.23)	4.54

The table below sets out extracts from the audited Consolidated Statement of Cash Flows of the Group for the years ending 31 March 2015, 2016 and 2017 and for the unaudited nine months ended 31 December 2017, together with the comparative period (31 December 2016).

Consolidated Statements of Cash Flows

	Unaudited 9 months ended		*Audited financial year ended*		
	31-Dec-16 CAD $'000	*31-Dec-17 CAD $'000*	*31-Mar-15 CAD $'000*	*31-Mar-16 CAD $'000*	*31-Mar-17 CAD $'000*
Net cash flows from operating activities	**(1,909)**	**2,775**	**(634)**	**(2,474)**	**(1,459)**
Net cash flows from investing Activities	**(81)**	**(7,414)**	**(1,017)**	**(155)**	**(401)**
Net cash flows from financing Activities	**1,876**	**3,073**	**1,903**	**1,977**	**5,710**
Net cash flows from discontinued operations	**—**	**—**	**—**	**—**	**(59)**
Net (decrease)/ increase in cash	(114)	(1,566)	252	(652)	3,791
Foreign exchange effect on cash held in foreign Currencies	(5)	—	(27)	(146)	(5)
Cash and cash equivalent at end of year	**19**	**2,358**	**936**	**138**	**3,924**

The summary below presents certain significant changes to the Group's audited financial condition and operating results during the years ending 31 March 2015, 2016 and 2017, and for the unaudited nine months ended 31 December 2017, together with the comparative period (31 December 2017).

Financial Position

The non-current asset base increased in 2017, in comparison to 2015 and 2016, because during the year the Group expanded its asset base through the acquisition of interests in Azerbaijan which were formally completed in August 2016 and the Group started crude oil production of approximately 275 barrels of oil per day in Azerbaijan. This resulted in a bargain net purchase of CAD$579 million being CAD$1,065 million of development and production assets, less future payments of CAD$6 million for compensatory oil, CAD$479 million of capital expenditure commitments and CAD$2 million of decommissioning expenses. This acquisition resulted in an increase of about $2million in oil and gas revenues against the prior year.

The Group disposed of its assets in Argentina in February 2017, to focus on producing and developing activity in Azerbaijan.

In addition to these events, on 11 January 2017 the Group announced that its entire Common Share capital was admitted to the standard list segment of the Official List and to trading on the London Stock Exchange's Main Market.

The Group raised approximately CAD$3.2 million from investors in 2015 and 2016. In connection with the IPO, the Group successfully placed

33,322,143 Common Shares at £0.07 (CAD$0.11) per share. On completion of the IPO Placing the gross proceeds available to the Group were approximately £2,333k (CAD$3,824k) and the net proceeds were approximately £2,016k (CAD$3,305k). The Group issued broker warrants to subscribe for 1,114,286 Common Shares exercisable for 24 months from closing at a price of £0.07 per Common Share, in connection with the IPO Placing. The Company raised a total of £4,068k (CAD$7,362k), net of finder's fees, through the placing of 58,018,858 Commion Shares subsequent to the IPO Placing, upto and including the January Placings, exercise of stock options and warrants by shareholders.

Cash Flows

Zenith has funded its cash requirements from equity and debt sources as well as seeking value from deals undertaken which the Directors anticipate will allow for improved cash generation.

In addition, management of debt (e.g. renegotiation of loans) and finance funding has allowed Zenith to fund its activities despite being in a net current liability position for each of the three years presented.

Cash used in investing activities totalled CAD$401k (31 March 2016: CAD$576k and 31 March 2015: CAD$1,017k). The cash from financing activities in 2017 totalled CAD$5,710k, principally due to the proceeds from the IPO, less net repayment of loans.

Closing cash

As at 31 March 2017 the Group held CAD$3,924k in cash (31 March 2016: CAD$138k and 31 March 2015: CAD$936k). As at 31 December 2017 the Group held CAD$2,358k in cash.

Revenues

The following table shows the revenue generated by region and by production.

Revenues (net of royalties)

	Unaudited 9 months ended		*Audited financial year ended*		
	31-Dec-16 CAD $'000	*31-Dec-17 CAD $'000*	*31-Mar-15 CAD $'000*	*31-Mar-16 CAD $'000*	*31-Mar-17 CAD $'000*
Revenues					
Oil (Argentina) net of royalties	78	—	3,362	1,169	72
Oil (Azerbaijan)	2,777	3,785	—	—	3,772
Gas (Italy)	110	116	989	466	31
Condensate (Italy)	39	45	88	63	47
Electricity (Italy)	480	456	n.a	262	574
TOTAL	2,984	4,402	4,439	1,960	4,496

Oil

Oil revenues increased in 2017 due to improvement in production related to the handover in Azerbaijan. The decline in revenues in 2016 resulted from lost production due to the collapse of the storage tank owned by YPF and used by the Company, and the subsequent temporary interruption of production in Argentina. These properties were sold in February 2017.

		Gas Gas revenue decreased in 2016 and 2017. This was due primarily to the reclassification of the gas produced from the Torrente Cigno Concession. On 1 October 2015, the Company acquired co-generation equipment and facilities from the owner of the plant that treats gas from the Masseria Vincelli 1 well in the Torrente Cigno Concession. The acquisition will enable the company to produce electricity from the gas produced by the Masseria Vincelli 1 well and sell it directly into the national energy grid. Gas produced from the Torrente Cigno Concession is now used to produce electricity. Following the Company's acquisition of co-generation equipment and facilities on 1 October 2015, the Company became the new electricity producer and classifies its 45% share of gas production at the Torrente Cigno Concession as gas sales volumes for electricity. Condensate revenue decreased in 2017 due to a period of production disruption of 40 days in the Torrente Cigno Concession arising from extraordinary and adverse weather conditions. **Costs** Production costs were affected by the end of production in Argentina, in 2016, and the commencement of production in Azerbaijan in 2017. Office and administrative costs have increased in 2017 as a result of the costs related to the Azerbaijan Acquisition, and the costs related to the IPO. The production costs in the 9 months ended 31 December 2017, compared to the comparative period ended 31 December 2016, increased as a result of increased costs of the Azerbaijan Acquisition. The office and administrative costs in the 9 months ended 31 December 2017, compared to the comparative period ended 31 December 2016, decreased as consequence of the capitalisation of the costs related to the Azerbaijan Acquisition, and the costs related to the IPO. **PERIOD SUBSEQUENT TO THE PERIOD COVERED BY THE FINANCIAL INFORMATION** In the period starting from 1 January 2018 to the date of this Document, production has remained steady in Italy and Azerbaijan. The financial position of the Company has been affected by funding its cash requirements from equity, to finance its workover plans and the purchase of machinery for its assets in Azerbaijan. The Company announced two share placings, one in Canada and one in the UK, during January 2018, raising a combined total of CAN$1.66m to finance its workover plans and the purchase of machinery for assets in Azerbaijan. Save as disclosed in this Document, there have not been any other significant changes to the Company's financial condition and operating results in the period covered by, and subsequent to, the period covered by the financial information.
B.8	**Selected Pro Forma Financial Information**	This has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information below addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

Unaudited pro-forma statement of net assets

	Company's net assets as of 31 December 17 Note 1 CAD$000's	*Adjustment Note 2 CAD$000's*	*Adjustment Note 3 CAD$000's*	*Adjustment Note 4 CAD$000's*	*Unaudited pro-forma net assets of the Company CAD$000's*
ASSETS					
Non-current assets					
Property and equipment	1,075,743	1,142	—	—	1,076,885
Capitalised expenses	2,378	—	—	—	2,378
Other receivables	430	—	—	—	430
	1,078,551	1,142	—	—	1,079,693
Current Assets					
Inventory	296	—	—	—	296
Trade and other recivables	1,912	—	—	—	1,912
Financial Instruments	—	—	—	—	—
Cash and cash equivalents	2,358	170	—	2,991	5,519
	4,566	170	—	2,991	7,727
TOTAL ASSETS	**1,083,117**	**1,312**	**—**	**2,991**	**1,087,420**
LIABILITIES					
Non-current liabilities					
Borrowings	2,339	—	—	—	2,339
Convertible loans	—	—	—	—	—
Decommissioning provision	7,980	—	—	—	7,980
Deferred Consideration payable	484,034	—	—	—	484,034
Deferred taxation (STET)	2,398	—	—	—	2,398
Total non-current liabilities	496,751	—	—	—	496,751
Current liabilities					
Trade and other payables	3.857	(283)	546	(546)	3.574
Borrowings	2,771	—	—	—	2,771
Deferred Consideration payable	440	—	—	—	440
Convertible Loans	381	—	—	—	381
Total current liabilities	7,449	(283)	546	(546)	7,166
NET ASSETS	**578,917**	**1,595**	**(546)**	**3,537**	**583,683**

Notes:

1. The financial information relating to the Company has been extracted without adjustment from the unaudited interim financial information set out in Part 16 (Historical Financial Information) of this Document.
2. The CAD$1,595k (approximately £938k) adjustment represents the placement of no. 4,000,000 shares at cad$ 0.125 (approximately £0.0742) per share, and no. 9,000,000 shares at cad$ 0.1287 (approximately £0.0742) per share subsequent to the placing closed by the Company in January 2018. This fund raising will result in a cash increase of CAD$1,595k (£938k), net of cost incurred in connection with placement of total CAD$63k (£37k). The cash was used to finance its continued investment in its Azerbaijan field operations and for general working capital.
3. The CAD$546k (£312k) adjustment represents the costs related the IPO, that will be paid using the IPO cash increase or shares.
4. The CAD$3,537k (£2.020k) adjustment represents the placement of 50,500,000 shares at £0.04 per share, that will be take place concurrently with the admission to the London Stock Exchange. This fund raising will result in a cash increase of CAD$ 2,991k (£1,708k), net of cost incurred in connection with placement of total CAD$546k (£312k).
5. The Pro Forma Financial Information excludes an unaudited pro forma statement of results on the basis that the adjustment above has no effect on the results for the period ended 31 December 2017.
6. The Pro Forma Financial Information does not reflect any changes in the trading position of the Company or any other changes arising from other transactions, since 31 December 2017. There are no other significant changes to the issuer's financial condition and operating results, other than those disclosed.

B.9	**Profit forecast or estimates**	Not applicable; no profit forecasts or estimates are made.

B.10	**Qualified audit report**	Not applicable; the audit reports on the historical financial information for the years ended 31 March 2017, 2016 and 2015 do not contain any qualifications.
B.11	**Working capital explanation**	Not applicable; the Company is of the opinion that, taking into account the Net Proceeds receivable by the Company, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this Document.

		SECTION C – SECURITIES
C.1	**Description of the type and class of the securities being offered**	The securities which will be subject to an application for admission to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities are common shares of the Company of no par value, which are registered with ISIN number CA98936C1068 and SEDOL number BYNXNZ9.
C.2	**Currency of the securities issue**	The Placing Price, Subscription Price and Offer Price are payable in Pounds Sterling.
C.3	**Issued share capital**	The Company currently has 159,921,766 common shares in issue, all fully paid, and admitted to trading on the Toronto Stock Exchange Venture Exchange, of which 153,200,119 fully paid common shares in issue are also admitted to trading on the Main Market of the London Stock Exchange. The Directors are authorised to issue an unlimited number of Common Shares. There are no provisions in the Articles that require new Common Shares to be issued on a pre-emptive basis to existing Shareholders and there are no statutory pre-emption rights.
C.4	**Rights attached to the securities**	The Common Shares rank equally for voting purposes. On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote per Common Share held.
C.5	**Restrictions on transferability**	Not applicable. All Common Shares, including the Placing Shares, Subscription Shares and Offer Shares, are freely transferable, subject to Canadian securities laws.
C.6	**Application for admission to trading on a regulated market**	Application has been made for the Placing Shares, Subscription Shares, Offer Shares and the Admission Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that unconditional dealings will commence at 8.00 a.m. on 26 June 2018. Application will also be made to list the Placing Shares on the TSXV, however the Placing Shares, Subscription Shares and Offer Shares may not be resold in Canada or to a resident of Canada for a period of four months and one day from Admission.
C.7	**Dividend policy**	The Company has never declared or paid any dividends on the Common Shares. The Company currently intends to retain future earnings, if any, for future operations, expansion and debt repayment, if necessary. Therefore, at present, there is no intention to pay dividends and a dividend may never be paid. Any decision to declare and pay dividends will be made at the discretion of the Board of Directors.

SECTION D – SECURITIES		
D.1	**Key information on the key risks that are specific to the issuer or its industry**	International operations are subject to political, economic and other uncertainties, including, among others, risk of war, risk of terrorist activities, border disputes, expropriation, renegotiations or modification of existing contracts, restrictions on repatriation of funds, import, export and transportation regulations and tariffs, taxation policies including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes, sudden changes in laws, government control over domestic oil and gas pricing, and other uncertainties arising out of foreign government sovereignty over the Company's operations. 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 cause substantial damage to oil and natural gas wells, production facilities, other property or the environment, or personal injury. Oil and natural gas are internationally traded commodities and subject to significant price variations over time. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. There is also the risk that implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company is subject to significant environmental regulations in respect of its operational activities in all jurisdictions and seeks to conduct its operations in an environmentally responsible manner and to maintain the productivity goals achieved. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The Company's business can involve significant capital expenditure and it may require additional capital to fund the acquisition and development of additional value enhancing exploration, development and production opportunities should they be identified and arise in the future. There can be no assurance that the Company will be able to obtain debt financing or additional equity financing in the amounts required for expenditure beyond its current capital expenditure plans, or, if debt or equity financing is available, that it will be on terms acceptable to the Company. There is a risk that future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit. Completion of a well does not assure a profit or recovery of costs. In addition, drilling hazards or environmental damage could greatly

		increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set out in this Document are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results.
D.3	**Key information on the key risks that are specific to the securities**	Application has been made for the Placing Shares, Subscription Shares, Offer Shares and Admission Shares to be admitted to the standard segment of the Official List. A Standard Listing affords Shareholders and investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules. If the Company offers its Common Shares as consideration in making an acquisition or issues shares to raise funds to pay cash consideration, depending on the number of Common Shares offered and the value of such Common Shares at the time, the issuance of such Common Shares could materially reduce the percentage ownership of the holders of Common Shares and also dilute the value of their holding. The Company's Common Shares are listed on two separate stock markets. Investors seeking to take advantage of price differences between such markets may create unexpected volatility in share price. Additionally, investors may not be able to easily move shares for trading between such markets. The Company is incorporated in Canada and is subject to Canadian law. The rights and obligations of holders of Common Shares may be different from those of the home countries of international investors. Non-Canadian residents may also find it more difficult and costly to exercise shareholder rights. The issuance of additional Common Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings and their voting interests. The exercise of Options or Warrants or conversion of Convertible Loan Notes will result in a dilution of Shareholders' interests if the price per Common Share exceeds the subscription/conversion price payable at the relevant time.

SECTION E – OFFER		
E.1	**Total net proceeds/ expenses**	The estimated Net Proceeds are approximately £1,708,300. The total expenses incurred (or to be incurred) by the Company in connection with Admission, the Subscription and the Placing are approximately £311,700. No expenses will be charged to the investors. The net proceeds of the PrimaryBid Offer will be up to £800,000, after a commission expense of 5% (up to £40,000) has been deducted. No expenses will be charged to investors.
E.2	**Reasons for the offer and the use of proceeds**	The Company's intention is to use the Net Proceeds as follows (in order of priority): *Use* — *Amount (GBP)* Deposit for the leasing of a new drilling rig — £1,500,000 Working capital — £208,300 **Total** — **£1,708,300**
E.3	**Terms and conditions of the offer**	Any net proceeds of the PrimaryBid Offer will be applied to general working capital purposes. The Placing comprises a total of 46,500,000 Placing Shares to be issued by the Company at a Placing Price of 4 pence per new Common Share, to raise gross proceeds of approximately £1,860,000 (before expenses). The estimated Net Proceeds of the Placing amount to approximately £1,548,300. Each prospective investor has been offered Placing Shares of no par value at the Placing Price and the Placing Shares have been conditionally subscribed for by investors. The Directors have received irrevocable subscription agreements from investors to subscribe for 46,500,000 Common Shares in aggregate at the Placing Price. The undertakings are conditional only on Admission. The Placing Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares to be issued by the Company pursuant to the Placing will represent approximately 22.10% of the Enlarged Common Shares in Issue. On Admission the Company will have a market capitalisation (at the Placing Price) of approximately £8.42m assuming 46,500,000 Placing Shares are issued at the Placing Price. The Subscription is for 4,000,000 Subscription Shares at the Subscription Price of 4 pence per Common Share. The Subscription Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The PrimaryBid Offer for up to 20,000,000 Offer Shares at the Offer Price of 4 pence per Common Share will be open on 20 June 2018. This will raise gross proceeds of up to £800,000. The PrimaryBid Offer is not underwritten. All Offer Shares will be issued, payable in full, at the Offer Price. The Offer Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including

		the right to receive all dividends or other distributions declared, made or paid after Admission. The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing, Subscription and/or the PrimaryBid Offer. Following Admission, the Net Proceeds and the net proceeds of the PrimaryBid Offer will be placed on deposit with the Company's bankers.
E.4	**Material interests**	Not applicable; there are no interests, known to the Company, that are material to the issue/offer or which are conflicting interests.
E.5	**Selling Shareholders/ Lock-up agreements**	Not applicable; no person or entity is offering to sell the relevant securities. There are no lock-up arrangements. The Placing Shares, Subscription Shares and Offer Shares cannot be resold in Canada for a period of 4 months and 1 day from issue under Canadian securities rules.
E.6	**Dilution**	Under the Placing and Subscription, 50,500,000 new Common Shares have been conditionally subscribed for by investors at the Placing Price/Subscription Price, representing 24.00% of the Enlarged Common Shares in issue. Shareholdings immediately prior to Admission will be diluted on Admission by approximately 37.35% as a result of the Placing Shares, Admission Shares and Subscription Shares issued pursuant to the Placing and Subscription Shareholdings immediately prior to Admission will be further diluted on Admission by up to 13.06% as a result of the issue of the Offer Shares.
E.7	**Expenses charged to investors**	Not applicable; no expenses will be charged to the investors.

PART 2

RISK FACTORS

The Group's business, financial condition or results of operations could be materially and adversely affected by the risks described below. In such cases, the market price of the Common Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group. The Directors consider the following risks to be the material risks for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company.

Any investment in the Common Shares is speculative and subject to a high degree of risk. Prior to investing in the Common Shares, prospective investors should carefully consider the risks and uncertainties associated with any investment in the Common Shares, the Group's business and the industry in which it operates, together with all other information contained in this Document, including, in particular, the risk factors described below. Following the occurrence of any such event, the value of Common Shares could decline, and investors could lose all or part of their investment. Prospective investors should note that the risks relating to the Group, its industry and the Common Shares summarised in Part 1: "Summary" of this Document are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Common Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part 1: "Summary" of this Document but also, among other things, the risks and uncertainties described below. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in the Common Shares and should be used as guidance only. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have an adverse effect on the Group's business, results of operations, financial condition and prospects. If this occurs, the price of the Common Shares may decline, and investors could lose all or part of their investment. Prospective investors should also consider carefully whether an investment in the Common Shares is suitable for them in light of the information in this Document and their personal circumstances and, if they are in any doubt, should consult with an independent financial adviser authorised in their jurisdiction who specialises in advising on the acquisition of shares.

RISKS RELATING TO THE GROUP'S FOREIGN OPERATIONS

RISKS RELATING TO FOREIGN OIL AND GAS OPERATIONS

International operations are subject to political, economic and other uncertainties, including, among others, risk of war, risk of terrorist activities, border disputes, expropriation, renegotiations or modification of existing contracts, restrictions on repatriation of funds, import, export and transportation regulations and tariffs, taxation policies including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes, sudden changes in laws, government control over domestic oil and gas pricing, and other uncertainties arising out of foreign government sovereignty over the Company's international operations. With respect to taxation matters, there is the risk that the governments and other regulatory agencies in the foreign jurisdictions in which the Company operates and intends to operate in future may make sudden changes in laws relating to royalties or taxation or impose higher tax rates which may affect the Company's operations in a significant manner. These governments and agencies may not allow certain deductions in calculating tax payable that the Company believes should be deductible under applicable laws or may have differing views as to values of transferred properties. This can result in significantly higher tax payable than initially anticipated by the Company. In many circumstances, re-adjustments to tax payable imposed by these governments and agencies may occur years after the initial tax amounts were paid by the Company, which can result in the Company having to pay significant penalties and fines. Furthermore, in the event of a dispute arising from international operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company operates in such a manner as to mitigate its exposure to these risks; however, there can be no assurance that the Company will be successful in protecting itself from the impact of all these risks.

Foreign oil and gas operations involve substantial costs and are subject to certain risks owing to the underdeveloped nature of the oil and gas industry in such countries. The oil and gas industries in various countries are not as developed as the oil and gas industry in UK, Canada and the United States. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in UK, Canada and the United States. The availability of technical expertise, specific equipment and supplies is more limited in various countries other than in UK, Canada and the United States. Such factors may subject oil and gas operations in other countries to economic and operating risks not experienced in UK, Canada and the United States.

The Company has entered into an exclusivity agreement for the acquisition of various production and exploration licences in Indonesia (the "**Proposed Acquisition**"). The Proposed Acquisition remains at an early stage and there can be no guarantee that the transaction will be successfully completed. Completion of the Proposed Acquisition remains conditional on, *inter alia*, completion of satisfactory due diligence, the entering into of binding agreements and financing of the Proposed Acquisition. Zenith is considering a number of funding options to finance the Proposed Acquisition including debt and equity, whilst seeking to avoid significant dilution to existing Shareholders, and no funds raised from the Placing will be used to satisfy any consideration for the Proposed Acquisition if it is proceeded with.

The Proposed Acquisition may be subject to regulatory approval from the TSXV.

RISKS RELATING TO THE GROUP'S OPERATIONS IN AZERBAIJAN

Investors in emerging markets such as Azerbaijan should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies, such as Azerbaijan's, are subject to rapid change and that the information set out in this Document may become outdated relatively quickly.

The disruptions recently experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

REHABILITATION AND PRODUCTION PROGRAMME

Pursuant to the terms of the REDPSA, Zenith Aran and SOA prepared and submitted a rehabilitation and production programme to achieve an average daily crude oil production from the Contract Rehabilitation Area of 1.5 times the average daily production rate in 2015, for at least 90 consecutive days, by no later than two years following SOCAR's approval of the programme. SOCAR approved the programme on 3 October 2017. The 2015 average daily production was approximately 310 STB/d and accordingly the new target will be at least 465 STB/d.

The rehabilitation and production programme also include a work programme that plans, between 2017 and 2020, to workover 44 existing wells, in three fields, which are currently inactive or produce at low rates (< 5 STB/d).

In addition to the marginal producing wells in Muradkhanli and Jafarli, four non-producing wells and one marginally producing well completed in the Maykop zone in the Zardab field are expected to be worked over in 2019 and 2020 and to be returned to production after wellbore and sand production problems have been resolved. The Company has also purchased an additional workover rig which will be used to perform additional workovers of various wells and has installed new electro submersible pumps (ESPs) which will be utilised during 2018 to assist with production increase plans.

The Company intends to acquire a modern drilling rig capable of drilling to 4,500 m to carry out the fifteen-year drilling program. It is estimated that five new wells will be drilled in 2019 and ten wells in each year until the anticipated drilling program is completed in 2033.

The workover interventions will be financed using local cash flow. The Company believes that the acquisition of a modern drilling rig will allow the Company to be completely independent, to be able to plan its own development, operate autonomously with its own equipment and personnel and obtain a considerable financial saving.

The Company believes that, despite the delays and the relative by limited success of the workover interventions carried out until now, the goal of achieving an average daily crude oil production from the Contract Rehabilitation Area of 1.5 times the average daily production rate in 2015, for at least 90 consecutive days, by no later than two years following SOCAR's approval of the programme will be reached by no later than 3 October 2019, given the Company's investment and development plan.

Further, based on the Company's review of the Azerbaijani Operations and the average daily crude oil production from the Contract Rehabilitation Area in 2015 (which the Company considers to be low), the Directors consider the material risk factor that Aran Oil Operating Company Limited, the "Joint Operating Company" formed by Zenith Aran and SOA, will not achieve the minimum production required by the RESPSA to be low. The Company considers that currently there are no material risks related to the rehabilitation and production programme because the only material risk, in the event that Zenith Aran and SOA do not achieve the minimum average daily crude oil production rate within two years following SOCAR's approval of the programme, is that it will be in material breach of the REDPSA and SOCAR will have a right to terminate the provisions of the REDPSA relating only to the Contract Rehabilitation Area.

The expiry date of 3 October 2019 is considered reasonable to achieve the minimum production required by the RESPSA, as the Company plans between 2018 and 2020 to workover a total of 38 existing wells which are currently inactive or produce at low rates to bring rates up to as much as 40STB/d per well, using improved technology, non-damaging fluids and optimised treatments. It is expected that 12 wells will be worked over in 2018, 15 wells in 2019 and 11 in 2020.

If fully successful, the workover of 12 wells in 2018 could increase production by up to 40STB/d, achieving a field production rate of up to 780STB/d by the end of the 2018 financial year.

An additional increase in production up to the Company's goal of 1,000 STB/d could be achieved from the resizing or resetting of EPS's and purchase additional equipment. That case has not been reflected in the economics analysis in this Document. On that basis, the field oil production rate will exceed 1.5 times the average 2015 rate in late 2018, ensuring that the Company will retain its rights under the REDPSA.

MINIMUM EXPLORATION WORK PROGRAMME

Pursuant to the terms of the REDPSA, within the four-year period commencing on the Effective Date, Zenith Aran and SOA will be required to carry out a minimum exploration work programme including the following:

1. to carry out an upper section site investigation survey to ensure a safe and environmentally sound base for drilling, and to shoot, process and interpret two-dimensional seismic or a minimum of sixty square kilometres of three-dimensional seismic (this will be decided by the Company at the relevant time), in the specified exploration area; and

2. to drill a well to a depth of five thousand metres from the ground surface, or to the depth of 50 metres below the top of the Upper Cretaceous formation, whichever occurs first, and evaluate the drilled well using an appropriate logging and testing programme.

If Zenith Aran and SOA fail to perform any of the above obligations, they will be in material breach of the REDPSA and SOCAR will have a right to terminate the provisions of the REDPSA relating to the contract exploration area (but not effecting the Contract Rehabilitation Area). The Contract Exploration Area has zero value attributed to it in the CPR.

The REDPSA does not contain any milestones in respect of the minimum exploration work programme. Based on the Company's review of the Azerbaijani Operations, the Directors consider the risk that Aran Oil Operating Company Limited, the "Joint Operating Company" formed by Zenith Aran and SOA, will not achieve the minimum exploration work programme to be low. Aran Oil Operating Company Limited will fund the minimum exploration work programme using its accumulated cash flows from the Azerbaijani Operations.

If the Company fails to comply with its exploration obligations, the Company's understanding of the contract is that the related sanction will be to lose the exploration portion of the licence only which will not interfere with its development plans, will have no effect on its financial and economic performance and will not affect its ability to perform its other obligations under the contract.

To mitigate this risk, the Company has established a team of independent geologists, who have joined its staff to develop this particular programme. They are initially focussed on geological mapping and log digitizing of the area in order to improve understanding of field geology. This has included the contracting of approximately £30,000.00 in independent geological consulting services, and about £9,600 in data collection, processing and log digitizing.

AZERBAIJAN COULD BE AFFECTED BY REGIONAL TENSIONS AND UNREST

Like other countries in the region, Azerbaijan, which is bordered by Russia, Georgia, Armenia, Turkey and Iran, could be affected by political unrest both within its borders and in surrounding countries, and any resulting military action may have an effect on the world economy and political stability of other countries.

There have been a number of political and military disputes in the region. For example, in August 2008, the conflict in the Tskhinvali Region/South Ossetia of Georgia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border. In the days that followed the initial outbreak of hostilities, Georgia declared a state of war as Russian forces launched bombing raids deep into Georgia, targeted and destroyed Georgian infrastructure, blockaded part of the Georgian coast, took control of Tskhinvali and the Abkhazia region and landed marines on the Abkhaz coast. After five days of heavy fighting, the Georgian forces were defeated, enabling the Russians to enter Georgia uncontested and occupy the cities of Poti, Gori, Senaki and Zugdidi. During this period, transit through the pipelines crossing Georgia was temporarily stopped, which cut off one of the Company's three principal export routes. Future such occurrences whether in Georgia, in one of the Republic's other neighbours or in the region generally could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Azerbaijan and other countries in the region could be affected by terrorism and by military or other action taken against sponsors of terrorism in the region, which could, in turn, have a significant adverse effect on Azerbaijan's economy.

THE IMPLEMENTATION OF FURTHER MARKET-BASED ECONOMIC REFORMS IN AZERBAIJAN INVOLVES RISKS

The need for substantial investment in many enterprises has driven the Azerbaijani Government's privatisation programme, although the Company is not aware of any plans to privatise SOCAR or any of its subsidiaries, joint ventures or associates. The programme has excluded certain enterprises deemed strategically significant by the Azerbaijani Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain industrial producers, financial institutions and service companies.

Economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the considerable amount of cash transactions in the economy and the significant size of the shadow economy (including under reporting of income) adversely affect the implementation of reforms and hamper the efficient collection of taxes.

OFFICIAL DATA IN AZERBAIJAN MAY BE UNRELIABLE

Official statistics and other data published by the Azerbaijani Government, its Central Bank, and its agencies may be substantially less complete or researched and, as a result of this and other factors, be less reliable than those published by comparable bodies in other jurisdictions. Accordingly, the Company cannot assure prospective investors that the official sources from which the Company has drawn some of the information set out herein are reliable or that the information is complete. In addition, the Company, to an extent, relies on such official sources in conducting and planning its business. Any discussion of matters relating to Azerbaijan herein may, therefore, be subject to uncertainty due to concerns about the reliability or completeness of available official and public information.

THERE ARE RISKS ASSOCIATED WITH THE UNDERDEVELOPMENT AND EVOLUTION OF THE LEGISLATIVE, TAX AND REGULATORY FRAMEWORK IN AZERBAIJAN

Since the break-up of the Soviet Union, the Azerbaijani Government has rapidly introduced laws, regulations and legal structures to foster the development of a market system and integration with the world economy. The speed with which legislation has been drafted has resulted in legislation that in many instances has left key issues unresolved, is frequently contradictory, inadequate or incomplete, and is susceptible to conflicting interpretations and overlapping jurisdictions between government bodies and has substantive gaps. In certain cases, legislation or implementing regulations may be unpublished or unavailable. Moreover, the absence of definitive interpretations of many of the provisions of these new laws, and the absence of a tradition in Azerbaijan of a judiciary that is insulated from current political or other considerations, can make the application of laws uncertain.

The commitment of Azerbaijani Government officials and agencies to comply with legal obligations and negotiated agreements has not always been reliable, and there is a tendency for the authorities to take arbitrary action. Legal redress for breach or unlawful action may not be readily available or may be subject to significant delays. These factors, which are not uncommon to transitional legal systems, make an investment subject to higher risks and greater uncertainties than would be the case in more developed legal systems.

FOREIGN JUDGMENTS AND ARBITRAL AWARDS MAY NOT BE ENFORCEABLE IN AZERBAIJAN

In the absence of reciprocity of enforcement of court judgments with foreign countries (including by virtue of bilateral treaties, of which very few are in force), Azerbaijani courts are unlikely to enforce a judgment of a court established in a country other than Azerbaijan, invoking statutory grounds for setting aside foreign judgments by asserting, for example, that the matter is subject to the exclusive jurisdiction of Azerbaijani courts or the courts of the country where the foreign or non-Azerbaijani judicial decision was adopted do not enforce the judicial decisions of Azerbaijani courts on a reciprocal basis. Although Azerbaijan is a signatory to certain conventions on the recognition and enforcement of foreign arbitral awards, the enforcement of such awards in local courts remains largely untested. Azerbaijani courts can be arbitrary in their decisions and the possibility cannot be excluded that judges may misapply Azerbaijani laws (including, *inter alia*, those concerning grounds for declining enforcement).

RISKS RELATING TO THE COMPANY AND ITS OPERATIONS

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 liability to the Group. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance 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 Company 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 Company's business, financial condition, results of operations and prospects.

REGULATORY

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time.

Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. There is also the risk that implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Company will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

ENVIRONMENTAL CONCERNS

The Company is subject to significant environmental regulations in respect of its operational activities in all jurisdictions and seeks to conduct its operations in an environmentally responsible manner and to maintain the productivity goals achieved. All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Italy is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol, and thus required to establish legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other "greenhouse gases". There is the risk that the Company may be subject to legislation in Italy regulating emissions of greenhouse gases. The direct and indirect costs of complying with these emissions regulations may adversely affect the business of the Company.

SIGNIFICANT CAPITAL EXPENDITURE

The Company's business can involve significant capital expenditure and it may require additional capital to accelerate development plans relating to its existing assets in Azerbaijan and to fund the acquisition and development of additional value enhancing exploration, development and production opportunities should they be identified and arise in the future. If such acquisitions are identified and the Company is not generating sufficient cash flows from its operations at that time to fund these it may enter into significant borrowing arrangements in addition to raising further equity financing for its acquisition, exploration, development and production plans. There can be no assurance that the Company will be able to obtain debt financing or additional equity financing in the amounts required for expenditure beyond its current capital expenditure plans, or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

Moreover, future activities may require the Company to alter its capitalisation significantly. If the Company fails to generate or obtain sufficient capital for its acquisition, exploration, development and production plans (beyond the Company's current planned capital expenditure), this could have a material adverse effect on the Company's future long term growth prospects.

AVAILABILITY OF DRILLING EQUIPMENT AND ACCESS

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties). There is a risk that demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

OPERATIONAL RISKS

Even with a combination of experience, knowledge and evaluation, oil and natural gas development involves risks that the Company may not be able to overcome. The long-term commercial success of the Group depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Group may have at any particular time, and the production therefrom, will decline over time as such existing reserves are exploited. A future increase in the Group's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Group will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations unfeasible. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Group.

There is a risk that future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit. Completion of a well does not assure a profit or recovery of costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximising production over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

TITLE TO ASSETS

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, there is the risk that such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

RESERVE ESTIMATES

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary and risk exists when relying upon such estimates. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable and a higher level of risk exists than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluators have used forecast prices and costs in estimating the reserves and future net cash flows as summarised herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flow derived from the Company's oil and gas reserves will vary from the estimates contained in the reserve evaluations, and there is the risk that such variations may be material. The reserve evaluations are based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived there from contained in the reserve evaluations will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluations. The reserve evaluations are effective as of a specific effective date and have not been updated and thus do not reflect changes in the Company's reserves since that date.

PRICES, MARKETS AND MARKETING

Brent oil prices declined sharply from the second half of 2014 to 2015. While they have recovered significantly from the low point of 2015, they remain well below the prices prevailing in the five years prior to these falls. Oil prices are expected to remain volatile in the near future as a result of market uncertainties over supply and demand. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank lending to the Company may, in part, be determined by the Company's borrowing base. A sustained material decline in prices could reduce the Company's borrowing base, therefore reducing the bank credit available to the Company which could require that a portion, or all, of the Company's bank debt be repaid.

Any material decline in oil and natural gas prices could result in a reduction of the Group's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Group's reserves. The Group might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Group's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Group. These factors include economic conditions in Europe, the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Group's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There is the risk that marketability and price of oil and natural gas that may be acquired or discovered by the Company is and will continue to be affected by numerous factors beyond its control. The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by uncertainty of deliverability, as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

VARIATIONS IN FOREIGN EXCHANGE RATES AND INTEREST RATES

World oil and gas prices are quoted in United States dollars and the price received by Canadian incorporated producers is therefore affected by the Canadian/US dollar exchange rate. A significant portion of the Company's international activities are conducted in Euros in Italy, New Manat in Azerbaijan and Pounds Sterling in the United Kingdom where the Company is exposed to changes in foreign exchange rates as operating expenses, capital expenditures, and financial instruments fluctuate due to changes in exchange rates. The Company does not use derivative instruments to hedge its exposure to foreign exchange risks. In recent years, the Canadian dollar has fluctuated materially in value against the United States dollar. Material increases in the value of the Canadian dollar lead to the risk of negatively impacting the Company's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract. An increase in interest rates could result in a significant increase in the amount the Company pays to service debt.

BORROWING LEVELS, LEVERAGE AND RESTRICTIVE COVENANTS

The ability of the Company to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of the Company. The degree to which the Company is leveraged could have important consequences for shareholders including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of the Company's cash flow from operations may be dedicated to the payment of the principal of and interest on the Company's indebtedness, thereby reducing funds available for future operations; (iii) the Company's borrowings may be at variable rates of interest, which would expose the Company to the risk of increased interest rates; and (iv) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

ISSUANCE OF DEBT

From time to time the Company may enter into transactions to acquire assets or the shares of other organisations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt obligations above industry standards for oil and natural gas companies of a similar size. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's Articles nor its by-laws limit the amount of debt that the Company may incur. There is the risk that the level of the Company's debt obligations from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

HEDGING

From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, there is a risk as the Company will not benefit from such increases and the Company may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company will not benefit from the fluctuating exchange rate.

INSURANCE

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, leads to the risk of a material adverse effect on the Company's business, financial condition, results of operations and prospects.

MANAGEMENT OF GROWTH

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational financial systems and to expand, train and manage its employees. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

THIRD-PARTY CREDIT RISK

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. If entities fail to meet their contractual obligations to the Company, this may have a material adverse effect on the Company's business, financial condition, and operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital programme, potentially delaying the programme and the results of such programme until the Company finds a suitable alternative partner.

CONFICTS OF INTEREST

Certain Directors of the Company are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the Business Corporations Act (British Columbia).

RELIANCE ON KEY PERSONNEL

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect. The contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

COMPETITION

The petroleum industry is competitive and investing in the Company contains an inherent level of risk. The Company will compete with numerous other organisations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

SEASONALITY

The level of activity in the international jurisdictions where the Company is or is intending to be active is influenced by seasonal weather patterns. There is the risk that seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines may delay the Company's activities and/or affect the prices for the Company's sales.

POSSIBLE FAILURE TO REALISE ANTICIPATED BENEFITS OF FUTURE ACQUISITIONS AND DISPOSALS

The Company may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of any future acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realise the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that my adversely affect the Company's ability to achieve the anticipated benefits of these and future acquisitions. Non-core assets may be periodically disposed of, so that the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company, if disposed of, could be expected to realise less than their carrying value on the Company's financial statements.

EXPIRATION OF PERMITS, LICENCES AND LEASES

The Company's properties are held in the form of permits, licenses, leases and working interests in permits, licenses and leases. If the Company or the holder of the permit, license or lease fails to meet the specific requirement of a permit, license or lease, the permit, license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each permit, license or lease will be met. The termination or expiration of the Company's permits, licenses or leases or the working interests relating to a permit, license or lease may have a material adverse effect on the Company's results of operations and business.

DELAY IN CASH RECEIPTS

In addition to the expected time-lags in payment by producers of oil and natural gas to the operators of the Company's properties, and by the operators to the Company, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the Company's properties or the establishment by the operator of reserves for such expense.

IMPACT OF FUTURE EXPENDITURES

The reserve values of the Company's properties, as estimated by independent engineering consultants, are based in part on cash flows to be generated in future years as a result of future capital expenditures and therefore contain a level of risk. The reserve values of the Company's properties, as estimated by independent engineering consultants, will be reduced to the extent that such capital expenditures on such properties do not achieve the level of success assumed in such engineering reports.

CHANGES IN LEGISLATION

It is possible that the Canadian and international governments and provincial/state or regulatory authorities may choose to change the income tax laws, royalty regimes, environmental laws or other laws applicable to oil and gas companies and that any such changes could materially adversely affect the Company and the market value of its Common Shares. In addition, it is also possible that changes to legislation, which could adversely affect the market value of the Company could occur in other jurisdictions where the Company operates.

RISKS RELATING TO THE SHARES

THE COMMON SHARES ARE LISTED ON THE STANDARD SEGMENT OF THE UK OFFICIAL LIST AND AFFORD INVESTORS A LOWER LEVEL OF REGULATORY PROTECTION THAN A PREMIUM LISTING

The existing Common Shares (other than the Admission Shares) are admitted to the standard segment of the Official List. An application will be made also to admit the Placing Shares and Admission Shares to the standard segment of the Official List. A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. A Standard Listing does not permit the Company to gain a FTSE indexation, which may have an adverse effect on the valuation of the Common Shares.

SHAREHOLDERS WILL NOT HAVE THE OPPORTUNITY TO VOTE TO APPROVE TRANSACTIONS

Unless such approval is required by law or other regulatory process, Shareholders will not have the opportunity to vote on transactions even if Common Shares are being issued as consideration for the transaction. Chapter 10 of the Listing Rules relating to significant transactions will not apply to the Company while the Company has a Standard Listing. The Company does not expect that Shareholder approval will be required in connection with transactions, and therefore, investors will be relying on the Company's and the Directors' ability to identify potential targets, evaluate their merits, conduct or monitor diligence and conduct negotiations.

INVESTORS WILL EXPERIENCE A DILUTION OF THEIR PERCENTAGE OWNERSHIP OF THE COMPANY ON THE EXERCISE OF OUTSTANDING OPTIONS, WARRANTS OR CONVERSION OF CONVERTIBLE LOAN NOTES OR IF THE COMPANY DECIDES TO OFFER ADDITIONAL COMMON SHARES IN THE FUTURE

Other than the Placing, the Company has no current plans for an offering of its Common Shares. However, the Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company, including Common Shares, which may be dilutive. The Company may also issue additional Common Shares from time to time as the Board may determine pursuant to its

Stock Option Plan. The exercise of Options or Warrants or conversion of Convertible Loan Notes will have a dilutive effect on Shareholder's percentage ownership of the Company and may result in a dilution of Shareholders' interest if the price per Common Share exceeds the subscription/conversion price payable at the relevant time.

SHAREHOLDERS WILL NOT BE ENTITLED TO THE TAKEOVER PROTECTIONS PROVIDED BY THE CITY CODE

The City Code applies, *inter alia*, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be incorporated or resident in the United Kingdom, the Channel Islands or the Isle of Man. The Company is not so incorporated or resident and therefore Shareholders will not receive the benefit of the takeover offer protections provided by the City Code. As the Company is a reporting issuer in Alberta and British Columbia, certain offers to purchase outstanding shares of the Company may be subject to the application of Canadian securities laws which require the making of an offer on identical terms to all shareholders in the local jurisdiction (with limited exceptions). Such rules are not necessarily equivalent to the rules under the City Code. Moreover, such laws may not necessarily apply where an offer is not made to a shareholder in Canada. Canadian securities laws provide that a person or company (the "offeror") that offers to purchase equity or voting securities (such as the Company's Common Shares) of a reporting issuer from security holders in Canada and resulting in an offeror owning or exercising control or direction, directly or indirectly, over equity or voting securities representing 20% or more of the outstanding securities of the class (including securities that the person or company has the right or obligation to acquire within 60 days, with or without conditions) must, subject to certain exemptions, make the offer, on identical terms, to all security holders in Canada in accordance with a number of requirements (referred to as "Canadian takeover bid rules"). Exemptions from the Canadian takeover bid rules are available in certain circumstances, including in the case of certain private transactions involving five or fewer vendors where the purchase price does not exceed 115% of the market price of the shares. Another exemption is available in the case of purchases on the open market where the aggregate number of shares pursuant to this exemption together with other acquisitions does not exceed 5% of the issued and outstanding shares over a twelve-month period.

The Canadian takeover bid rules apply where purchases are made from shareholders in Canada. Although Canadian securities regulatory authorities do have discretion to commence regulatory proceedings on the basis of public interest notwithstanding the fact that the relevant parties are not residents of Canada, the purchase and sale of securities from or by shareholders who are not in Canada may not necessarily be afforded the protection of the Canadian takeover bid rules.

THE COMPANY IS INCORPORATED IN CANADA, AND AS SUCH IS SUBJECT TO CANADIAN COMPANY LAW

The Company is a company incorporated under the Business Corporations Act (British Columbia), and as such its corporate structure, the rights and obligations of Shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against the Company or some of its directors, controlling persons or officers.

THE COMMON SHARES ARE LISTED ON TWO SEPARATE STOCK MARKETS AND INVESTORS SEEKING TO TAKE ADVANTAGE OF PRICE DIFFERENCES BETWEEN SUCH MARKETS MAY CREATE UNEXPECTED VOLATILITY IN THE SHARE PRICE, INVESTORS MAY EXPERIENCE DIFFERENT LEVELS OF LIQUIDITY BETWEEN THE TWO MARKETS, AND INVESTORS MAY EXPERIENCE DIFFICULTIES IN MOVING THEIR SHARES AND TRADING ARRANGEMENTS BETWEEN THE TWO MARKETS

The Common Shares are admitted to trading on both the TSXV and the Main Market of the London Stock Exchange. While shares are traded on both markets, price and volume levels for Common Shares may fluctuate significantly on either market, independent of the share price or trading volume on the other market. Investors could seek to sell or buy Common Shares to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both Common Share prices on either exchange and in the volumes of Common Shares available for trading on either market. In addition, holders of Common Shares in either jurisdiction will not be immediately able to transfer such shares for trading on the other market without effecting necessary procedures with the Company's transfer agents/registrars and will require share trading facilities in both markets. This could result in time delays and additional cost for Shareholders.

INVESTORS MAY NOT BE ABLE TO REALISE RETURNS ON THEIR INVESTMENT IN COMMON SHARES WITHIN A PERIOD THAT THEY WOULD CONSIDER TO BE REASONABLE

Investments in Common Shares may be relatively illiquid. There may be a limited number of Shareholders and this factor, together with the number of Common Shares to be issued pursuant to the Placing, may contribute both to infrequent trading in the Common Shares on the London Stock Exchange and to volatile Share price movements. Investors should not expect that they will necessarily be able to realise their investment in Common Shares within a period that they would regard as reasonable. Accordingly, the Common Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for the Common Shares, and future trading volumes may not be as high as those in the past. Even if trading volumes improve compared with past levels, the market price for the Common Shares may fall below the Placing Price.

THE COMPANY DOES NOT CURRENTLY INTEND TO PAY DIVIDENDS AND ITS ABILITY TO PAY DIVIDENDS IN THE FUTURE MAY BE LIMITED

The Company has never declared or paid any dividends on the Common Shares. The Company currently intends to retain future earnings, if any, for future operations, expansion and debt repayment, if necessary. Therefore, at present, there is no intention to pay dividends and a dividend may never be paid. Any decision to declare and pay dividends will be made at the discretion of the Board of Directors and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by corporate law and such other factors that the Board of Directors may consider relevant.

RISKS RELATING TO TAXATION

FUTURE CHANGES IN TAX REGULATION APPLICABLE TO THE COMPANY'S ENTITIES MAY REDUCE NET RETURNS TO SHAREHOLDERS

The treatment of Group entities is subject to changes in tax regulation or practices in territories in which Group entities are resident for tax purposes. Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or (in the specific context of withholding tax) dividends paid. Any changes to tax legislation in territories in which the Group entities are resident for tax purposes may have a material adverse effect on the financial position of the Company, reducing net returns to Shareholders. In many jurisdictions, the resources sector is subject to particular taxation regimes which sometimes impose a comparatively heavy burden on activities within the sector and the comments made above are particularly salient in relation to such regimes.

TAX RISKS RELATED TO ITALIAN OPERATIONS

In Italy, for onshore permits, the state royalty on production of both oil and gas is a maximum of 10%, with a provision that no royalties are paid on yearly production less than 125,000 bbls of oil and approximately 700 MMcf of gas, per field (or approximately 340 bbls/d and 1.9 MMcf/d). At the present time, the Group does not pay any state royalties since all its producing fields fall below the minimum royalty threshold. The corporate tax is a maximum of 28% and there are no restrictions on repatriation of profits. Going forward, there is the risk that potential changes in the tax and/or royalty system could have a significant impact on the tax payable by the Group.

TAX RISKS RELATED TO AZERBAIJANI OPERATIONS

There are currently three separate and distinct tax regimes that are applicable in Azerbaijan: (i) the statutory regime, (ii) the tax regime applicable to oil and gas companies and mining companies operating under production sharing agreements (this being the regime applicable to the Company) and (iii) the tax regime for companies working under host government agreements on the "Main Export Pipeline" and the "South Caucasus Pipeline". Any changes to the tax regimes that currently apply in Azerbaijan may have an adverse effect on the financial position of the Group.

PART 3

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

No person has been authorised to give any information or to make any representations in connection with the Admission other than the information and representations in this Document and, if any other information is given or representations are made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or the Directors.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness of appropriateness of any forecasts, views or opinions expressed by the press or other media regarding Admission, the Common Shares, the Company or the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Without prejudice to any obligation of the Company under FSMA, the Prospectus Rules, the Listing Rules or the Disclosure Guidance and Transparency Rules, the delivery of this Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or to the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this Document or any subsequent communications from the Company, the Group or any of their respective affiliates, officers, advisers, directors, employees or agents are not to be construed as advice on legal, business, taxation, accounting, regulatory, investment or any other matters. Each investor should consult his or her own lawyer, financial adviser or tax adviser for legal financial or tax advice, as appropriate.

Investors should read this Document in its entirety.

Presentation of financial information

The financial information, incorporated by reference, in this Document includes:

- audited consolidated financial information for the Group as at and for the years ended 31 March 2017, 2016 and 2015; and
- unaudited consolidated interim financial information for the Group as at and for the nine months ended 31 December 2017, together with the comparative period (30 December 2016),

in each case, prepared in accordance with IFRS as adopted by the European Union. Unless otherwise indicated, the financial information presented in this Document has been prepared in accordance with IFRS as adopted by the European Union.

Non-financial operating data

The non-financial operating data included in this Document has been extracted without material adjustment from the management records of the Group and is unaudited.

Currencies

In this Document, references to "GBP", "pounds sterling", "£", "pence" or "p" are to the lawful currency of the UK; references to "USD", "USD $", "US dollars", "dollars", "US $", "cents" or "c" are to the lawful currency of the United States; references to "Canadian dollars", "Canadian $", "CAD" or "CAD $" are to the lawful currency of Canada; references to "Euro", "EUR" or "d" are to the lawful currency of the member states of the European Union who have adopted the Euro; references to "Swiss Francs" or "CHF" are to the lawful currency of Switzerland and references to "New Manat", "Manat" or "AZN" are to the lawful currency of Azerbaijan.

The basis of translation of any foreign currency transactions and amounts in the financial information set out in Part 16: "*Historical Financial Information*" is described in Part 16.

Rounding

Percentages and certain amounts in this Document, including financial, statistical and operating information, have been rounded to the nearest thousand whole number or single decimal place for ease of presentation.

As a result, the figures shown as totals may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Document reflect calculations based on the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

Third-Party Information

The Company confirms that all third-party information contained in this Document has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third party information has been used in this Document, the source of such information has also been identified.

Forward-looking statements

Certain statements in this Document including any information as to the Group's strategy, plans or future financial or operating performance constitute, or may be deemed to constitute, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "target", "continue", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Document and include statements regarding the intentions, beliefs or current expectations of the Directors of the Company concerning, amongst other things, the investment objectives and policies, financing strategies, performance, results of operations, financial condition, prospects, growth and dividend policy of the Company and the markets in which it and the other companies in the Group operate.

By their nature, forward-looking statements address matters that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, results of operations, financial condition, dividend policy, the development of its financing and operational strategies and the development of the business sector in which the Group operates may differ materially from the impression created by the forward-looking statements contained in this Document. In addition, even if the performance, results of operations, financial condition and dividend policy of the Company, the development of its financing and operating strategies and the development of the business sector in which the Group operates, are consistent with the forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods.

Except as required by the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules, the London Stock Exchange or otherwise required by law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Prospective investors are advised to read this Document and the accompanying documents in their entirety for further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Document and the accompanying documents may not occur. Prospective investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Document.

No incorporation of website information

The contents of the Company's website, any website mentioned in this Document or any website directly or indirectly linked to these websites have not been verified and do not form part of this Document and investors should not rely on such information.

Definitions and technical terms

A list of defined terms and technical terms used in this Document is set out in Part 21: "*Definitions*" and Part 22: "*Glossary of Technical Terms*".

PART 4

CONSEQUENCES OF A STANDARD LISTING

Application has been made for the Placing Shares, Subscription Shares, Offer Shares and Admisison Shares to be admitted to listing on the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. The existing Common Shares (other than the Admission Shares) are already listed on the standard segment of the Official List. A Standard Listing affords Shareholders and investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to a Premium Listing, which are subject to additional obligations under the Listing Rules.

Listing Principles 1 and 2, as set out in Chapter 7 of the Listing Rules, also apply to the Company, and the Company complies with such Listing Principles.

Chapter 14 of the Listing Rules sets out the requirements for Standard Listings and does not require the Company to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules, which includes, in particular:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not appointed and does not intend to appoint such a sponsor in connection with the Placing and Admission;
- Chapter 9 of the Listing Rules relating to further issues of shares, issuing shares at a discount in excess of 10% of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions. It should be noted therefore that transactions will not require Shareholder consent, even if Common Shares are being issued as consideration for such transactions. However, the Company will seek Shareholder consent at a general meeting for transactions if it would constitute a reverse takeover;
- Chapter 11 of the Listing Rules regarding related party transactions. It should be noted therefore that related party transactions will not require Shareholder consent;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Common Shares. In particular, the Company has not adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2. The Company will have unlimited authority to purchase Common Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

There are, however, a number of continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Company. These include requirements as to:

- the forwarding of circulars and other documentation to the UKLA for publication through the document viewing facility and related notification to a regulatory information service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the UKLA in relation to compliance with the Listing Rules and the Disclosure Guidance and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- the making of regulatory information service notifications in relation to a range of debt and equity capital issues; and
- at least 25% of the Common Shares being held by the public.

In addition, as a company whose securities are admitted to trading on a regulated market, the Company will be required to comply with the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation.

There are no provisions in the Articles that require new Common Shares to be issued on a pre-emptive basis to existing Shareholders and there are no statutory pre-emption rights.

It should be noted that the UK Listing Authority does not and will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply. However, the FCA would be able to impose sanctions for non-compliance where the statements regarding compliance in this Document are themselves misleading, false or deceptive.

It should be noted that the Common Shares are, and will continue to be, listed and posted for trading on the TSXV and consequently obligations arising from applicable securities and corporate legislation in Canada, as well as the rules of the TSXV, will continue to apply to the Company.

PART 5

IMPORTANT INFORMATION

In deciding whether or not to invest in Placing Shares, Subscription Shares or Offer Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Directors. Without prejudice to the Company's obligations under FSMA, the Prospectus Rules, Listing Rules and Disclosure Guidance and Transparency Rules, neither the delivery of this Document nor any Placing made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Prospective investors must not treat the contents of this Document or any subsequent communications from the Company, the Directors, or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

The section headed "Summary" should be read as an introduction to this Document. Any decision to invest in the Common Shares should be based on consideration of this Document as a whole by the investor. In particular, investors must read the section headed "Section D—Risks" of the Summary together with the risks set out in the section headed "Risk Factors" beginning on page 19 of this Document.

Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Placing Shares, Subscription Shares or Offer Shares offered hereby is prohibited. Each offeree of Placing Shares, Subscription Shares or Offer Shares, by accepting delivery of this Document, agrees to the foregoing.

This Document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer or invitation to subscribe for or buy, any Common Shares by any person in any jurisdiction (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation. The distribution of this Document and the offering of the Common Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom who obtain possession of this Document are required by the Company, and the Directors to inform themselves about, and to observe any restrictions as to the offer or sale of Common Shares and the distribution of, this Document under the laws and regulations of any territory in connection with any applications for Common Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or the Directors, that would permit a public offering of the Common Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Document other than in any jurisdiction where action for that purpose is required. Neither the Company, nor the Directors accepts any responsibility for any violation of any of these restrictions by any other person.

The Common Shares have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States or qualified for sale or distribution under applicable securities laws of Australia, Canada, Japan or the Republic of South Africa. Subject to certain exceptions, the Common Shares may not be offered, sold, resold, reoffered, pledged, transferred, distributed or delivered, directly or indirectly, within, into or in the United States or to or for the account or benefit of U.S. persons (as defined in Rule 902 under the Securities Act) or to persons in the United States, Australia, Canada (other than pursuant to exemptions from the prospectus requirement under Canadian securities legislation), Japan, the Republic of South Africa or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. The Placing Shares, Subscription Shares or Offer Shares may not be resold in Canada or to a resident of Canada for a period of four months and one day following Admission, unless a trade is permitted under Canadian securities laws.

Selling and Transfer Restrictions

Prospective investors should consider (to the extent relevant to them) the notices to residents of various countries set out in Part 19: "*Notices to Investors*".

Investment Considerations

In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Company, this Document and the terms of the Placing or PrimaryBid Offer, including the merits and risks involved. The contents of this Document are not to be construed as advice relating to legal, financial, taxation, investment decisions or any other matter. Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the Common Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Common Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Common Shares or distributions by the Company, either on a liquidation and distribution or otherwise. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's objective will be achieved.

It should be remembered that the price of the Common Shares, and any income from such Common Shares, can go down as well as up.

This Document should be read in its entirety before making any investment in the Common Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Notice of Articles and Articles of the Company, which investors should review.

PART 6

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	20 June 2018
Admission and commencement of unconditional dealings in Placing Shares, Subscription Shares and Offer Shares	8.00 a.m. on 26 June 2018
PrimaryBid Offer period	4.30 p.m. to 9.00 p.m. on 20 June 2018
CREST members' accounts credited in respect of Depository Interests	8.00 a.m. on 26 June 2018
Despatch of definitive share certificates for Shares no later than	3 July 2018

These dates and times are indicative only, subject to change and may be brought forward as well as moved back, in which case new dates and times will be announced. All references to time in this Document are to London, UK time unless otherwise stated and each of the times and dates are indicative only and may be subject to change.

For the purposes of this Document, the exchange rates applicable are, unless otherwise disclosed, as follows:

From	*To*	*Exchange Rate*
USD	GBP	0.752672
GBP	USD	1.327700
EUR	GBP	0.873510
GBP	EUR	1.143500
CAD	GBP	0.571229
CAD	USD	0.757599

PART 7

PLACING AND PRIMARYBID OFFER STATISTICS

Number of Common Shares in issue as at the date of this document	159,921,766
Number of Placing Shares	46,500,000
Number of Subscription Shares	4,000,000
Number of Offer Shares	up to 20,000,000
Total number of Common Shares in issue on Admission (excluding any Offer Shares)	210,421,766
Placing Price per Placing Share	4 pence
Subscription Price per Subscription Share	4 pence
Offer Price per Offer Share	4 pence
Market capitalisation at the Placing Price	£8.42m
Number of Options outstanding at 19 June 2018	11,600,000
Number of Warrants outstanding at 19 June 2018	17,804,706
Number of Common Shares that may result from conversion of Convertible Notes as at 19 June 2018	903,228
Fully diluted Share Capital on Admission (excluding any Offer Shares)	240,729,700
Estimated Net Proceeds receivable by the Company	£1,708,300
Estimated transaction costs	£311,700

PART 8

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jose Ramon Lopez-Portillo *(Chairman and Non-Executive Director)* Andrea Cattaneo *(President, CEO and Director)* Luigi Regis Milano *(Director)* Dario E. Sodero *(Non-Executive Director)* Saadallah Al-Fathi *(Non-Executive Director)* Erik Larre *(Non-Executive Director)* Sergey Borovskiy *(Non-Executive Director)*
Registered Office	20th Floor 250 Howe Street Vancouver BC V6C 3R8 Canada
Head Office	15th Floor Bankers Court 850 – 2nd Street S.W. Calgary, Alberta T2P 0R8 Canada Telephone Number: +1 (587) 315 9031
Website	www.zenithenergy.ca
Legal Advisers to the Company (as to English law)	Hamlins LLP Roxburghe House 273-287 Regent Street, London W1B 2AD United Kingdom
Legal Advisers to the Company (as to Canadian law)	Stikeman Elliott LLP 4300 Bankers Hall West 888 3rd Street S.W. Calgary, AB, Canada
Legal Advisers to the Company (as to Italian law)	Studio Legale Pennisi&Farina Via Garibaldi 12/9 16124 Genova Italy
Legal Advisers to the Company (as to Azerbaijani law)	Stikeman Elliott LLP 4300 Bankers Hall West 888 3rd Street S.W. Calgary, AB, Canada BM Morrison Partners Villa 9, English Yard 43, Mammad Araz Street AZ1106, Baku Azerbaijan

Auditors to the Company	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London 14 4HD United Kingdom
Reporting Accountants	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD United Kingdom
Financial Adviser	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB United Kingdom
Joint Brokers	Daniel Stewart & Company plc 33 Creechurch Lane London EC3A 5EB United Kingdom
	Optiva Securities Ltd 49 Berkeley Square London W1J 5AZ United Kingdom
Competent Person	Chapman Petroleum Engineering Ltd 1122 4th Street S.W. Suite 700 Calgary Alberta T2R 1M1 Canada
Depositary and Registrar	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom
	Computershare Trust Company of Canada 100 University Avenue 8th Floor Toronto ON M5J 2Y1 Canada

PART 9

ITALY AND AZERBAIJAN

1. Information on Italy

1.1. Overview of the oil and gas industry in Italy

Italy produces small volumes of natural gas and oil and virtually no coal. Therefore, most of the country's fossil-fuel supplies (as well as a significant share of its electricity) are imported. They are augmented by local production of energy from renewable sources resulting in an increasing local dependence on imports in recent years.

1.2. Government policy objectives

In 2013, after more than twenty years, the Italian Government released a new National Energy Strategy. The four main pillars of the National Energy Strategy are:

- fostering the competitiveness of the Italian economic system;
- protecting the environment;
- strengthening the security of energy supply; and
- promoting green economic growth.

Natural gas and other fossil fuels are central elements in the National Energy Strategy policy. Specific measures include the promotion of a competitive natural gas market, the development of a European-integrated electricity market, an increase in the national production of fossil fuels and the restructuring of the downstream oil market.

1.3. Regulation of the oil and gas industry in Italy

Italy has liberalised its electricity and gas sectors progressively in conformance with EU directives. Transmission and distribution of natural gas and electricity have been unbundled and a regulator, Autorità per l'Energia Elettrica e il Gas, set up to supervise access to networks and to regulate tariffs.

The Italian oil market is fully liberalised, and the Italian Government intervenes only to protect competition or to prevent an abuse of a dominant position.

1.4. Prices, taxes and support mechanisms in Italy

The prices of all forms of energy except electricity are set freely by the market. Additionally, electricity and gas productions are exempt from VAT for producers, except for the final seller to consumers.

Gas consumers have a choice of supply from incumbent suppliers at regulated tariffs or from alternative suppliers at market rates. The choice is non-binding and consumers can change from one service to another at no additional cost.

In Italy, for onshore permits, the state royalty on production of both oil and gas is a maximum of 10%, with a provision that no royalties are paid on yearly production below 125,000 bbls of oil and approximately 700 MMcf of gas, per field (or approximately 340 bbls/d and 1.9 MMcf/d). At the present time, the Group does not pay any state royalties since all its producing fields fall below the minimum royalty threshold.

Italy applies different rates of VAT and excise tax on energy at the national level. Oil products are subject to excise tax and VAT (at a rate of 22%) for gasoline, diesel, light fuel oil and LPG. Natural gas is subject to an excise tax, VAT and additional taxes at the regional level; together they represent approximately 37.4% of the final price paid by end-consumers. A lower rate of VAT, currently 10%, is applied to sales of natural gas up to 480 cubic metres a year, and 22% for the remaining consumption. Different rates of excise tax are levied on gas according to whether the consumer is a business or a household and to the level of consumption.

2. Information on Azerbaijan[1]

2.1. Overview of the oil and gas industry in Azerbaijan

Since gaining independence from the USSR in 1991 ("**Azerbaijan's Independence**"), the Republic of Azerbaijan's oil and gas extraction industry has been the major sector of its national economy. Azerbaijan is one of the world's pioneers in the development of oil and gas fields. In 1846, the first oil well was mechanically drilled in Azerbaijan. By 1901, in excess of 50% of the world's oil production derived from Azerbaijan.

Post Azerbaijan's Independence, it continued with the successful development of its oil and gas reserves, and the industry has drawn substantial foreign direct investments. Since early 2014, Azerbaijan's crude oil reserves were estimated to be 7 billion barrels, and natural gas production was estimated at 35 trillion cubic feet.

The majority of the oil and gas production in Azerbaijan is exported. According to Azerbaijan's State Statistical Committee, Azerbaijan exported an estimated 738,000 barrels per day ("**bbl/d**") of crude oil in 2013. Azerbaijan is now one of the major gas exporters in the region with in excess of 8.5 billion cubic meters of natural gas exported in 2014. There are two main natural gas exporters: (i) SOCAR and (ii) the BP-led consortium of international energy companies.

The Company, which is free to sell/export oil without restrictions, currently sells its oil through the Marketing and Operations Department of SOCAR ("**SOCARMO**"). A related commission of 1% of total sales is payable to SOCARMO.

In the last ten years, Azerbaijan has diversified its oil and gas export routes. It aims to transform Azerbaijan into a major energy corridor, through which energy resources of Central Asia will be transported to European consumers. Exports are made to European and Asian countries, which include Ukraine, Turkey and India. Italy and Israel are the biggest importers of Azerbaijani crude oil. Natural gas is exported to Georgia, Turkey, Russia and Iran through various pipelines.

Azerbaijan intends to increase its export of natural gas to approximately 25 billion cubic meters by 2019. In addition, it intends to expand its exports to the EU by the development of the second stage of the Shah Deniz project. As part of the Shah Deniz project, the consortium of international energy companies intends to build the Trans-Anatolian pipeline ("**TANAP**"), which will pass through Turkish territory and the Trans-Adriatic pipeline ("**TAP**") and will be connected to TANAP to deliver natural gas to Italy through Greece and Albania.

2.2. Domestic market structure

The domestic upstream oil and gas market of Azerbaijan is dominated by SOCAR. SOCAR holds statutory exclusive rights for the development and production in Azerbaijan of oil and natural gas. SOCAR is an integrated energy company, which is active in all segments of the domestic oil and gas industry. Its output from upstream oil and gas developments did not however exceed 25% of the total national oil and gas production in 2013. SOCAR additionally owns and operates the only oil refinery and gas refinery in Azerbaijan and manages the domestic oil and gas pipeline system.

Whilst privatisation of these segments of the oil and gas industry is not at this time planned by the Azerbaijani Government, SOCAR has actively engaged with local and foreign private investors in joint ventures for the provision of domestic oil and gas industry services.

International energy companies participate in the development of oil and gas fields alongside SOCAR's subsidiaries, predominantly under production sharing agreements ("**PSAs**") negotiated and signed with the Government of Azerbaijan represented by SOCAR. Since Azerbaijan's Independence, the Government of Azerbaijan has executed approximately 23 PSAs (including with the Company).

2.3. Government policy objectives

The Government of Azerbaijan has established a favourable investment environment for foreign investors, the result of which has seen billions of dollars of direct investments in the oil and gas industry

[1] © This information is taken principally from the Country Q&A Guide titled "*Oil and Gas Regulation in Azerbaijan: overview*" authored by Kamil Valiyev and Rena Eminova. The content was first published in the *Energy and Natural Resources Multi-Jurisdictional Guide 2015* and is reproduced with the permission of the publisher, THOMSON REUTERS (PROFESSIONAL) UK LIMITED via PLSclear.

in Azerbaijan. In 2014, more than US $5 billion of foreign direct investment was made into the oil and gas sector according to official data. The Azerbaijani Government has also been investing in the industry through the use of state funds.

The State Programme for the Development of Fuel and Energy Sector (2005 to 2015) sets out the main objectives of the Azerbaijani Government in this area, and as approved by the Presidential Order No. 635 dated 14 February 2005, the objectives are as follows:

- Determining the minimum directions of the development of the fuel and energy complex of the Republic of Azerbaijan in accordance with modern requirements.
- Carrying out relevant scientific, technical and organisational measures to increase the efficiency of the industry.
- Ensuring the implementation of advanced technological measures for the production, processing, transportation, storage, accounting and consumption of energy resources.
- Establishing a fair competition environment in the fuel/energy sector.
- Attracting more investments for the development of the fuel/energy complex.
- Ensuring ecological security in the fuel/energy complex.
- Ensuring the due payments of consumed fuel/energy resources (that is, electric energy and natural gas).

2.4. Regulation of the oil and gas industry in Azerbaijan

Azerbaijan does not have an independent public regulator for the oil and gas sector. The Ministry of Energy carries out the regulatory functions in accordance with regulations approved by Presidential decree and other relevant laws and Presidential acts. The Ministry of Energy is required to supervise, and is entitled to issue special permits for, the exploration, exploitation, production, processing, storage, transportation, distribution and use of energy materials and products, which includes oil and natural gas. Additionally, upon authorisation by the President of Azerbaijan, the Ministry of Energy is able to prepare, negotiate and execute agreements for the production of hydrocarbon resources, (for example, PSAs) and also supervise their implementation.

SOCAR has an active role in the oil and gas sector to represent the interests of the state. Through the preparation, negotiation and implementation of the vast majority of PSAs, SOCAR has been acting as a sole representative of the Azerbaijani Government, and substantially contributing to the regulation of foreign oil and gas companies' activities in Azerbaijan. SOCAR also actively participates in the Azerbaijani Government's policy-making activities in the oil and gas sector.

There are other ministries and state bodies in Azerbaijan that indirectly regulate the oil and gas industry. These include:

- ***Ministry of Emergency Situations*** – This ministry has authority for ensuring technical safety at any oil and gas operations that are potentially hazardous. This ministry issues licenses for certain activities in the oil and gas industry, such as for the installation and operation of natural gas facilities, and the construction of drilling facilities. This ministry also carries out the certification of installations and equipment which are used in potentially hazardous objects in the oil and gas industry.
- ***Ministry of the Labor and Social Protection of Population*** – This ministry has the overall responsibility to ensure compliance with the requirements in relation to the health and protection of labour by employers who are engaged in oil and gas activities.
- ***Ministry of Ecology and Natural Resources*** – This ministry supervises compliance of oil and gas activities with environmental regulations and standards.

There are numerous laws which regulate oil and gas extraction activities, and which have been adopted since the first years of independence. Additionally, there are two basic regulatory regimes that are applicable to oil and gas exploration and production in Azerbaijan:

- Regulatory regime established under the Law on Energy ("Energy Law") and implemented through energy contracts.
- Ad hoc regimes established by specific PSAs.

Energy Law in Azerbaijan regulates the exploration, extraction, distribution, transportation and storage of oil and gas. In order to engage in these activities, both individuals and legal entities are required to obtain a special permit, and also enter into an energy contract with the Ministry of Energy or SOCAR.

As a general rule, all PSAs which are executed by SOCAR on behalf of the Azerbaijani Government are enacted as laws after being executed. A PSA sets out an ad hoc regulatory regime for oil and gas operations carried out on the specific field which is developed under the PSA. The PSA generally regulates:

- the ownership of the oil and gas and assets;
- health, safety and environmental compliance;
- taxation;
- import/export operations; and
- any profit sharing mechanisms.

2.5. Rights to oil and gas

The Constitution of the Republic of Azerbaijan states that natural resources belong to the state of Azerbaijan, without prejudice to the rights and interests of any individuals or legal entities. The Energy Law (and subsoil law) provides for the state's exclusive rights of ownership over oil and gas resources.

Rights over land do not involve subsoil rights over oil and gas reserves which are found below the land. The transfer of ownership of oil and gas from the state to private parties is only possible post extraction.

Rights for the exploration, development and production of oil and gas are able to be granted in accordance with the specific type of energy contract, which are awarded to contractors by way of tenders or direct negotiations. Contract such as these are in essence services contracts which are executed between the contractor and the Ministry of Energy or SOCAR. Rights under an energy contract are required to be registered with the Ministry of Energy. Contractors need to also obtain special permits from the Ministry of Energy for engaging in energy activities (including the exploration, development and production of oil and gas). The provisions relating to the protection of environment of contracts for the use of natural resources become effective once approved by the Ministry of Environment and Natural Resources.

Some licensing requirements apply to certain business activities which are associated with oil and gas operations, for example the sale of oil and gas products, the installation and operation of facilities for liquid and natural gas, mining and drilling works and the transportation of dangerous goods (including oil, certain oil products and gas).

Contractors are required to pay specific license fees for engaging in licensable oil and gas activities. The fees can range from AZN150 to AZN11,000. Additionally, payment of taxes is required from contractors and SOCAR in accordance with the tax regime established by the Tax Code of the Republic of Azerbaijan for non-PSA oil and gas activities. In regard to PSA oil and gas activities, certain PSAs will require contractors to pay bonuses to the Government of Azerbaijan which may be conditional on specific events occurring, such as the PSA becoming effective, approval of the development programme, or the production of oil or gas reaching certain levels. Contractors must also pay taxes in accordance with the individual tax regime established under the PSA.

2.6. Restrictions

There are no restrictions set out in the Energy Law for obtaining licenses or entering into energy contracts for private local and foreign companies and individuals. There are however certain restrictions which are set out by the Azerbaijani President. The production and processing of oil, oil products and natural gas is only capable of being conducted by state enterprises and joint stock companies with a controlling state shareholding. It is possible for enterprises and organisations (for example, SOCAR) which are established by a Presidential decree to engage in a business funded by the state (and in other cases specified by law) to engage in such business without obtaining a license.

Contractors must also return the area located outside the disclosed commercial discovery to the state. Contractors which are producing oil or gas under energy contracts must also sell a certain portion of their production at world market prices to the state on request for domestic consumption needs.

2.7. Transportation by pipeline

The right to develop and operate master energy transportation systems, which includes trunk pipelines, is granted to individuals and legal entities by the execution of an energy contract with the Ministry of Energy or SOCAR.

The requirements for providing gas transportation services by pipelines are set out in the Law on Gas Supply. They are similar to those under the Energy Law.

The energy contract may additionally grant:

- the right to build and operate auxiliary infrastructures (for example, for storage);
- ownership over such infrastructures; and
- the right to transfer the use of infrastructures.

The energy contract is signed for a 20-year term and can be renewed for ten further years. Export and import of third party gas by pipeline agreements become effective upon their approval by the Cabinet of Ministers pursuant to the Law on Gas Supply.

The Government of Azerbaijan has signed host government agreements ("**HGAs**") with a consortium of international oil and gas companies for the construction and operation of pipelines which are to be used for the export of oil or gas resources developed together with these companies. The HGAs grant certain absolute and unrestricted rights to investors, in connection with the construction and operation of the pipelines. Additionally, energy agreements on master energy transportation systems have to take into consideration competition among the producer of energy materials (including oil and gas and their products). Third party access is required to be granted if the pipeline is operated on an exclusive basis. The oil and gas producer operating the pipeline on an exclusive basis has to grant unused pipeline capacity to interested third parties. Transportation of the third party's oil or gas must not however hinder the transportation of oil and gas owned by the pipeline owner/operator.

2.8. Health, safety and the environment

2.8.1. Health and safety

There are several laws and other normative acts that regulate the health and safety requirements applying to upstream and midstream oil and gas activities. The main laws of note are the:

2.8.1.1. Law on Technical Safety of the Republic of Azerbaijan, dated 8 June 1999

This law defines oil and gas production facilities and trunk pipelines for the transportation of oil and gas as potentially hazardous production facilities. The law imposes certain obligations on both individuals and legal entities who are exploiting such facilities. These persons are required to comply with all legislation, legal acts, standards, requirements and orders related to the exploitation of these facilities. Users of such facilities are by default liable for any accident or incident which takes place on the facilities.

2.8.1.2. Law on Protection of the Environment of the Republic of Azerbaijan, dated 2 November 1999.

This law aims to ensure environmental safety, prevent negative impact of business and other activities on nature and protect biodiversity. This law sets out the rights and obligations of state authorities and businesses, and environmental requirements in relation to the use of natural resources and the development, construction and exploitation of energy and transportation facilities.

2.8.1.3. Labour Code, dated 1 February 1999

The Labour Code regulates the occupational health and safety regime in the workplace. The Labour Code provides that the owner of the enterprise and employer are responsible directly for compliance with both occupational health and safety rules and regulations. Owners and contractors (as employers) of upstream or midstream facilities may be held liable for violations of the rules and any injuries of employees resulting from non-compliance with the rules.

Most PSAs set out specific health and environmental standards. Contractors are required to develop jointly with SOCAR and the Ministry of Environment and Natural Resources safety and environmental protection standards and practices to regulate their operations. Contractors are required to comply with general Azerbaijani laws and regulations on public health, safety and environment, to the extent that these laws and regulations are no more stringent than international standards.

Under HGAs, participants to the pipeline projects are required to comply with the health and safety standards that are customary in international petroleum transportation projects.

2.8.2. Environmental impact assessments

On receipt of an application to enter into an energy contract, the Ministry of Energy or SOCAR is required to arrange an environmental impact assessment ("**EIA**") of the operations over the relevant territory. The EIA has to be completed by independent experts.

The EIA is mandatory for PSAs. The terms of the EIA are agreed with the Azerbaijani Government as part of the development programme and serve as a basis for developing the environmental protection standards which apply to the specific upstream project. As a general rule, EIAs under PSAs are completed by independent international consultants. The conclusions of EIAs which are conducted under PSAs must be acceptable to SOCAR. There are no statutory period limitations for the implementation of EIAs and the procedures for the implementation of EIAs are not regulated.

Costs which are associated with the EIAs are covered by the applicant to the energy contract.

2.8.3. Environmental permits

Individual entrepreneurs and companies which are engaged in the upstream and midstream oil and gas sector are subject to a variety of environmental requirements that relate to (*inter alia*) air emissions, water use and disposal, and waste management. The main law in this field is the Law on Protection of Environment.

Businesses have to secure the below listed approvals and permits before they can commence oil and gas operations:

- a positive opinion of the Ministry of Environment and Natural Resources issued as a result of the EIA;
- an environmental examination conducted by the Ministry of Environment and Natural Resources; and
- an environmental passport and passport of hazardous wastes approved by the Ministry of Environment and Natural Resources.

2.9. Decommissioning

Contractors are required to transfer the installations and equipment to the state or new contractors free of charge, in accordance with the energy contract. The energy contract has to include a rehabilitation plan which is approved by SOCAR or the Ministry of Energy, which the contractor is required to implement before the contract expires. In addition, the contractor has to establish a rehabilitation fund to finance the works. The contractor is only able to remove or dispose of its fixed assets after completion of the rehabilitation works.

PSAs regulate the decommissioning obligations of contractors in further detail. The PSAs contain provisions on the abandonment fund that contractors have to establish to finance the abandonment of fixed assets used for oil and gas operations and set out the rules on the contractors' abandonment plan.

2.10. Sale and trade

There are separate wholesale and consumer markets. Whilst there are no statutory limitations, wholesale and retail sales of oil and gas remain largely under the control of the SOCAR and are regulated by the Azerbaijani Government. The Azerbaijani Government has been considering liberalising and privatising the retail oil and gas market in recent years.

The general export regime is applicable to the export of oil and gas that is not produced under PSAs. Oil and gas which is produced under PSAs are exempt from foreign trade regulations that prohibit, limit and restrict import and export, and country of origin rules.

A contractor is able to freely determine market prices, unless the legislation provides otherwise. Oil and natural gas are however included in the list of goods, services and works that are subject to price regulation by the Azerbaijani Government. The Tariff Council is responsible for price regulation in Azerbaijan and regulates prices of:

- domestic wholesale and retail sales of oil, oil products and gas;
- services relating to the transportation of oil and natural gas through pipelines; and
- services for the storage and distribution of natural gas.

Prices of oil and gas sold in foreign markets are not however regulated.

Unlike other oil producing countries, no royalties are paid in Azerbaijan. However, a tax on profits of between 25% and 32% is typically payable.

2.11. Enforcement of regulation

In accordance with the Energy Law, the Ministry of Energy is able to adopt mandatory rules that apply to the oil and gas industry. Additionally, the Ministry can issue specific orders to oil and gas producers relating to the implementation and enforcement of relevant legislation. The Ministry can impose administrative sanctions in cases of violations of oil and gas legislation and also has the power to suspend the special permits and licences issued to businesses which are engaged in oil and gas activities. Additionally, the Ministry can impose fines for failure to comply with obligations which are set out in the relevant laws.

Regulators' decisions can be contested that do not comply with substantive or procedural requirements before the administrative-economic court or a district (city) court. Appeals are required to be made within 30 days from the date of official notification of the decision to the appellant.

PART 10

INFORMATION ON THE GROUP

Investors should read this Part 10: "Information on the Group" in conjunction with the more detailed information contained in this Document, including the financial and other information appearing in Part 14: "Operating and Financial Review".

1. Introduction

The Company is an international oil and gas exploration, development and production company incorporated and domiciled in Canada with operations in Italy and Azerbaijan.

The Group's principal assets in Azerbaijan and Italy are held through: (i) in respect of Azerbaijan its wholly-owned subsidiary Zenith Aran, which holds an 80% interest in three petroleum producing onshore fields in Azerbaijan; and (ii) in respect of Italy Canoel Italia S.r.l. (in which the Company has a 98.64% shareholding), which hold various working interests in 13 onshore exploration and production properties in Italy, as set out in paragraphs 1.1 and 1.2 below.

1.1 Italy

In Italy, the Group owns various working interests in 13 onshore exploration and production properties and two gas concessions currently shut-in. The two gas concessions (Canaldente and Torrente Vulgano) were assigned to Canoel Italia S.r.l. from the Ministry of Economic Development in 2011, whilst the other onshore exploration and production properties were acquired from Medoilgas Italia S.P.A. and Medoilgas Civita Limited, each a subsidiary of Mediterranean Oil and Gas Plc, in June 2013. The concessions have various expiration dates.

The production and exploration properties comprise the following concessions, permits and applications, further details of which are set out below:

(a) 6 operated onshore gas production concessions:

- (i) Torrente Cigno (45% working interest)
- (ii) Masseria Grottavecchia (20% working interest)
- (iii) San Teodoro (100% working interest)
- (iv) Misano Adriatico (100% working interest)
- (v) Sant'Andrea (40% working interest)
- (vi) Masseria Petrilli (50% working interest)

(b) 3 non-operated onshore gas production concessions:

- (i) Masseria Acquasalsa (8.8% working interest)
- (ii) Lucera (13.6% working interest)
- (iii) San Mauro (18% working interest)

(c) 1 operated exploration permit:

- (i) Montalbano (57.15% working interest)

(d) 1 non-operated exploration permit

- (i) Colle dei Nidi (25% working interest)

(e) 2 exploration applications:

- (i) Serra dei Gatti (100% working interest)
- (ii) Villa Carbone (50% working interest)

Torrente Cigno

Description The Group owns a 45% working interest in the Torrente Cigno gas and condensate concession covering approximately 38,163 acres and located onshore in southern Italy, along the Adriatic coast. From 1 October 2015, the Company has used the gas produced to generate electricity which is sold directly to the national electrical grid in Italy.

As at September 2017, production at Torrente Cigno (from one well) was approximately 450 Mscf/d.

Expiry date This concession is scheduled to expire in 2019, for which a 10-year extension was requested on 7 March 2017.

Masseria Grottavecchia

Description The Group owns a 20% working interest in the Masseria Grottavecchia gas concession covering approximately 13,160 acres and located onshore in southern Italy, along the Adriatic coast.

This concession is not currently producing, but development plans are in progress.

Expiry date This concession is scheduled to expire in 2018, for which a 10-year extension was requested on 28 July 2016.

San Teodoro

Description The Group owns a 100% working interest in the San Teodoro gas concession covering approximately 14,640 acres and located onshore in southern Italy, along the Adriatic coast.

This concession is not currently producing, but development plans are in progress.

Expiry date This concession is scheduled to expire in 2019, for which a 10-year extension was requested on 1 December 2016.

Misano Adriatico

Description The Group owns a 100% working interest in the Misano Adriatico gas concession covering approximately 18,610 acres and located onshore in central Italy, along the Adriatic coast.

As at September 2017, production at Misano Adriatico (from one well) was approximately 45 Mscf/d.

Expiry date This concession is scheduled to expire in 2020, with the intention that it be renewed to align with the Company's additional development plans.

Sant'Andrea

Description The Group owns a 40% working interest in the Sant'Andrea gas concession covering approximately 40,605 acres and located onshore in northern Italy, along the Adriatic coast.

This concession is not currently producing.

Expiry date This concession is scheduled to expire in 2022, with the intention that it be renewed to align with the Company's additional development plans.

Masseria Petrilli

Description The Group owns a 50% working interest in the Masseria Petrilli gas concession covering approximately 29,227 acres and is located onshore in southern Italy, along the Adriatic coast.

This concession is not currently producing.

Expiry date This concession is scheduled to expire in 2020, with the intention that it be renewed to align with the Company's additional development plans.

Masseria Acquasalsa

Description The Group owns a 8.8% working interest in the Masseria Acquasalsa gas concession covering approximately 10,200 acres and located onshore in southern Italy, along the Adriatic coast.

This concession is not currently producing.

Expiry date This concession was due to expire during 2005 but the Group has requested an additional ten-year extension on 12 March 2004, and an additional five-year extension on 5 November 2013, which are both currently being evaluated by the competent authorities.

Lucera

Description The Group owns a 13.6% working interest in the Lucera gas concession covering approximately 38,514 acres and located onshore in southern Italy, along the Adriatic coast.

This concession is not currently producing.

Expiry date This concession is scheduled to expire in 2022, with the intention that it be renewed to align with the Company's additional development plans.

San Mauro

Description The Group owns a 18% working interest in the San Mauro gas concession covering approximately 6,257 acres and located onshore in southern Italy, along the Adriatic coast.

As at September 2017, production at San Mauro (from one well) was approximately 180 Mscf/d.

Expiry date This concession is scheduled to expire in 2020, for which a 10-year extension was requested on 6 February 2018.

1.2 Azerbaijan – REDPSA

On 16 March 2016, the Company's wholly-owned subsidiary, Zenith Aran, entered into the REDPSA with SOCAR and SOA. The REDPSA covers 642 square kilometres which include the active Muradkhanli, Jafarli and Zardab oil fields located in the Lower Kura Region, about 300 kilometres inland from the city of Baku, Azerbaijan (the "**Azerbaijani Operations**"). Pursuant to the terms of the REDPSA, the Company and SOA have the exclusive right to conduct petroleum operations from the Azerbaijani Operations, through a newly incorporated operating company, Aran Oil Operating Company Limited ("**Aran Oil**"). Aran Oil, in which Zenith has an 80% interest, is the operator of the concession, with the remaining 20% interest being held by SOA.

On 24 June 2016, the President of the Republic of Azerbaijan signed the REDPSA into law, following approval by Parliament on 14 June 2016. The delivery of the capital assets previously used in respect of the petroleum operations at the Azerbaijani Operations, from the previous operating company to Aran Oil, officially completed on 11 August 2016 ("**Handover**" or the "**Effective Date**"). Aran Oil now has operational control of the Azerbaijani Operations. The transfer of operational control did not involve any interruption of petroleum production operations at the Azerbaijani Operations.

As a part of the Handover, an inventory of equipment and material was prepared and the volumes of oil in the pipelines and tanks were recorded. Any revenues related to the existing oil as at the date of Handover will be allocated to SOCAR. As the Azerbaijani Operations are currently producing oil, they have generated revenues for the Company since the completion of the transfer to Aran Oil.

The capital assets which transferred to Aran Oil as part of the Handover include production equipment, vehicles, wells, pumps, storage facilities, tools, generators, compressors, pipelines, offices, warehouses, buildings, rigs, yards, roads, infrastructure, radios, tubular goods, supplies, materials and facilities. The Company appointed a consultant in Azerbaijan to review and report on the availability and the state of the assets prior to Handover.

Aran Oil operates under the terms of the REDPSA. Revenue will be divided between cost recovery petroleum and profit petroleum. Aran Oil will first recover all operating costs from revenues after deduction of compensatory petroleum as explained below. Capital costs will then be recovered from a maximum of 50% of the remaining revenue. Any unrecovered costs can be carried forward to be recovered in future years. The remaining revenue is divided between Aran Oil and SOCAR according to an R-factor model. The R-factor varies as the ratio between Aran Oil's profits and capital costs vary. Aran Oil's share of profit petroleum varies between 25% and 80%.

Zenith Aran will pay 100% of all of Aran Oil's costs (including SOA's 20%) until the end of the four consecutive calendar quarters where production has been more than two times the average rate in 2015. The carried costs will be recovered from SOA's profit petroleum after that time. It is expected that the additional carried costs can be taken from Zenith Aran's profit petroleum.

Zenith Aran and SOA have an obligation:

1. within one year following the Effective Date, to deliver at no charge to SOCAR 5% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter; and

2. commencing on the first anniversary of the Effective Date, to start delivering, at no charge to SOCAR, 15% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter,

until the amount delivered is the equivalent of approximately 315,000 barrels of "compensatory" crude oil to SOCAR ("**Compensatory Petroleum**").

The balance of production remaining after (i) the relevant Compensatory Petroleum has been delivered and (ii) quantities to enable recovery of certain operating and capital costs are deducted, is calculated on a quarterly basis and is shared between SOCAR and the Contractor according to a detailed "R factor" model (see above). Further details of the REDPSA are contained in paragraph 25.5 of Part 18: "*Additional Information*".

Rehabilitation and production programme

As is typical with other onshore projects in Azerbaijan, the contract area to which the REDPSA relates includes areas where existing production needs to be improved (the "**Contract Rehabilitation Area**") and where new production needs to be developed (the "**Contract Exploration Area**"). Zenith Aran and SOA have different obligations in respect of each area.

The Rehabilitation and Production programme was signed on 3 October 2017 and approved by SOCAR on the same date, and has a term of 25 years for the Contract Rehabilitation Area; a 5 year extension may be approved by SOCAR. It provides for a maximum production of approximately 2,382 barrels of crude oil per day in 2023. The programme will involve drilling 26 development wells: 21 in Muradkhanli and 5 in Jafarli with the cost per well being $4.3million. Therefore, a total of $111.8 million is planned to be spent on drilling. The programme will also involve the workover of 44 wells, which includes 12 old well reactivations, with the cost per workover being $150,000. Therefore, a total of $6.85 million would be spent on the workovers. Additionally, the programme will provide for facility upgrades of $2.5million and involve running a 64km2 3D exploration seismic and drilling a 1-5000m exploration well. The total net cash flow for the programme is $176 million and the total OPEX of $122.5 million and total CAPEX of $121.5 million. An annual plan is required to be prepared each year and presented to SOCAR.

Zenith Aran has acquired the exclusive rights to conduct petroleum operations in three petroleum producing onshore fields in Azerbaijan.

Pursuant to the terms of the REDPSA, Zenith Aran and SOA prepared and submitted a rehabilitation and production programme to achieve an average daily crude oil production from the Contract Rehabilitation Area of 1.5 times the average daily production rate in 2015, for 90 consecutive days, by no later than two years following SOCAR's approval of the programme. SOCAR approved the programme on 3 October 2017. The 2015 average daily production was approximately 310 STB/d and accordingly the new target will be at least 465 STB/d.

The Company has undertaken nine well workovers between the effective date of the REDPSA in August 2016 and March 2017. The workover on C21 (Jafarli field) was relatively successful, returning the well to production at 10 STB/d. One other workover on M66 (Muradkhanli Volcanic) was partially successful, increasing production from 1.5 STB/d to 3.0 STB/d. Five other workovers are in progress or are waiting for equipment for finishing or milling. Two workovers are considered to be unsuccessful. As experience is gained, it is anticipated that the degree of success will increase.

Electro submersible pumps (ESPs) have been resized and/or set deeper in 10 wells with a total production increase of 88 STB/d. One workover rig is active at present. One new workover rig has been purchased and is scheduled to be operational in June 2018. Additional equipment may be purchased or contracted as required to optimise field redevelopment.

Between 2018 and 2020, the Company plans to workover a total of 44 existing wells which are currently inactive or produce at low rates to bring rates up to as much as 40 STB/d per well, with an estimated average of 15 STB/d per well, using improved technology, non-damaging fluids and optimised treatments. It is estimated that 12 wells will be worked over in 2018, 15 wells in 2019 and 11 wells in 2020.

The historical performance of each well including peak rates, cumulative oil and water production, and recent performance has been studied to identify wells that are likely to have successful workovers. The results of previous workovers have been noted. Although most wells flow to surface, the installation of ESPs was generally very beneficial and is expected to form part of most future workovers. It is predicted that the field oil production rate will exceed 1.5 times the average 2015 rate in late 2018, ensuring that the Company will retain its rights under the REDPSA.

In addition to the 33 recently shut in or marginal producing wells, five non-producing wells completed in the Maykop zone in the Zardab field are expected to be worked over and to be returned to production after wellbore and sand production problems have been resolved.

Depending on the results of the programme, the Zardab field may be more fully developed.

Vertical Development Drilling – Muradkhanli and Jafarli

Additional drilling locations have been identified in the Muradkhanli and Jafarli fields, on locations adjacent to existing producing wells, which show the potential for unrecovered oil. These locations have been identified after careful consideration of recoveries to date and correlations of recovery factors with associated drainage areas of existing wells.

It is believed that the water production from existing wells, especially in the volcanic reservoirs, is a result of localised premature coning at the near well bore, which would leave undrained oil at locations between withdrawal points in the reservoir. Based on all the data examined, it was concluded that the likely effective drainage area for most wells would be 40 acres. Therefore, all the areas overlying the reservoirs outside of each existing wells' 40-acre drainage area have been identified as a potential development drilling opportunity.

The drilling programme will be undertaken with caution, as there will be a learning curve from each new experience. Wells will be logged open hole with a carefully designed programme. Current water contacts will be detected from the well logs, which may lead to altered plans.

A detailed geological model is being developed based on digital log analysis on many of the existing wells, which will result in an enhanced understanding of the reservoirs and provide more control over future drilling locations.

Digital log analysis has already been performed on selected wells across the fields in order to establish a feel for the quality of the results that can be obtained from these older GIS logs available on most wells. One example of the benefit of the detailed log analysis was observed on well M58, where several potential hydrocarbon bearing uphole zones were identified. These zones will be examined during the future drilling operation and could result in major new uphole plays throughout these fields.

Horizontal Drilling – Muradkhanli Middle Eocene

The Middle Eocene system in the Muradkhanli Field has significant oil production from a faulted structural trap and in the Southeast Muradkahnli Field, but over a large area in a widespread stratigraphic-structural trap on the Southwest flank of the field, only scattered and poor production has been achieved.

The only available modern full log suite on the Middle Eocene is on the MOC-1 well drilled in 2000. A petrophysical analysis of this zone has been completed.

The poor performance of the scattered wells on the Southwest flank, when compared to the better wells in the fault block from the same horizon, suggests that the Middle Eocene on the flank would be an ideal candidate for a horizontal well development programme. There may be a number of explanations as to the poorer productivity, such as drilling fluid damage, but the most likely cause is low permeability in this expansive portion of the reservoir.

Horizontal well developments are conventionally applied to many different types of reservoirs, where vertical production rates are marginal or sub-commercial, resulting in significant new production and reserves all around the world, the technology is advancing rapidly, resulting in better results and lower cost as time progresses, typically wells can be expected to have productivities ranging from 3 to 5 times that of a vertical well in the same reservoir. The Company believes that implementing this horizontal programme will result in an increase in production and reserves for the REDPSA.

Conventionally, the first well in the programme would be drilled vertically to capture as much technical reservoir information as possible, including cores and a modern suite of open-hole logs. Once the reservoir rock and fluids are well understood the drilling and completion programme can be designed to minimize reservoir damage and maximize the well results.

It is typical to manage the horizontal drilling programme with the use of multi-well pads. Inter-well distance or spacing of well bores is also an issue to be considered for optimum recovery.

General

The Company intends to acquire a modern drilling rig capable of drilling to 4,500 m to carry out the fifteen-year drilling programme. It is estimated that five new wells will be drilled in 2019 and ten wells in each year until the anticipated drilling programme Is completed in 2033.

In total, 145 development wells are expected to be drilled, of these, 58 will be horizontal wells in the Mid Eocene. It is expected that additional rigs will be acquired or contracted at some periods to meet the proposed drilling schedule.

The existing gathering system and central facilities appear to be adequate to handle increased production from the workovers. An analysis of the gathering system and facilities will commence concurrently with the implementation of the rehabilitation and production programme, to expand and modernise the surface facilities in anticipation of field production reaching a rate of 1,768 STB/d by 2020 and a peak rate of about 14,845 STB/d by 2033 in the proved plus probable case. It is anticipated that upgrades to the facilities and gathering system will take place in 2018 and 2020 as rates increase.

Annual work programmes and budgets must be prepared for SOCAR's approval.

Minimum exploration work programme

Pursuant to the terms of the REDPSA, within the four years period commencing on the Effective Date, Zenith Aran and SOA are required to carry out a minimum exploration work programme in the Contract Exploration Area including the following work:

1. to carry out an upper section site investigation survey to ensure a safe and environmentally sound base for drilling, and to shoot, process and interpret two-dimensional seismic or a minimum of sixty square kilometres of three-dimensional seismic (this will be decided by the Company at the relevant time), in the specified exploration area; and

2. to drill a well to a depth of five thousand metres from the ground surface, or to the depth of 50 metres below the top of the Upper Cretaceous formation, whichever occurs first, and evaluate the drilled well using an appropriate logging and testing programme.

The Company funds the minimum exploration work programme using its accumulated cash flows. The REDPSA does not contain any milestones in respect of the minimum exploration work programme.

The Company has no specific work programme obligations; its rehabilitation and development plans are planned and determined by operational opportunities, in accordance with cash availability, value accretive equipment upgrades, including the repair or replacement of electrical submersible pumps as well ancillary oil production infrastructure, and the performance of well workovers aimed at increasing/restoring production. An annual plan is prepared each year and presented to Socar.

The development and production period for the contract exploration area is 25 years from the date of SOCAR's approval of the development programme.

Key Developments and Operational progress in Azerbaijan since listing on the London Stock Exchange

Field Production

The Company achived the following production levels in Azerbaijan between January 2017 and March 2018.

Average daily oil production in Azerbaijan (barrels per day)

Month	*Average daily production (barrels)*
January 2017	281
February 2017	280
March 2017	271
April 2017	275
May 2017	266
June 2017	269
July 2017	266
August 2017	262
September 2017	253
October 2017	267
November 2017	279
December 2017	283
January 2018	249
February 2018	258
March 2018	277

Field rehabilitation Activities

The Company has undertaken numerous workovers and other operational activities between the effective date of the REDPSA in August 2016 and in March 2017 as summarized in the following table.

January 2017	Signed a service contract with a well-established local oilfield service company to perform the workovers of wells M-195 and M-45 located in the Muradkhanli field.
February 2017	Division of the field rehabilitation activities between two teams: 'Team A' and 'Team B'. • Team B was staffed by personnel from the oilfield service company contracted to perform the workovers of wells M-195 and M-45, operating the Service Company's workover rig. • Team A was staffed by Zenith's field personnel, operating the Company's A-80 workover rig inherited by SOCAR.
March 2017	1. Successfully resolved obstructions in Well M-195, enabling to reach the top of the production liner section at 3,014 metres. 2. Modernisation work of its A-80 rig was fully completed. 3. Installation of a new ESP in wells M-70 and M-48 in the Muradkhanli field and well C-34 in the Jafarli field.
April 2017	1. Pump replacements in wells C-31 and C-34 in Jafarli field and wells M-67 and M-70 in the Muradkhanli field.

	2. Well C-39 in the Jafarli field had pump repair work performed to address minor technical problems. 3. The field rehabilitation activities resulted in a net increase of 14 barrels of oil per day in total across the five wells. 4. Team A began workover operations at well M-45 in the Muradkhanli field. 5. The Company also commenced sidetrack operations at well M-195 with the arrival of the required larger workover rig.
May 2017	Announced the appointment of a Chief Operating Officer, Mike Palmer, to lead its operations in Azerbaijan.
June 2017	Announced the success of its sidetrack operations at well M-195.
July 2017	1. The workover of M-45 was successfully completed; a production rate of 46 BOPD was achieved, but potentially higher flowrates were inhibited by partial blockages of old well material. 2. Restored production at well M-66 in the Muradkhanli field, achieving a flow rate of 50 BOPD.
August 2017	1. Signed a contract for the procurement of oil production materials with Kerui petroleum, a leading Chinese manufacturer of oilfield equipment, for a value of the procurement contract of US$1,705,608 (approximately £1,325,000; CAD$2,146,000), by which: • Zenith paid the 15% of the contract value in advance as deposit. • The materials procured include: a blowout preventer (BOP); a full set of well control equipment; drill pipes to be used as a work string; tubing to be used in the installation of new electric submersible pumps and in old wells that have been returned to production; new oilfield infrastructure; lighting equipment; and a generator system to enable a workover rig to operate without the need for nearby infrastructure across Zenith's 642.4 km^2 field area. 2. Successful installation of the custom-built Schlumberger ESP in well M-45 in the Muradkhanli field. Following the installation, the well achieved a production rate of 49 BOPD.
September 2017	1. Began the installation of ESPs in a further 11 wells, employing its own A-80 workover rig, upgraded earlier in the year, and a similar sized workover rig operated by an experienced local oilfield service company. 2. Successful perforation of well C-26 in the Jafarli field; the well achieved a production rate of 70 BOPD; it was previously not producing.
October 2017	1. Successful perforation of a new, unexploited production zone in well C-21 in the Jafarli field, achieving a flow rate of 15 BOPD. Prior to the perforation well C-21 was non-producing. 2. Experienced difficulties in its workover of the Z-21 well, which initially flowed at a rate below 5 BOPD.
December 2017	1. Cleaned out well Z-28. However, during the post-workover inspection of the wellhead, Zenith's petroleum engineers observed a leak during a pressure test from the wellhead in the 9 5/8 inches casing seal assembly, delaying further activity. To resolve this problem, the Company contracted a UK-based expert in oilfield leak-sealing technology, with an established presence in Azerbaijan.

	2.	Completed the civil works on the roads to well Z-21 and at the well location.
January 2018		Signed a purchase agreement for the order of a new workover rig with a manufacturer based in Azerbaijan. The total value of the purchase agreement contract was approximately CAD$440k (approximately £251k).
February 2018	1.	Successfully cleaned out the entirety of the tubing string in well Z-21, circulating and drilling out mud and debris that had accumulated since the well was last produced in 1988. Due to the small coiled tubing bit (1.875 inches) and the restricted diameter of the tubing, the casing could not be cleaned out further. To rectify this the Company prepared its A-80 workover rig to pull the tubing string from the well. Once completed, it will run in hole with a drill bit and clean out the casing to total depth, 3,982 metres. The well will subsequently be put on production.
	2.	Successfully sealed the wellhead leaks in well Z-28 and subsequent coiled tubing intervention cleaned out the well to a depth of 3,583 meters, however it was determined it would have to mill out 63 metres of tubing inside the liner and then clean out an additional 298 metres of the liner to a total depth of 3,944 metres to complete the workover.
	3.	A-80 workover rig received further upgrades to increase its capabilities and enable it to be utilised more extensively in the Company's workover operations. This will be supplemented by A-100 truck-mounted workover rig ordered in January 2018.
	4.	Successfully installed seven ESPs. While this resulted in an uplift in production, it has also reduced production downtime that had been observed as a recurrent problem with the previous generation ESPs.

Stable production rates have increased by about 25 STB/d since the Effective Date of the REDPSA. One workover rig is active at present. One new workover rig has been purchased and is scheduled to be operational in June 2018. Additional equipment may be purchased or contracted as required to optimize field redevelopment.

Between 2018 and 2020, The Company plans to workover a total of 38 existing wells which are currently inactive or produce at low rates to bring rates up to as much as 40STB/d per well, using improved technology, non-damaging fluids and optimised treatments. It is expected that 12 wells will be worked over in 2018, 15 wells in 2019 and 11 in 2020.

If fully successful, the workover of 12 wells in 2018 could increase production by up to 40STB/d, achieving a field production rate of up to 780STB/d by Year End 2018.

An additional increase in production up to the Company's goal of 1,000 STB/d could be achieved from the resizing or resetting of EPS's and purchase of additional equipment. That case has not been reflected in the economics analysis in this Document. On that basis, the field oil production rate will exceed 1.5 times the average 2015 rate in late 2018, ensuring that the Company will retain its rights under the REDPSA.

The historical performance of each well including peak rates, cumulative oil water production, and recent performance has been studied to identify wells that are likely to have successful workover. The results of previous workovers were noted. Although most wells flow to surface, the installation of electrical submersible pumps was usually very beneficial and is expected to form part of most future workovers.

In addition to the 33 recently shut in or marginal producing wells, five non-producing wells completed in the Maykop zone in the Zardab field are expected to be worked over and to be returned to production after wellbore and sand production problems have been resolved. Depending on the results of the programme, the Zardab field may be more fully developed, but new drilling in Zardab is not evaluated in this Document.

2 Group Structure

The Company acts as the holding company of the Group. The Company has the following subsidiaries:

Name of Subsidiary	*Place of incorporation and registered office*	*Proportion of ownership interest*	*Principal activity*
Canoel Italia S.r.l.	Italy Genova Via XXV Aprile 12° Italy	98.64%[(1)]	Gas, electricity and condensate production
Ingenieria Petrolera del Rio de la Plata S.r.l.	Argentina Arenales 955, 2° piso 1061 C.A.B.A. Buenos Aires Argentina	100%	Oil services
Aran Oil Operating Company Limited	British Virgin Islands Nemours Chambers Road Town Tortola British Virgin Islands	80%[(2)]	Oil production
Zena Drilling Limited	U.A.E. Ras Al Khaimah Free Trade Zone, UAE	100%[(3)]	Oilfield service company
Leonardo Energy Consulting S.r.l.	Italy Genova Via XXV Aprile 12° Italy	48%[(4)]	Service company
Altasol S.A.	Switzerland Chemin de Villardin 14 1000 Lausanne 22 Switzerland	100%	Oil trading
Zenith Aran Oil Company Limited	British Virgin Islands PO Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands	100%[(5)]	Oil production
Zenith Energy (O & G) Limited	England & Wales 84 Eccleston Square London SW1V 1PX United Kingdon	100%	Admistrative service company

Notes:

(1) The holder of the remaining 1.35% in the capital of Canoel Italia S.r.l. is Luigi Regis Milano.

(2) Aran Oil Operating Company Limited has registered a branch in Baku, Azerbaijan. The remaining 20.00% in the capital is held by SOCAR.

(3) Zena Drilling Limited ("Zena") is incorporated in the Ras Al Khaimah Free Trade Zone ("RAKFTZ"), United Arab Emirates ("UAE"). Zena is a 100% beneficially owned subsidiary of the Company. Zena was incorporated by and the shares in Zena are currently registered in the name of Andrea Cattaneo as trustee for the Company. Due to the process of incorporation in RAKFTZ, this was the most efficient method of establishment and due to the UAE not being a signatory to the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents, the process of transferring legal ownership to Zenith is elongated and is not expected to be completed until later in 2018.

(4) The holders of the remaining 52.00% in the capital of Leonardo Energy Consulting S.r.l. are Giuliano Pennisi (4%), Fabrizio Tondelli (43%) and Cristiano Maiorano (5%).

(5) Zenith Aran has registered a branch in Baku, Azerbaijan.

3 Key Strengths

The Directors believe that the Group has the following key strengths:

Significant assets in highly prospective regions:

- Significant assets in well-known oil and gas regions.
- Operator in Azerbaijan, one of the world's most established energy producers.
- Interests in reasonably stable countries with a long history of hydrocarbon extraction.
- Dynamic and adaptable company structure.
- Know-how and new technologies applied in old and marginal fields.
- Attention to environmental and social aspects, employing local personnel in all operations.

Proven track record of operational success in exploration and appraisal activities

The Group has a strong and committed management team that has substantial relevant industry knowledge and a proven track record of operational success. The Company believes that its management team has favourably positioned the Company to successfully implement its growth strategy and productivity initiatives regarding its existing projects.

The Company focusses on maximising the value of its portfolio and has a track record of active management in order to control its balance sheet exposure, access relevant skills and to grow its interests.

Senior management have an established history of increasing production in former Soviet republics, specifically in Azerbaijan. Michael Palmer, COO, has a track record of increasing production from 5,000 BOPD to 40,000 BOPD in Kazakhstan, and from 500 BOPD to 4,000 BOPD in Azerbaijan. Four international petroleum engineers have recently been recruited who are specialists in workover and drilling operations.

In addition to its activities discussed above, the Company is actively exploring oil & gas production and development opportunities in Africa, the Middle East and Central Asia to enrich the value of its asset portfolio.

Management's extensive international connections

The Company has the ability to capitalise on management's extensive international connections to continue accretive growth through acquisitions in order to create value through exploration and appraisal success and operational strengths.

Diversified Portfolio

The Group has established a diversified portfolio of interests in two different regions.

"Marginal field strategy"

The Company adopts a "marginal field strategy" in Italy, which enables it to "unlock" onshore fields that have been shut-in, thereby releasing significant residual reserves. The Company focuses on commercialisation and monetisation of existing oil and gas reserves and targets countries with an extensive history of production. This strategy requires expertise in optimising residual reserves and decommissioning of aged facilities. "Marginal fields" are often available from national companies due to an allocation of capital to higher impact (and higher cost) projects. Historically, the upfront costs of such acquisitions are moderate.

Remediation and capital improvement programme

Zenith's strategy is designed to reinvest an agreed portion of local cash flow back into remediation and capital improvements in order to enhance the Group's operations.

4 Strategy

Current business strategy and future opportunities

Zenith's business plan is to grow through international acquisitions and to increase the production and reserves from its international inventory of oil and gas projects. The Company's operations are targeted at areas with advantageous access points for its exploration activities with a reasonably stable economic and business environment. The Company's primary operations are in:

(a) Azerbaijan, where the Company has an 80% participating interest in three petroleum producing onshore fields; and

(b) Italy, where the Company owns various interests in 13 onshore exploration and production assets and two shut-in gas permits; and

The successful completion of the handover process and transfer of operatorship of the three petroleum producing fields in Azerbaijan (together one of the largest onshore oil and gas concessions in Azerbaijan by cumulative acreage) to Aran Oil Company occurred on 11 August 2016. Zenith intends to grow the current base of production in Azerbaijan through investments in technology, enhanced production techniques, significant infill development opportunities and future step out exploration. The Company considers its presence in Azerbaijan to be a key strategic asset and it is committed to developing its interest in the concession.

Strategically, the Company intends to develop a balanced portfolio of short, medium and long-term opportunities. To accomplish its objectives, the Company intends to seek innovative ways to unlock value by leveraging its assets and subsidiaries, build strong partnerships, participate in bid rounds to gain low cost exposure to favourable opportunities, execute accretive mergers and acquisitions to further strengthen its short and near-term portfolio, focus on growth in value and reserves potential, leverage its management team's international oil and gas expertise to add accretive production and reserves, and develop and create and build on strategic alliances with national oil companies and large proven operators.

In reviewing potential drilling or acquisition opportunities, the Company will consider the following criteria:

(a) risk capital to secure or evaluate the opportunity;

(b) the potential return of the project, if successful;

(c) the likelihood of success; and

(d) the risk-related return versus cost of capital.

Become a primarily self-funding business and maintain financial flexibility

From a financial perspective, the Group's focus is on achieving and maintaining a robust, well-funded business with the financial flexibility to fund high-impact exploration, appraisal and development programmes in order to realise the full potential of its oil and gas resources.

The Group may look to broaden its sources of funding while ensuring an appropriate capital structure.

Increase Reserves through further exploration and appraisal

In terms of exploration objectives, the Company's focus is on unlocking oil and gas reserves still unexploited in old and marginal oil and gas fields through the use of new technology. This approach allows the Company to invest in the oil and gas sector with lower associated geological risks than in a completely new environment, and very often in a country with good facilities available. Formally defined exploration wells are often located in an already well-known structure where the presence of hydrocarbons has been tested in several other wells in the area.

5 Italian Operations

On 18 November 2010, Zenith established Canoel Italia S.r.l., a wholly-owned subsidiary of the Company, incorporated in Italy. On 5 June 2013, the Company completed the acquisition of various interests in 13 Italian producing and exploration properties. As described above, the assets comprise six operated onshore gas production concessions, three non-operated onshore gas production concessions, an operated exploration permit, a non-operated exploration permit and two exploration permit applications.

On 1 October 2015, the Company acquired co-generation equipment and facilities from the owner of a plant that treats gas from the Masseria Vincelli 1 well in the Torrente Cigno concession in Italy. The acquisition has enabled the Company to produce electricity from the gas produced by the Masseria Vincelli 1 well which it sells it directly into the national energy grid in Italy. The natural gas extracted from the Masseria Vincelli 1 property which is not suitable for transportation in the national grid pipeline is currently produced to generate electricity with the use of gas engines.

As at 31 March 2018, the Competent Person estimated reserves at the Group's most commercially significant concessions in Italy as follows:

Lucera

- Total net proved developed producing conventional non-associated marketable gas reserves of 120 MMscf for the two producing gas wells at the concession.
- Net probable additional developed producing conventional non-associated marketable gas reserves of 31 MMscf for the same two wells.

Misano Adriatico

- Total net proved developed producing conventional non-associated marketable gas reserves of 123 MMscf for the one producing gas well at the concession.
- Net probable additional developed producing conventional non-associated marketable gas reserves of 74 MMscf for the same well.

San Mauro

- Total net proved developed producing conventional non-associated marketable gas reserves of 101 MMscf for the one producing gas well at the concession.
- Net probable additional developed producing conventional non-associated marketable gas reserves of 25 MMscf have been estimated for the same well.

Torrente Cigno

- Total gross proved developed producing conventional non-associated marketable gas reserves of 1.073 MMscf and 15 Mbbls of condensate for the one producing gas well at the concession (Masseria Vincelli 1).
- Gross probable additional developed producing conventional non-associated marketable gas reserves of 1,439 MMscf and 25 Mbbls of condensate for the same well.
- Probable undeveloped gas reserved of 13,413 MMscf and 216 Mbbls of condensate for an offset horizontal well location (Masseria Vincelli 2).

Overall, the Company's share of estimated total proved plus probable natural gas net reserves at the Lucera, Misano Adriatico, San Mauro and Torrente Cigno concessions was assessed at 16,398 Mmscf and condensate net reserves were assessed at 257 Mbbls as at 31 March 2018.

The Company's technical and geological team in Italy has also conducted in-depth geological, geophysical and engineering evaluations at some of the Group's Italian properties (the Torrente Vulgano, San Teodoro, Masseria Petrilli and Masseria Grottavecchia concessions) in order to identify and plan appropriate development activities at the relevant concessions. The team's work included a geophysical, geographical and infrastructure classification exercise and an assessment of the data relating to reserves and production capacity contained in independent studies previously conducted. Documentation held in the team's archive (for example maps, studies and seismic data received from the previous owners of the relevant concessions) has been analysed and interpreted and information has also been drawn from studies prepared by competent independent third parties. Specific software was also used to assist the process. Once precise geological conclusions and reserve valuations were finalised, the Company was able to make a thorough assessment of the best economic and structural solutions to facilitate positive cash flow generation from the concessions.

Models developed by the Company have enabled it to analyse the investment required and calculate economic and financial return at the concessions, and this has made it possible to identify key operational priorities.

In particular, the Company has key development plans at two concessions, San Teodoro and Masseria Petrilli. In the wholly-owned San Teodoro concession (currently not in production), projects are ongoing to enable drilling for gas at the "Macchia Nuova" structure. It is also intended that improvements of facilities at San Teodoro will be completed by the tie-in of new dehydration equipment. While the field has been capable of production, a lack of regional infrastructure limited additional expansion in the past. In December 2014, Zenith reached an agreement with a successful retail marketer of natural gas within Italy to handle production from this field, which is expected to restart production in January 2019. Production from the existing wellbore to commence at 3,000 cubic meters/day (106 mcf/d or 18 boed), increasing the Company's current daily production in Italy by 25%, to over 100 boepd. Costs of the refurbishment and commencing production at the concession are anticipated to be approximately c300,000 (GBP 256,050) and will be paid through an equipment leasing facility. The Company is also evaluating the possibility of drilling a deviated well into the crestal area of the Torrente Salsola structure at the Masseria Petrilli concession (where the Company has a 50% working interest) in order to unlock residual reserves. The plans at both concessions envisage a limited amount of capital expenditure in order to increase Zenith's gas production in Italy and to achieve a good level of profitability. The Company has an ambitious programme to enhance the Italian daily gas production rate in the Puglia Region by 100% through a technical programme employing additional workovers.

In addition, submission of extensive environmental reports relating to the commencement of production of the Torrente Vulgano gas property has been completed and preliminary approval has been received. The Company is now looking to commence production at these wells following receipt of final approval. Production of natural gas from the Torrente Vulgano property is now expected to commence in the next three years.

Separately, the Company is planning to implement an innovative plan for the exploitation of the Traetta 1 well in the Masseria Grottavecchia concession (where the Company has a 20% working interest) through the sweetening of the produced gas so that it can be sold through the national pipeline grid. This development plan was recently submitted to the relevant ministry in Italy, for its review and approval. The Company estimates that approval should be received in December 2018.

6 Azerbaijani Operations

At present, the Azerbaijani Operations produce approximately 300 barrels of crude oil per day, although they have produced much larger quantities previously (Source: SOCAR). Gas is also produced, but in low quantities and is used at the sites. The Company, which is free to sell/export oil without restrictions, sells its oil through the Marketing and Operations Department of SOCAR ("**SOCARMO**"). A related commission of 1% of total sales is payable to SOCARMO.

The Company has no specific work programme obligations; its rehabilitation and development plans are planned and determined by operational opportunities, in accordance with cash availability, value accretive equipment upgrades, including the repair or replacement of electrical submersible pumps as well ancillary oil production infrastructure, and the performance of well workovers aimed at increasing/restoring production.

Between 2018 and 2020, the Company plans to workover a total of 38 existing wells which are currently inactive or produce at low rates to bring rates up to as much as 40 STB/d per well, with an estimated average of 15 STB/d per well, using improved technology, non-damaging fluids and optimised treatments. It is estimated that 12 wells will be worked over in 2018, 15 wells in 2019 and 11 wells in 2020. The Company has undertaken 7 work overs between the effective date of the REDPSA in August 2016 and March 2018. The work over on C21 (Jafarli field) was quite successful, returning the well to production at 15 STB/d. One other work over on M66 (Muradkhanli Volcanic) was partially successful; it has restored production and achieved a flow rate of 15 STB/d, and 150 barrels of oil which had accumulated in the wellbore were also recovered during the well intervention. 2 other work overs are in progress or are waiting on equipment for fishing or milling.

The Company purchased one modern workover rig to optimise the completion and workover of the wells during the year 2017. Additional equipment may be leased or contracted as required to optimise the field redevelopment.

In addition to the marginal producing wells, five non-producing wells completed in the Maykop zone in the Zardab field in Azerbaijan are expected to be worked over in 2019 and to be returned to production after wellbore and sand production problems have been resolved.

The Company intends to acquire (for a cost of approximately US $10,000,000 (GBP £8,101,000)) a modern drilling rig capable of drilling 4,500m to carry out a fifteen-year drilling programme. It is estimated that five new wells will be drilled in 2019 and ten wells in each year thereafter until the anticipated drilling programme is completed in 2033 (with associated costs of approximately US $671,000,000 (GBP £543,577,100)).

During the first four years of the REDPSA it is estimated that US $1,500,000 (GBP £1,215,150) will be spent upgrading the gathering system and central facilities in Azerbaijan to improve safety, efficiency and handle higher production rates. During the same period, 39 active wells currently producing at marginal rates will be worked over at estimated costs ranging from US $25,000 (GBP £20,253) to US $32,000 (GBP £25,923) each.

It is anticipated that in 2019 five shut-in wells completed in the Maykop formation will be worked over to control sand production at an estimated cost of US $150,000 (GBP £121,515) each, and returned to production at a total rate of 200 STB/d.

It is envisaged that development drilling will commence in 2019 and continue until 2033. It has been estimated that each well with proved reserves will cost approximately US $4,300,000 (GBP £3,483,430). This cost will include the direct cost of materials, fuel, salaries, etc. to drill the well and an allocation for the purchase of the drilling rig, well completion and tie-in. Proved reserves are those reserves that can be estimated, by a competent professional, with a high degree of certainly to be recoverable. Each well in the proved plus probable category is expected to cost approximately US $5,000,000 (GBP £4,050,500). In addition to the costs anticipated for the wells with proved reserves, wells in the proved plus probable category have an additional allocation for periodic leasing or contracting of additional drilling rigs and expansion and modernisation of the field facilities. This category of reserves includes those additional reserves that are less certain to be recovered than proved reserves.

In total, 145 development wells are expected to be drilled, of which 58 of these are anticipated to be horizontal wells.

The total reserves of the Company's Azerbaijani operations are estimated by the Competent Person at 31,735 MSTB as at 31 March 2018.

7 Summary of reserves and resources

The Competent Person has stated the reserves and resources of the assets held by the Group in the CPR included in Part 23 Document, which are summarised below:

Summary of Company Reserves

31 March 2018

Combined Properties – Azerbaijan and Italy Zenith Energy Ltd.

	Net to Appraised Interest Reserves					
	Light and Medium Oil MSTB		*Reserves Sales Gas MMscf*		*NGL Mbbls*	
	Gross	*Net*	*Gross*	*Net*	*Gross*	*Net*
PROVED						
Proved Developed Producing						
Azerbaijan	377	377	—	—	—	—
Italy	—	—	1,196	1,196	15	15
Total Proved Developed Producing	377	377	1,196	1,196	15	15
Proved Developed Non-Producing	—	—	220	220	—	—
Total Proved Developed Producing	—	—	220	220	—	—
Proved Undeveloped	3,511	3,511	—	—	—	—
Total Proved Undeveloped	3,511	3,511	—	—	—	—
Total Proved	3,887	3,887	1,416	1,416	15	15
PROBABLE						
Probable Developed Producing						
Azerbaijan	139	139	—	—	—	—
Italy	—	—	1,513	1,513	25	25
Total Probable Developed Producing	139	139	1,513	1,513	25	25
Probable Developed Non-Producing						
Azerbaijan	1,011	1,011	—	—	—	—
Italy	—	—	56	56	—	—
Total Probable Developed Non-Producing	1,011	1,011	56	56	—	—
Probable Undeveloped						
Azerbaijan	26,697	26,697	—	—	—	—
Italy	—	—	13,413	13,413	216	216
Total Probable Undeveloped	26,697	26,697	13,413	13,413	216	216
Total Probable	27,847	27,847	14,982	14,982	242	242
PROVED PLUS PROBABLE						
Azerbaijan	31,735	31,735	—	—	—	—
Italy	—	—	16,398	16,398	257	257
Total Proved Plus Probable	31,735	31,735	16,398	16,398	257	257

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others. Columns may not add precisely due to accumulative rounding of values throughout the CPR.

8 Dividend policy

The Company is primarily seeking to achieve capital growth for its Shareholders. It is the Board's intention during the current phase of the Company's development to retain future distributable profits from the business, to the extent any are generated, for future operations, expansion and debt repayment, if necessary. As a holding company, the Company will be dependent on dividends paid to it by its subsidiaries.

The Company has never declared or paid any dividends on the Common Shares. At present, there is no intention to declare any dividends in the foreseeable future and a dividend may never be paid. Any decision to declare and pay dividends will be made at the discretion of the Board of Directors and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by corporate law and such other factors that the Board of Directors may consider relevant.

The Board can give no assurance that it will pay any dividends in the future, nor, if a dividend is paid, what the amount of such dividend will be.

9 Expansion Strategy

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.

As part of this strategy, the Company announced on 28 March 2018 that it has entered into an exclusivity and option agreement (the "**Agreement**") for the acquisition of various production and exploration licences in Indonesia (the "**Proposed Acquisition**"). The vendors of the Proposed Acquisition have not delivered all the required information for the Board to consider matters further at this time and the option element of the Agreement has now lapsed. The exclusivity element of the Agreement remains in place. As a consequence, the Board has decided to defer a decision on whether to proceed with the Proposed Acquisition until the second half of 2018 in order to focus on implementing actions in Azerbaijan following the Placing.

The Proposed Acquisition remains at an early stage and there can be no guarantee that the transaction will be successfully completed. Completion of the Proposed Acquisition remains conditional on, *inter alia*, completion of satisfactory due diligence, the entering into of binding agreements and financing of the Proposed Acquisition. Zenith is considering a number of funding options to finance the potential transaction including debt and equity, whilst seeking to avoid significant dilution to existing Shareholders. Completion of the Proposed Acquisition may be subject to regulatory approval from the TSXV, although this is considered by the Directors to be unlikely based on legal advice in Canada.

The Company has exclusive rights to complete the Proposed Acquisition for a period of 90 days from 23 March 2018

Please note that none of the funds raised in the Placing are for the purpose of the Proposed Acquisition. If the Company does decide to proceed with the Proposed Acquisition, then the capital required will be raised specificially for that purpose. If the Directors decide that some or all of the Consideration is to be financed through the issue of new Common Shares, then Shareholders, including those who participated in the Placing will be diluted. The Board considers the level of uncertainty as to whether the Proposed Acquisition may proceed, on what terms it might proceed and when it might proceed to be significant, and so do not regard the Proposed Acquisition to be material to the Company's present value or to its future prospects.

PART 11

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. The Directors and Senior Management

The Directors believe the Board comprises a knowledgeable and experienced group of professionals with relevant experience for sourcing, evaluating, structuring and executing the business strategy of the Company. The Board will have full responsibility for its activities.

Details of the Directors, the Proposed Director and the Senior Manager are listed below.

1.1. Directors

1.1.1. Jose Ramon Lopez-Portillo (*Non-Executive Chairman, aged 64*)

Jose 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.

1.1.2. Andrea Cattaneo Della Volta Cattaneo Adorno (*President and Chief Executive Officer, aged 62*)

Andrea Cattaneo 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, particularly in the oil industry, and also in the management of oil fields. He also has significant experience in former socialist countries and in 1985 he arranged the first US$ loan to Vietnam, the then third poorest county in the world. Separately, Mr Cattaneo is a Partner of the Bolsa de Comercio de Buenos Aires (BCBA), the Buenos Aires Stock Exchange and was previously a member of the Business Advisory Council to the Great Tumen Initiative, a United Nations project for regional economic cooperation in Northeast Asia. He is a member of the Steering Committee of IADC (International Association Drilling Companies) Caspian Chapter and a non-executive Director of the Anglo-Azerbaijan Society. He has been a Director of the Company since 9 December 2008 and has served as President and CEO of the Company since 2009.

1.1.3. Luigi Regis Milano (*Executive Director, aged 80*)

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 Srl. 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).

1.1.4. Dario Ezio Sodero (*Non-Executive Director, aged 76*)

Dario Sodero was appointed to the Board on 24 June 2009. As an experienced energy industry executive with almost 50 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 is a director of Rockbridge Resources Inc., a TSXV publicly traded oil and natural gas company, since January 2011, and 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.

1.1.5. Erik Sture Larre (*Non-Executive Director, aged 55*)

Erik Larre has been a Director of the Company since 22 March 2011. Mr Larre specialises in real estate, banking and finance matters, and also has experience in the oil and gas industry. Mr Larre has strong business connections internationally and in particular within the Nordic business community. Mr Larre is a director of several real estate companies around the world and has acquired wide geographical experience in countries in Eastern and Southern Europe and the Middle East. Mr Larre holds a Master's degree in Civil Engineering from the Polytechnic University of Milan, Italy and speaks six languages.

1.1.6. Saadallah Al-Fathi (*Non-Executive Director, aged 78*)

Saadallah Al-Fathi served as Head of the Energy Studies Department, Organization of Petroleum Exporting Countries (OPEC) in Vienna, Austria as well as OPEC Representative to the Executive Council of the World Energy Council and Member of its Studies and Developing Countries Committee. Following these high-profile institutional positions Mr Al-Fathi has served as an advisor to several government and private entities as well as establishing himself as an award-winning oil and gas industry researcher and columnist. Mr Al-Fathi has authored a number of research papers on the oil & gas sector and was recently joint winner of the 2016 scientific research award of the Organization of the Arab Petroleum Exporting Countries.

1.1.7. Sergey Borovskiy (*Non-Executive Director, aged 45*)

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.

He 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 Borovkiy studied in both China and Russia and holds a degree in economics.

1.2. Senior Management

1.2.1. Luca Benedetto (*Chief Financial Officer, aged 46*)

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.

Mr Benedetto 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. Among other tasks, his responsibilities included maintaining and developing relationships with many international and Italian oil majors such as Exxon, Shell, IP, AGIP, API, and ERG.

Mr Benedetto joined the Group in 2013 as Chief Financial Officer of the Company's Italian subsidiary, Canoel Italia Srl., and has since progressed to also hold the position of Group Financial Controller. He was appointed Group Chief Financial Officer in April 2017.

1.2.2. Michael Palmer (*Chief Operating Officer, Azerbaijan, aged 62*)

Michael Palmer, an American national, holds a Bachelor of Science degree in Chemical Engineering from the University of Washington and is also a graduate of Columbia University's Senior Executive Management Program. Mr Palmer has 37 years of experience in the oil industry as head of production operations, exploration and field development in Azerbaijan, Kazakhstan, Russia, Ukraine, Syria, Indonesia, Gabon, Guinea, and the US.

One of Mr Palmer's most important achievements has been the successful management of operations at an onshore oilfield in Azerbaijan operated by an international oil production company. Under Mr Palmer's management of this field, operations were economically successful, and production increased from approximately 1,500 barrels of oil per day to 7,500 barrels of oil per day. Following this success, the asset was sold, and Mr Palmer left his position. Mr Palmer was appointed to his current role in May 2017.

1.3. Independence of the Board

Jose Ramon Lopez-Portillo, Saadallah Al-Fathi and Dario Sodero are currently deemed "independent" members of the Board.

1.4. Directors' fees

For the financial year ending 31 March 2017, the fees payable to the Directors were as follows:

- Jose Ramon Lopez-Portillo – no fee provided
- Andrea Cattaneo – £134,952 (as a consulting fee)
- Luigi Regis Milano – £17,472 (for his position as managing director of Canoel Italia Srl., paid by Canoel Italia Srl.)
- Dario Sodero – £9,037 (as a consulting fee)
- Erik Larre – no fee provided
- Francesco Salimbeni – no fee provided (ceased to be a director on 10 February 2017 on his passing)
- Saadallah Al-Fathy – no fee provided.

1.5. Additional information

In addition:

- For the current financial year, the Directors will be entitled to receive a fee to be determined by the Remuneration Committee.
- On 17 May 2017 the Company granted Options to Mr Cattaneo over 1,000,000 Common Shares at an exercise price of CAD$0.15 (approximately £0.091 on the date of granting) per Common Share.
- Mr Cattaneo has agreed to swap his full salary for new Common Shares ("Salary Sacrifice Shares"), with effect from 1 April 2017. The new Common Shares are issued on a quarterly basis at a price that is the highest of: (i) the average price at which the Common Shares traded during the period, based on the mid-market closing price on the London Stock Exchange on each trading day, plus 15 per cent, and (ii) the discounted market price on the TSXV at the time the Salary Sacrifice Shares are issued. Under TSXV rules, the Company may not issue Salary Sacrifice Shares above the value of CAD$2,500.00 each month, without independent Shareholder approval which was obtained at the annual general meeting held on 30 March 2018. For the first 3 quarters of the financial year to 31 March 2018, a total of 111,131 Common Shares have been issued under this arrangement. All the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company.
- Further details of the Directors' service agreements and letters of appointment (as the case may be) are set out in Part 18.

2. Strategic decisions

2.1. The Board

The Directors are responsible for carrying out the Company's objectives, setting its business strategy and conducting its overall supervision. Acquisitions, divestment and other strategic decisions will all be considered and determined by the Board.

The Board has established the corporate governance framework of the Company and will have overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company. No Shareholder approval will be sought by the Company in relation to transactions following Admission unless it constitutes a reverse takeover under the Listing Rules or is otherwise acquired under applicable law or regulation.

The Board is committed to the highest standards of corporate governance. On and following Admission, the Board will continue to comply with the corporate governance requirements imposed on the Company as a result of the Company's continued listing on the TSXV.

2.2. Frequency of meetings

The Board will schedule meetings every two months and will hold additional meetings as and when required. The expectation is that this will result in more than six meetings of the Board each year.

2.3. Corporate governance

The Company currently complies with the corporate governance regime applicable to the Company pursuant to the laws of British Columbia, the securities law in Canada and the standard segment of the Official List. Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board of Directors facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions.

The Board has established an audit committee, a remuneration committee and a corporate governance committee with formally delegated duties and responsibilities.

2.3.1. 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 four 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 Company (including annual and interim accounts and results announcements), reviewing the effectiveness of the Company'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 will have unrestricted access to the Company'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 will give due consideration to laws and regulations and the requirements of the Listing Rules. The Company has an Audit Committee Charter.

2.3.2. Remuneration Committee

The Remuneration Committee comprises Jose Ramon Lopez-Portillo, Dario Sodero and Saadallah Al-Fathy and is chaired by Jose Ramon Lopez-Portillo. It meets not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining the Company's policy on the remuneration packages of the Company's chief executive, the chairman, the executive and non-executive directors, the Company secretary 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 Company'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 Company'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.

2.3.3. Corporate Governance Committee

The Corporate Governance Committee comprises Sergey Borovskiy, Dario Sodero and Jose Ramon Lopez-Portillo and is chaired by Sergey Borovskiy. It meets not less than once a year and at such other times as required. The Corporate Governance Committee will ensure that the Company 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 will also monitor the Company's procedures to approve (a) announcements to ensure that the information disclosed by the Company is timely, accurate, comprehensive and relevant to the business of the Company and (b) any share dealings by directors or employees or announcements made by the Company to ensure compliance with the Company's policies, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and the Listing Rules and such other regulations to which the Company is subject from time to time.

2.4. Anti-bribery and corruption policy

The Company has adopted an anti-bribery and corruption policy and also implemented appropriate procedures to ensure that the Board, employees and consultants comply with the UK Bribery Act 2010.

2.5. Media policy

The Company has adopted a media policy to ensure that the information disclosed by the Company is timely, accurate, comprehensive and relevant to the business of the Company. Adherence to this policy is intended to provide an effective and efficient framework to facilitate the timely dissemination of information. The media policy will apply to all employees of the Company and its subsidiaries and divisions as well as the members of its Board of Directors.

Andrea Cattaneo is designated as the Company's principal media contact and Company spokesperson. Depending on the situation, an individual external to the Group (e.g. an external technical consultant) may be asked to be a spokesperson on a particular issue due to their knowledge, experience and technical expertise.

3. Listing

Subject to eligibility, the Directors may, in future, seek to transfer the Company from the standard segment of the Official List to either a Premium Listing or another appropriate listing venue, based on the track record of the Company or any business it acquires, subject to fulfilling the relevant eligibility criteria at the time. However, in addition to or in lieu of a Premium Listing, the Company may determine to seek a listing on another stock exchange. Following any such Premium Listing, the Company would comply with the continuing obligations contained within the Listing Rules and the Disclosure Guidance and Transparency Rules in the same manner as any other company with a Premium Listing.

The Company has a Standard Listing of the Common Shares on the Official List and a Standard Listing offers less protection to investors than would otherwise be the case with a Premium Listing on the Official List.

Further details on the consequences of a Standard Listing are set out in Part 4: "*Consequences of a Standard Listing*" of this Document.

PART 12

THE PLACING, SUBSCRIPTION AND THE PRIMARYBID OFFER

1. Description of the Placing

Under the Placing, 46,500,000 Placing Shares have been conditionally subscribed for by investors at the Placing Price of 4 pence per new Common Share, which is expected to raise gross proceeds of £1,860,000, subject to commissions and other estimated fees and expenses of approximately £311,700. The Placing Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing will result in the Existing Shares being diluted so as to constitute 22.10% of the Enlarged Common Shares in Issue. The Directors have received irrevocable undertakings from investors to subscribe for 46,500,000 Common Shares in aggregate at the Placing Price. The undertakings are conditional only on Admission. The Placing is not underwritten.

The Placing Shares have been made available primarily to investors in the UK. In accordance with Listing Rule 14.3, at Admission, at least 25% of the Common Shares will be in public hands (as defined in the Listing Rules).

Completion of the Placing will be announced via a regulatory information service on Admission, which is expected to take place at 8.00 a.m. on 26 June 2018.

2. Allocation

Allocations under the Placing have been determined by the Company following receipt of indications of interest from prospective investors. A number of factors were considered in deciding the basis of allocation under the Placing, including the level and nature of the demand for the Placing Shares and the objective of establishing an investor profile consistent with the long-term objective of the Company. The Company has notified investors of their allocations.

All Placing Shares issued pursuant to the Placing will be issued, payable in full, at the Placing Price.

The Common Shares issued pursuant to the Placing will be issued in registered form. It is expected that the Common Shares will be issued pursuant to the Placing on 26 June 2018.

3. Description of the Subscription

Under the Subscription, 4,000,000 Subscription Shares at the Subscription Price of 4 pence per Common Share (the same as the Placing Price) have been conditionally subscribed for by investors. This will raise gross proceeds of £160,000, subject to commissions and other estimated fees and expenses of approximately £0.

The Subscription Shares have been subscribed by investors in the European Economic Area (including the UK) and Switzerland (each a "**Subscriber**"). In accordance with Listing Rule 14.3, at Admission, at least 25% of the Common Shares of the listed class will be in public hands (as defined in the Listing Rules).

The Subscription Shares will be issued in registered form. It is expected that the Subscription Shares will be issued on 26 June 2018. The Subscription Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including the right to receive all dividends or other distributions declared, made or paid after Admission.

Each Subscriber has been sent a subscription letter by the Company pursuant to which the Company has offered the Subscription Shares, subject to the terms and conditions set out in the subscription letter, the form of confirmation and the articles of association of the Company. In the form of confirmation from each Subscriber, the Subscriber specifies the number of Subscription Shares it wishes to subscribe for.

The Subscription is conditional on Admission having become effective by 30 June 2018 or such later date as may be agreed between the Company and the Subscribers. Each Subscriber must be an entity authorised by the FCA or an equivalent regulator within the European Economic Area or Switzerland.

Each Subscriber gives certain customary representations and warranties in the form of confirmation including that they will not resell the Common Shares in Canada for a period ending four months and one day from the distribution date and that the Subscriber is an entity authorised by the FCA or an equivalent regulator within the European Economic Area or Switzerland.

4. Description of the PrimaryBid Offer

An offer for subscription for up to 20,000,000 Offer Shares at the Offer Price of 4 pence per Common Share (the same as the Placing Price) will be undertaken by PrimaryBid, open on 20 June 2018 (www.primarybid.com). This will raise gross proceeds of up to £800,000. The PrimaryBid Offer is not underwritten. Further details can be found in paragraph 24.19 of Part 18.

The Offer Shares will be offered primarily to investors in the UK. In accordance with Listing Rule 14.3, at Admission, at least 25% of the Common Shares of the listed class will be in public hands (as defined in the Listing Rules).

Completion of the PrimaryBid Offer will be announced via a regulatory information service on Admission, which is expected to take place at 8.00 a.m. on 26 June 2018.

The Offer Shares will be issued in registered form. It is expected that the Common Shares will be issued pursuant to the PrimaryBid Offer on 26 June 2018. The Offer Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Common Shares including the right to receive all dividends or other distributions declared, made or paid after Admission.

5. Dealing arrangements

Application has been made to the UK Listing Authority for the Placing Shares, Subscription Shares, Offer Shares and Admission Shares to be listed on the standard segment of the Official List and an application has been made to the London Stock Exchange for the Placing Shares, Subscription Shares, Offer Shares and Admission Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities. An application will also be made to list the Placing Shares, Subscription Shares and Offer Shares on the TSXV, however the Placing Shares, Subscription Shares and Offer Shares may not be resold in Canada or to a resident of Canada for a period of four months and one day following their issue.

It is expected that Admission will take place and unconditional dealings in the Placing Shares, Subscription Shares, Offer Shares and Admission Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 June 2018. This date and time may change.

It is intended that settlement of Placing Shares, Subscription Shares and Offer Shares allocated to investors will take place by means of crediting Depositary Interests to relevant CREST stock accounts on Admission. When admitted to trading, the Placing Shares, Subscription Shares and Offer Shares will be registered with ISIN number CA98936C1068, SEDOL number BYNXNZ9 and TIDM code ZEN.

6. CREST

CREST is the system for paperless settlement of trades in listed securities operated by Euroclear. CREST allows securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer.

The Depositary Interests are admitted to CREST. Accordingly, settlement of transactions in the Depositary Interests may take place within the CREST System if any Shareholder (as applicable) so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Placing Shares, Subscription Shares or Offer Shares may elect to receive them in uncertificated form in the form of Depositary Interests if the investor is a system member (as defined in the CREST Regulations) in relation to CREST.

7. Use of Proceeds

The estimated Net Proceeds of the Placing and Subscription are approximately £1,708,300. The total expenses incurred (or to be incurred) by the Company in connection with Admission, Subscription and the Placing are approximately £311,700.

The Company's intention is to use the Net Proceeds as follows (in order of priority):

Use	*Amount (£)*
Deposit for the leasing of a new drilling rig	£1,500,000
Working capital	£208,300
Total	**£1,708,300**

Any proceeds received under the PrimaryBid Offer will be applied for general working capital purposes.

PART 13

SELECTED FINANCIAL INFORMATION

The selected financial information relating to the Group set out below has been extracted, without material adjustment, from the audited financial statements that have been incorporated by reference. The selected financial information below should be read in conjunction with the whole of this Document.

PART A SELECTED FINANCIAL INFORMATION

Administrative Expenses

General and administrative expenses for the three years ended 31 March are composed of the following:

	Year ended 31 March		
	2015 *CAD$'000*	*2016* *CAD$'000*	*2017* *CAD$'000*
Professional fees	**940**	**1,070**	**1,884**
External Audit Remuneration fees	183	114	84
Legal fees	182	161	311
Accountancy fee	87	103	147
Consultancy	202	452	814
Other fees	286	240	528
Office	**152**	**394**	**291**
Office rental	55	113	116
Other expenses	97	281	175
Administrative	**457**	**470**	**319**
Administrative services	258	262	125
Taxes	49	—	5
Other expenses	150	208	189
Salaries and benefits	**1,046**	**341**	**864**
Consulting fees	235	198	173
Salaries	564	143	324
Other expenses	247	—	367
Travel	**100**	**413**	**945**
Other expenses	**—**	**10**	**3**
Foreign exchange	**254**	**59**	**(151)**
TOTAL	**2,949**	**2,757**	**4,155**

Business combinations/disposal of subsidiary

1) Electricity generation plant in Italy

On 1 October 2015, the Company acquired a co-generation plant and assumed certain liabilities for a plant employee from a third party for total consideration of EUR 449k (CAD$666k), of which EUR 401k (CAD$550k) was financed in the form of a loan payable to the seller (Note 15) and EUR 48k (CAD$71k) was offset against trade and other receivables due from the seller. The loan payable is secured by the co-generation plant and bears interest at 3.5% per annum and is repayable in 30 monthly payments of principal and interest until 31 March 2018.

The acquisition of the co-generation plant was accounted for as a business combination using the acquisition method of accounting:

Fair value of net assets acquired	*CAD$'000*
Co-generation plant (D&P assets)	708
Decommissioning obligation	(11)
Trade and other payables	(31)
	666
Consideration:	
Euro loan payable (Note 15)	595
Trade and other receivables	71
	666

2) Azerbaijan

The fair values of the assets acquired, the liabilities and contingent liabilities assumed are based on the Net Present Value ("NPV") of future cash flows included in the Competent Persons Report prepared on behalf of the Group by Chapman Petroleum Engineering Ltd. ("Chapman") as of August 31, 2016.

There was an effective CAD$nil acquisition price applied to the calculation of the gain on bargain purchase. The acquisition has been accounted for as a business combination using the acquisition method of accounting and resulted in a bargain purchase as follows:

Fair value of net assets acquired	*CAD$'000*
Development and production assets	1,065,346
Compensatory Oil*	(5,963)
Capital Costs*	(478,598)
Decommissioning Obligations*	(1,790)
Gain on business combination	**578,995**
Taxation	—
NPV of the assets	**578,995**

* Amounts required to be paid under the terms of the REDPSA and therefore in accordance with FRS3 ("Business Combinations") form part of the acquisition amount.

The activity of the newly-acquired Azerbaijan subsidiaries are included within note 27 'Operating segments'. No deferred income tax liability has been reflected in the business combination transaction as a result of the Group being exempt from paying income tax under the terms of the REDPSA.

Development and production (D&P) assets

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

Decommissioning provisions

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

On 12 August 2016, the day immediately following the acquisition date, the decommissioning obligation assumed was remeasured using a long-term risk free rate based on the expected timing of cash flows, in accordance with IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets"). The result was a CAD$1,790k increase in the decommissioning obligation associated with the acquired assets and the net result of the acquisition and recognition of decommissioning liability recognition being a gain of CAD$578,995k measurement for the year ended 31 March 2017.

Compensatory oil

The Group have an obligation from the Effective Date, under the terms of the contract, to:

1. within one year following the Effective Date, deliver at no charge to SOCAR 5% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter; and

2. commencing on the first anniversary of the Effective Date, start delivering, at no charge to SOCAR, 15% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter, until the amount delivered is the equivalent of approximately 315,000 barrels of "compensatory" crude oil to SOCAR.

The amount, stated as a liability, reflects this production obligation that has to be delivered to SOCAR, valued at the estimated production price of US$20 per barrel.

Zenith Aran and SOA have an obligation to:

1. within one year following the Effective Date, deliver at no charge to SOCAR 5% of the total production of petroleum produced from the REDPSA area in each calendar quarter; and

2. commencing on the first anniversary of the Effective Date, start delivering, at no charge to SOCAR, 15% of the total production of petroleum produced from the REDPSA area in each calendar quarter,

until the amount delivered is the equivalent of approximately 315,000 barrels of "compensatory" crude oil to SOCAR ("**Compensatory Petroleum**"). The amount, stated as a liability, reflects the production quota due to SOCAR, calculated with an estimated production cost of US$20 per barrel.

Capital Costs

Between 2018 and 2020, the Group plans to workover a total of 26 existing wells in Azerbaijan which are currently inactive or produce at low rates (< 5 STB/d) to bring rates up to 10 to 15 STB/d per well using improved technology, non-damaging fluids and optimized treatments.

This program has commenced using the existing workover rig in the field and the Group intends to purchase an additional modern workover rig to optimize the workover of the wells, within the next four years.

In addition to the marginal producing wells, five non-producing wells in the Maykop zone in the Zardab field in Azerbaijan are expected to be worked over in 2019 and to be returned to production once the existing wellbore and sand production issues have been resolved.

The Group intends to lease one modern drilling rig capable of drilling 6,000m to carry out a fifteen-year drilling program. It is anticipated that five new wells will be drilled in 2019 and ten wells in each year thereafter until the anticipated drilling program is completed in 2033.

During the first four years of the REDPSA it is estimated that US$1,500k will be spent upgrading the gathering system and central facilities in Azerbaijan to improve safety, efficiency and handle higher production rates. During the same period, 39 active wells currently producing at marginal rates will be worked over at an estimated cost ranging from $25k to $32k per well, using the existing workover rig.

It is anticipated that in 2019 five shut-in wells completed in the Maykop formation will be worked over to control sand production, at an estimated cost of US$150k per well, and returning to an increase of production at a total of 200STBl/d.

On 24 January 2017 the Group announced the signing of a well workover contract and engagement of highly experienced local drilling company to initiate and execute the workover of first two wells in the program (M-195 and M-45).

It is envisaged that development drilling will commence in 2019 and continue until 2033. It has been estimated that each well with proved reserves will cost approximately US$4,300k. This cost will include the direct cost of materials, fuel, salaries, etc. to drill the well and an allocation for the purchase of one drilling rig, well completion and tie-in.

Proved reserves are those reserves that can be estimated by the competent person with a high degree of certainty to be recoverable. The estimate of the reserves are related to a given date, based on analysis of drilling, geological, geophysical and engineering data; the use of established technology, and; specified economic conditions, which are generally accepted and being reasonable, and shall be disclosed.

In addition to the costs anticipated for the wells with proved reserve, wells in the proved plus probable category have an additional allocation for the purchase and maintenance of a second drilling rig and expansion and modernization of the field facilities.

In all 145 wells are expected to be drilled over 16 years, of which 58 of these are anticipated to be horizontal wells.

DEFERRED CONSIDERATION PAYABLE

	31 March 2017 CAD$'000	*31 March 2016 CAD$'000*
Compensatory Oil		
Current portion	138	—
Non-Current portion	5,739	—
Capital costs		
Current portion	302	—
Non-Current portion	478,295	—
As of 31 March	**484,474**	**—**
Deferred Consideration payable current	440	—
Deferred Consideration payable non-current	484,034	—
Total	484,474	—

The deferred consideration liability has been measured at the present value of contracted future cash flows. The value and timing of contracted future cash flows has been included in note 25 (b).

3) Switzerland

On 30 March 2017 Zenith acquired a Swiss company, Altasol SA, paying an amount of CHF 100 (CAD$134).

The acquired entity is a non-operating company, which was purchased with the prospective of developing an oil trading subsidiary of Zenith Energy Ltd.

The below table shows the assets and liabilities acquired at the date of purchase.

Financial Statements as of 30 March 2017

	CAD '000
ASSETS	
Current Assets	
Cash and cash equivalents	2,343
TOTAL ASSETS	**2,343**
LIABILITIES	
Short Term Loans	66
Long Term Loans	2,277
TOTAL LIABILITIES	**2,343**
Equity	—
TOTAL LIABILITIES AND EQUITY	**2,343**

4) Disposal of properties in Argentina

General description

On 20 February 2017 the Group announced the sale of its operations in Argentina to a group of local energy investors.

Due to a series of circumstances beyond the Group's control, caused by the collapse of a major storage tank owned by the Argentina's national oil company production, Zenith's Argentine operations were suspended and its oil production could no longer be transported through YPF pipelines.

To date, the issues affecting the transportation of oil have not been fully resolved and a persisting uncertainty on the recommencement of operations led the Group to reconsider its operational involvement in Argentina.

The sale of the Group's Argentinian subsidiary was fixed at a nominal sum in recognition of the costs the new owner is expected to incur to return these fields to production. In addition, the Group will no longer be liable for any environmental responsibilities or future well abandonment obligations for the Don Alberto and Don Ernesto fields.

Termination of activities in Argentina will enable Zenith's management to more effectively direct its focus on its Italian operations and especially towards Azerbaijan, where the Group's most important assets are located, and where a systematic program of field rehabilitation has begun. This re-alignment reflects the Board's aversion to operational overstretch and the Group's preference for a strong, concentrated focus towards the achievement of its production objectives in Azerbaijan.

(i) Results of discontinued operations

	2017 *CAD$'000*	*2016* *CAD$'000*
Revenue net of royalties	71	1,168
Operating expenses	(583)	(941)
Transportation expenses	(2)	(57)
General and administrative expenses	(264)	(400)
Depreciation and impairment expenses	(13)	(61)
Impairment of inventory	—	(228)
Gain on sale of marketable securities	—	20
Foreign exchange	107	776
Finance expense	(106)	(246)
Loss on disposal of discontinued operations	(3,573)	—
(Loss)/profit for the year	(4,363)	31

Earnings per share from discontinued operations

	2017	*2016*
Basic and diluted profit/(loss) per share	$(0.01)	$0.00

Statement of cash flows

	2017 $'000	2016 $'000
Operating activities	(390)	(386)
Investing activities	—	(11)
Financing activities	331	198
Net cash from discontinued operations	(59)	(199)

(ii) Loss on disposal of subsidiaries

The post-tax loss on disposal of discontinued operations was determined as follows:

	2017
	$'000
Cash consideration received	1
Total consideration received	1
Overdraft disposed of	3
Net inflow received on disposal of discontinued operations	4
Net assets disposed of (other than cash)	—
Investment in subsidiaries	(1,864)
Loans to subsidiaries net of impairment	(402)
Other assets and liabilities	(1,307)
Pre-tax loss on disposal of discontinued operations	(3,573)
Related tax expense	—
Loss on disposal of discontinued operations	(3,573)

Property and equipment

	D&P Assets
	CAD$'000
Carrying amount at 31 March 2014	**19,253**
Additions	1,171
Acquired in business combination	—
Disposals	—
Depreciation	(668)
Impairment	—
Decommissioning obligation	(1,487)
Exchange difference on translation of a foreign operation	(1,576)
Carrying amount at 31 March 2015	**16,693**
Additions	313
Acquired in business combination	709
Disposals	—
Depreciation	(270)
Impairment	(5,025)
Decommissioning obligation	2,069
Foreign exchange differences	109
Carrying amount at 31 March 2016	**14,598**
Additions	413
Acquired in business combination (note 6)	1,065,346
Disposals	(3,542)
Depreciation	(1,299)
Impairment	(2,985)
Decommissioning obligation	617
Compensatory oil delivered	(87)
Foreign exchange differences	(128)
Carrying amount at 31 March 2017	**1,072,933**

Share Capital

Zenith is authorised to issue an unlimited number of Common Shares, of which 115,577,230 were issued as at 31 March 2017 (2016 – 43,594,406 and 2015: 29,292,081). 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 this Document.

The Group's ordinary shares are fully paid with nil par value.

Issued

	Number of common shares	*Amount CAD$'000*
Balance – 31 March 2014	**11,252,039**	**7,152**
Non-brokered unit private placement (i)	15,529,984	2,329
Fair value of warrants (i)	—	(1,090)
Conversion of convertible notes (ii)	2,510,058	540
Share issue costs	—	(181)
Fair value of warrants (ii)	—	(63)
Balance – 31 March 2015	**29,292,081**	**8,687**
Conversion of convertible notes (iii)	882,640	110
Non-brokered unit private placement (iv)	2,700,000	270
Fair value of warrants (iv)	—	(46)
Non-brokered unit private placement (v)	4,214,125	337
Fair value of warrants (v)	—	(107)
Non-brokered unit private placement (vi)	5,780,688	463
Fair value of warrants (vi)	—	(181)
Settlement of debt (vii)	724,872	67
Share issue costs (vii)	—	(22)
Balance – 31 March 2016	**43,594,406**	**9,578**
Non-brokered unit private placement (viii)	6,674,775	534
Finder's fee	—	(27)
Non-brokered unit private placement (ix)	3,892,875	311
Finder's fee	—	(15)
Conversion of convertible notes (x)	2,730,000	300
Settlement of debt (x)	312,500	31
Non-brokered unit private placement (xi)	1,519,250	122
Finder's fee	—	(6)
Non-brokered unit private placement (xii)	1,906,050	191
Finder's fee	—	(10)
Settlement of debt (xiii)	1,049,235	88
Non-brokered unit private placement (xiv)	2,745,062	329
Finder's fee	—	(4)
Settlement of debt (xv)	150,000	12
Admission LSE placement (xvi)	33,322,143	3,783
Fair value of warrants issued		(77)
Finder's fee		(200)
Settlement of debt (xvii)	668,571	78
Non-brokered unit private placement (xviii)	9,000,000	1,399
Finder's fee	—	(70)
Conversion of convertible notes (xix)	3,700,000	407
Settlement of debt (xx)	505,263	72
Conversion of convertible notes (xxi)	1,637,100	164
Conversion of convertible notes (xxii)	2,170,000	239
Balance – 31 March 2017	**115,577,230**	**17,229**

Warrants and Options

	Number of options	*Number of warrants*	*Weighted average exercise price*	*Amount CAD$'000*
Balance – 31 March 2015	**—**	**2,628,367**	**0.85**	**487**
Unit private placements		750,000	0.25	1,091
Finder's fees		75,000	0.25	62
Expired		(2,152,503)	(1.03)	(394)
Balance – 31 March 2015	**—**	**17,228,852**	**0.25**	**1,246**
Bond Units	—	1,740,000	0.25	20
Bond Units Finder's fee	—	67,500	0.25	2
Unit private placements	—	5,564,125	0.25	152
Unit private placements	—	5,780,688	0.15	181
Finder's fees	—	82,733	0.15	2
Expired	—	(825,000)	(0.25)	(93)
Balance – 31 March 2016	**—**	**29,638,898**	**0.23**	**1,510**
Unit private placements	—	12,591,612	0.15	—
Unit private placements	—	4,651,112	0.20	—
Unit private placements	—	1,114,286	0.11	77
Unit private placements	—	9,000,000	0.24	—
Options issued	6,000,000	—	0.10	290
Options exercised	(1,000,000)	—	0.10	—
Balance – 31 March 2017	**5,000,000**	**56,995,908**	**0.21**	**1,877**

Loans and Notes payable

Loans and Notes payable	*2015 CAD$'000*	*2016 CAD$'000*	*2017 CAD$'000*
Notes payable – current	200	—	—
Loan payable – current	2,167	3,210	973
Loan payable – non-current	433	674	4,527
Total	**2,800**	**3,884**	**5,500**

(a) Notes payable

Notes payable	*2015 CAD$'000*	*2016 CAD$'000*	*2016 CAD$'000*
As at 1 April	374	200	—
Loan receipt	—	—	365
Change adjustment	37	—	(205)
Interest	64	75	8
Repayment	(275)	(275)	(168)
As at 31 March	**200**	**—**	**—**

(b) Borrowings

Loans – non-current	*2015 CAD$'000*	*2016 CAD$'000*	*2017 CAD$'000*
As at 1 April	378	433	674
Loan receipt	55	674	2,277
Change adjustment	—	(433)	1,576
Interest	—	—	—
Repayment	—	—	—
As at 31 March	**433**	**674**	**4,527**

Loans – current	*2015 CAD$'000*	*2016 CAD$'000*	*2017 CAD$'000*
As at 1 April	1,888	2,167	3,210
Loan receipt	(55)	539	1,106
Change adjustment	184	433	(1,576)
Interest	235	175	—
Repayment	(85)	(164)	(1,829)
Foreign exchange	—	60	62
As at 31 March	**2,167**	**3,210**	**973**

USD loan payable

On 20 January 2011, the Company obtained a loan of US $2million from a private lender. The loan was due to mature in January 2013, when it was extended. The loan was extended for an additional six months to July 2013. The loan is unsecured and initially bore interest at the fixed US prime rate of 3.25% plus 6.75%. The parties have entered into a number of subsequent agreements to amend and restate the loan (principally in order to amend the repayment schedule of the loan).

In January 2017 the Group repaid the USD 700k (CAD$943k) of the USD loan, utilising part of the proceeds from the fundraising aligned with the listing on the London Stock Exchange of 11 January 2017. The President, CEO and Director of the Group, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Group. The final payment of approximately USD$1,485k is repayable on 31 July 2019, as per the agreement between the parties dated 10 January 2018.

Euro bank debt

On 6 August 2015, the Group obtained a €220k loan (CAD$316k) 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 6 August 2020.

As at 31 March 2017 the principal balance of the loan was €155k (CAD$220k) of which $61k is classified as a current liability and $160k is classified as non-current.

Euro bank debt

On 17 December 2015, the Group obtained a €200k loan (CAD$302k) 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 17 July 2019.

As at 31 March 2017 the principal balance of the loan was €137k (CAD$195k) of which $81k is classified as a current liability and $114k is classified as non-current.

Euro loan payable

On 1 October 2015, the Group acquired a co-generation plant from a third party of which €401k (CAD$595k) of the purchase price was in the form of a loan from the seller. The loan is secured by the co-generation plant and bears interest at 3.5% and is repayable in 30 monthly payments of principal and interest until 31 March 2018.

As at 31 March 2017, the principal balance of the loan was €178k (CAD$233k) of which $233k is classified as a current liability.

USD $320,000 General Line of Credit Agreement

On 9 August 2016, the Group's wholly-owned subsidiary, Zenith Aran, entered into a general line of credit agreement with Rabitabank Open Joint Stock Company ("Rabitabank") (the "First Credit Agreement") up to an amount of USD $320k, for industrial and production purposes. The loan could be drawn down in tranches and as at 30 September 2016 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 12% per annum. The loan is guaranteed by the Group. In November 2016 the Group repaid the first tranche of the loan for the amount of USD160k.

On 22 February 2017 the terms of the repayment of this Credit Agreement were amended. During March 2017 the Group used additional USD$160k (CAD$213k) from the credit line.

As of 31 March 2017, the amount of USD $320k (CAD$399k) plus accrued interest was still outstanding, it is classified as a current liability, and was repaid on 16 April 2017.

USD $200,000 General Line of Credit Agreement

On 30 September 2016, Zenith Aran entered into a general line of credit agreement with Rabitabank (the "Second Credit Agreement") up to an amount of USD $200k. The Second Credit Agreement bears interest at a rate of 12% per annum. The loan is repayable in two tranches; USD $100k (plus accrued interest) (CAD$133k) was paid in February 2017 and the remaining USD $100k (plus accrued interest) (CAD$133k) is payable on April 2017. The loan is guaranteed by the Group.

As of 31 March 2017, the amount of USD $100k (CAD$133k) plus accrued interest was still outstanding, it is classified as a current liability, and was repaid on 16 April 2017.

Swiss loan CHF 837,500

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed for the former owner on 21 December 2015 for the initial amount of CHF838k (CAD$1,120k). 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).

As at 31 March 2017 the principal balance of the loan was CHF762k (CAD$1,013k) of which CAD$66k is classified as a current liability and CAD$947k is classified as non-current.

Swiss loan CHF 1,000,000

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on 21 December 2015 for the initial amount of CHF1,000k (CAD$1,336k). The loan bears interest at a rate of 2.2% per annum. The loan is repayable on 2 July 2019 (plus accrued interest). As at 31 March 2017 the principal balance of the loan was CHF1,000k (CAD$1,330k) and is classified as a non-current liability.

Convertible loans

BONDS	*(CAD$'000)*
Balance – 31 March 2015	**—**
Unit private placement proceeds	539
Warrant portion	(20)
Finder's fees and warrants	(23)
Interest	65
Accretion	4
Foreign currency translation	(2)
Balance – 31 March 2016	**563**
Interest	54
Accretion	24
Conversion	(121)
Repayments	(65)
Foreign currency translation	(70)
Balance – 31 March 2017	**385**

The bonds are secured by 99% of the oil and gas assets owned by the Group's subsidiary, Canoel Italia SRL. The bonds bear interest at 12% per annum, payable quarterly, until the maturity date (1 May 2018), 36 months from the date of issuance (1 May 2015), at which time the principal amount of bonds is repayable in full.

On November 2016 the bond was partially repaid for CAD$121k (with related accrued interest).

As of 31 March 2017, the outstanding accrued bond interest CAD$10k.

Convertible Notes	*Debt component CAD$'000*	*Derivative liability CAD$'000*	*Face value CAD$'000*
Balance – 31 March 2014	**1,266**	**1**	**1,350**
Modifications	(775)	774	—
Conversion	(332)	(102)	(540)
Change in fair value	—	(514)	—
Accretion	419	—	—
Foreign exchange	4	—	1
Balance – 31 March 2015	**582**	**159**	**811**
Modifications	—	221	—
Conversion	(101)	(23)	(111)
Change in fair value	—	—	—
Accretion	187	—	—
Foreign exchange	28	—	31
Balance – 31 March 2016	**697**	**357**	**731**
New subscriptions	91	76	167
Conversion	(798)	(669)	(906)
Change in fair value	—	236	—
Accretion	39	—	—
Foreign exchange	(29)	—	8
Balance – 31 March 2017	**—**	**—**	**—**

Decommissioning obligation

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Company's oil and gas properties (CAD$):

	2015 *CAD$'000*	*2016* *CAD$'000*	*2017* *CAD$'000*
Balance – beginning of year	**7,277**	**5,779**	**7,897**
Business combination (Note 6)	—	11	1,790
Measurement adjustment (Note 6)	—	—	630
Writeback on disposal of subsidiaries			(2,215)
Change in estimate	(1,487)	2,163	—
Accretion	557	288	98
Foreign currency translation	(568)	(344)	(220)
Balance – end of year	**5,779**	**7,897**	**7,980**

Financial risk management

	2015 *CAD$'000*	*2016* *CAD$'000*	*2017* *CAD$'000*
Financial Assets			
Trade and other receivables	960	1,648	787
Financial instruments at fair value through profit or loss	237	—	8
Total financial assets	**1,197**	**1,648**	**795**

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$3,924k (2016 – CAD$138k and 2015 – CAD$936k) and trade and other receivables of CAD$1,648k (2016 – CAD$1,173k and 2015 – CAD$960k).

Deposit and other market instruments 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 summarised in the following table:

	2015 *CAD$'000*	*2016* *CAD$'000*	*2017* *CAD$'000*
Oil and natural gas sales	383	475	1,544
Stamp tax and other tax withholdings	234	217	8
Goods and services tax	17	12	19
Other	326	469	129
	960	1,173	1,700

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.

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 31 March 2017, 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 2018 CAD$'000	Due on or before 31 March 2019 CAD$'000	Due after 31 March 2019 CAD$'000
Trade and other payables	2,913	2,913	2,913	—	—
Loan payable	5,500	6,621	998	3,109	2,514
Bonds payable	385	423	45	378	—
Deferred consideration	484,474	1,191,428	1,544	10,076	1,179,808
	493,272	1,201,385	5,500	13,563	1,182,322

c) *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.

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 31 March 2017, a 5% change in the price of natural gas produced in Italy would represent a change in net income for the year ended 31 March 2017 of approximately CAD$4k (2016 – CAD$23k and 2015 – CAD$54k) and a 5% change in the price of electricity produced in Italy would represent a change in net loss for the year ended 31 March 2017 of approximately CAD$29k (2016 – CAD$13k and 2015 – CAD$nil).

As at 31 March 2017, a 5% change in the price of crude oil produced in Azerbaijan would represent a change in net profit (loss) for the year ended 31 March 2017 of approximately $189k (2016 and 2015 – not applicable).

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 Company has fixed interest on notes payable, loans payable and convertible notes and therefore is not currently exposed to interest rate risk.

Capital management

The Group's objective when managing capital is to safeguard the entity'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.

	2015 CAD$'000	2016 CAD$'000	2017 CAD$'000
Working capital (deficiency)	3,407	(6,709)	1,437
Long-term debt	1,016	1,595	4,912
Shareholders' equity	4,289	(2,278)	575,447

Cash flow from the Company's operations will be needed in the near term to finance the operations and repay vendor loans.

The Company's principal sources of funds will remain profit on hydrocarbon sales supplemented by debt and equity issuances.

The Company is not subject to any externally imposed capital requirements.

PART B SELECTED KEY PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma statement of net assets of the Company as at 31 December 2017 (the "Pro Forma Financial Information").

The Pro Forma Financial Information has been prepared on the basis set out in the notes below to illustrate the effect on the net assets of the Company had the new Placing of the Company on the London Stock Exchange occurred on 20 June 2018. It has been prepared for illustrative purposes only.

Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position. It is based on the unaudited interim balance sheet of the Company as at 31 December 2017, which was announced on 16th February 2018.

Users should read the whole of this Document and not rely solely on the summarised financial information contained in this Part 13 (B): "*Unaudited Pro Forma Statement of Net Assets*".

The report on the Pro Forma Financial Information is set out in Part 13 (B): "*Report on the unaudited Pro Forma Statement of Net Assets*" of this Document.

Unaudited pro-forma statement of net assets

	Company net assets as of 31 December 17 Note 1 CAD$000's	*Adjustment Note 2 CAD$000's*	*Adjustment Note 3 CAD$000's*	*Adjustment Note 4 CAD$000's*	*Unaudited pro-forma net assets of the Company CAD$000's*
ASSETS					
Non-current assets					
Property and equipment	1,075,743	1,142	—	—	1,076,885
Capitalised expenses	2,378	—	—	—	2,378
Other receivables	430	—	—	—	430
	1,078,551	1,142	—	—	1,079,693
Current Assets					
Inventory	296	—	—	—	296
Trade and other recivables	1,912	—	—	—	1,912
Financial Instruments	—	—	—	—	—
Cash and cash equivalents	2,358	170	—	2,991	5,519
	4,566	170	—	2,991	7,727
TOTAL ASSETS	**1,083,117**	**1,312**	**—**	**2,991**	**1,087,420**
LIABILITIES					
Non-current liabilities					
Borrowings	2,339	—	—	—	2,339
Convertible loans	—	—	—	—	—
Decommissioning provision	7,980	—	—	—	7,980
Deferred Consideration payable	484,034	—	—	—	484,034
Deferred taxation (STET)	2,398	—	—	—	2,398
Total non-current liabilities	496,751	—	—	—	496,751
Current liabilities					
Trade and other payables	3.857	(283)	546	(546)	3.574
Borrowings	2,771	—	—	—	2,771
Deferred Consideration payable	440	—	—	—	440
Convertible Loans	381	—	—	—	381
Total current liabilities	7,449	(283)	546	(546)	7,166
NET ASSETS	**578,917**	**1,595**	**(546)**	**3,537**	**583,683**

Notes:

1. The financial information relating to the Company has been extracted without adjustment from the unaudited interim financial information set out in Part 16 (Historical Financial Information) of this Document.

2. The CAD$1,595k (approximately £938k) adjustment represents the placement of no. 4,000,000 shares at cad$ 0.125 (approximately £0.0742) per share, and no. 9,000,000 shares at cad$ 0.1287 (approximately £0.0742) per share subsequent to the placing closed by the Company in January 2018. This fund raising will result in a cash increase of CAD$1,595k (£938k), net of cost incurred in connection with placement of total CAD$63k (£37k). The cash was used to finance its continued investment in its Azerbaijan field operations and for general working capital.

3. The CAD$546k (£312k) adjustment represents the costs related the IPO, that will be paid using the IPO cash increase or shares.

4. The CAD$3,537k (£2.020k) adjustment represents the placement of 50,500,000 shares at £0.04 per share, that will be take place concurrently with the admission to the London Stock Exchange. This fund raising will result in a cash increase of CAD$ 2,991k (£1,708k), net of cost incurred in connection with placement of total CAD$546k (£312k).

5. The Pro Forma Financial Information excludes an unaudited pro forma statement of results on the basis that the adjustment above has no effect on the results for the period ended 31 December 2017.

6. The Pro Forma Financial Information does not reflect any changes in the trading position of the Company or any other changes arising from other transactions, since 31 December 2017. There are no other significant changes to the issuer's financial condition and operating results, other than those disclosed.

REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Accountants &
business advisers

The Directors
ZENITH ENERGY LTD.
Suite 150, 15th Floor
Bankers Court, 850- 2nd St. SW Calgary
AB, T2P 0RB

20 June 2018

Dear Sirs

Introduction

We report on the unaudited pro forma statement of net assets as at 31 December 2017 (the "Pro Forma Financial Information") set out in Part 13, Part B: "*Selected key pro forma financial information – Unaudited Pro Forma Statement of Net Assets*" of the Zenith Energy Ltd. (the "Company") prospectus (the "Document") dated 20 June 2018, which has been prepared on the basis described within notes 1 to 7 above, for illustrative purposes only, to provide information about how the Placing and Admission might affect the net assets presented on the basis of the accounting policies adopted by the Company in preparing the financial information for the nine months period ended 31 December 2017. This report is required by Annex I, item 20.2 of Commission Regulation (EC) N 809/2004 and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro-Forma Financial Information in accordance with Annex I, item 20.2 and Annex II, items 1 to 6 of Commission Regulation (EC) N 809/2004.

It is our responsibility to form an opinion, in accordance with Annex I, item 20.2 of Commission Regulation (EC) N 809/2004, as to the proper compilation of the Pro-Forma Financial Information and to report that opinion to you in accordance with Annex II, item 7 of Commission Regulation (EC) N 09/2004.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro-Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports, or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro-Forma Financial Information with the Directors.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro-Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro-Forma Financial Information has been properly complied on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purpose of Prospectus Rule 5.5.3R, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Annex I, item 1.2 of Commission Regulation (EC) N 809/2004.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountants

PART 14

OPERATING AND FINANCIAL REVIEW

ZENITH ENERGY LTD.

Historical Operating and Financial Review

This Part 14 summarises the significant factors and events affecting the results of operations and financial condition of the Group for the nine months ended 31 December 2017, and the comparative period ended 31 December 2016, and the years ended 31 March 2015, 2016 and 2017.

This Part 14 should be read in conjunction with Part 3: "*Presentation of Financial and Other Information", Part 10: "Information on the Group*", the Company's previously announced and published financial information and the other financial information contained elsewhere in this Document.

Prospective investors should read the entire Document and not just rely on the summary information set out below. The financial information considered in this Part 14 is extracted from the previously announced and published financial information.

The following discussion of the Group's results of operations and financial condition contains forward-looking statements that reflect the current view of the Group's management. The Group's actual results could differ materially from those anticipated in any forward-looking statements as a result of the factors discussed below and elsewhere in this Prospectus, particularly under Part 2: "*Risk Factors*" and under paragraph 8 of Part 3: "*Presentation of Financial and Other Information – Forward- looking statements*". Investors should carefully consider the following information, together with the other information contained in this Prospectus.

This operating and financial review includes information extracted from:

- the audited financial information in respect of the years ended 31 March 2015, 2016 and 2017 prepared under IFRS as adopted by the European Union and presented in Canadian; and
- the unaudioted financial information in respect of the nine months ended 31 December 2016 and 31 December 2017, prepared under IFRS as adopted by the European Union and presented in Canadian dollars.

Principal Activity and Overview

Zenith Energy Ltd. ("Zenith" or "the Company") is an upstream international oil and gas company whose assets are held by its subsidiaries principally in Azerbaijan and Italy. The Company is expanding its asset base through the acquisition of interests in Azerbaijan which completed in August 2016. Its portfolio includes a blend of production, development, appraisal and exploration assets. Zenith's goal is to evaluate and exploit its asset base with a view of creating significant value for its shareholders on a per share basis.

1. Statement of Other Comprehensive Income

Operating results

(Canadian Dollars in thousands except otherwise indicated and except per share amounts)

	9 months ended 31 December		*Financial year ended 31 March*		
	2016	*2017*	*2015*	*2016*	*2017*
Daily volumes					
Oil (bbls/day)	83	256	137	47	184
Condensate (bbls/day)	3	3	3	2	2
Gas (mcf/day)	87	48	388	252	69
Electricity (mcf/day)	198	182	n.a.	81	178
Total (boe/day)	117	297	204	105	227
Total volumes					
Oil (bbls)	40,192	70,270	49,896	17,279	68,866
Condensate (bbls)	599	782	1,013	906	692
Gas (mcf)	20,337	13,199	141,772	92,345	25,124
Electricity (mcf/day)	54,434	49,969	n.a.	29,695	65,152
Total (boe)	53,973	81,580	74,538	38,525	82,604
Average Oil and gas revenue, net of royalties – per boe ($)					
Oil Argentina($/bbl)	63.08	n.a.	67.37	67.63	63.08
Oil Azerbaijan($/bbl)	57.29	61.37	n.a.	n.a.	57.41
Condensate ($/bbl)	65.48	103.58	86.81	69.55	67.94
Gas ($/mcf)	5.4	8.79	6.98	5.05	5.79
Electricity ($/mcf)	13.24	8.58	n.a.	8.82	8.82
Revenue $	2.977	4,402	4,439	1,960	4,424
Cost of Sales $	(2,327)	(2,935)	(2,481)	(2,365)	(4,332)
Gross (Loss)/Profit $	650	1,467	1,958	(405)	92
Administrative expenses $	767,492	(962)	(2,949)	(7,474)	(4,155)
Operating (Loss)/Profit $	768,142	505	(991)	(7,879)	(4,063)

Sales

			31 December		*Year ended 31 March*		
Country	*Product*	*Measure*	*2016*	*2017*	*2015*	*2016*	*2017*
Argentina	OIL	Bbls	1,161	n.a.	49,896	17,279	n.a.
Azerbaijan	OIL	Bbls	39,031	70,270	—	—	66,866
Italy	GAS	Mcf	20.337	13,199	141,772	92,345	25,124
Italy	Condensate	Bbls	599	782	1,013	906	692
Italy	Electricity	MWh	8,112	7,185	—	4,393	9,636

Oil production

Oil production in Argentina was consistent in 2015, but production volumes decreased in 2016 and 2017 due to the collapse of storage tanks in August 2015 at a nearby government facility. The collapse of the tank created an environmental disaster. In order to clean-up the oil spill and mitigate consequences, the state operator was forced to order the shutdown of transmission pipelines and suspended production and waterflood operations.

As a consequence, the Company's production was severely curtailed by this emergency situation as production was suspended and the Company was unable to transport all the produced oil, which had filled the tanks to capacity, to the port terminal. Oil production began to increase substantially from the Effective Date, with the acquisition of the Azerbaijani assets.

On 20 February 2017, Zenith announced the sale of its operations in Argentina to a group of local energy investors; this included the two historically producing fields, Alberto and Don Ernesto located in the Patagonia region of Southern Argentina, in the San Jorge basin, where production was suspended at the time of their disposal.

Italy Gas Production

Volumes decreased between 2015 and 2017 because of the variation in the use of gas produced in Torrente Cigno concession, that is now used to produce electricity. Prior to 1 October 2015, the Company sold its gas volumes from the Torrente Cigno area in Italy for approximately $1.44/mcf to the previous owner of the co-generation plant who then converted the gas to electricity and as a result earned a much higher rate. The Company acquired this plant on 1 October 2015 to improve revenue generation and margins. Although the Company continues to supply its Torrente Cigno gas volumes to the co-generation plant, as plant owner, the Company now earns higher electricity rates on those gas volumes. As a result, information relating to electricity is only shown for FY 2016 and 2017.

The increase in gas revenues in the 9 months ended 31 December 2017 and 2016 is due to increase of the gas selling prices in the period.

Italy Condensate Production

The decrease in condensate sales volumes between 2015 and 2017 was due to the stoppages in October and November 2015 and the temporary interruption of production for required maintenance during April 2016 at the Torrente Cigno concession.

The increase in condensate revenues in the 9 months ended 31 December 2017 and 2016 is due to increase of the condensate selling prices in the period.

Italian Electricity

Italian electricity sales began following the acquisition of the co-generation plant in October 2015. The increase in electricity revenues in the 9 months ended 31 December 2017 and 2016 is due to an increase of the electricity selling prices in the period.

Revenues (net of royalties)

	9 months ended 31 December		*Financial year ended 31 March*		
	2016 CAD$'000	*2017 CAD$'000*	*2015 CAD$'000*	*2016 CAD$'000*	*2017 CAD$'000*
Revenues ($)					
Oil (Argentina) net of royalties	71	n.a.	3,362	1,169	65
Oil (Azerbaijan)	2,277	3,785	n.a.	n.a.	3,722
Gas (Italy)	110	116	989	466	31
Condensate (Italy)	39	45	88	63	47
Electricity (Italy)	480	429	n.a.	262	574
Other	n.a.	27			
TOTAL	2,977	4,402	4,439	1,960	4,489

Cost of sales

	9 months ended 31 December		Year ended 31 March		
	2016 *CAD$000's*	*2017* *CAD$000's*	*2015* *CAD$000*	*2016* *CAD$000*	*2017* *CAD$000*
Production Costs					
Argentina	(547)	—	(1,438)	(1,341)	(583)
Azerbaijan	(894)	(1,684)	—	—	(2,699)
Italy	(363)	(275)	(375)	(692)	(334)
Total	(1,804)	(1,959)	(1,813)	(2,033)	(3,616)
Depletion and depreciation	(523)	(976)	(668)	(332)	(1,309)
Decomissioning charge	—	—	—	—	—
TOTAL	(2,327)	(2,935)	(2,481)	(2,365)	(4,925)

	9 months ended 31 December		Financial year ended 31 March		
	2016	*2017*	*2015*	*2016*	*2017*
Cost of sales CAD$000's	(2,327)	(2,935)	(2,481)	(2,365)	(4,925)
Total boe	53,973	81,580	74,538	38,525	82,604
Cost of sales per boe CAD$	$43.11	$35.98	$33.29	$61.39	$59.62

Production costs in Argentina have seen a decrease in 2017 from previous years as a result of the suspension of production and subsequent sale of these assets.

Production costs in Italy have increased in 2016 from 2015 as a result of the necessary maintenance in the Torrente Cigno, Lucera, Masseria Petrilli and Sant'Andrea gas concessions.

Production costs in Italy have declined significantly (52%) in 2017 from 2016. This is a result of operational efficiencies and experience gained since the properties acquisition.

Depletion and depreciation costs have decreased in 2015 from 2014 as a result of an increase in expected asset lifespan, and in 2016 from 2015 due to the problems in production in Argentina and Italy as described above.

Depletion and depreciation costs have increased in 2017 from 2016 as a result of the acquisition of the assets in Azerbaijan.

Gross Profit

	9 months ended 31 December		Financial year ended 31 March		
	2016 *CAD$'000*	*2017* *CAD$'000*	*2015* *CAD$'000*	*2016* *CAD$'000*	*2017* *CAD$'000*
Gross Profit	650	1,467	1,958	(405)	567,378
Gross Profit %	21.83%	33.33%	44.1%	(20.66)%	12,825%

The decrease in margins in FY 2016 as compared to FY 2015 is attributable to the lack of production in Argentina.

The increase in margins in FY 2017 as compares to previous years is attributable to the acquisition of the productive assets in Azerbaijan.

Operating expenses

	9 months ended 31 December		Financial year ended 31 March		
	2016 CAD$'000	*2017 CAD$'000*	*2015 CAD$'000*	*2016 CAD$'000*	*2017 CAD$'000*
Administrative expenses					
Professional Fees	(1,663)	(1,139)	(940)	(1,070)	(1,884)
Office costs	(237)	(337)	(716)	(394)	(291)
Administrative	(279)	(412)	(457)	(470)	(319)
Salaries and benefits	(730)	(1,213)	(482)	(341)	(864)
Travel	(799)	(585)	(100)	(413)	(945)
Foreign exchange	—	—	(254)	(59)	151
Other	—	—	—	(10)	(3)
Total	(3,697)	(3,686)	(2,949)	(2,757)	(4,155)
Gain (Impairment) on business combination	771,189	—	—	(5,025)	576,010
Capitalised expenses	—	2,724	—	—	—
TOTAL	**767,492**	**962**	**(2,949)**	**(7,782)**	**571,855**

Administrative expenses, net of foreign exchange, increased in 2017 than previous years as a result of the expenses for the Azerbaijan acquisition, the costs in relation to the listing on the London Stock Exchange and an increase in fundraising activities.

These costs were capitalised by the Company in the 9 months ended 31 December 2017.

The gain on business combination in 2017 arose as a result of the assets acquired in Azerbaijan.

In the year to 31 March 2016 an impairment test of the value of the Italian assets was done. The estimated recoverable amount of the Italian assets at 31 March 2016 was lower than the 31 March 2016 carrying amount resulting in the recognition of an impairment of CAD$5,025,000.

Following the 6 months ended 30 September 2016 the Company has recognized a bargain purchase of CAD$618 million in respect of its acquisition of assets in Azerbaijan. This acquisition has been accounted for as a business combination under IFRS 3. As a result of this a decommissioning provision charge of CAD$1.9 million has been recognized.

Profit attributable to equity shareholders

	9 months ended 31 December		*Financial year ended 31 March*		
	2016 CAD$000's	*2017 CAD$000's*	*2015 CAD$000's*	*2016 CAD$000's*	*2017 CAD$000's*
Operating Profit/(Loss)	768,142	505	(991)	(7,879)	(4,063)
Fair value movements	(40)	—	135	(216)	427
Gain on sale of marketable securities	4	—	—	—	—
Foreign exchange	221	—	—	—	—
Gain – on business combination	—	—	—	—	578,995
Impairment	—	—	—	—	(2,985)
Finance Costs	(570)	64	(1,420)	(1,094)	(633)
Profit/(loss) before taxation	767,757	569	(2,276)	(9,189)	571,471
Taxation	(153,044)	—	(99)	1,514	—
(Loss)/Profit from discontinued operations	—	—	—	—	(4,363)
Profit/(loss)	614,713	569	(2,375)	(7,675)	567,378
Earnings per share					
Basic	10.59	0.01	(0.11)	(0.23)	8.15
Diluted	5.90	0.01	(0.11)	(0.23)	4.54

Fair value movements have arisen as a result of marketable securities and convertible loan notes held. Finance costs relate to loan interest and accretion of the decommissioning obligation and the convertible loans held. Loan interest has remained broadly consistent with the latter two amounts increasing due to the acquisition of the Italian assets and re-negotiating of the convertible loan notes. The tax credit are non-cash amounts and relate to deferred tax arising as a result of the Italian acquisition and the impairment of the assets.

Summary Statements of Cash Flows

	9 months ended 31 December		*Year ended 31 March*		
	2016 CAD$000's	*2017 CAD$000's*	*2015 CAD$000*	*2016 CAD$000*	*2017 CAD$000*
Net cash generated from Operating Activities					
Before non-cash working changes	(2,194)	2,229	(681)	(3,372)	(592)
Non-Cash working capital changes	285	546	47	898	(867)
Taxation paid	—	—	—	—	—
	(1,909)	2,775	(634)	(2,474)	(1,459)
Investments	(103)	(3,418)	(1,170)	(415)	(413)
Change in non-cash working capital	11	—	329	193	—
Other investing activities	11	(3,996)	(146)	226	12
Net proceeds from issue of share capital	1,325	3,623	2,148	1,050	6,438
Loan and bond financing	551	—	—	972	699
Repayment of notes payable	—	—	(275)	(204)	(105)
Repayment of loans	—	(550)	—	—	(1,322)
Foreign exchange effect on cash held in foreign currencies	(5)	—	(27)	(146)	(5)
Net cashflow from discontinued operations	—	—	—	—	(59)
Change in Cash and Cash equivalent	(119)	(1,566)	225	(798)	3,786
Cash and Cash equivalents – Beginning of period	138	3,924	711	936	138
Cash and Cash equivalents – End of period	19	2,358	936	138	3,924

Cash flow from operating activities

Cash inflows for 2017 increased due to the proceeds of the IPO.

Operating cash outflows increased in 2016 due to the problems in Argentina and Italy that have impacted margins. Changes in non-cash working capital principally reflect increases and decreases in trade and other receivables and trade and other payables associated with the timing of work programmes and oil and gas sales.

Capital Expenditure

The Group has continued to invest in capital expenditure as it concentrates on developing its asset based and maximising efficiencies.

	9 months ended 31 December		*Financial year ended 31 March*		
	2016 CAD$000's	*2017 CAD$000's*	*2015 CAD$000's*	*2016 CAD$000's*	*2017 CAD$000's*
Capital Expenditure					
Argentina	—	—	930	237	n.a.
Azerbaijan	20	3,347	n.a.	n.a.	212
Italy	84	71	241	178	195
Other	—	—	—	—	6
TOTAL	**104**	**3,418**	**1,171**	**415**	**413**

The capex in the year ended 31 March 2015 for CAD$1,171k was primarily due to the workover program in Argentina. These assets were disposed in February 2017.

Capital expenditure in Italy to development plans in the following concessions:

- Masseria Petrilli (during year 2013 and 2014). Production from this well commenced in September 2014;
- Masseria Grottavecchia (during all the periods). Production from this well is expected to start in late 2018;
- San Teodoro (during all the periods). The production from this well is expected to start in year 2018; and
- Torrente Cigno, Masseria Vincelli 1 in 2015. Expenses relate to the acquisition of a cogeneration plant and changes and upgrades to the production gas plant.

For the nine months ended 31 December 2017, there was a CAD$876k capital expenditure in Azerbaijan, due to the local workover development program.

Debt Financing

i) **USD loan payable**

As at 31 March 2017, the Group was indebted to a third-party lender for a USD$1,485k (CAD$1,848k) loan payable, bearing fixed interest at 10% per annum.

The President, CEO and Director of the Group, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Group and the final payment of approximately USD$1,485k is repayable on 31 July 2019, as per the agreement between the parties dated 10 January 2018.

As at 31 December 2017, CAD$1,860k (31 December 2016 – CAD$2,000k) of principal was classified as a current liability and CAD$488k (31 December 2016 – CAD$315k) of accrued interest was included in trades and other payables.

ii) **Euro bank debt**

On 6 August 2015, the Group obtained a €220k loan (CAD$316k) from the GBM Banca of Rome. The loan is unsecured, guaranteed by Mediocredito Centrale and bears fixed interest at 7% per annum and is repayable in 60 monthly payments of principal and interest until 6 August 2020.

As at 31 December 2017 the principal balance of the loan was €138k (CAD$206k) of which $68k was classified as a current liability and $138k was classified as non-current.

iii) **Euro bank debt**

On 17 December 2015, the Group obtained a €200k loan (CAD$302k) from Credito Valtellinese Banca of Tortona. The loan is unsecured, guaranteed by Mediocredito Centrale and bears fixed interest at 4.5% per annum and is repayable in 42 monthly payments of principal and interest until 17 July 2019.

As at 31 December 2017 the principal balance of the loan was €94k (CAD$140k) of which $92k was classified as a current liability and $48k was classified as non-current.

iv) **Euro loan payable**

On 1 October 2015, the Group acquired a cogeneration plant from a third party of which €401k (CAD$595k) of the purchase price was in the form of a loan from the seller. The loan is secured by the co-generation plant and bears interest at 3.5% and is repayable in 30 monthly payments of principal and interest until 31 March 2018.

As at 31 December 2017, the principal balance of the loan was €56k (CAD$84k) of which $84k was classified as a current liability.

v) **USD $320,000 General Line of Credit Agreement**

On 5 April 2017, the Group's wholly-owned subsidiary, Zenith Aran, entered into a general line of credit agreement with Rabitabank Open Joint Stock Company ("Rabitabank") up to an amount of USD $320k (CAD$416), for industrial and production purposes. The loan drawn down in one tranche and as at 06 April 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 6 July 2017 the terms of the repayment of the USD$320k (CAD$416) Credit Agreement were amended and first repayment of principal of USD$80k has been moved to the end of July.

On 6 July 2017, the terms of the repayment of the USD$320k (CAD$416k) Credit Agreement were amended and the first repayment of the principal of USD$80k was postponed to the end of July.

On 31 July 2017 USD$20k (CAD$21k) was repaid and the balance of USD$60k (CAD$63k) was agreed to be repaid on 1 September 2017. A subsequent credit committee decision taken in September 2017 amended the payment terms of the loan. The Company will pay interest on monthly basis and the principal total amount of USD$20k will be repaid on 6 December 2017. The balance of the principal amount (USD$280k) will be repaid at a new maturity date of 6 April 2018.

As of 31 December 2017, the outstanding principal amount of US$280k (CAD$350k) was classified as a current liability.

vi) **USD $200,000 General Line of Credit Agreement**

On 12 April 2017, Zenith Aran entered into a general line of credit agreement with Rabitabank up to USD$200k (CAD$260). This Credit Agreement bears interest at a rate of 10% per annum. The loan 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 paid monthly. The loan is guaranteed by the Group.

As of 31 December 2017, the amount of US$200k (CAD$250) plus accrued interest was still outstanding. It was classified as a current liability.

vii) **Swiss loan CHF 837,500**

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on 21 December 2015 for the initial amount of CHF838k (CAD$1,120k). 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 7 July 2022.

As at 31 December 2017 the principal balance of the loan was CHF734k (CAD$941k) of which CAD$67k is classified as a current liability and CAD$874k was classified as non-current.

viii) **Swiss loan CHF 1,000,000**

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on 21 December 2015 for the initial amount of CHF1,000k (CAD$1,280k). The loan bears interest at a rate of 2.2% per annum. The loan is repayable on 2 July 2019 (plus accrued interest).

As at 31 December 2017 the principal balance of the loan was CHF1,000k (CAD$1,279k) and was classified as a non-current liability.

Equity financing

The Company has sought to secure funds through equity financing and placings have taken place in all periods as follows;

- In FY 2017, the Company issued a total of 43,221,468 Common Shares for net proceeds of CAD$5,557k at an average price of CAD$0.13 per share;
- In FY 2016, the Company issued a total of 71,982,824 Common Shares for net proceeds of CAD$7,651k at an average price of CAD$0.11 per share;
- In FY 2015, the Company issued a total of 15,529,984 Common Shares for net proceeds of CAD$2,148k at an average price of CAD$0.15 per share; and

In all of these placings Warrants were issued to subscribers alongside the Common Shares.

Repayment of loans

Finance costs principally include the cost of interest payable on the C$5 million, and facilities Euro 97k, that were taken out prior to the reporting periods for working capital purposes.

Cash position

As a result of its equity placings, the Company has been able to maintain sufficient cash resources to fund its ongoing capital expenditures and work programmes. Total cash increased from CAD$936k at the end of 2015 to CAD$3,924k to the end of the year 2017, representing an increase of 419% over the period. The increase was primarily due to the proceeds of the IPO.

In the year 2016 total cash decreased to CAD$126k, due to the falling oil & gas prices and the problems in Argentina and Italy productions as described above.

Summary Statements of Financial Position

	9 months ended 31 December		*Year ended 31 March*		
	2016 *CAD$000's*	*2017* *CAD$000's*	*2015* *CAD$000's*	*2016* *CAD$000's*	*2017* *CAD$000's*
Non-current assets	1,066,559	1,078,551	17,049	14,805	1,073,334
Current Assets	2,593	4,566	2,199	1,492	5,762
TOTAL ASSETS	**1,069,152**	**1,083,117**	**19,248**	**16,298**	**1,079,096**
Current liabilities	8,618	7,449	(5,607)	(8,200)	(4,325)
Non-current liabilities	454,360	496,751	(9,352)	(10,375)	(575,447)
NET ASSETS	**606,174**	**578,917**	**4,289**	**(2,278)**	**499,324**

The most important change in the 3 years period, is the recognition of the fair value of the Azeri assets, acquired during the period.

On 26 January 2016 the Group registered a branch of Zenith Aran, a wholly owned subsidiary of the Company, in Baku, Azerbaijan, to have an operating entity in Azerbaijan for the management of its Azerbaijan oil production assets.

Zenith Aran was incorporated in the British Virgin Islands under the BVI Business Companies Act, 2004, on the 27 November 2015.

Liquidity and Capital Resources

Zenith has been funding its cash requirements from equity and debt sources as well as seeking value from deals undertaken which will allow for improved cash generation through quick, effective solutions. Zenith has raised circa CAD$10.85 million from investors in 2015, 2016 and 2016. Successful management of debt (e.g. renegotiation of loans) and finance funding has allowed Zenith to fund its activities despite being in a net current liability position for each of the three years presented.

Continuing operations are dependent on the ability to obtain adequate new funding to finance existing operations, attain commercial production from its oil and gas properties, find an industry partner to participate in exploration activities and attain future profitable operations. Additional financing is subject to the global financial markets and economic conditions.

PART 15

CAPITALISATION AND INDEBTEDNESS

The following table shows the capitalisation and indebtedness of the Company as at 31 December 2017, extracted without material adjustment from the Company's unaudited management accounts as at 31 December 2017. All the amounts are expressed in thousand Canadian Dollars (CAD$'000).

	CAD$'000	*CAD$'000*
Total Current debt		8,267
Guaranteed	—	
Secured	3,592	
Unguaranteed/Unsecured	4,675	
Total Non-Current debt		496,571
Guaranteed	—	
Secured	486,373	
Unguaranteed/Unsecured	10,198	
Shareholder's equity:		578,917
Share capital	20,867	
Legal Reserve	—	
Other Reserves	558,050	
Total		**1,083,755**
Cash	2,358	
Cash equivalent (Detail)	—	
Trading securities	—	
Liquidity		**2,358**
Current Financial Receivable		**1,590**
Current Bank debt	2,771	
Current portion of non-current debt	—	
Other current financial debt	3,857	
Current Financial Debt		**6,628**
Net Current Financial Indebtedness		**2,680**
Non-current Bank loans	2,339	
Bonds Issued	381	
Other non-current loans	—	
Non-current Financial Indebtedness		**2,720**
Net Financial Indebtedness		**5,400**

PART 16

HISTORICAL FINANCIAL INFORMATION

The Company's historical financial information for the years ended 31 March 2015, 2016 and 2017, and the audited interim financial statements for the nine months to 31 December 2017 respectively, are all incorporated by reference and are available on the Company's website.

PART 17

TAXATION

1 United Kingdom taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of HMRC and may not apply to certain shareholders in the Company, such as dealers in securities, insurance companies and collective investment schemes. They relate (except where stated otherwise) to persons who are resident and domiciled in the UK for UK tax purposes, who are beneficial owners of Common Shares (and any dividends paid on them) and who hold their Common Shares as an investment (and not as employment-related securities and other than via an individual savings account). They are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this Document, both of which may change, possibly with retroactive effect. The tax position of certain categories of shareholders who are subject to special rules (such as persons acquiring their Common Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes or those who, either alone or together with connected parties, hold 5% or more of the Common Shares) is not considered.

Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her own professional advisers immediately.

2 Taxation of dividends

Under UK tax legislation, the Company is not required to withhold tax at source from dividend payments it makes.

For the current tax year, the rate of income tax applied to dividends received by an individual Shareholder liable to income tax at the higher rate will be 32.5%. In the case of a dividend received by an individual Shareholder liable to income tax at the additional rate, the rate of income tax will be 38.1%. With effect from 6 April 2016, the UK dividend tax credit (formerly 1/9th of the dividend received) no longer applies but individual shareholders may be entitled to a tax-free dividend allowance of £5,000 per tax year.

Dividends paid to a UK resident corporate Shareholder will be taxable income of the UK corporate Shareholder unless the dividends fall within an exempt class and certain other conditions are met. It is, however, expected that dividends paid by the Company to a UK resident corporate Shareholder would generally be exempt, provided certain anti-avoidance provisions are not triggered.

To the extent that dividends are not exempt, UK resident corporate Shareholders may be able to obtain credit for any withholding tax and any underlying tax paid by the Company, subject to certain conditions. The UK has complex double tax relief rules where UK resident companies receive dividends from non- UK resident companies and therefore UK resident corporate Shareholders should seek further advice on these issues.

Trustees who are liable to income tax at the rate applicable to trusts (currently 45.0%) will pay tax on the gross dividend at the dividend trust rate of 38.1% for the current tax year.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive.

Other Shareholders who are not resident in the UK for tax purposes should consult their own advisers concerning their tax liabilities on dividends received.

3 Chargeable gains

Shareholders who are resident in the UK for tax purposes and who dispose of their Common Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions or reliefs. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Common Shares.

Shareholders who are not resident in the UK for tax purposes but who carry on a trade, profession or vocation in the UK through a branch, agency or fixed place of business in the UK may be liable to UK taxation on chargeable gains on any gain on a disposal of their Common Shares, if those shares are or have been held, used or acquired for the purposes of that trade, profession or vocation or for the purposes of that branch, agency or fixed place of business.

If an individual Shareholder ceases to be resident in the UK and subsequently disposes of Common Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that Shareholder becoming once again resident in the UK.

4 Stamp duty and Stamp Duty Reserve Tax ("SDRT")

The statements below are intended as a general guide to the current position under UK tax law. They do not apply to certain intermediaries who may be eligible for relief from stamp duty or SDRT, or to persons connected with depository arrangements or clearance services (or, in either case, their nominees or agents), who may be liable to stamp duty or SDRT at a higher rate.

Admission of the Common Shares to the standard segment of the Official List will not give rise to a liability to stamp duty or SDRT on the basis that the Admission does not involve a change in title to the Common Shares for consideration. (The definition of consideration for stamp duty purposes is restricted to consideration in the form of cash, shares or debt. However, the definition for SDRT purposes is broader and will include anything in money or money's worth.)

The central management and control of the Company currently takes place outside the UK and the shareholders' register is currently maintained outside the UK. As such, upon the admission of the Common Shares to the Official List and to trading on the London Stock Exchange's Main Market for listed securities, any transfer of Depositary Interests should no longer attract SDRT.

Provided that the shareholders' register continues to be maintained outside the UK, there will be no SDRT on any agreement to transfer the Common Shares themselves. However, any document transferring title to the Common Shares will attract stamp duty at the rate of 0.5% (rounded to the nearest £5 if necessary) if it is executed in the UK or relates (wheresoever executed) to any matter or thing done or to be done in the UK.

Where a document transfers title to non-UK shares, but the transfer has such a UK nexus, it may not be relied upon as evidence in civil proceedings within the UK unless it is exempt or has been duly stamped by the UK tax authorities.

5 Inheritance Tax

If any individual Shareholder is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Common Shares on the death of the Shareholder or on certain gifts of the Common Shares during their lifetime, subject to any allowances, exemptions or reliefs. This is the case regardless of their residence status. In the case of an individual Shareholder who is not regarded as domiciled in the UK for inheritance tax purposes at the date of death, their liability is limited to assets situated in the UK.

A transfer of Common Shares at less than market value may be treated for inheritance tax purposes as a gift of the Common Shares. Special rules may apply to close companies and to trustees of certain settlements who hold Common Shares, which may bring them into the charge to inheritance tax.

Non-UK domiciled individual Shareholders may be regarded as deemed domiciled for inheritance tax purposes only following a long period of residence in the UK.

Situs of shares for inheritance tax purposes is a complex matter and is governed by case law. To the extent the Common Shares are not already treated as UK assets for inheritance tax purposes, then admittance of the Common Shares to the standard segment of the Official List may result in the Common Shares being treated as UK assets for UK inheritance tax purposes. Admission of the Common Shares to the Official List will not constitute a disposal of the Common Shares held by existing Shareholders. However, if the Common Shares are considered UK situs, this could have an adverse impact on the reliefs available from inheritance tax to individual Shareholders.

UK inheritance tax is a complex area and individuals should obtain their own advice in respect of this.

6 Certain Canadian Federal Income Tax Considerations

The following summary describes, as of the date hereof, the principal Canadian federal income tax considerations under the Income Tax Act (Canada) and the regulations promulgated thereunder (the "**Tax Act**") generally applicable to an investor who acquires, as beneficial owner, Common Shares pursuant to the Placing who, at all relevant times and for purposes of the Tax Act is not, and is not deemed to be, resident in Canada, holds the Common Shares as capital property, does not, and will not be deemed to use or hold the Common Shares in the course of carrying on a business in Canada, and deals at arm's length with, and is not affiliated with, the Company or Optiva Securities Limited (a "**Holder**").

Common Shares will generally be considered to be capital property to a Holder unless the Holder acquires or holds such Common Shares in the course of carrying on a business or in one or more transactions considered to be an adventure or concern in the nature of trade. Special rules, which are not discussed below, may apply to a Holder that is an insurer that carries on business in Canada and elsewhere. Such Holders should consult their own tax advisers.

This summary is based on the provisions of the Tax Act in force on the date hereof and the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing and publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all such Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies and assessing practices of the CRA, nor does it take into account the laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ from those discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors having regard to their own particular circumstances.

6.1 Currency Conversion

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares must be determined in Canadian dollars. Any such amount that is expressed or denominated in a currency other than Canadian dollars must be converted into Canadian dollars using the relevant exchange rate quoted by the Bank of Canada on the relevant day or such other rate of exchange acceptable to the Minister of National Revenue (Canada).

6.2 Dividends

A dividend paid or credited (or deemed under the Tax Act to be paid or credited) on the Common Shares to a Holder will generally be subject to Canadian withholding tax under the Tax Act at a rate of 25%, subject to any reduction in the rate of such withholding under the provisions of an applicable income tax treaty or convention.

6.3 Disposition of Shares

A Holder will generally not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of Common Shares unless the Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) to the Holder at the time of the disposition and the Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Common Shares are listed on a designated stock exchange for purposes of the Tax Act at the time of disposition, which currently includes the TSXV and the London Stock Exchange, the Common Shares will generally not constitute taxable Canadian property to a Holder at that time, unless at any time during the 60-month period immediately preceding the disposition of the Common Shares: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Holder does not deal at arm's length, (iii) partnerships in which the Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships, has owned 25% or more of the issued shares of any class of the Company, and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of, or interests in or for civil law rights in, property in any of the foregoing whether or not the property exists. Common Shares may also be deemed to be taxable Canadian property to a Holder in certain circumstances.

A Holder whose Common Shares may constitute taxable Canadian property to such Holder should consult its own tax advisers.

This summary is for general information only and it is not intended to be, nor should it be construed to be, legal advice to any Shareholder or prospective investor.

PART 18

ADDITIONAL INFORMATION

1 Responsibility

1.1 The Directors, whose names appear on page 41, and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

1.2 Chapman Petroleum, in its capacity as Competent Person, accepts responsibility for the information contained in its Competent Person's Report as set out in Part 23 this Document. To the best of the knowledge of Chapman Petroleum (which has taken all reasonable care to ensure that such is the case), the information contained in the Competent Person's Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

2.1 The Company was incorporated and registered in British Columbia on 20 September 2007 under the Business Corporations Act (British Columbia) as a corporation with the name Canoel International Energy Ltd. and with registered corporation number BC0803216. Pursuant to a shareholders' resolution dated 30 September 2014, the Company's name was changed to Zenith Energy Limited. Its Common Shares were admitted to trading on the TSXV on 10 April 2008.

2.2 The Company is domiciled in British Columbia, Canada. The Company's head office is located in Calgary, Alberta, Canada. The head office of the Company and business address for all the Directors and the Senior Manager, as at the date of this Document, is at 15th Floor, Bankers Court, 850 – 2nd Street S.W. Calgary, Alberta, T2P 0R8, Canada. The principal legislation under which the Company operates is the Business Corporations Act (British Columbia). The liability of the Shareholders of the Company is limited.

2.3 The Company is regulated by the Alberta Securities Commission as its principal regulator, but it is not regulated by the FCA or any financial services regulator. With effect from Admission, the Company will be subject to the Listing Rules and the Disclosure Guidance and Transparency Rules (and the resulting jurisdiction of the UK Listing Authority), to the extent such rules apply to companies with a Standard Listing.

3 Share capital

3.1 As at 19 June 2018, (being the latest practicable date before publication of this Document) the Company is authorised to issue an unlimited number of Common Shares and Preferred Shares (issued in a series) and 159,921,766 common shares are issued, outstanding, all fully paid, and admitted to trading on the Toronto Stock Exchange Venture Exchange, of which 153,200,119 fully paid common shares are issued, outstanding, all fully paid, and admitted to trading on the Main Market of the London Stock Exchange.

3.2 The Placing Shares, Subscription Shares, Offer Shares and the Admission Shares (whose ISIN is CA98936C1068) will be listed on the Official List and will be traded on the main market of the London Stock Exchange. An application will be made to list the Placing Shares, Subscription Shares and Offer Shares on the TSXV. Save for the forgoing, the Common Shares are not listed or traded on, and no application has been or is being made for the admission of the Common Shares to listing or trading on any other stock exchange or securities market.

3.3 During the period of the historical financial information, there have been the following changes in the issued and authorised share capital of the Company:

(a) On 6 September 2013, the Company's shareholders approved a 10 for 1 share consolidation of the Company's equity instruments comprised of common shares, warrants and stock options.

(b) On 20 September 2013, the Company completed a private placement of 750,000 Common Shares at CAD$0.20 per Common Share for gross proceeds of CAD$150,000.

(c) On 10 February 2014, the Company completed a private placement of 400,000 Common Shares at CAD$0.25 per Common Share for gross proceeds of CAD$1,000,000.

(d) On 19 February 2014, the Company issued 313,610 Common Shares to Somerley Capital Limited as payment for advisory services valued at CAD$59,586 based on the CAD$0.19 market price of the Company's Common Shares on the date of issuance.

(e) On 7 March 2014, the Company issued 1,600,000 Common Shares to Global Resources Investment Trust plc ("**GRIT**"), an unrelated party, in exchange for 222,000 GRIT shares. The share exchange was recognised at the £1.00 quoted market price of the GRIT shares on the date of issuance, being £222,000. The GRIT shares have been listed for trading on the London Stock Exchange.

(f) On 12 September 2014, the Company announced the completion of a replacement and conversion agreement (the "**Replacement and Conversion Agreement**") which was entered into between the Company and each of the holders of the Company's outstanding 9% unsecured convertible notes (principal amount $1,080,000 Swiss Francs) dated 11 January 2012 (the "**Notes**"). Pursuant to the terms of the Replacement and Conversion Agreement, the holders of the Notes agreed to cancel their Notes in exchange for the issuance by Zenith of replacement notes, which are convertible into Common Shares at a deemed price of CAD$0.215 per Common Share (the "**Replacement Notes**"). In accordance with the terms of the Replacement and Conversion Agreement, the holders of approximately 42% (principal amount $460,000 Swiss Francs) of the Replacement Notes converted the principal amount of such Replacement Notes into Common Shares of the Company, resulting in the issuance of an aggregate of 2,510,058 Common Shares of the Company. As at 31 March 2015, the Company held $620,000 Swiss Francs of unsecured convertible notes bearing interest at 9% per annum, payable in arrears in equal quarterly instalments and maturing on 11 January 2017. At any time prior to maturity and at the option of the note holder, the principal and any unpaid interest of a note may be converted into Common Shares of the Company at a price of CAD$0.215 per share. In July 2015, the Company entered into an agreement to amend the terms of the $620,000 Swiss Francs of unsecured convertible notes. Pursuant to the terms of the agreement, the conversion price was reduced to CAD$0.125 per share and the rate of interest was reduced to 5%. The amended conversion price is based on the closing market price of the Company's shares on 7 July 2015. On 30 November 2016, the Company announced that it had entered into an agreement to amend the terms of the remaining Replacement Notes. Pursuant to the terms of the agreement, the conversion price was reduced to CAD$0.11 per share and the rate of interest was reduced to 1%. In addition, the maturity date of the Replacement Notes was amended to 11 January 2019. The remaining principal amount of Replacement Notes as of 30 November 2016 was $314,953.69 Swiss Francs.

(g) During the year ended 31 March 2015, the Company issued a total of 15,529,984 shares at CAD$0.15 per unit for gross proceeds of CAD$2,329,498. Each unit is comprised of one Common Share and one share warrant exercisable at CAD$0.25 per Common Share for a period of 36 months from the date of issuance. In connection with the private placement, the Company incurred in expenses of CAD$45,850, finder's fees of CAD$135,940 and issued a total of 873,868 finder's share warrants exercisable at CAD$0.25 for a period of 36 months from the date of issuance. Officers and directors of the Company subscribed for an aggregate of 1,716,665 shares for gross proceeds of CAD$257,500.

(h) On 7 May 2015, the Company completed a non-brokered private placement of 225,000 Common Shares at a price of GBP 1.00 per unit (approximately CAD$1.84 per unit) for gross proceeds of GBP 225,000 (approximately CAD$414,000). Each unit consists of one GBP 1.00 secured bond and six common share purchase warrants. The bonds are secured by 99% of the oil and gas properties owned by the Company's subsidiary, Canoel Italia S.r.l. The bonds bear interest at 12% per annum, payable quarterly, until the maturity date 36 months from the date of issuance at which time the principal amount of bonds is repayable in full (the expiry date is 7 May 2018). Each common share purchase warrant entitles the holder thereof to purchase, subject to adjustment, one additional Common Share at an exercise price of CAD$0.25 per

Common Share for a period of 36 months from the date of issuance. In connection with the private placement, the Company paid finder's fees of GBP 11,250 and granted 67,500 finder's share warrants, exercisable at CAD$0.25 for a period of 36 months from the date of issuance (this right will expire on 7 May 2018).

(i) On 10 August 2015, the Company completed its second tranche of its non-brokered private placement of 65,000 shares at a price of GBP 1.00 per unit (or approximately CAD$2,035 per unit), for gross proceeds of GBP 65,000 (or approximately CAD$132,280 for gross proceeds).

Each unit consists of one GBP 1.00 secured bond and six common share purchase warrants. Each common share purchase warrant entitles the holder thereof to purchase, subject to adjustment, one additional Common Share at an exercise price of CAD$0.25 per Common Share at any time on or before the date that is 36 months from the date of issuance of the common share purchase warrant. No finder's fees were paid in connection with the second tranche.

In addition to any resale restrictions under applicable securities legislation, all securities issued under the private placement will be subject to a four-month hold period from the date of issuance.

(j) On 18 September 2015, the Company completed the private placement of 2,700,000 shares at CAD$0.10 per unit for gross proceeds of CAD$270,000. Each unit is comprised of one Common Share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one Common Share at CAD$0.25 per Common Share for a period of 36 months from the date of issuance.

(k) On 27 November 2015, the Company completed the private placement of 4,214,125 shares at CAD$0.08 per unit for gross proceeds of CAD$337,000. Each unit is comprised of one Common Share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one Common Share at CAD$0.25 per share for a period of 36 months from the date of issuance.

(l) On 29 January 2016, the Company completed a private placement of 2,655,688 shares at CAD$0.08 per unit for gross proceeds of CAD$212,455.04. Each unit is comprised of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to acquire one Common Share at an exercise price of CAD$0.15 per Common Share for a period of 24 months from the date of issuance. The Company also paid aggregate finders' fees of CAD$3,368 and issued 42,108 warrants to an arm's-length party in the connection with this private placement.

(m) On 2 March 2016, the Company issued 526,705 Common Shares to Darwin Capital Limited as payment for services valued at £25,000 (CAD$51,854) based on a price of CAD$0.09845 per Common Share as agreed to by the parties and in accordance with the terms of a debt settlement agreement dated 22 December 2015 entered into between the Company and Darwin Capital Limited.

(n) On 2 March 2016, the Company issued 198,167 Common Shares to Dowgate Capital Stockbrokers Limited as payment for services valued at CAD$14,862.50 based on a price of CAD$0.075 per Common Share as agreed to by the parties and in accordance with the terms of a debt settlement agreement dated 22 December 2015 entered into between the Company and Dowgate Capital Stockbrokers Limited, such shares being issued at the market price of the Company's Common Shares.

(o) On 7 March 2016, the Company completed a private placement of 625,000 shares at CAD$0.08 per unit for gross proceeds of CAD$50,000. Each unit is comprised of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to acquire one Common Share at an exercise price of CAD$0.15 per Common Share for a period of 24 months from the date of issuance. The Company also paid aggregate finders' fees of CAD$3,250 and issued 40,625 warrants to an arm's length party in connection with this private placement.

(p) On 30 March 2016, the Company completed the private placement of 2,500,000 Common Shares at CAD$0.08 per unit for gross proceeds of CAD$200,000. Each unit is comprised of one Common Share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one Common Share at CAD$0.15 per common share for a period of 24 months from the date of issuance. The Company also paid aggregate finders' fees of CAD$13,000.

(q) On 11 April 2016, the Company completed the private placement of 6,674,775 Common Shares at CAD$0.08 per unit for gross proceeds of CAD$534,000. Of the 6,674,775 Common Shares, 5,000,000 Common Shares were issued forming part of a unit comprising one Common Share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one Common Share at CAD$0.15 per Common Share for a period of 24 months from the date of issuance. The remaining 1,674,775 Common Shares were not issued with accompanying warrants. The Company also paid aggregate finders' fees of CAD$26,000 and issued 325,000 warrants to certain arms' length parties in connection with the private placement.

(r) On 21 April 2016, the Company completed the private placement of 3,892,875 Common Shares at CAD$0.08 per unit for gross proceeds of CAD$311,430. Each unit is comprised of one Common Share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one Common Share at CAD$0.15 per Common Share for a period of 24 months from the date of issuance. The Company also paid aggregate finders' fees of CAD$14,376.95 and issued 179,712 warrants to certain arm's-length parties in the connection with the private placement.

(s) On 09 June 2016, the Company issued 2,730,000 Common Shares at a deemed price of CAD$0.11 per Common Share, 312,500 Common Shares at a price of $0.10 per Common Share and 160,000 Common Shares at a price of $0.087 per Common Share to certain debtholders and creditors of the Company to settle debts owing by the Company, representing in aggregate of CAD$345,473. On 17 June 2016, the 160,000 Common Shares that had been issued at a price of $0.087 per Common Share were cancelled.

(t) On 16 June 2016, the Company closed a non-brokered private placement of 1,519,250 Common Shares at a price of CAD$0.08 per unit for aggregate gross proceeds of CAD$121,540. Each unit is comprised of one Common Share and one common share purchase warrant. Each common share purchase warrant will be exercisable for one Common Share at a price of CAD$0.15 per share for a period of 24 months from the date of closing of the offering.

(u) On 28 June 2016, the Company closed a non-brokered private placement of 312,500 shares of Company at a price of CAD$0.10 per share to a creditor of the Company to settle a debt owing by the Company, representing in aggregate CAD$31,250.

(v) On 10 October 2016 the Company closed a non-brokered private placement of 1,906,050 Common Shares at a price of CAD$0.10 per unit for aggregate gross proceeds of CAD$190,605. Each unit is comprised of one Common Share and one common share purchase warrant. Each common share purchase warrant will be exercisable for one Common Share at a price of CAD$0.20 per share for a period of 24 months from the date of closing of the offering.

(w) On 19 October 2016, the Company issued 724,235 Common Shares at a deemed price of CAD$0.085 per Common Share to certain debtholders and creditors of the Company to settle debts owing by the Company, representing an aggregate of CAD$61,585.48.

(x) On 7 November 2016, the Company closed a non-brokered private placement of 2,745,062 Common Shares at a price of CAD$0.12 per unit for aggregate gross proceeds of CAD$329,407.44. Insiders of the Company subscribed for an aggregate of 2,195,475 units for aggregate subscription proceeds of CAD$263,457. Each common share purchase warrant will be exercisable for one Common Share at a price of CAD$0.20 per share for a period of 24 months from the date of closing of the offering.

(y) On 18 November 2016 the Company granted Options to certain of its Directors and employees to acquire a total of 6,000,000 Common Shares pursuant to its Stock Option Plan. Each Option granted entitles the relevant holder to acquire one Common Share for an exercise price of CAD$0.10 per Common Share. The expiry date of the Options is the date falling five years from the date of grant, being 18 November 2021.

(z) On 22 November 2016, Gunsynd Plc ("**Gunsynd**"), a company listed on the London Stock Exchange's AIM market for listed securities, invested GBP £100,000 by way of subscription for convertible unsecured loan notes bearing interest of 3% per annum (the "**GBP Convertible Notes**"). The GBP Convertible Notes are payable in arrears in quarterly instalments. At the option of Gunsynd, the principal of the GBP Convertible Notes may be converted into Common Shares of the Company at any time prior to the expiry of 36 months from issuance at a price equal to CAD$0.10 per Common Share (or the initial listing price of the Common Shares if the Company is listed on another senior stock exchange at the time of such conversion). Subject to the GBP Convertible Notes not having been converted, the GBP Convertible Notes mature 36 months from the date of issuance. Unless permitted under Canadian securities legislation, the GBP Convertible Notes cannot be traded before the date that is four months and a day after the date of issuance.

(aa) On 30 November 2016, the Company issued 150,000 Common Shares to Align Research Limited ("**Align**") (based on a price of CAD$0.08 per share Common Share) in settlement of a debt of GBP £7,000 (inclusive of accrued interest) owed by the Company to Align in respect of services provided by Align.

(bb) On 5 January 2017, the Group announced that the IPO Prospectus had been approved by the UK Listing Authority. The IPO Prospectus related to admission of the Common Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market which together with commencement of dealings in the Group's Common Shares occurred on 11 January 2017.

(cc) In connection with IPO, the Group successfully placed 33,322,143 Common Shares. Following its book-building process, in which Common Shares were placed at £0.07 (CAD$0.11) per Common Share, on completion of the IPO the gross proceeds available to the Group were approximately £2,333k (CAD$3,783k) and the net proceeds were approximately £2,016k (CAD$3,305k). The Group paid finder's fees of GBP 114k ($200k) and issued warrants over 1,114,286 Common Shares exercisable for 24 months from closing at a price of GBP 0.07 per Common Share to certain arm's-length parties.

(dd) On 11 January 2017 the Group issued 668,571 shares, at a deemed price of £0.07 per Common Share, for the settlement of a debt for services of a senior manager of the Company, for an amount of £47k (CAD$78k).

(ee) On 30 January 2017 the Group entered into an agreement to proceed with a brokered private placement (the "2017 Private Placement") to raise gross proceeds of GBP 855k (approximately CAD$1,399k) through the issue of nine million (9,000,000) new common shares of the Group at a price of GBP 0.095 (approximately CAD$0.1565) per share. In addition to the new Common Shares, under the 2017 Private Placement each subscriber received one warrant for every new Common Share purchased. Each Warrant entitles the Warrant holder to subscribe for new Common Shares at a price of GBP 0.15 per Common Share (approximately CAD$0.247), exercisable at any time until 1 February 2019. The Company also paid aggregate finders' fees of CAD$70k in connection with the 2017 Private Placement.

(ff) On 30 January 2017 £247k of Convertible Notes denominated in CHF (Swiss Franc), were converted into 3,700,000 Common Shares with an aggregate value of CDN$ 407k (approximately £247k). The terms of this conversion were comprehensively outlined in the IPO Prospectus.

(gg) On 14 March 2017 the Group issued 505,263 Common Shares at $0.1425 per Common Share, to settle certain debts, which have been fully paid, with the balance being settled in cash.

(hh) On 21 March 2017 Gunsynd PLC elected to convert the GBP £100k principal amount unsecured convertible note held by it into Common Shares at the conversion price of CAD$0.10, into 1,637,100 Common Shares. This fully extinguished Zenith's GBP convertible debt.

(ii) On 21 March 2017 the Group completed a further conversion of Convertible Notes denominated in CHF (Swiss Franc), issuing an amount of 2,170,000 Common Shares with an aggregate value of CDN$ 239k (approximately £143k). The terms of this conversion were comprehensively outlined in the IPO Prospectus, stating that the conversion mechanism requires a conversion price of CDN$ 0.11 (£0.06588).

3.4 During the period from 1 April 2017 to the date of this Document, there have been the following changes in the issued and authorised share capital of the Company:

a) On 25 May 2017, Regis Milano exercised an option to acquire 1,000,000 new Common Shares.

b) On 29 June 2017, an investor in the Company exercised Warrants to acquire 1,019,250 new Common Shares. The exercise price of the Warrants CAD$0.15 per share, and the total consideration received was CAD$153k (approximately £91k).

c) On 14 July 2017, the Group closed a non-brokered private placement of 3,533,333 Common Shares at a price of CAD$0.123956 per Common Share for aggregate gross proceeds of CAD$438k (approximately £265k). The Company also paid aggregate finders' fees of CAD$22k (approximately £13k).

d) On 2 August 2017, the Group closed a non-brokered private placement of 2,666,667 Common Shares at a price of CAD$0.1230606 per Common Share for aggregate gross proceeds of CAD$328k (approximately £200k). The Company also paid aggregate finders' fees of CAD$16k (approximately £10k).

e) On 2 August 2017, the Group closed a non-brokered private placement of 666,666 Common Shares at a price of CAD$0.1230606 per Common Share for aggregate gross proceeds of CAD$82k (approximately £50k). The Company also paid aggregate finders' fees of CAD$4k (approximately £2.5k).

f) On 11 September 2017, the Group closed a non-brokered private placement of 3,600,000 Common Shares at a price of CAD$0.11 per Common Share for aggregate gross proceeds of CAD$404k (approximately £252k). The Company also paid aggregate finders' fees of CAD$20k (approximately £13k).

g) On 27 September 2017 the Company announced that a Director of the Company has exercised options to purchase 1,000,000 Common Shares at a price of CAD$0.10 per Common Share and a total cost of CAD$100,000 (approximately £60k).

h) On 28 September 2017 Andrea Cattaneo, agreed to exchange part of his salary for the first two quarters of 2018 for the equivalent of CAD$2.5k per month and a total of CAD$15k (approximately £9k) for 111,131 Common Shares at an average price of approximately CAD$0.14 per share for the period 1 April 2017 until 30 September 2017.

i) On 12 October 2017 an investor in the Company exercised warrants to acquire 2,049,775 new Common Shares. The exercise price of the warrant was CAD$0.15 per share, and the total consideration received was CAD$307k (approximately £186k).

j) On 16 October 2017 Andrea Cattaneo purchased 500,000 Common Shares at an average price of CAD$0.15591 per Common Share (approximately £0.09415), and at a total cost of CAD$78k (approximately £47k)

k) On 19 October 2017 warrants to acquire 1,257,875 Common Shares were exercised by an investor of an exercise price of CAD$0.15 per Commons Share, and the total consideration received was CAD$189k (approximately £114k).

l) On 23 October 2017 warrants to acquire 1,306,050 Common Shares were exercised by an investor at an exercise price of CAD$0.20 per share, and the total consideration received was CAD$261k (approximately £160k).

m) On 2 November 2017 warrants to acquire 500,000 new Common Shares were exercised by an investor of an exercise price of CAD$0.15 per Commons Share, and the total consideration received was CAD$75k (approximately £44k).

n) On 8 November 2017 warrants to acquire 1,612,142 Common Shares were exercised by an investor of an exercise price of CAD$0.20 per Common Share, and the total consideration received was CAD$322k (approximately £195k).

o) On 21 November 2017 warrants to acquire 3,150,000 Common Shares were exercised by an investor of an exercise price of CAD$0.15 per Common Share, and the total consideration received CAD$473k (approximately £284k).

p) On 23 November 2017 Andrea Cattaneo, exercised options to acquire 2,000,000 Common Shares at an exercise price of CAD$0.10 (approximately £0.059) per Common Share and at a total cost of CAD$200,000 (approximately £118,000).

q) On 8 December 2017 warrants to acquire 400,000 Common Shares were exercised by an investor of an exercise price of CAD$0.20 per Common Share, and the total consideration received CAD$80k (approximately £47k).

r) On 15 December 2017 a Director of the Company exercised stock options to acquire 1,000,000 new Common Shares. The exercise price of the options was CAD$0.15 per share, and the total consideration received CAD$150k (approximately £87k).

s) On 18 December 2017 a Director and a component of the main management of the Company exercised stock options to acquire 1,650,000 new Common Shares. The exercise price for 900,000 options was CAD$0.10 and for 750,000 options was CAD$0.15 per share, and the total consideration received CAD$203k (approximately £122k). On 18 December 2017 an investor in the Company exercised warrants to acquire 100,000 new Common Shares. The exercise price of the warrants was CAD$0.20 per share, and the total consideration received CAD$20k (approximately £12k).

t) On 10 January 2018 the Company closed a private placement to raise gross proceeds of CAD$500k (approximately £297k) through the issue of 4,000,000 new Common Shares at a price of CAD$0.125 (approximately £0.0742) per new Common Share (the "Canadian Placing Shares").

u) On 24 January 2018 the Company completed a placing in the UK (the "January Placing") to raise gross proceeds of £678k (approximately CAD$1,158k) by issuing 9,000,000 new Common Shares at a price of £0.0742 (approximately CAD$0.1287) per new Common Share. The Company also paid finder's fee for £34k (approximately CAD$58k) and under the terms of the Placing, the broker was issued 180,000 warrants in the Company, priced at £0.0925, with an expiry date of two years.

v) On 24 January 2018 the Company agreed to issue 1,598,579 common shares (the "Settlement Shares") at a deemed price of CAD$0.14 to settle a debt of US$180,000 owed by the Company (the "Share Settlement"). The Settlement Shares, issued pursuant to the Share Settlement, will be subject to a contractual hold period of one year, inclusive of a four-month hold period under the rules and regulations of the TSXV and applicable Canadian securities laws and subject to final approval by the TSXV.

w) On 4 May 2018 Mr Cattaneo fully exchanged his salary for the financial year to 31 March 2018 for Common Shares. As a result, the Company issued Mr Andrea Cattaneo 1,123,068 Common Shares at an average price of CAD$0.165 (approximately £0.094) for the period from 1 April 2017 to 31 March 2018 (the "**Salary Sacrifice Shares**"). The amount of the Salary Sacrifice Shares was calculated based on Mr Cattaneo's salary as at 1 April 2017.

The Company is making an application for listing on the Official List and admission to trading on the Main Market of the London Stock Exchange for the Admission Shares (totalling 5,598,579 Common Shares, comprising the Settlement Shares and the Canadian Placing Shares) alongside the Placing Shares. Accordingly, at the date of this Document, the Company has 159,921,766 Common Shares in issue and admitted to trading on the TSXV and 153,200,119 Common Shares in issue and admitted to trading on the Main Market of the London Stock Exchange.

4 Outstanding Warrants

As at 1 June 2018 (being the latest practicable date before publication of this Document) the Company had 17,804,706 Warrants outstanding relating to 17,804,706 Common Shares and exercisable at a weighted average exercise price of $0.23 per Common Share.

Type	*Grant Date*	*Number of Warrants*	*Price per warrant*	*Expiry Date*
Warrants	June-16	250,000	0.15	June-18
Warrants	August-15	390,000	0.25	August-18
Warrants	September-15	1,350,000	0.25	September-18
Warrants	November-15	4,187,500	0.25	November-18
Warrants	October-16	600,000	0.20	September-18
Warrants	November-16	732,920	0.20	November-18
Warrants	January-17	1,114,286	0.11	January-19
Warrants	January-17	9,000,000	0.24	January-19
Warrants	January-18	180,000	0.16	January-20
	TOTAL WARRANTS	**17,804,706**		

5 Loans

5.1 USD $2,050,000 Loan from Jiu Feng Investment Hong Kong Limited

On 20 January 2011, the Company entered into a loan agreement with Jiu Feng Investment Hong Kong Limited ("**Jiu Feng**"), pursuant to which Jiu Feng agreed to lend the Company USD $2,000,000 (the "**USD Loan**") to finance the acquisition of Argentinian properties and for working capital. All amounts advanced to the Company under the USD Loan and any interest accrued on such amounts were, save in certain specific circumstances, repayable on 20 January 2013. Interest was at the rate of USD $ Prime plus 6.75% on the outstanding balance of the principle sum owing and any overdue interest.

The parties have entered into a number of subsequent agreements to amend, principally, the repayment schedule of the USD Loan. By a letter dated 22 November 2012, from Jiu Feng to the Company, the maturity date of the USD loan was extended to 21 July 2013. On 1 June 2013, the parties entered into an amended and restated loan agreement which confirmed the principal amount of the USD Loan as being USD $2,050,000. Under the amended and restated agreement, interest is payable at a rate of 10% per annum. The term of the USD Loan was 24 months. The Company is entitled to repay (in whole or in part) the principal and interest without penalty. Under the amended and restated agreement, the Company granted a pledge over the shares in its subsidiary, Ingenieria Petrolera Patagonia Ltd. The Company also agreed to use its best efforts to cause its subsidiary Petrolera Patagonia Corporation Inc. to grant a security interest over the Group's Argentine operations as security for the USD Loan. In addition, the amended and restated agreement provides that (i) the Company will use its best efforts to obtain all regulatory approvals necessary to convert the USD Loan into bonds registered to Jiu Feng (or its nominee) and (ii) subject to approval from the TSXV and all other regulatory approvals, to issue common share purchase warrants to Jiu Feng to purchase up to 5,000,000 common shares in the capital of the Company at an exercise price of USD $0.10 per common share (such warrants expiring on the maturity date of the loan).

On 30 July 2014, the parties entered into an amendment agreement, pursuant to which the term of the USD Loan under the amended and restated loan agreement dated 1 June 2013 was extended to 36 months.

On 22 May 2015, the parties entered into a further amendment agreement to amend the repayment schedule and extend the maturity date of the USD Loan to 30 August 2016. Pursuant to the agreement, the Company agreed to make repayments of principal and interest in the amount of US $17,200 per month from 1 June 2015 to 30 August 2016, a US $700,000 payment on 30 November 2015, a US $1,000,000 payment on 15 April 2016 and a final payment of approximately US $485,336.78 on 30 August 2016. The Company made and applied the monthly US $17,200 payments from June to 31 December 2015 against accrued interest. The US $700,000 payment due on 30 November 2015 was not made.

On 21 December 2015, the parties entered into a further amendment agreement to amend the USD Loan repayment schedule and extend the maturity date from 30 August 2016 to 31 March 2018. Pursuant to the amended agreement, the Company agreed to make repayments of US $20,000 per month from 5 April 2016, a US $700,000 payment on 28 February 2016 and a final payment of approximately US $1,485,337 on 31 March 2018. Failure to perform the repayment schedule under this amendment entitled Jiu Feng to accelerate the principle outstanding and claim for all overdue interest at a rate of 20% per annum. The terms of this amendment agreement also provide Jiu Feng with a "Debt to Equity Option" whereby Jiu Feng has the option to convert debt to "Debt-to-Equity Swap" in the Company or its subsidiaries (up to a maximum of 29.9%) in the event that the Company breaches the agreement and "plan to list its subsidiaries on a public market". The loan agreement was also amended to add CAD$135k of accrued and unpaid interest to the principal amount of the loan increasing the principal to US $2,185k (CAD$2,835k). The US $700,000 payment due on 28 February 2016 was not made.

In August 2016, the Company entered into a further agreement with Jiu Feng to amend the existing arrangements between the parties in respect of the USD Loan. This agreement provides that as at August 2016, the total principal amount owed by the Company to Jiu Feng is US$2,135,336.70. The Company was required to make a US $700,000 payment on 15 October 2016.

A final payment of approximately US $1,485,336.70 was to be paid on 31 March 2018. In November 2016, the parties amended the terms of the USD Loan so that the initial repayment of USD$ 700,000 was required on 20 December 2016. In December 2016, the parties amended the terms of the USD Loan so that the initial repayment of USD$ 700,000 was required on 10 January 2017. In January 2017, the parties amended the terms of the USD Loan so that the initial repayment of USD$ 700,000 was required on 15 January 2017.

In January 2017 the Group repaid the USD 700k (CAD$943k) of the USD loan, utilizing part of the proceeds from the fundraising aligned with the listing on the London Stock Exchange of 11 January 2017. The President, CEO and Director of the Group, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Group. The final payment of approximately USD$1,485k is repayable on 30 April 2018.

The President, CEO and Director of the Group, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Group and the final payment of approximately USD$1,485k is repayable on 31 July 2019, pursuant to an agreement between the parties dated 10 January 2018.

As at 31 December 2017, CAD$1,860k (31 December 2016 – CAD$2,000k) of principal was classified as a current liability and CAD$488k (31 December 2016 – CAD$315k) of accrued interest was included in trades and other payables.

5.2 EUR 401,148.10 Loan from Eneco Trade S.r.l. (relating to the acquisition of a co-generation plant in Italy)

On 29 September 2015, Canoel Italia S.r.l. ("**Canoel**") entered into an agreement with Eneco Trade S.r.l. ("Eneco") for the acquisition of a co-generation plant which treats gas from the Masseria Vincelli 1 well in the Torrente Cigno concession in Italy for a total consideration of EUR 470,000. EUR 401,148.10 of the purchase price was in the form of a loan payable to Eneco. The loan is secured against the co-generation plant, bears interest at 3.5% per year and is repayable in 30 monthly instalments of principal and interest until 31 March 2018.

As at 31 December 2017, the principal balance of the loan was €56k (CAD$84k) of which $84k was classified as a current liability.

5.3 EUR 220,000 Loan from GBM Banca S.p.A

On 6 August 2015, Canoel entered into a loan agreement with GBM Banka S.p.A ("**GBM**"), pursuant to which GBM lent EUR 220,000 to Canoel. Canoel is required to repay the amount due over five years by paying 60 monthly instalments, each such instalment comprising part of the principal sum borrowed and part of the relevant accrued interest. Each instalment must be paid on the 30th day of each month, with the first instalment payable on 31 August 2015. GBM is entitled to debit the instalments directly from Canoel's account. The loan is unsecured and interest payable on the loan is fixed at 7% per year.

As at 31 December 2017 the principal balance of the loan was €138k (CAD$206k) of which $68k was classified as a current liability and $138k is classified as non-current.

5.4 **EUR 200,000 Loan from Banca Credito Valtellinese S.C.**

On 17 December 2015, Canoel entered into a loan agreement with Banca Credito Valtellinese S.C. (Filiale di Tortona (AL)) ("BCV"), pursuant to which BCV lent EUR 200,000 to Canoel. Canoel is required to repay the amount due by paying 42 monthly instalments, each instalment comprising part of the principal sum borrowed and part of the relevant accrued interest. Each instalment must be paid on the 5th day of each month with the first instalment payable on 5 February 2016. BCV is entitled to debit the instalments directly from Canoel's account. The loan is unsecured and interest payable on the loan is fixed at 4.5% per year.

As at 31 December 2017 the principal balance of the loan was €94k (CAD$140k) of which $92k was classified as a current liability and $48k is classified as non-current.

5.5 **USD $320,000 General Line of Credit Agreement**

On 5 April 2017, the Group's wholly-owned subsidiary, Zenith Aran, entered into a general line of credit agreement with Rabitabank Open Joint Stock Company ("**Rabitabank**") up to an amount of USD $320k (CAD$416,000), for industrial and production purposes. The loan drawn down in one tranche and as at 06 April 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 was granted for a one-year term. The principal is repayable in 4 quarterly equal tranches. The amount of interest to be paid on a monthly basis.

On 6 July 2017 the terms of repayment of the loan were amended and the first repayment of principal of USD$80k was delayed to the end of July 2017.

On 31 July 2017 USD$20k (CAD$21k) was repaid and the balance of USD$60k (CAD$63k) was agreed to be repaid on 1 September 2017. A subsequent credit committee decision taken in September 2017 amended the payment terms of the loan and the balance of the principal amount (USD$280k) was required to be repaid on 6 April 2018.

In March 2018, the repayment of the principal amount (USD$280k) was extended by one year until 6 April 2019.

As of 31 December 2017, the outstanding principal amount of US$280k (CAD$350k) was classified as a current liability. As of 31 March 2018, the outstanding principal amount is USD$280k (CAD$357k) is classified as a non-current liability.

5.6 **USD $200,000 General Line of Credit Agreement**

On 12 April 2017, Zenith Aran entered into a general line of credit agreement with Rabitabank up to USD$200k (CAD$260,000). 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 (USD$200k) was extended by 15 months until 12 July 2019. The interest is payable on a monthly basis and the principal amount will be paid in five quarterly installments of 40 000 USD.

As of 31 March 2018, the amount of USD$200k (CAD$255) was classified as a current liability for USD$160k (CAD$206), and as a non-current liability for USD$40k (CAD$49).

5.7 **Swiss loan CHF 837,500**

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on 21 December 2015 for the initial amount of CHF838k (CAD$1,120k). 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 7 July 2022.

As at 31 December 2017 the principal balance of the loan was CHF734k (CAD$941k) of which CAD$67k was classified as a current liability and CAD$874k was classified as non-current.

5.8 **Swiss loan CHF 1,000,000**

On 30 March 2017 the Group acquired the Swiss based company Altasol SA, and assumed a loan subscribed by the former owner on 21 December 2015 for the initial amount of CHF1,000k (CAD$1,280k). The loan bears interest at a rate of 2.2% per annum. The loan is repayable on 2 July 2019 (plus accrued interest).

As at 31 December 2017 the principal balance of the loan was CHF1,000k (CAD$1,279k) and was classified as a non-current liability.

5.9 **Credit Agreement with Rabitabank dated 5 April 2017**

Pursuant to a credit agreement dated 5 April 2017 between the company and Rabitabank, Rabitabank agreed to provide the Company with a loan for $320,000 (US dollars). The loan is granted for a period of 12 months with 25% of the principal amount of the loan paid at the end of 3 months and the amount of interest paid monthly, with the annual interest rate of the loan being 11%. The loan was granted for use for payments purposes. All costs in relation to the loan are to be paid at the expense of the Company. The agreement contains customary obligations and undertakings given by the Company to Rabitabank.

5.10 **Credit Agreement with Rabitabank dated 12 April 2017**

Pursuant to a credit agreement dated 12 April 2017 between the Company and Rabitabank, Rabitabank agreed to provide the Company with a loan for $200,000 (US dollars). The loan is granted for a period of 12 months with the principal amount of the loan paid at the end of the period and the amount of interest paid monthly, with the annual interest rate of the loan being 10%. The loan was granted for use for payments purposes. All costs in relation to the loan are to be paid at the expense of the Company. The agreement contains customary obligations and undertakings given by the Company to Rabitabank.

5.11 **Short-term Non-Convertible loan agreement dated 5 April 2018**

On 3 April 2018, the Company entered into a five-month non-convertible loan agreement for the total amount of £230,000. The loan has a repayment schedule of five instalments commencing on 6 May 2018 with an interest rate of 7.5 percent and can be settled at any time without penalty.

Mr Andrea Cattaneo has agreed to act as a third-party guarantor in support of the Company by pledging a total of 3,571,428 common shares in the Company, in which he has a direct beneficial interest, as collateral to the lender.

5.12 **Short-term Non-Convertible loan agreement dated 25 May 2018**

On 24 May 2018, the Company entered into a two-year non-convertible loan facility, (the "**Facility**"), for a total amount of up to US$2,000,000.

The Facility will be used to provide additional funding for the Company's operations when required. It will be drawn down in tranches, with each tranche being payable four months from the drawdown date. It can be settled at any time without penalty and has no warrants attached.

5.13 **Summary of the Notice of Articles and Articles of the Company**

The following summarizes certain provisions in respect of the amended and restated articles of the Company (together with the Notice of Articles of the Company, the "**Articles**"). This summary of the Articles does not purport to be complete and is subject to and is qualified in its entirety by the Articles.

5.14 **Restrictions on objects/business**

The Articles contain no restrictions on the Company's principal objects or the type of business that may be carried out by the Company.

5.15 **Shares**

The Company is authorized to issue an unlimited number of common shares and preferred shares (issuable in series), having attached thereto the rights, privileges, restrictions hereinafter set forth.

The authorized share structure of the Company consists of shares of the class and series, if any, described in the Notice of Articles of the Company.

Each share certificate issued by the Company must comply with, and be signed as required by, the Business Corporations Act (British Columbia).

5.16 **Articles**

The rights attaching to the Common Shares, as set out in the Articles, contain, amongst others, the following provisions:

(a) Rights of Shareholders

(i) The holders of Common Shares shall be entitled to receive notice of, and to vote at every meeting of the shareholders of the Company and shall have one (1) vote thereat for each such Common Share so held.

(ii) Subject to the rights, privileges, restrictions and conditions attached to any preferred shares of the Company, the holders of Common Shares shall be entitled to receive such dividends as the Directors may from time to time, by resolution declare.

(iii) Subject to the rights, privileges, restrictions and conditions attached to any preferred shares of the Company, in the event of liquidation, dissolution or winding up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends) the holders of Common Shares shall be entitled to share *pro rata*.

(b) Variation of rights

Subject to the Business Corporation Act, the Company may by special resolution:

(i) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(ii) vary or delete any special rights or restriction attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

(c) Transfers of Common Shares

A transfer of a Common Share of the Company must not be registered unless:

(i) a duly signed instrument of transfer in respect of the share has been received by the Company;

(ii) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and

(iii) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company.

Other than described above, there are no provisions in the Company's Articles limiting the transfer of the Common Shares.

(d) Payment of dividends

Subject to the Business Corporations Act (British Columbia), the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

The Directors may set a date as the record date for the purpose of determining shareholder entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the Directors pass the resolution declaring the dividend.

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

No dividends bears interest against the Company.

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom is sent, and mailed to the address of the shareholder.

(e) Borrowing powers

The Company, if authorized by the Directors, may:

(i) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(ii) issue bonds, debentures and other debt obligations either outright or as security for any liability of obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(iii) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(iv) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

(f) Directors

(i) Directors shall be elected by an ordinary resolution of Shareholders or approved by a resolution of the Directors.

(ii) The minimum number of Directors is three and there is no maximum number of Directors.

(iii) Each Director ceases to hold office prior to the election of Directors at an annual general meeting.

(iv) The Directors may, at any time, appoint a person to be a Director either to fill a vacancy or as an addition to the existing Directors. Where a person is appointed to fill a vacancy, or as an additional Director (provided that the number of additional Directors must not exceed one third of the number of Directors elected at the last annual general meeting), the term shall not exceed the term that remained when the person who has ceased to be a Director ceased to hold office.

(v) A Director may be removed from office:

(A) with or without cause, by a special resolution of Shareholders passed at a meeting of Shareholders called for the purposes of removing the Director or for purposes including the removal of the Director; or

(B) if a Director is no longer qualified to act.

(vi) No shareholding qualification is required by a Director.

(vii) The Directors may by resolution of the Directors appoint officers of the Company at such times as may be considered necessary or expedient.

(g) Meetings of Shareholders

The Directors may call meetings of the Shareholders at such times and in such manner and at such places as they consider necessary or desirable, subject to the provisions of the Articles and the Business Corporations Act (British Columbia). In addition, the Directors will convene a meeting of Shareholders upon the written requisition of Shareholders entitled to exercise 5% or more of the issued shares that carry the right to vote at the meeting.

An annual general meeting of the Shareholders shall be called by at least 21 days' notice.

The accidental omission to give notice of a meeting to a Shareholder or another Director, or the fact that a Shareholder or another Director has not received notice, does not invalidate the meeting. A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder. The instrument appointing a proxy shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at or by which the proxy shall be presented.

(h) Pre-emption rights of Shareholders

There are no provisions in the Articles that require new Common Shares to be issued on a pre-emptive basis to existing Shareholders.

6 Stock Option Plan

6.1 Background

The purpose of the Stock Option Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries to achieve the longer-term objectives of the Company, to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Company.

6.2 Administration

The Directors are responsible for administering the Stock Option Plan and have full and final discretion to interpret its provisions and to prescribe, amend, rescind and waive the rules and regulations governing its administration and operation.

6.3 Eligibility

The Directors can designate those directors, officers, employees, consultants or other personnel of the Company or its subsidiaries who are granted Options ("**Optionholders**") pursuant to the Stock Option Plan. Subject to the policies (the "**Exchange Policies**") of the TSXV or any other stock exchange on which the Common Shares are listed (the "**Exchange**") and certain other limitations, the Directors are authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as they shall determine. No Option may be granted to any person except upon recommendation of the Board.

6.4 **Participation**

Participation in the Stock Option Plan is entirely voluntary and any decision not to participate shall not affect an individual's relationship or employment with the Company. The granting of an Option pursuant to the Stock Option Plan shall in no way be construed as conferring on any Optionholder any right with respect to continuance as a director, officer, employee or consultant of the Company or any of its subsidiaries. Options are not affected by any change of employment of the Optionholder or by the Optionholder ceasing to be a director, officer or a consultant of the Company or any of its subsidiaries where the Optionholder at the same time becomes or continues to be a director, officer, full-time employee or consultant of the Company or any of its subsidiaries.

6.5 **Shares subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Stock Option Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company shall not exceed 10% of the issued and outstanding Common Shares as at the closing of the initial public offering of the Common Shares on the TSXV.

In addition, unless the Company receives the permission of the stock exchange or exchanges on which the Common Shares are listed to exceed such threshold, the Options granted under the Stock Option Plan together with all of the Company's other previously established stock option plans or grants, must not result at any time in:

(a) the number of Common Shares reserved for issuance pursuant to Options granted to insiders (as defined in the Exchange Policies) exceeding 10% of the issued and outstanding Common Shares;

(b) the grant to insiders (as defined in the Exchange Policies) within a 12-month period, of a number of Options exceeding 10% of the outstanding Common Shares; or

(c) the grant to any one Optionholder within a 12-month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

6.6 **Option price and exercise price**

Subject to prior termination under the Stock Option Plan, each Option and all rights thereunder expire on the date set out in the stock option agreement entered into between the Company and each Optionholder, which shall be the date of expiry of the period determined by the Board of Directors during which the Optionholder may exercise the Option (the "**Option Period**"). The Option Period cannot exceed a period of 5 years from the date the relevant Option is granted unless the Company receives the permission of the stock exchange or exchanges on which the Common Shares are then listed, and, in any event, no Option can be exercisable for a period exceeding 10 years from the date it is granted.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Stock Option Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the last per share closing price for the Common Shares on the Exchange before the date of grant of the Option (less any applicable discount under the Exchange Policies).

6.7 **Exercise of Options**

Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

Subject to any vesting limitations which may be imposed by the Directors at the time of grant of an Option, an Optionholder is generally entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period. If an Optionholder ceases to be a director, officer, employee or consultant of the Company or its subsidiaries for any reason other than death, the Optionholder may within 90 days or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held. If an Optionholder dies, the Option previously granted to him is exercisable within one year following the date of the death or prior to the expiry of the Option Period, whichever is earlier, by the person or persons to whom the Optionholder's rights under the Option pass.

6.8 **Anti-dilution**

On certain variations to the share capital of the Company, the number of Common Shares comprised in existing Options may be adjusted so as to avoid the dilution of such Options.

6.9 **Transferability of Options**

No right or interest of any Optionholder under the Stock Option Plan is assignable or transferable.

6.10 **Options granted to the Directors and Senior Managers**

As at 19 June (being the latest practicable date prior to publication of this Document) the outstanding Options that have been granted to the Directors and Senior Managers or any member of their immediate families ("**Connected Persons**"), are as follows:

Name	*Date of grant*	*Number of options over Common shares*	*Exercise price CAD$*	*Expiry date*
Cattaneo Andrea	5 April 2018	5,221,429	0.12	5 April 2023
Regis Milano Luigi	5 April 2018	407,143	0.12	5 April 2023
Sodero Dario	18 November 2016	500,000	0.10	18 November 2021
	5 April 2018	203,571	0.12	5 April 2023
Lopez-Portillo Jose Ramon	18 November 2016	600,000	0.10	18 November 2021
	5 April 2018	244,286	0.12	5 April 2023
Larre Sture Erik	5 April 2018	703,571	0.12	5 April 2023
Saadallah Al-Fathy	5 April 2018	703,571	0.12	5 April 2023
Borovskiy Sergey	5 April 2018	703,571	0.12	5 April 2023
Benedetto Luca	5 April 2018	1,312,858	0.12	5 April 2023
Michael Palmer	18 May 2017	1,000,000	0.15	18 May 2022
	TOTAL	**11,600,000**		

7 Financial assistance to purchase Common Shares of the Company or its holding company

The Company may give financial assistance to any person in connection with the acquisition of its own Common Shares, subject to applicable law.

8 Purchase of Common Shares

A company may, subject to applicable law and its articles, purchase, redeem or otherwise acquire and hold its own shares in the manner provided for under its articles.

Subject to any limitations in the memorandum or articles, shares that a company purchases, redeems or otherwise acquires may be cancelled or retained.

A company is not prohibited from purchasing and may purchase its own warrants subject to applicable laws and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under British Columbia law that a company's articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its articles.

9 Protection of minorities

The Business Corporations Act (British Columbia) provides certain statutory remedies to Shareholders including derivative actions, personal actions and representative actions. The courts may consider claims by shareholders alleging that a company has acted in a manner aggressive or unfairly prejudicial to a shareholder.

The Business Corporations Act (British Columbia) further provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

(a) certain amendments to the articles of the company;

(b) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar class of shares;

(c) an amalgamation, other than in the case of certain wholly-owned companies;

(d) any sale, transfer, lease or other disposition of all or substantially all of the company's undertaking other than in the orderly course of business;

(e) a continuation to a jurisdiction other than British Columbia; or

(f) an arrangement, if permitted by the court.

Generally, any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Columbia.

Amalgamations and arrangements generally require the approval of two thirds of the votes entitled to vote and voted at a meeting to approve the transaction.

Any sale, transfer, lease or other disposition of all or substantially all of the undertaking of the company other than in the ordinary course of business, requires the approval of two thirds of the votes entitled to vote and voted at a meeting to approve the transaction.

Shareholders dissenting from the proposal to dispose of 50% or more of the assets or from any arrangement (which may cover other types of reorganization or reconstruction of a company) are entitled to require the company to pay the fair value of their shares, in accordance with the procedures and conditions laid down by the Business Corporations Act (British Columbia).

In addition, the Company is subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions, that regulates transactions such as "insider bids", "issuer bids," "business combinations" and "related party transactions" in order to ensure equal treatment of shareholders. Pursuant to the rule, certain transactions may be subject to valuation and shareholder voting requirements that are in addition to those imposed by the Business Corporations Act (British Columbia) and the rules of the TSXV.

10 Management

The Company is managed by its Directors, consisting of not less than three directors. Directors are required under the Business Corporations Act (British Columbia) to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances. As outlined above, certain actions require prior approval of the Shareholders, as a matter of statute. While the Company may provide certain indemnity for its Directors, the Business Corporations Act (British Columbia) precludes the Directors from taking advantage of such indemnities unless they act honestly and in good faith and in what they believed to be in the best interests of the Company, and in the case of criminal proceedings, where the Director had no reasonable cause to believe that his conduct was unlawful.

11 Inspection of corporate records

Shareholders are entitled to inspect the Articles, the register of directors and other documents listed in the Business Corporation Act at the records office.

12 Winding up

The Business Corporations Act (British Columbia) makes provision for both voluntary and compulsory winding up of a company. The shareholders may resolve to appoint a voluntary liquidator.

13 Takeovers

The Business Corporations Act (British Columbia) and Canadian securities legislation govern takeover bids for Canadian companies incorporated in the Province of British Columbia. A takeover bid is generally defined as an offer to acquire outstanding voting or equity securities of a class, made to any holder in the local jurisdiction of the securities, if such securities, together with the securities held by the offeror and any person acting jointly or in concert with the offeror would constitute 20% or more of the outstanding securities of that class, in the aggregate, at the date of the offer. A takeover bid must be made to all holders of securities of the class subject to the bid who are in the local jurisdiction (with limited exceptions) and must allow those holders at least 105 days to deposit securities pursuant to the bid. Notwithstanding the foregoing, the Canadian Securities Administrators have adopted a policy permitting them to issue a cease trade order in the event the takeover offer is not made to all Canadian security holders.

The availability of a takeover bid to shareholders residing outside Canada will be dependent on whether such takeover bid may be made to such non-Canadian shareholders pursuant to applicable legislation of the jurisdiction in which the non-Canadian shareholders resides and the actions of the offeror.

A takeover bid circular will be delivered to the security holders by the offeror detailing the terms of the bid. The directors of the reporting issuer (in this case, the Company) would then be required to deliver a directors' circular within 15 days of the date of the bid. The directors' circular would set out the Board's recommendation to accept or reject the bid, including reasons therefor or a statement that the Board is unable to comment and providing reasons in support of that position.

The Business Corporations Act (British Columbia) permits an acquiror who has been successful in acquiring 90% of the shares of a company (excluding those shares already held by the acquiror), to, within four months of making the offer to acquire such shares, send written notice to any shareholder who did not accept the offer, compelling them to sell their shares on the same terms as contained in the original offer. The tendering obligation is subject to the right of the shareholder to make application to the court, which may set the terms of the transaction and make any other consequential orders it deems fit. There is no reciprocal mechanism under Canadian law permitting a shareholder who refuses the original offer to compel the acquiror to acquire its shares on the terms of the original offer.

Significant amendments to the takeover bid regime in Canada came into force on 9 May 2016. Among other things the amendments:

(a) have a mandatory tender condition that a minimum of more than 50% of all outstanding securities of the class subject to the bid be tendered and not withdrawn before the bidder can take up any securities under the bid (the "**New Mandatory Minimum Tender Condition**");

(b) the bid must be extended by the bidder for at least 10 days once the New Mandatory Minimum Tender Condition has been satisfied and all other terms and conditions of the bid have been complied with or waived; and

(c) the bid must remain open for a minimum deposit period of 105 days. A target company will be allowed to reduce the deposit period to not less than 35 days in certain circumstances and subject to certain conditions.

14 Disclosure of Interests in Common Shares

The Company is a reporting issuer in Canada and is subject to Canadian securities laws. Pursuant to such laws, when a person (an "**Acquiror**") acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of a reporting issuer (such as the Company) that, together with such Acquiror's securities would constitute 10% or more of the outstanding securities of that class, the Acquiror must immediately issue and file a press release announcing the acquisition and file a report of the acquisition with the applicable securities regulatory authority within two business days thereafter. Certain institutional investors may elect an alternate reporting system. The Acquiror has a continuing obligation to disclose each further acquisition or disposition of a beneficial ownership of, the power to exercise direction or control over, or securities convertible into an additional 2% or more of the outstanding securities of the applicable class.

The Company is required by Form 51-102F5 of National Instrument 51-102 – Continuous Disclosure Obligations, to disclose in its information circulars whether, to the knowledge of the Company's Directors or executive officers, any person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Company.

15 Directorships and partnerships

In addition to their respective roles and directorships at the Company and its subsidiaries, the Directors have been, members of the administrative, management or supervisory bodies (the "**directorships**") or partners of the following companies or partnerships, at any time in the five years prior to the date of this Document.

Name	*Current directorships/partnerships*	*Previous directorships/partnerships*
Jose Ramon	Hybridair Ltd	—
Lopez-Portillo	World SkyCat Ltd	—
Luigi Regis Milano	DP Lubrificanti S.r.l	—
Andrea Cattaneo	—	Belpeso Ltd.
Dario E. Sodero	Planaval Resources Ltd. Rockbridge Resources Inc.	Cygam Energy Inc.
Sergey Borovskiy	Sanju Hong Kong General Transaction Inc. PetroChemical Solution South China Heavy Industries Group	—
Erik Larre	Black Sea Property EME Int. Ltd German Property AS TF Italia S.r.l Tonsenhagen Forrenthingssentrum AS Tonsenhagen Forrenthingssentrum 2	Larre Eiendom AS Rom Real Ltd Sparebank 1 Nord – Norge Bank
Saadallah Al-Fathi	—	—

16 Directors' confirmations

16.1 Save as set out beloew and as at the date of this Document, none of the Directors has, at any time within the last five years:

(a) had any convictions in relation to fraudulent offences;

(b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company or other entity;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or

(d) ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Andrea Cattaneo was appointed as a director of PEX Plc on 20 December 1995, a company listed on the main market of the London Stock Exchange, manufacturing socks, holder of the brands Pex and Bridgedale. Following a severe deterioration of the market in which PEX Plc operated, on 5 November 1999 PEX Plc was placed into administration ultimately resulting in its insolvent liquidation.

16.2 Certain Directors of the Company are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies set out in the Articles and the Business Corporations Act (British Columbia). Save as set out below, as at the date of this Document there are no potential conflicts of interest between any duties owed by the Directors, the Proposed Director or the Senior Manager of the Company and their private interests or other duties:

(a) Luigi Regis Milano is a director do DPL Raffineria S.r.l., a company which operates in the oil and gas sector; and

(b) Dario Sodero is the is the President and sole director of Planaval Resources Ltd, and a director of RockBridge Resources Inc., two oil and gas companies.

17 Directors' and other interests

17.1 In addition to the Options and Warrants referred to in paragraphs 17.2 and 17.3 below, respectively, the interests (beneficial or non-beneficial) in the shares of the Company or any of its subsidiaries held by the Directors and their respective Connected Persons as at the date of this Document, as well as the anticipated interests of such persons immediately following Admission, are as follows:

	As at the date of this Document		*Immediately following the Placing and Admission*	
Name	*Number of Shares*	*Percentage of issued Common Shares (%)*	*Number of Common Shares*	*Percentage of Enlarged Common Shares in Issue (%)*
Jose Ramon Lopez-Portillo	48,000	0.03	48,000	—
Luigi Regis Milano(1)(2)	4,495,740	3.19	4,495,740	—
Andrea Cattaneo	4,595,116	2.89	4,595,116	—
Dario E. Sodero(3)	77,500	0.05	77,500	—
Erik Larre(4)	4,334,068	3.07	4,334,068	—
Saadallah Al-Fathy	—	—	—	—
Sergey Borowskiy	—	—	—	—

Notes:

(1) Luigi Regis Milano also holds a minority interest of 1.35% in Company's subsidiary, Canoel Italia S.r.l.

(2) The 4,495,740 Common Shares stated for Luigi Regis Milano are held: (i) 3,495,740 shares by Pole Position SRL, a company controlled by members of Regis Milano's immediate family; and (ii) 1,000,000 shares directly by Regis Milano. 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) 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.

(4) 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.

17.2 As at 19 June 2018 (being the latest practicable date prior to publication of this Document) the Warrants held by the Directors and their respective Connected Persons, are as follows:

	Grant date	*Number of shares covered by the warrants*	*Exercise Price (CAD$)*	*Expiry Date*
Andrea Cattaneo	7 November 2016	583,333	0.20	7 November 2018
Luigi Regis Milano	—	—	—	—
Dario Sodero	—	—	—	—
Erik Larre	—	—	—	—
Jose Ramon Lopez-Portillo	—	—	—	—
Saadallah Al Fathy	—	—	—	—
Sergey Borowskiy	—	—	—	—

17.3 As at the date of this Document, the Options set out in paragraph 6.10 above have been granted to the Directors pursuant to the Stock Option Plan.

Name	*Date of grant*	*Number of options over Common shares*	*Exercise price CAD$*	*Expiry date*
Cattaneo Andrea	5 April 2018	5,221,429	0.12	5 April 2023
Regis Milano Luigi	5 April 2018	407,143	0.12	5 April 2023
Sodero Dario	18 November 2016	500,000	0.10	18 November 2021
	5 April 2018	203,571	0.12	5 April 2023
Lopez-Portillo Jose Ramon	18 November 2016	600,000	0.10	18 November 2021
	5 April 2018	244,286	0.12	5 April 2023
Larre Sture Erik	5 April 2018	703,571	0.12	5 April 2023
Saadallah Al-Fathy	5 April 2018	703,571	0.12	5 April 2023
Borovskiy Sergey	5 April 2018	703,571	0.12	5 April 2023
	TOTAL	**9,287,142**		

17.4 Save as disclosed in paragraphs 17.1, 17.2 and 17.3 above, no Director or their respective Connected Persons has, nor will they have immediately following Admission, any interest (whether beneficial or non-beneficial) in the share or loan capital of the Company or any of its subsidiary undertakings.

17.5 Under Canadian law, any person or company that has beneficial ownership of, or control or direction over, whether direct or indirect, or a combination of beneficial ownership of, and control or direction over, whether direct or indirect, securities of an issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities, including securities (issued and unissued) that the person or company is the beneficial owner of, which are convertible into voting securities within 60 days following that date, or has a right or obligation permitting or requiring the person or company, whether or not on conditions, to acquire beneficial ownership of the security within 60 days, by a single transaction or a series of linked transactions, is required to notify their holdings publicly. As at 30 December 2016 (being the latest practicable date before publication of this Document), in addition to the interests of the Directors, the Proposed Director and the Senior Manager and their respective Connected Persons disclosed in paragraphs 17.1, 17.2 and 17.3 above, the Company is not aware of any Shareholders that have a notifiable interest under Canadian law ("**Major Shareholders**").

17.6 The Company is not aware of any Major Shareholders that intend to participate in the Placing and the Directors and the Senior Managers have not made any applications in respect of the offer of Placing Shares.

17.7 Immediately following Admission, as a result of the Placing, the Directors expect that a number of persons will have an interest, directly or indirectly, in at least 3% of the voting rights attached to the Company's issued Common Shares. Such persons will be required to notify such interests to the Company in accordance with the provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules sourcebook, and such interests will be notified by the Company to the public.

17.8 As at 19 June 2018 (being the latest practicable date prior to the publication of this Document), the Company was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

17.9 Those interested, directly or indirectly, in 3% or more of the issued Common Shares of the Company do not now and, following the Placing and Admission, will not have, different voting rights from other holders of Common Shares.

18 Directors' terms of employment

The Directors and their functions are set out in Part 11: "*Directors, Senior Management and Corporate Governance*". The Directors are appointed at each annual general meeting of the Shareholders (each an "**AGM**") and may also be appointed at a special meeting of shareholders if one of the purposes for which the meeting was called was the election of directors. Directors will hold office until the close of the next AGM or until a successor is duly elected or appointed or his or her office is earlier vacated in accordance with the Business Corporations Act (British Columbia) and the Articles of the Company.

The Directors' may receive an annual retainer, meeting fees plus options (which options are set within the guidelines prescribed by the TSXV) and expense reimbursements. The Remuneration Committee is responsible for reviewing and recommending to the Board the retainer and fees to be paid to members of the Board.

A Director's term of office is terminable in accordance with the provisions of the Business Corporations Act (British Columbia). Pursuant to the Business Corporations Act (British Columbia), a director will cease to hold office by reason of: (i) death or resignation; (ii) expiration of his or her term of office; or

(i) removal or disqualification in accordance with the provisions of the Business Corporations Act (British Columbia). A director may be removed from office if the shareholders of a corporation so vote by special resolution or otherwise as provided for in the Articles. A director may become disqualified if:

(ii) he is less than 18 years of age; (ii) is found by a court to be of unsound mind; (iii) is an undischarged bankrupt; or (iv) is convicted of an offense involving fraud. Further details of the terms of employment of each Director are set out below.

The Company has a Board that it believes has the expertise to identify, select and complete successful acquisitions and to manage the Group.

For the current financial year, the Directors will be entitled to receive a fee to be determined by the Remuneration Committee following Admission.

The Directors are subject to the Canadian common law fiduciary duty in respect of the Company which obliges them not to disclose the confidential information of the Company and to act honestly and in good faith, with a view to the best interests of the Company. Mr Lopez-Portillo, Mr Sodero, Mr Salimbeni and Mr Larre do not have a service contracts with the Company or any other member of the Group. Details of the Directors are set out at paragraph 2.1 of Part 11 of the Prospectus.

19 Personnel

19.1 As at 19 June 2018 (being the latest practicable date prior to publication of this Document) the Company and its subsidiaries had 208 full time employees based in its offices in London in the UK, Baku in Azerbaijan and Genoa in Italy.

19.2 The daily operations and maintenance of producing fields in Italy are managed, on behalf of Canoel Italia S.r.l., by a leading service company that employs more than 12 work units for the management of the wells. These numbers are not included in the roster of the Company's employees.

20 Working Capital

The Company is of the opinion that, taking into account the Net Proceeds receivable by the Company, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this Document.

21 Significant change

Save for the following changes, there has been no significant change in the trading or financial position of the Company since 31 December 2017, being the end of the last financial period for which the interim financial information to have been published:

(a) On 10 January 2018 the Company closed the placement of the Canadian Placing Shares. The proceeds of this placement will be used to purchase equipment for the development of the Company's oil production operations in Azerbaijan. The Company paid finder's fee of £3k (approximately CAD$5k) in connection with this placement.

(b) On 24 January 2018 the Company completed the January Placing. The Company paid finder's fees of £34k (approximately CAD$58k) in connection with the January Placing.

(c) The Company incurred CAD$2,487k of capital expenditure in the three months ended 31 December 2017, primarily resulting from the workover field development programme underway in Azerbaijan.

22 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since the Company's incorporation which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company.

23 City Code

The City Code does not apply to the Company. There are no Canadian laws relating to the Common Shares and squeeze-out and/or sell-out rules, save as provided by the Business Corporations Act (British Columbia) and Canadian securities laws (as to which see the paragraph 14 of this Part 18).

24 Material contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Group which (i) are, or may be, material to the Group; or (ii) contain obligations or entitlements which are, or may be, material to the Group as at the date of this Document.

24.1 Placing Agreement

A conditional Placing Agreement dated 20 June 2018 between the Company, the Directors, Allenby Capital Limited, Daniel Stewart & Company Plc and Optiva Securities Limited under which Daniel Stewart & Company Plc and Optiva Securities Limited have agreed to use their reasonable endeavours as joint agents for the Company to seek subscribers at the Placing Price for the Placing Shares.

In consideration for its services to be provided under the Placing Agreement Daniel Stewart & Company Plc and Optiva Securities Limited will each receive (i) a broking commission of: 5%: (five per cent) for Optiva Securities Limited; and 6% (six per cent) for Daniel Stewart & Company Plc; of the aggregate value of the Placing Price (together with any VAT payable thereon) of the Placing Shares in respect of which they have procured placees to subscribe for such Placing Shares.

In consideration for its services to be provided under the Placing Agreement, Allenby Capital Limited will be paid by the Company a fee of £52,500 (together with any VAT payable thereon). In consideration for their services to be provided under the Placing Agreement, Daniel Stewart & Co Plc shall be entitled to the warrants and fees described in paragraph 24.2 below, and Optiva Securities Limited shall be entitled to warrants to subscribe for such number of Common Shares as represent 4% (four per cent) of the number of Placing Shares for which they procure subscribers for three years following Admission.

The Placing Agreement is conditional *inter alia* upon Admission and may be terminated in certain circumstances prior to Admission including by reason of *force majeure* or a breach of any of the warranties of the occurrence of an event adversely affecting the position of the Company. The Company has agreed to pay all other costs and expenses relating to the Placing and the application for Admission.

24.2 Broker Appointment of Daniel Stewart & Company Plc

Pursuant to a broker agreement dated 14 December 2017 (amended 22 January 2018), Daniel Stewart & Company Plc (Daniel Stewart) were engaged by the Company for the purposes of acting as the Company's Lead Broker in connection with a placing to raise up to £10 million by way of an issue of new Common Shares.

In consideration for its services in relation to the Appointment, Daniel Stewart will be paid: (i) a commission of 5 per cent of the aggregate funds raised by Daniel Stewart (subsequently increased to 6 per cent in the Placing Agreement); (ii) warrants to subscribe Common Shares of the Company to the value of 2 per cent of the aggregate funds raised by Daniel Stewart; (iii) an annual corporate broking fee of £25,000 to be paid quarterly in advance; (iv) a corporate finance fee of £20,000 half paid on signing the engagement letter and the balance to be paid on completion of the proposed transaction.

The agreement contains customary obligations, indemnities and representations given by the Company to Daniel Stewart.

The agreement is terminable immediately by serving a written notice in the event of any material breach of the Agreement by the other party of its obligations under the agreement.

24.3 **Agreement regarding the publication of a prospectus with Allenby Capital Limited**

Pursuant to an agreement dated 31 October 2017 between the Company and Allenby Capital Limited, the Company engaged Allenby Capital Limited as the Company's exclusive financial adviser in connection with the proposed publication of this Document.

In consideration for its services in relation to the appointment, Allenby Capital Limited will be paid: (i) 3 payments of £7,500, with the first payment to be paid on signing the engagement letter and the 2 further payments to be paid for each month for 2 months thereafter; and (ii) £52,500 on the approval of the prospectus by the UKLA (a payment subsequently included in the Placing Agreement detailed in 24.1 above). The Company agreed to reimburse Allenby Capital Limited for all expenses incurred in connection with its services including Allenby Capital Limited's legal fees and the Company will be liable for certain abortive fees if the engagement is terminated for a reason other than a material breach by Allenby Capital Limited.

24.4 **Financial Adviser Appointment of Allenby Capital Limited**

Pursuant to a financial adviser agreement dated 31 October 2017 between the Company and Allenby Capital Limited, Allenby Capital Limited has agreed to act as financial adviser to the Company in connection with the Company's on-going admission to the London Stock Exchange Main Market and the standard segment of the UK Official List, as well as general corporate finance advice.

In consideration for its services, Allenby Capital Limited will be paid (i) a fee of £35,000 per year, payable quarterly in advance; and (ii) a 5 per cent fee on equity funds raised for the Company by Allenby Capital Limited. The Company agreed to reimburse Allenby Capital Limited for all expenses incurred in connection with its services. The agreement contains customary warranties, representations and indemnities given by the Company to Allenby Capital Limited.

The agreement is for a minimum term of 12 months, with 3 months' notice to be given after the minimum term has expired.

The agreement effectively terminates the previous agreement between the Company and Allenby Capital Limited dated 16 February 2017 which engaged Allenby Capital Limited as the Company's broker.

24.5 **Olieum Joint Venture**

On 1 November 2017 the Company announced that it had signed a commitment letter with Olieum Services WLL ("**Olieum**"), an integrated oilfield services and equipment joint venture based in Bahrain, for the procurement of a Genesis BQ500 onshore drilling rig. Olieum has worked closely with the Company to structure a unique lease arrangement that aligns Zenith's targeted growth plans and cash flows with its future equipment requirements.

The Genesis BQ500 is the latest generation, automated onshore hydraulic drilling rig to be manufactured by B Robotics W S.R.L, a founding partner in Olieum, and a leading Italian oil and gas innovation company specializing in the design and manufacture of advanced oil and gas drilling equipment. The rig is expected to deliver enhanced automation, efficiency and safety to the Company's drilling operations, whilst driving down costs and time-to-production. This has largely been achieved through extensive research and development in modular rig design, and in key components including the monkey board, slips, lay-up and down machine, pipe containers, roughneck, subs and bits loader, and all the working floor tools.

Manufacturing of the Genesis BQ500 is scheduled to begin upon the fulfilment of the preliminary conditions detailed in the commitment letter. This is expected to take place in Quarter 2, 2018, with delivery anticipated in Quarter 4, 2018.

24.6 **Stock Purchase Agreement with Energy PIA Group S.A. dated 28 February 2017**

Pursuant to a stock purchase agreement dated 27 February 2017 between the Company and Energy PIA Group S.A, the Company agreed to purchase the Ingeniera Petrolera Patagonia Ltd (IPP) Shares from Energy PIA Group S.A. free and clear of all liens, claims, pledges, mortgages, restrictions, obligations, security interests and encumbrances of any kind.

IPP is the owner of (i) 100% of the shares of Common Stock of PP Holding Inc, (PPH), and (ii) 100% of the shares of the common Stock of Petrolera Patagonia Corporation, (PPC). PPH and PPC together, in turn, own 100% of the issued and outstanding securities in Petrolera Patagonia SRL, which owns certain assets and equipment as well as an 100% interest in two oil properties in Comodoro Rivadavia, Province of Chubut, Argentina.

In consideration for the sale of the IPP shares, the Company paid Energy PIA Group S.A $1,000 (USD). The Company provided representations and warrants that the Company is acquiring the Shares for his own account, for investment purposes, without a view to resell or distribute, nor with the intention of immediately selling, transferring or otherwise disposing of all or any part of such Shares, or any interest therein. The agreement contains customary indemnities, warranties and representations given by the Company to Energy PIA Group S.A.

Amendment to Stock Purchase Agreement with Energy PIA Group S.A. dated 10 March 2017

On 10 March 2017 the Company amended the Stock Purchase Agreement dated 28 February 2017 by and between the Company and Energy PIA Group S.A (the Agreement), as a result of Energy PIA Group S.A inability to locate certain original stock certificates.

The amendment added a provision to the indemnification clause of the Agreement (Article 8) to limit the indemnification so as to indemnify and hold harmless the Company against any loss, damage, expenses and liabilities incurred by the Company or actions, investigations, inquiries, arbitrations, claims, or other proceedings instituted against the Company in relation IPP's legal and unencumbered ownership of PPC and PPH.

The amendment also added further assurances that after the Closing, at the request of either party, the other shall undertake to perform its obligations under the Agreement and to cause the transactions contemplated to be carried out in accordance with the terms of the Agreement.

24.7 **Broker Agreement with Optiva Securities Limited**

Pursuant to a broker agreement dated 8 June 2016 between the Company and Optiva Securities Limited, Optiva Securities Limited agreed to assist in coordinating the IPO Placing, which includes using reasonable endeavors to procure placees and to act as corporate broker to the Company following Admission.

In consideration for its services in relation to the Placing and Admission, Optiva Securities Limited was paid (i) £25,000 per annum (plus applicable VAT) (to be paid in equal quarterly instalments in advance) and (ii) a commission of 6% (subsequently reduced to 5% in the Placing Agreement) of the aggregate funds raised by Optiva Securities Limited via the Placing and 6% broker warrants (which fees shall accrue on a daily basis until the date of termination of the agreement). The agreement contains customary warranties, representations and indemnities given by the Company to Optiva Securities Limited.

The agreement is terminable on three months' written notice by either party, provided that such notice of termination is to expire not earlier than 12 months from the date of the appointment. The agreement contains provision for early termination in certain circumstances.

24.8 **Transfer Agency and Registrarship Agreement**

The Company entered into a transfer agency and registrarship agreement (the "**Registrar Agreement**") with Olympia Trust Company ("**Olympia**") on 5 March 2008. On 11 July 2014, the

Company consented to the assignment and transfer by Olympia to Computershare Trust Company of Canada (the "**Registrar**") of all of the right, title and interest of Olympia in the Registrar Agreement. The formal assignment and transfer to the Registrar occurred on such date as was determined by the Registrar on or before 30 November 2014.

Pursuant to the Registrar Agreement, the Company appoints the Registrar to act as registrar and transfer agent to the Company, to keep, *inter alia*, the registers of holders and the registers of transfers for the Common Shares in the capital of the Company at its principal office in Calgary, Canada and to provide certain other administrative services to the Company in relation to its business and affairs.

The Company is required to pay for the services provided in accordance with a tariff or schedule of fees, which fees are subject to revision from time to time during the term of the agreement. The Company is also required to reimburse all costs and expenses, including the fees, disbursements and expenses of any sub-agents, advisors and legal counsel, if applicable, incurred in carrying out the duties under the Registrar Agreement.

If the Company defaults in its payment obligations under the Registrar Agreement, the Registrar has the right to immediately terminate the agreement. In addition, the Registrar Agreement may be terminated by either party upon three months' written notice.

Under the Registrar Agreement the Company indemnifies the Registrar (provided it has acted in good faith and without negligence), its directors, officers, employees, agents and assigns against all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs, expenses and disbursements (including legal and advisor fees and disbursements) howsoever arising from or out of any act or omission of the Registrar pursuant to or in relation to the Registrar Agreement.

24.9 **Depositary Agreement**

A depositary agreement dated 3 January 2017 (the "**Depositary Agreement**") between the Company and Computershare Investor Services PLC (the "**Depositary**") under which the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the deed poll executed by Computershare on or about the date of the Depositary Agreement (the "**Deed Poll**"), a series of uncertificated depositary interests ("**Depositary Interests**") representing securities issued by the Company and to provide certain other services in connection with such Depositary Interests with a view to facilitating the indirect holding by participants in CREST. Computershare agrees that it will comply with the terms of the Deed Poll and that it will perform its obligations with reasonable care and skill. Computershare assumes certain specific obligations, including the obligation to issue to a CREST member Depositary Interests in uncertificated form and to maintain the register of Depositary Interests. Computershare undertakes to provide the depositary services in compliance with the requirements of the Financial Services and Markets Act 2000. Computershare will either itself or through its appointed Custodian as bare trustee hold the deposited property (which includes, *inter alia*, the securities represented by the Depositary Interests) as may be designated from time to time by the Depositary. The Company agrees to provide such assistance, information and documentation to Computershare as is reasonably required by Computershare for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement, including (to the extent available to the Company) information, which concerns or relates to Computershare's obligations under the Depositary Agreement. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution. The Company is to indemnify Computershare for any loss it may suffer as a result of the performance of the Depositary Agreement except to the extent that any losses result from Computershare's own negligence, fraud or willful default. Computershare is to indemnify the Company for any loss the Company may suffer as a result of or in connection with Computershare's fraud, negligence or willful default save that the aggregate liability of the Depositary to the Company over any 12-month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Depositary in any 12-month period in respect of a single claim or in the aggregate. Subject to earlier termination, the Depositary is appointed for a fixed term of one year and thereafter until terminated by either party giving not less than six months' notice. In the event of termination, the parties agree to phase out the Depositary's operations in an efficient manner without adverse effect on the members of the Company and the Depositary shall deliver to the Company (or as it may direct) all documents, papers and other records relating to the Depositary Interests which are in its possession and which is the property of the Company. The Company is to pay certain fees and charges, including an annual fee, a fee based on the number of Depositary Interests per year and certain CREST related fees. Computershare is also entitled to recover reasonable out of pocket fees and expenses.

24.10 **REDPSA**

On 16 March 2016, the Company's wholly-owned subsidiary, Zenith Aran, entered into the REDPSA with SOCAR and SOA, a wholly-owned subsidiary of SOCAR (Zenith Aran and SOA being referred to herein as the "Contractor Parties"). The REDPSA covers 642 square kilometers which include the active Muradkhanli, Jafarli and Zardab oil fields (the "Contract Area"). Zenith Aran will hold an 80% participating interest in the REDPSA while SOA holds the remaining 20%. The delivery of the capital assets previously used in respect of the petroleum operations at the three fields in Azerbaijan from the previous operating company to Aran Oil Operating Company Limited, a wholly-owned subsidiary of the Contractor Parties, officially completed on 11 August 2016 (the "Effective Date").

Under the REDPSA, the Contractor Parties must provide all necessary funds to explore, appraise, evaluate, and develop the crude oil and natural gas resources within the Contract Area.

The Contract Area includes areas where the existing production needs to be improved (the "**Contract Rehabilitation Area**") and where new production needs to be developed (the "**Contract Exploration Area**"). The Contractor Parties have different obligations in respect of each area.

Rehabilitation and production programme

The Rehabilitation and Production programme was signed on 3 October 2017 and approved by SOCAR on the same date. It provides for a maximum production of approximately 2,382 barrels of crude oil per day. The programme will involve drilling 26 development wells: 21 in Muradkhanli and 5 in Jafarli with the cost per well being $4.3million. Therefore, a total of $111.8 million would be spent on drilling. The programme will also involve the workover of 44 wells, which includes 12 old well reactivations, with the cost per workover being $150,000. Therefore, a total of $6.85 million would be spent on the workovers. Additionally, the programme will provide for facility upgrades of $2.5million and involve running a 64km2 3D exploration seismic and drilling a 1-5000m exploration well. The total net cash flow for the programme is $176 million and the total OPEX of $122.5 million and total CAPEX of $121.15 million.

The wholly owned subsidiary of Zenith Energy Ltd., Zenith Aran has acquired the exclusive rights to conduct petroleum operations in three petroleum producing onshore fields in Azerbaijan.

Termination

The REDPSA can be terminated at any time by either party if the other party commits a material breach of the REDPSA or the "Government Guarantee" in the form attached to the REDPSA and fails to remedy such breach within 90 days of written notice from the other party. SOCAR may terminate by 90 days written notice for, *inter alia*, certain insolvency events. The Contractor Parties may voluntarily relinquish the Contract Area by giving 90 days written notice to SOCAR.

Compensatory petroleum

The Contractor Parties have an obligation to:

1. within one year following the Effective Date, deliver at no charge to SOCAR 5% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter; and

2. commencing on the first anniversary of the Effective Date, start delivering at no charge to SOCAR 15% of the total production of petroleum produced from the contract rehabilitation area in each calendar quarter,

until the amount delivered is the equivalent of approximately 315,000 barrels of "compensatory" crude oil to SOCAR ("**Compensatory Petroleum**").

The balance of production remaining after (i) the relevant Compensatory Petroleum has been delivered and (ii) quantities to enable recovery of certain operating and capital costs are deducted, is calculated on a quarterly basis and is shared between SOCAR and the Contractor Parties according to a detailed "R factor" model.

The REDPSA is further described in paragraph 1.3 of Part 10: "*Information on the Group*" of this Document.

24.11 **USD $ 2,050,000 Loan from Jiu Feng Investment Hong Kong Limited**

The USD $2,050,000 loan from Jiu Feng Investment Hong Kong Limited is described in paragraph 5.1 of Part 18: "*Additional Information*" of this Document.

24.12 **EUR 401,148.10 Loan from Eneco Trade S.r.l. (relating to the acquisition of a co-generation plant in Italy)**

The EUR 401,148.10 loan from Eneco Trade S.r.l. (relating to the acquisition of a co-generation plant in Italy) is described in paragraph 5.3 of Part 18: "*Additional Information*" of this Document.

24.13 **EUR 220,000 Loan from GBM Banca S.p.A**

The EUR 220,000 loan from GBM Banca S.p.A is described in paragraph 5.4 of Part 18: "*Additional Information*" of this Document.

24.14 **EUR 200,000 Loan from Banca Credito Valtellinese S.C.**

The EUR 200,000 loan from Banca Credito Valtellinese S.C. is described in paragraph 5.5 of Part 18: "*Additional Information*" of this Document.

24.15 **USD $320,000 General Line of Credit Agreement**

The First Credit Agreement is described in paragraph 5.6 of Part 18: "*Additional Information*" of this Document.

24.16 **USD $200,000 General Line of Credit Agreement**

The Second Credit Agreement is described in paragraph 5.7 of Part 18: "*Additional Information*" of this Document.

24.17 **Swiss loan 1**

The Swiss loan1 agreement is described in paragraph 5.8 of Part 18: "*Additional Information*" of this Document.

24.18 **Swiss loan 2**

The Swiss loan 2agreement is described in paragraph 5.9 of Part 18: "*Additional Information*" of this Document.

24.19 **Agreement with PrimaryBid Limited**

Pursuant to an agreement dated 4 June 2018 between the Company and PrimaryBid Limited ("**PrimaryBid**"), PrimaryBid agreed to host details of the Placing on their online platform which allows certain private investors to gain access to information relating to the Company and make offers to subscribe for Common Shares ("**PrimaryBid Offer**"). The terms of the agreement state that PrimaryBid will provide the following services to the Company:

(a) alert PrimaryBid's registered users to the regulatory announcement made by the Company regarding publication of the Prospectus and details of the Placing and PrimaryBid Offer;

(b) provide PrimaryBid's registered users with instructions as to how they can subscribe for Common Shares;

(c) collect subscription proceeds relating to successful applications for subscriptions that PrimaryBid may receive through its website;

(d) on completion of the PrimaryBid Offer, transfer the net subscription proceeds to the Company and transfer the relevant Common Shares to its registered users who have successfully subscribed for shares.

In consideration for its services, PrimaryBid will be paid a commission of 5 per cent on the sums raised under the PrimaryBid Offer.

24.20 **Agreement with Ace Capital Group Limited**

On the 5 June 2018 the Company entered in an agreement with Ace Capital Group Ltd ("**Ace**"), to engage Ace as subscription agent to the Company for the purposes of raising capital for the Company.

The agreement provides that Ace will agree a list of investors to whom the Company would like to be introduced, arrange for the despatch to them of the Company's presentation materials and co-ordinate presentation meetings with interested prospective investors, forward to the Company any requests for additional information by prospective investors and assist the Company in responding to such requests, facilitate the provision of appropriate subscription letters to potential investors and assist in the preparation of any announcements in connection with the capital raise.

Ace is appointed for a minimum of three months from 5 June 2018 and thereafter subject to one month's notice from either party.

In consideration of the services to be performed by Ace pursuant to the engagement, the Company has agreed to pay Ace a commission of 6% of the aggregate gross value of the subscriptions for new Common Shares procured by Ace.

24.21 **Engagement letter with Orion Securities Norway**

The Company entered into an engagement letter with Orion Securities Norway ("**OSN**") on 4 June 2018 pursuant to which OSN is retained as subscription agent to the Company for the purposes of raising capital for the Company.

The terms of the agreement state that OSN will promote trading in the shares of the Company by; (i) relaying the Company results, share prices and news; and (ii) arranging for the Company to make presentations to investors and advising on content and providing feedback reports. OSN also agrees to use all reasonable endeavours to procure subscribers for Common Shares at no less than 5.5 pence per Common Share in connection with the Subscription.

In consideration for ONS's services, the Company has agreed to pay OSN a commission of 6% of the aggregate gross value of the subscriptions for new Common Shares procured by OSN. The Company will also reimburse OSN for all expenses.

The engagement will terminate on either party giving 3 months' notice to the other. The Company cannot give notice in the first 12 months of the engagement.

25 Related party transactions

Details of related party transactions entered into by the Company or members of the Group during the period covered by the historic financial information are set out in note 25 of the consolidated financial statements of the Company for the years ended 31 March 2015, 2016 and 2017 and in note 15 to the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2017 and comparative period (30 September 2016), both of which are contained in Part 16: "*Historical Financial Information*" of this Document.

Save as set out above, and for the related party transactions set out in note 25 of the consolidated financial statements of the Company for the years ended 31 March 2015, 2016 and 2076 and in note 15 to the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2017 and comparative period (30 September 2017), there are no related party transactions that were entered into (and still subsist) during the period covered by the consolidated historical financial information and during the period from 1 July 2017 to the date of this Document.

26 Remuneration and benefits – named executive officers

The following table summarizes annual compensation and long-term compensation of the Company's "Named Executive Officers" (as defined by Form 51-102F6) for the three most recently completed financial years that ended on 31 March 2017. All the amounts are expressed in thousand Canadian dollars:

Name and principal position	*Year* [(4)]	*Short term employee benefit CAD$'000*	*Other short-term benefits CAD$'000*	*Other long-term benefits CAD$'000*	*Termination benefits CAD$'000*	*Other benefits CAD$'000*	*Total CAD$'000*
Andrea Cattaneo[(1-2)]	2015	180	Nil	Nil	Nil	200[(3)]	380
	2016	303	Nil	Nil	Nil	Nil	303
	2017	224	Nil	Nil	Nil	Nil	224
Luigi Regis Milano[(5)]	2015	55	Nil	Nil	Nil	Nil	55
	2016	59	Nil	Nil	Nil	Nil	59
	2017	29	Nil	Nil	Nil	Nil	29
Jose Ramon Lopez-Portillo	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dario Sodero[(7)]	2016	19	Nil	Nil	Nil	Nil	19
	2017	15	Nil	Nil	Nil	Nil	15
Erik Larre	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Francesco Salimbeni[(9)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Saadallah Al-Fathi[(9)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nilesh Jagatia[(6)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alan Hume[(8)]	2017	138	Nil	Nil	Nil	Nil	138

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 CAD$200,000, payable in equal monthly instalments, plus benefits for the years ended 31 March 2017, 2016 and 2015.
2. Andrea Cattaneo had an yearly compensation of CAD$200,000 from the parent Company, and CAD$24,000 from subsidiary undertakings, for the year ended 31 March 2017.
3. Bonus paid to CEO approved by the Board of Directors.
4. Financial years ended 31 March.
5. Luigi Regis Milano served as Chief Financial Officer from 28 November 2012 to 7 March 2016.
6. Nilesh Jagatia served as Chief Financial Officer from 7 March 2016 to 6 October 2016.
7. In the year ending 31 March 2016, Mr. Sodero received a fee for professional consulting services of approximately CAD$19,000. In the year ending 31 March 2017, Mr. Sodero received a fee for professional consulting services of approximately CAD$15,000.
8. Alan Hume served as Chief Financial Officer from 7 October 2016 to 21 April 2017.
9. Mr. Francesco Salimbeni passed during the year. He was replaced by Mr. Saadallah Al-Fathi.

The Group has a share option plan (the "Plan") for the benefit of 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. Share options expire five years from the date of granting.

During November 2016, there were 6,000,000 options granted to Zenith's officers, directors, employees and consultants. Each option entitles the holder to acquire one Common Share for $0.10 per share for the period ending 31 March 2021. These were also valued using the Black Scholes model. The inputs to the calculation were as follows; stock price of CAD$0.07, exercise price of CAD$0.10, volatility of 100% and a monthly risk-free rate of 0.53%.

On 22 February 2017, the Group announced that Luigi Regis Milano has announced the intention to exercise his stock options to purchase 1,000,000 Common Shares in the capital of the Group at a price of CAD$0.10 per Common Share and a total cost of CAD$100k.

On 17 May 2017, the Group granted additional Options to certain of its Directors and employees to acquire a total of 2,750,000 Common Shares pursuant to its Stock Option Plan. Each Option granted entitles the relevant holder to acquire one Common Share for an exercise price of CAD$0.15 per Common Share. The expiry date of the Options is the date falling five years from the date of grant, being 17 May 2022.

On 25 May 2017, the Group announced that following the Group's announcement on 22 February 2017 that Luigi Regis Milano had exercised an option to acquire 1,000,000 new Common Shares in the capital of the Group, the new Common Shares have been issued on 23 May 2017 following confirmation by this Director of the custodian to whom they should be issued.

On 27 September 2017 the Company announced that a Director of the Company had exercised part of his stock options to purchase 1,000,000 Common Shares in the capital of the Company at a price of CAD$0.10 per Common Share, and a total cost of CAD$100k.

On 23 November 2017 the Company announced that Andrea Cattaneo had exercised part of his stock options to purchase 2,000,000 new Common Shares at an exercise price (the "Stock Options Price") of CAD$0.10 (approximately £0.059) per new Common Share and at a total cost of CAD$200k (approximately £118k).

27 Accounts

The Company's annual report and accounts will be made up to 31 March in each year. It is expected that the Company will make public its annual report and accounts within 90 days of each financial year end and within 45 days of each quarter (or earlier if possible) and that copies of the annual report and accounts will be sent to Shareholders within six months of each financial year end (or earlier if possible).

28 Issues of new Common Shares

The Directors are authorised to issue an unlimited number of Common Shares. There are no statutory pre-emption rights.

29 Consents

29.1 PKF Littlejohn LLP has given and has not withdrawn its written consent to the inclusion in this Document of its reports set out in Part 13: "*Selected Financial Information – Part B*" and Part 16: "*Historical Financial Information*" in the form and context in which they are included and has authorised the contents of those parts of this Document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

29.2 Chapman Petroleum, in its capacity as Competent Person, has given and has not withdrawn its written consent to the inclusion in this Document of its Competent Person's Report in Part 23 of this Document and references to it in the form and context in which they are included and has authorised the contents of those parts of this Document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

29.3 Allenby Capital Limited has given and not withdrawn its written consent to the inclusion in this Document of its name in the form and context in which it is included.

29.4 Daniel Stewart & Company plc has given and not withdrawn its written consent to the inclusion in this Document of its name in the form and context in which it is included.

29.5 Thomson Reuters (Professional) UK Limited (trading as Practical Law) has given and not withdrawn its written consent to the extraction of information from its publications:

(a) *Energy and Natural Resources Multi-Jurisdictional Guide 2014 (Oil and gas regulation in Argentina: overview);* and

(b) *Energy and Natural Resources Global Guide 2015 (Oil and gas regulation in Azerbaijan: overview),*

as reproduced in Sections 1 and 3 of Part 9: "*Argentina, Italy and Azerbaijan*" respectively.

30 General

30.1 The total expenses incurred (or to be incurred) by the Company in connection with Admission and the Placing are approximately £311,700. Assuming £2,020,000 is raised on closing of the Placing and Subscription, the estimated Net Proceeds, after deducting fees and expenses in connection with the Placing, are approximately £1,708,300.

30.2 No material changes have occurred since the effective date of the Competent Person's Report the omission of which would make the Competent Person's Report misleading.

31 Documents available for inspection

Copies of the following documents will be available for inspection in physical form during usual business hours on any day (except Saturdays, Sundays and public holidays) at the offices of Zenith Energy Limited for a period of 12 months following Admission:

(i) the Articles;

(ii) the historical financial information of the Group in respect of the years ended 31 March 2015, 2016 and 2017, together with the related accountant's report from PKF Littlejohn LLP, which is set out in Part 16: "*Historical Financial Information*" of this Document;

(iii) the accountant's report from PKF Littlejohn LLP on the unaudited pro forma financial information, which is set out in Part 13, Part B: "*Selected Financial Information – Selected key pro forma financial information*" of this Document;

(iv) the CPR;

(v) the consent letters referred to in paragraph 30 of this Part 18; and

(vi) this Document.

In addition, for the purposes of Rule 3.2.4R(3) of the Prospectus Rules, this Document will be published in electronic form and be available on the Company's website at www.zenithenergy.ca subject to certain access restrictions applicable to persons located or resident outside the United Kingdom.

The date of this Document is 20 June 2018.

PART 19

NOTICES TO INVESTORS

The distribution of this Document and the Placing may be restricted by law in certain jurisdictions and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

1. General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Common Shares, or possession or distribution of this Document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Common Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material or advertisement in connection with the Common Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Document does not constitute an offer to subscribe for any of the Common Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Document has been approved by the FCA as a prospectus for the purposes of section 85 of FSMA, and of the Prospectus Directive. No arrangement has been made with the competent authority in any other EEA State (or any other jurisdiction) for the use of this Document as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in any EEA state (or in any other jurisdiction). Issue or circulation of this Document may be prohibited in countries other than those in relation to which notices are given below.

2. For the attention of Canadian investors

The Placing Shares will be subject to resale restrictions imposed by, and subscribers for Placing Shares may not be able to resell such Placing Shares except in accordance with, applicable Canadian securities law and subscribers for Placing Shares have undertaken that (i) they will not offer, sell or deliver, directly or indirectly, any of the Placing Shares in Canada or to or for the benefit of any person resident in Canada until the expiry of any relevant hold period under applicable Canadian securities laws of four months and one day from Admission, unless a trade is permitted under Canadian securities laws; and (ii) they will notify any transferee of Placing Shares of the applicable resale restrictions.

Under Canadian securities law, subject to certain exceptions, securities which are not distributed under a Canadian prospectus are subject to a restricted period in Canada of four months and one day after the distribution date. The Common Shares to be issued outside of Canada pursuant to the Placing will not be distributed under a Canadian prospectus and will be subject to a four month and a day restricted period in Canada (beginning on the date the Common Shares are issued by the Company) which will prevent such Common Shares from being resold in Canada during the restricted period unless a trade is permitted under Canadian securities laws.

3. For the attention of European Economic Area investors

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of the Common Shares may only be made once the prospectus has been passported in such Relevant Member State in accordance with the Prospectus Directive as implemented by such Relevant Member State. For the other Relevant Member States an offer to the public in that Relevant Member State of any Common Shares may only be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined

in the Prospectus Directive) in such Relevant Member State subject to obtaining prior consent of the Company for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Common Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer to the public" in relation to any offer of Common Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Common Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Common Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments, thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the EEA, this Document may not be used for, or in connection with, and does not constitute, any offer of Common Shares or an invitation to purchase or subscribe for any Common Shares in any member state of the EEA in which such offer or invitation would be unlawful.

The distribution of this Document in other jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any such restrictions.

4. For the attention of UK investors

This Document comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

In the United Kingdom this Document is for distribution to, and is directed only at, legal entities which are qualified investors as defined under the Prospectus Directive and are (i) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or (iii) persons to whom it may otherwise be lawfully distributed under the Order, (all such persons together being "**Relevant Persons**"). In the United Kingdom, any investment or investment activity to which this Document relates is only available to and will only be engaged in with Relevant Persons. Persons who are not Relevant Persons should not act or rely on this Document or any of its contents.

PART 20

CREST AND DEPOSITORY INTERESTS

1. CREST and Depositary Arrangements

The Company has established arrangements to enable investors to settle interests in the Common Shares through the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK companies, such as the Company, cannot be held or transferred electronically in the CREST system. However, depositary interests allow such securities to be dematerialised and settled electronically through CREST. Where investors choose to settle interests in the Common Shares through the CREST system, and pursuant to depositary arrangements established by the Company, Computershare Investor Services plc (the "**Depositary**") will hold the Common Shares and issue dematerialised depositary interests (the "**Depositary Interests**") representing the underlying Common Shares, which will be held on trust for the holders of the Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system. Investors should note that it is the Depositary Interests which are and will be admitted to and settled through CREST and not the Common Shares.

The Depositary has and will issue the dematerialised Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system.

The Depositary Interests have and will be created pursuant to and issued on the terms of a deed poll dated 29 November 2016 and executed by the Depositary in favour of the holders of the Depositary Interests from time to time (the "**Deed Poll**"). Prospective holders of Depositary Interests should note that they will have no rights against CRESTCo or its subsidiaries in respect of the underlying Common Shares or the Depositary Interests representing them.

The Common Shares have and will be transferred to the Custodian and the Depositary will issue Depositary Interests to participating members and provide the necessary custodial services. In relation to those Common Shares held by Shareholders in uncertificated form, although the Company's register shows the Custodian as the legal holder of the Common Shares, the beneficial interest in the Common Shares remains with the holder of Depositary Interests, who has the benefit of all the rights attaching to the Common Shares as if the holder of Depositary Interests were named on the certificated Common Share register itself.

Each Depositary Interest is and will be represented as one Common Share, for the purposes of determining, for example, in the case of Common Shares, eligibility for any dividends. The Depositary Interests do and will have the same ISIN number as the underlying Common Shares and will not require a separate listing on the Official List. The Depositary Interests are traded and settled within the CREST system in the same way as any other CREST securities.

2. Deed Poll

In summary, the Deed Poll contains provisions to the following effect, which are binding on holders of Depositary Interests:

Holders of Depositary Interests warrant, *inter alia*, that Common Shares held by the Depositary or the Custodian (on behalf of the Depositary) are free and clear of all liens, charges, encumbrances or third-party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation. Each holder of Depositary Interests indemnifies the Depositary for any losses the Depositary incurs as a result of a breach of this warranty.

The Depositary and any Custodian must pass on to holders of Depositary Interests and, so far as they are reasonably able, exercise on behalf of holders of Depositary Interests all rights and entitlements received or to which they are entitled in respect of the underlying Common Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

The Depositary will be entitled to cancel Depositary Interests and withdraw the underlying Common Shares in certain circumstances including where a holder of Depositary Interests has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depositary Interests.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any holder of Depositary Interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

a. the value of the Common Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

b. that proportion of £5 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the holder of Depositary Interests bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5 million.

The Depositary is not liable for any losses attributable to or resulting from the Company's negligence or wilful default or fraud or that of the CREST operator.

The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent, if such Custodian or agent is a member of the Depositary's group, or, if not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period, holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant holder of Depositary Interests or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary or the Custodian may require from any holder, or former or prospective holder, information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Common Shares and holders are bound to provide such information requested. Furthermore, to the extent that the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Common Shares, the holders of Depositary Interests are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Common Shares in the Company, including, for example, in the case of Shareholders, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Common Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Common Shares as a proxy of the Depositary or its nominated Custodian.

A copy of the Deed Poll can be obtained on request in writing to the Depositary.

3. Depositary Agreement

The Depositary Agreement between the Company and the Depositary under which the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll, a series of Depositary Interests representing securities issued by the Company and to provide certain other services in connection with such Depositary Interests with a view to facilitating the indirect holding by participants in CREST. The Depository agrees that it will comply with the terms of the Deed Poll and that it will perform its obligations with reasonable care and skill. The Depository assumes certain specific obligations, including the obligation to issue to a CREST member Depositary Interests in uncertificated form and to maintain the register of Depositary Interests. The Depository undertakes to provide the depositary services in compliance with the requirements of the Financial Services and Markets Act 2000. Computershare will either itself or through its appointed Custodian as bare trustee hold the deposited property (which includes, *inter alia*, the securities represented by the Depositary Interests) as may be designated from time to time by the Depositary. The Company agrees to provide such assistance, information and documentation to the Depository as is reasonably required by the Depository for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement, including (to the extent available to the Company) information, which concerns or relates to the Depository's obligations under the Depositary Agreement. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution. The Company is to indemnify Depository for any loss it may suffer as a result of the performance of the Depositary Agreement except to the extent that any losses result from the Depository's own negligence, fraud or wilful default. The Depository is to indemnify the Company for any loss the Company may suffer as a result of or in connection with the Depository's fraud, negligence or wilful default save that the aggregate liability of the Depositary to the Company over any 12-month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Depositary in any 12-month period in respect of a single claim or in the aggregate. Subject to earlier termination, the Depositary is appointed for a fixed term of one year and thereafter until terminated by either party giving not less than six months' notice. In the event of termination, the parties agree to phase out the Depositary's operations in an efficient manner without adverse effect on the members of the Company and the Depositary shall deliver to the Company (or as it may direct) all documents, papers and other records relating to the Depositary Interests which are in its possession and which is the property of the Company. The Company is to pay certain fees and charges, including an annual fee, a fee based on the number of Depositary Interests per year and certain CREST related fees. Computershare is also entitled to recover reasonable out of pocket fees and expenses.

PART 21

DEFINITIONS

The following definitions apply throughout this Document unless the context requires otherwise:

"Admission"	means admission of the Placing Shares, Subscription Shares, Offer Shares and Admission Shares to the standard segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
"Admission Shares"	means the Canadian Placing Shares, Salary Sacrifice Shares and the Settlement Shares, a combined total of 6,721,647 Common Shares;
"Articles"	means the Notice of Articles and Articles of the Company in force from time to time;
"Azerbaijan Acquisition"	means the acquisition of rights by Zenith Aran pursuant to the REDPSA;
"Azeri Asset"	means the three fields which comprise the Company's Azerbaijani Operations (Muradkhanli, Jafarli and Zardab) have a compounded acreage of 642 square kilometres;
"Business Corporations Act"	means the Business Corporations Act (British Columbia), SBC 2002, c 57;
"Business Day"	means a day (other than a Saturday or a Sunday) on which banks are open for business in London and British Columbia;
"Canadian Placing Shares"	means the 4,000,000 Common Shares issued under the Canadian private palcing announced on 10 January 2018, which are expected to be admitted to the standard segment of the Official List on 26 June 2018;
"certificated" or **"in certificated form"**	means in relation to a share, warrant or other security, a share, warrant or other security, title to which is recorded in the relevant register of the share, warrant or other security concerned as being held in certificated form (that is, not in CREST);
"Chairman"	means the Chairman of the Board from time to time, as the context requires;
"Chapman Petroleum" or **the "Competent Person"**	means Chapman Petroleum Engineering Ltd;
"City Code"	means the UK City Code on Takeovers and Mergers;
"Common Shares"	means the common shares of no par value in the capital of the Company including, if the context requires, the Placing Shares, Subscription Shares, Offer Shares and Admission Shares;
"Company" or **"Zenith"**	means Zenith Energy Ltd., a corporation incorporated in British Columbia under the British Corporations Act (British Columbia) on 20 September 2007, with number BC0803216;
"Convertible Loan Notes"	means the CHF Swiss Francs unsecured convertible loan notes unsecured convertible loan notes issued by the Company as

	described in paragraph 3.3 of Part 18 (Additional Information) of this document;
"CPR" or **"Competent Person's Report"**	means the Competent Person's Report prepared by Chapman Petroleum, reporting as at 31 March 2018, published in Part 23 of this Document;
"CREST" or **"CREST System"**	means the paperless settlement system operated by Euroclear enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments;
"CREST Manual"	means the compendium of documents entitled "CREST Manual" issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules, the CSS Operations Manual and the CREST Glossary of Terms;
"CREST Regulations"	means The Uncertified Securities Regulations 2001 (SI 2001 No. 3755), as amended;
"CREST Requirements"	means the rules and requirements of Euroclear as may be applicable to issuers from time to time, including those specified in the CREST Manual;
"CRESTCo"	means CRESTCo Limited, the operator (as defined in the Uncertificated Regulations) of CREST;
"Custodian"	means the custodian nominated by the Depositary;
"Deed Poll"	means the Deed Poll as defined on page 143;
"Depositary"	means Computershare Investor Services plc;
"Depositary Agreement"	means the Depositary Agreement as defined on page 145;
"Depositary Interests"	means the dematerialised depositary interests (denominated in Pounds Sterling) in respect of the Common Shares issued or to be issued by the Depositary;
"Directors" or **"Board"** or **"Board of Directors"**	means the board of directors of the Company as at the date of this Document, whose names are set out on page 41 of this Document, or the board of directors from time to time of the Company, as the context requires, and "Director" is to be construed accordingly;
"Directors' Letters of Appointment"	means the letters of appointment for each of the Directors, details of which are set out in Part 18: "Additional Information";
"Disclosure Guidance and Transparency Rules" or **"DTR"**	means the disclosure guidance and transparency rules sourcebook of the FCA made pursuant to section 73A of FSMA as amended from time to time;
"Document" or **"this Document"** or **"Prospectus"** or **"this Prospectus"**	means this document comprising a prospectus relating to the Company prepared in accordance with the Prospectus Rules made under section 73A of FSMA and approved by the FCA under section 87A of FSMA;
"EEA"	means the European Economic Area;
"EEA States"	means the member states of the European Union and the European Economic Area, each an "EEA State";

"Effective Date"	means 11 August 2016;
"Enlarged Common Shares in Issue"	means 210,421,766 Common Shares, being the Existing Shares, Subscription Shares, Offer Shares and the Placing Shares;
"EU"	means the Member States of the European Union;
"Euroclear"	means Euroclear UK & Ireland Limited;
"Exchange Act"	means the US Securities Exchange Act of 1934, as amended;
"Existing Shares"	means the existing Common Shares in issue prior to the Placing, and as at the date of this Document;
"FCA"	means the UK Financial Conduct Authority;
"FSMA"	means the Financial Services and Markets Act 2000 of the UK, as amended;
"general meeting"	means a meeting of the Shareholders of the Company;
"Group"	the Company and the Subsidiaries;
"IFRS"	means International Financial Reporting Standards as adopted by the European Union;
"Independent Directors"	means those Directors of the Board considered by the Board to be independent for the purposes of any appropriate corporate governance regime complied with by the Company from time to time;
"IPO"	the admission of the Common Shares to the standard segment of the official list and to trading on the main market for listed securities of the London Stock Exchange in January 2017;
"IPO Placing"	means the placing of 33,322,143 Common Shares in January 2017, as announed on 11 January 2017;
"IPO Prospectus"	means the prospectus issued in connection with the IPO;
"January Placing"	means the placing of 9,000,000 Common Shares, as announced on 24 January 2018;
"Listing Rules"	means the listing rules of the FCA made pursuant to section 73A of FSMA as amended from time to time;
"London Stock Exchange"	means London Stock Exchange plc;
"Market Abuse Regulation"	The Market Abuse Regulation (S94/2014);
"Net Proceeds"	means the funds received on closing of the Placing and Subscription less any expenses paid or payable in connection with Admission, the Subscription and the Placing;
"Offer Price"	means 4 pence per Common Share, being the same as the Placing Price;
"Offer Shares"	means the up to 20,000,000 Common Shares to be issued pursuant to the PrimaryBid Offer;
"Official List"	means the official list maintained by the FCA;

"Oil Share Agreement"	means the obligation connected with a business combination completed in July 2010, pursuant to which, for a period of three years commencing 30 November 2010, the Group would provide the vendor with 50% of the annual gross revenue derived from the sale of barrels of oil from the properties and 25% of the annual gross revenue derived from the sale of barrels of oil;
"Options"	means the stock options over Common Shares granted pursuant to the Stock Option Plan;
"Placing"	means the proposed Placing of the Placing Shares: (i) by the Company; and (ii) on behalf of the Company (in respect of Common Shares placed by Daniel Stewart & Co Plc and Optiva Securities Limited), in each case at the Placing Price and on the terms and subject to the conditions set out in this Document;
"Placing Price"	means 4 pence per new Common Share;
"Placing Shares"	means the 46,500,000 Common Shares to be issued pursuant to the placing;
"Pounds Sterling" or **"£"**	means British pounds sterling, the lawful currency of the UK;
"Premium Listing"	means a listing on the Premium Listing Segment of the Official List under Chapter 6 of the Listing Rules;
"PrimaryBid Offer"	the offer to subscribe for Offer Shares at the Offer Price arranged PrimaryBid as set out in paragraph 24.19 of Part 18;
"Prospectus Directive"	means Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant member state), and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC;
"Prospectus Rules"	means the prospectus rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time;
"REDPSA"	means the Rehabilitation, Exploration, Development and Production Sharing Agreement entered into on 16 March 2016 between SOCAR, Zenith Aran and SOA, as described in paragraph 1.2 of Part 10: "*Information on the Group*" and paragraph 24.10 of Part 18: "*Additional Information*";
"Registrar"	means Computershare Trust Company of Canada or any other registrar appointed by the Company from time to time;
"Registrar Agreement"	means the transfer agency and registrarship agreement dated 5 March 2008 between the Company and Olympia Trust Company, and in which Olympia Trust Company's right, title and interest were assigned and transferred to the Registrar in 2014, further details of which are set out in Part 18: "*Additional Information*";
"Regulatory Information Service"	means a regulatory information service authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
"SEC"	means the US securities and Exchange Commission;
"Securities Act"	means the US Securities Act of 1933, as amended;

"Senior Manager"	means the senior manager of the Company whose name is set out in Part 11: "*Directors, Senior Management and Corporate Governance*" under the heading "*Senior Management*";
"Settlement Shares"	means the 1,598,579 Common Shares issued in settlement of debt in Canada, as announced on 24 January 2018, which are expected to be admitted to the standard segment of the Official List on 26 June 2018;
"Share Settlement"	Means the business process whereby securities or interests in securities are delivered, in simultaneous exchange for payment of money, to fulfil contractual obligations, such as those arising under securities trades;
"Shareholders"	means the holders of the Common Shares and/or Placing Shares, as the context requires;
"SOA"	SOCAR Oil Affiliate, a company incorporated under the laws of Azerbaijan;
"SOCAR"	the State Oil Company of Azerbaijan Republic;
"SOCARMO"	The Marketing and Operations Department of SOCAR;
"Standard Listing"	means a listing on the Standard Listing Segment of the Official List under Chapter 14 of the Listing Rules;
"Stock Option Plan"	the Company's shareholder approved stock option plan, further details of which are set out in paragraph 6 of Part 18: "*Additional Information*" of this Document;
"Subsidiary"	as defined in section 2(2) of the Business Corporations Act (British Columbia);
"Subscription"	the subscription for Subscription Shares at the Subscription Price by a number of investors on the terms as set out in paragraph 24 of Part 18;
"Subscription Price"	means 4 pence per Common Share, being the same as the Placing Price;
"Subscription Shares"	means the up to 4,000,000 Common Shares to be issued pursuant to the Subscription;
"Takeover Panel"	means the UK Panel on Takeovers and Mergers;
"Torrente Cigno Concession"	The gad production concession at Torrente Cigno, Italy;
"Trading Day"	means a day on which the main market of the London Stock Exchange (or such other applicable securities exchange or quotation system on which the Shares are listed) is open for business (other than a day on which the main market of the London Stock Exchange (or such other applicable securities exchange or quotation system) is scheduled to or does close prior to its regular weekday closing time);
"TSXV"	means the TSX Venture Exchange;
"UK Listing Authority"	means the FCA in its capacity as the competent authority for listing in the UK pursuant to Part VI of FSMA;

"uncertificated" or **"uncertificated form"**	means, in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
"United Kingdom" or **"UK"**	means the United Kingdom of Great Britain and Northern Ireland;
"United States" or **"US"**	has the meaning given to the term "United States" in Regulation S;
"VAT"	means (i) within the EU, any tax imposed by any Member State in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition;
"Warrants"	means the 46,881,622 warrants granted between April 2014 and January 2018 to subscribe for Common Shares, as more particularly described in paragraph 4 of Part 18: "*Additional Information*" of this Document, of which 17,804,706 were outstanding as at 19 June 2018; and
"Zenith Aran"	Zenith Aran Oil Company Limited (the Company's wholly-owned subsidiary), a company incorporated under the laws of the British Virgin Islands.

References to a "company" in this Document shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

PART 22

GLOSSARY OF TECHNICAL TERMS

The following technical definitions apply throughout this Document unless the context requires otherwise:

Reserves

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

(a) Analysis of drilling, geological, geophysical and engineering data;

(b) The use of established technology;

(c) Specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

(a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed non-producing reserves are those reserves that either have not been on production or have previously been on production but are shut-in and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities", which refers to the lowest level at which reserves calculations are performed, and to "reported reserves", which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;

(b) at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and

(c) at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

General

"BIT"	Before Income Tax;
"AIT"	After Income Tax;
"M$"	Thousands of Dollars;
"Effective Date"	The date for which the Present Value of the future cash flows and reserve categories are established;
"$US"	United States Dollars;
"BRENT"	North Sea Oil – the common reference for crude oil used for oil price comparisons outside North America:
"WTI"	West Texas Intermediate – the common reference for crude oil used for oil price comparisons in North America:

Technical Data

"psia"	Pounds per square inch absolute;
"MSTB"	Thousands of Stock Tank barrels of oil (oil volume at 60 F and 14.65 psia);
"MMscf"	Millions of standard cubic feet of gas (gas volume at 60 f and 14.65 psia);
"Bbls"	Barrels;
"Mbbls"	Thousands of barrels;
"MMBTU"	Millions of British Thermal Units – heating value of natural gas;
"STB/d"	Stock Tank Barrels of oil per day – oil production rate;
"Mscf/d"	Thousands of standard cubic feet of gas per day – gas production rate;
"GOR (scf/STB)"	Gas-Oil ratio (standard cubic feet of solution gas per stick tank barrel of oil);
"mKB"	Metres Kelly Bushing – depth of well in relation to the Kelly Bushing which is located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations;

"EOR"	Enhanced Oil Recovery;
"GJ"	Gigajoules;
"Marketable or Sales Natural Gas"	Natural gas that meets specifications for its sale, whether it occurs naturally or results from the processing of raw natural gas. Field and plant fuel and losses to the point of the sale must be excluded from the marketable quantity. The heating value of marketable natural gas may vary considerably, depending on its composition; therefore, quantities are usually expressed not only in volumes but also in terms of energy content. Reserves are always reported as marketable quantities;
"NGLs"	Natural Gas Liquids – Those hydrocarbon components that can be recovered from natural gas as liquids, including but not limited to ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons;
"Raw Gas"	Natural gas as it is produced from the reservoir prior to processing. It is gaseous at the conditions under which its Volume is measured or estimated and may include varying amounts of heavier hydrocarbons (that may liquefy at atmospheric conditions) and water vapour; may also contain sulphur and other non-hydrocarbon compounds. Raw natural gas is generally not suitable for end use; and
"EUR"	Estimated Ultimate Recovery.

PART 23

COMPETENT PERSON'S REPORT

COMPETENT PERSONS REPORT

RESERVE AND ECONOMIC EVALUATION
OIL AND GAS PROPERTIES

AZERBAIJAN AND ITALY

Owned by

ZENITH ENERGY LTD.

March 31, 2018
(April 1, 2018)

1122 - 4th Street S.W., Suite 700, Calgary, Alberta T2R 1M1 • Phone: (403) 266-4141 • Fax: (403) 266-4259 • www.chapeng.ab.ca

April 12, 2018

Zenith Energy Ltd.
Suite 1500, 15th Floor Bankers Court
850 - 2nd Street SW
Calgary AB Canada T2P 0R8

Attention: Mr. Andrea Cattaneo

Dear Sir:

Re: Competent Persons Report, Reserve and Economic Evaluation – Zenith Energy Ltd. Azerbaijan and Italy – March 31, 2018

In accordance with your authorization we have prepared a Competent Person's Report evaluating oil and gas properties located in Azerbaijan and Italy, owned by Zenith Energy Ltd. (the "Company") for an effective date of March 31, 2018 (April 1, 2018).

This evaluation has been carried out in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook ("COGEH"), the professional practice standard under our Permit to Practice with APEGA and under the guidelines of the European Securities and Markets Authority (ESMA). The report has been prepared and/or supervised by a "Qualified Reserves Evaluator" under NI 51-101 as demonstrated on the accompanying Certificate of Qualification of the author(s).

The INTRODUCTION contains the authorization and purpose of the report and describes the methodology and economic parameters used in the preparation of this report.

The EXECUTIVE SUMMARY contains a concise presentation of the property characteristics and results of the reserve and economic evaluation for each property.

The SUMMARY OF RESERVES AND ECONOMICS presents the Company gross and net reserve and economic results of each property, in summary form. The net present values presented in this report do not necessarily represent the fair market value of the reserves evaluated in this report. All monetary values presented in this report are expressed in terms of US dollars.

The DISCUSSION contains a description of the interests and burdens, reserves and geology, production forecasts, product prices, capital and operating costs and a map of each property. The economic results and cash flow forecasts (before income tax) are also presented on an entity and property summary level.

In preparation of this report, reliance has been placed upon information provided by the Company with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to the current and future operations, sales of production, concession expiration dates, and additional data that were accepted as presented. Although we have not conducted an independent verification, the information used in this report appears reasonable and the Company has confirmed in writing that to the best of their knowledge all the information they provided for our use in the preparation of the report was complete and accurate as of the effective date.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be significant. We have no responsibility to update our report for events and circumstances which may have occurred since the preparation date of this report.

Prior to public disclosure of any information contained in this report, or our name as author, our written consent must be obtained, as to the information being disclosed and the manner in which it is presented. This report may not be reproduced, distributed or made available for use by any other party without our written consent and may not be reproduced for distribution at any time without the complete context of the report, unless otherwise reviewed and approved by us.

We consent to the submission of this report, in its entirety, to securities regulatory agencies and stock exchanges, by the Company.

It has been a pleasure to prepare this report and the opportunity to have been of service is appreciated.

Yours very truly,
Chapman Petroleum Engineering Ltd.

[Original Signed By:]

C. W. Chapman

C. W. Chapman, P. Eng.,
President

cgm/lml/6445
attachments

PERMIT TO PRACTICE
CHAPMAN PETROLEUM ENGINEERING LTD.
[Original Signed By:]
Signature *C.W. Chapman*
Date *April 12, 2018*
PERMIT NUMBER: P 4201
The Association of Professional Engineers and Geoscientists of Alberta

CERTIFICATE OF QUALIFICATION

I, C. W. CHAPMAN, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta and a member of the Australasian Institute of Mining and Metallurgy.

2. THAT I graduated from the University of Alberta with a Bachelor of Science degree in Mechanical Engineering in 1971.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.

4. THAT I have in excess of 40 years in the conduct of evaluation and engineering studies relating to oil & gas fields in Canada and around the world.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was conducted in September 2015 by Charles Moore, Senior Associate of Chapman Petroleum Engineering Ltd. His report is contained in Appendix A to the Discussion in this report.

[Original Signed By:]

C.W. Chapman

C.W. Chapman, P.Eng.
President

PERMIT TO PRACTICE
CHAPMAN PETROLEUM ENGINEERING LTD.
[Original Signed By:]
Signature *C.W. Chapman*
Date *April 12, 2018*
PERMIT NUMBER: P 4201
The Association of Professional Engineers and Geoscientists of Alberta

CERTIFICATE OF QUALIFICATION

I, D. J. BRIERE, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta.

2. THAT I graduated from the University of Calgary with a Bachelor of Science degree in Electrical Engineering in 1978.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.

4. THAT I have over 30 years of experience in engineering studies relating to oil & gas fields in Canada and around the world.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was conducted in September 2015 by Charles Moore, Senior Associate of Chapman Petroleum Engineering Ltd. His report is contained in Appendix A to the Discussion in this report.

[Original Signed By:]

J.D. Brière

J.D. Brière, P.Eng.
Vice President – Engineering

CERTIFICATE OF QUALIFICATION

I, ROGER D. SAKATCH, a Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a Professional Engineer in the Province of Alberta.

2. THAT I graduated from the University of Alberta with a Bachelor of Engineering degree in 1987.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, operations, and evaluations during that time.

4. THAT I have in excess of 10 years of experience in the conduct of evaluation and engineering studies relating to oil and gas fields in Canada and internationally.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Roger D. Sakatch

Roger D. Sakatch, P.Eng.,
Senior Associate

CERTIFICATE OF QUALIFICATION

I, CHARLES G.K. MOORE, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta.

2. THAT I graduated from the Technical University of Nova Scotia (now Dalhousie University) with a Bachelor of Engineering degree in Mining Engineering in 1972.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.

4. THAT I have in excess of 20 years of experience in the conduct of evaluation and engineering studies relating to oil and gas fields in Canada and internationally.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. I conducted a personal field examination of these properties in September 2015. A full report is contained in Appendix A to the Discussion in this report.

[Original Signed By:]

Charles G.K. Moore

Charles G.K. Moore, P.Eng.,
Associate

CERTIFICATE OF QUALIFICATION

I, HAROLD J. RYAN, P. Geol., Professional Geologist of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a registered Professional Geologist in the Province of Alberta.

2. THAT I graduated from the University of Calgary with a Bachelor of Science degree in Geology in 1983.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in petroleum geology, petrophysics, operations, and evaluations during that time.

4. THAT I have in excess of 30 years of experience in the conduct of evaluation and geological studies relating to oil and gas fields in Canada and internationally.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was conducted in September 2015 by Charles Moore, Senior Associate of Chapman Petroleum Engineering Ltd. His report is contained in Appendix A to the Discussion in this report.

[Original Signed By:]

Harold J. Ryan

Harold J. Ryan, P.Geol.
Vice President – Geoscience

CERTIFICATE OF QUALIFICATION

I, Klorinda Kaci, of the city of Calgary, Alberta, Canada officing at Suite 700, 1122 – 4th Street S.W., Calgary, Alberta hereby certify:

1. THAT I am a member of Society of Petroleum Engineers.

2. THAT I hold a Bachelor of Applied Technology in Petroleum Engineering from Southern Alberta Institute of Technology (SAIT) in Calgary (June 2009). I hold a Bachelor of Science degree in Civil Engineering from Tirana University of Albania 1989.

3. THAT I have been employed in the petroleum industry from 1994 to 2000 in Albania, and from January 2008 to the present time in Calgary.

4. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Zenith Energy Ltd., dated April 12, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

5. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Zenith Energy Ltd., its participants or any affiliate thereof.

6. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

7. A personal field examination of these properties was conducted in September 2015 by Charles Moore, Senior Associate of Chapman Petroleum Engineering Ltd. His report is contained in Appendix A to the Discussion in this report.

[Original Signed By:]

Klorinda Kaci

Klorinda Kaci, B.Sc., B.A.Tech.,
Economics Coordinator / Technical Assistant

COMPETENT PERSONS REPORT

RESERVE AND ECONOMIC EVALUATION
OIL AND GAS PROPERTIES

AZERBAIJAN AND ITALY

Owned by

ZENITH ENERGY LTD.

March 31, 2018
(April 1, 2018)

Chapman Petroleum Engineering Ltd.

TABLE OF CONTENTS

INTRODUCTION

INDEX

INTRODUCTION

1. AUTHORIZATION

This evaluation has been authorized by Mr. Andrea Cattaneo, on behalf of Zenith Energy Ltd. The engineering analysis has been performed during the month of April 2018.

2. PURPOSE OF THE REPORT

The purpose of this report was to prepare a third party independent appraisal of the oil and gas reserves owned by Zenith Energy Ltd.

The values in this report do not include the value of the Company's undeveloped land holdings nor the tangible value of their interest in associated plant and well site facilities they may acquire.

3. USE OF THE REPORT

The report is intended for annual corporate disclosure and filing requirements and financial planning.

4. SCOPE OF THE REPORT

4.1 Methodology

The evaluation of the reserves of these properties included in the report has been conducted under a discounted cash flow analysis of estimated future net revenue, which is the principal tool for estimating oil and gas property values and supporting capital investment decisions.

4.2 Land Survey System

Azerbaijan

Wells in Azerbaijan are normally located by their latitude and longitude. The public land survey system is not used directly in referencing wells.

Italy

The Italian Cadastral Land Survey System establishes real property boundaries based on modern geodetics and historical land claims.

The complete unification of the country was done in 1870 when large parts of the Appennien Peninsula was covered by cadastral surveys, mainly carried out by Piedmont, the Kingdom of Naples and the Papal State (Frazzica et al., 2009).

In the first decades of the twentieth century, the Italian Institute of Military Geography (Istituto Geografico Militare; I.G.M) developed four independent geodetic networks. Today the Genova 1902 datum is more or less used for all parts of the country.

Italian Cadastral system geodetic data can be obtained from the Italian geodetic data portal, and it provides access to all geodetic base data of the country, according to the Open Access strategy.

4.3 Economics

Azerbaijan

The economic analysis for these properties has been presented in a spread sheet format, to accommodate the terms of the Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA).

For all cases, the Tables consist of a total of 5 pages as follows:

1. Production Forecasts for Light and Medium Oil and Capital Expenditures for the three fields combined.
2. Gross Revenue, Operating Costs and Cost Recovery.
3. Production Splits and Profit Oil Calculations.
4. Production Streams and Revenues.
5. Discounted Cash Flow Analysis, Before and After Income Tax.

Italy

The results of the before tax economic analysis, which are presented for each entity and property summary, are in a condensed form presented on one page for simplicity in analyzing the cash flows, however, if for any reason more extensive breakdown of the cash flow is required, a separate schedule can be provided showing the full derivation and breakdown of any or all of the columns on the summary page.

The economic presentation shows the gross property and company gross and net (before and after royalty) production of oil, gas and each NGL product along with the product prices adjusted for oil quality and heating value of gas. Oil prices also include the deduction for trucking costs where applicable for royalty deductions.

The second level includes the revenues, royalties, operating costs, processing income, abandonment costs, capital and cash flow of the property. Operating costs are presented for the gross property and the company share, split between variable and fixed costs, and the effective cost per BOE.

Net revenues are presented annually and as a net back in $/BOE @ 6 Mscf/STB. Revenue from custom processing of oil or gas is presented separately.

The third level of data presents the cumulative cash flow values (present worth) for various discount rates. Also, the net cash flow breakdown is presented. The project profitability criteria are summarized on the bottom right of the page. These data are not relevant in the case of corporate evaluations but are useful in assessing individual capital projects.

For corporate consolidations a second page is included, which repeats the before tax cash flow and presents the Taxable Income, Income Tax Payable, After Income Tax Cash Flows and net present values After Income Tax.

4.4 Barrels of Oil Equivalent

If at any time in this report reference is made to "Barrels of Oil Equivalent" (BOE), the conversion used is 6 Mscf : 1 STB (6 Mcf : 1 bbl).

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

4.5 Environmental Liabilities

We have been advised by the Company that they are in material compliance with all Environmental Laws and do not have any Environmental Claims pending.

5. BASIS OF REPORT

5.1 Sources of Information

Sources of the data used in the preparation of these reports are as follows:

Azerbaijan

i) Ownership and Burdens have been derived from the Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA) under which the Company is operating and other information from the Company as required for clarification;

ii) Most historical production data has been provided by SOCAR, the State Oil Company of the Azerbaijan Republic, which operated the field until the field was formally handed over to the Company on August 11, 2016. The Company has provided cost and revenue data from its own records since the hand over of the field;

iii) Well data is accessed from SOCAR's well files;

iv) Operating Costs are based on revenue and expense statements provided by the Company and a detailed long term budget prepared by the Company;

v) Oil is sold into the Urals Oil system through the Baku-Novorossiysk pipeline system. Price differentials are derived from revenue statements, compared to actual posted prices for the appropriate benchmark price over a period of several months for established properties;

vi) Timing of Development Plans and Capital estimates have been determined by discussions with the Company together with our experience and judgment.

Italy

i) Ownership and Burdens have been derived from the Company's land records and other information from the Company as required for clarification;

ii) Production data is acquired directly from the Company or the operator of the property;

iii) Well data is accessed from the Company's well files;

iv) Operating Costs are based on actual revenue and expense statements provided by the Company for established properties or from discussions with the Company and our experience in the area for new or non-producing properties;

v) Price differentials are derived from revenue statements, compared to actual posted prices for the appropriate benchmark price over a period of several months for established properties or from discussions with the Company and our experience in the area for new or non-producing properties;

vi) Timing of Development Plans and Capital estimates are normally determined by discussions with the Company together with our experience and judgment.

5.2 **Product Prices**

Oil prices in Azerbaijan are based on comparisons to Ural oil prices using revenues received by the Company over the past 12 months. Gas and Natural Gas Liquids (NGL) prices in Italy are based on historical data.

5.3 **Product Sales Arrangement**

The Company does not have any "hedge" contracts in place at this time.

5.4 **Production Sharing Agreement and Royalties**

The oil in Azerbaijan is produced and sold under the provisions of the Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA) for the Block including the Muradkhanli, Jafarli and Zardab Oil Fields in the Republic of Azerbaijan. The terms of this agreement are summarized under the Property Description section of the Discussion portion of this report. Additional information is provided in Table 1, following the Discussion.

Production levels in Italy predicted in this report fall below the threshold which would make the royalties applicable, therefore there are no royalty burdens on the Italian gas production.

5.5 **Capital Expenditures and Operating Costs**

Operating costs and capital expenditures have been based on historical experience and analogy where necessary and are expressed in current year dollars but for economic purposes are escalated at 2% per year after the current year.

5.6 **Income Tax Parameters**

In Azerbaijan, under the terms of the REDPSA, the Company is not subject to any corporate income tax, therefore cash flows before and after income tax are identical. Similarly, for the Italian properties, the Company's existing tax pools are sufficient to offset any income taxes.

5.7 Abandonment and Restoration

Azerbaijan

Abandonment and restoration costs have not been included in this report since the Block is to be returned to SOCAR as a going concern at the end of the 25 year agreement. An Abandonment Fund is to be created. Company contributions to the Fund are included in the fixed operating costs for the property.

Italy

Abandonment and restoration costs, net of salvage, have been included in the cash flows for the final event of any particular well. The abandonment cost does not impact the economic limit and is included in the final year of production. For marginal wells nearing the end of their economic life, these costs may result in a negative net present value.

In this report, we have accounted for these costs for only the wells which are being evaluated and have not included other shut-in or suspended wells in the Company's inventory or their facilities and pipelines.

6. EVALUATION STANDARD USED

6.1 General

This evaluation and report preparation have been carried out in accordance with standards set out in the APEGA professional practice standard "The Canadian Oil and Gas Evaluation Handbook" ("COGEH"), in conjunction with COGEH definitions are presented below and are generally compliant with PRMS standards.

6.2 Reserve Definitions

The following definitions, extracted from Section 5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM and the Calgary Chapter of the Society of Petroleum Evaluation Engineers (SPEE) as specified by NI 51-101 have been used in preparing this report. These definitions are compliant with the PRMS.

DEFINITIONS OF RESERVES

The following definitions and guidelines are designed to assist evaluators in making reserves estimates on a reasonably consistent basis, and assist users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards.

The guidelines outline

- General criteria for classifying reserves,
- Procedures and methods for estimating reserves,
- Confidence levels of individual entity and aggregate reserves estimates,
- Verification and testing of reserves estimates.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable, and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. The concepts are presented and discussed in greater detail within the guidelines of Section 5.5 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

The following definitions apply to both estimates of individual Reserves Entities and the aggregate of reserves for multiple entities.

RESERVES CATEGORIES

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- Analysis of drilling, geological, geophysical, and engineering data;
- The use of established technology;

- Specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

a. Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

b. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

c. Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

DEVELOPMENT AND PRODUCTION STATUS

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories.

a. Developed Reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

   Developed Producing Reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed Non-Producing Reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in and the date of resumption of production is unknown.

b. Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

LEVELS OF CERTAINTY FOR REPORTED RESERVES

The qualitative certainty levels contained in the definitions in Section 5.4.1 are applicable to "individual reserves entities," which refers to the lowest level at which reserves calculations are performed, and to "reported reserves," which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves,
- At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable reserves,
- At least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable + possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

7. SITE VISIT

A field visit to Azerbaijan including the city of Baku and the Muradkhanli, Jafarli and Zardab Oil Fields was conducted between September 14 and 19, 2015 by Charles Moore, Senior Associate of Chapman Petroleum Engineering Ltd. The purpose of this visit was to gather data, meet the local personnel and observe the field operation. Details and photos are presented in Appendix A of the Azerbaijan Discussion.

A personal field examination was not considered to be necessary for the Italian properties because the data available from the Company's records and public sources was satisfactory for our purposes.

EXECUTIVE SUMMARY

This Executive Summary presents an overview of the Company's properties and results of the evaluation and, in particular, addresses the information required by the European Securities and Markets Authority (ESMA), Section 132.

(a) Details of the reserves established under COGEH (NI 51-101) standards are presented with their associated net present values on the attached Table 1. The Company has sufficient accumulated tax pools to offset the cash flows projected in this report therefore before and after tax values are equal.

(b) The anticipated project life of these properties based on the established proved and probable reserves and production forecasts are as follows:

i) Azerbaijan – 25 years (limit of license)

ii) Italy – 15 years

(c) Azerbaijan

The wholly owned subsidiary of the Company, Zenith Aran Oil Company Limited ("Zenith Aran") has acquired the exclusive rights to conduct petroleum operations in three petroleum producing onshore fields in Azerbaijan ("the Azeri Operations").

On June 8, 2015, the Company and SOCAR executed a confidential memorandum of understanding ("MOU") regarding the Muradkhanli Block. Formal approval of the MOU and permission to disclose was subsequently granted by the President of Azerbaijan through Decree No. 1439 dated October 7, 2015 ("Presidential Decree") which authorized SOCAR to prepare and execute a REDPSA for the Muradkhanli Block between the Company and SOCAR on behalf of the Republic of Azerbaijan.

On June 14, 2016, the Company received notice of ratification from the Parliament of the Republic of Azerbaijan of the REDPSA granting the Company the rights and obligations for an 80% participating interest in current and future production, as well as acknowledging, Aran Oil Operating Company Ltd. (Aran), an 80% owned subsidiary of Zenith Aran, as operator of the REDPSA. This ratification has transformed the REDPSA into a law of the country, which was signed by the President of the Republic of Azerbaijan on June 24, 2016.

The REDPSA, executed on March 16, 2016 between SOCAR, Zenith Aran and SOCAR Oil Affiliate ("SOA"), a 100% owned subsidiary of SOCAR, became effective on August 11, 2016, making the Company's rights and obligations under the REDPSA binding law in Azerbaijan.

The handover of production operations from SOCAR to Aran Oil Operating Company Ltd. was also completed on August 11, 2016. There was no interruption of oil production.

Aran will operate under the terms of the REDPSA. Revenue will be divided between Cost Recovery Petroleum and Profit Petroleum. Aran will first recover all operating costs from revenues after deduction of Compensatory Petroleum. Capital costs will then be recovered from 50 percent of the remaining revenue. Any unrecovered costs are carried forward to be recovered in future years. The remaining revenue is divided between Aran and SOCAR according to an R-factor model. The R-factor varies as the ratio between Aran profits and capital costs vary. The Aran share of Profit Petroleum varies between 25 and 80 percent.

Zenith Aran will pay 100 percent of all of Aran's costs (including SOA's 20 percent) until the end of the four consecutive calendar quarters where production has been more than two times the average rate in 2015. The carried costs will be recovered from SOA's Profit Petroleum after that time.

As required by the REDPSA, Aran submitted a draft Rehabilitation and Production Programme to SOCAR on March 16, 2017. The programme presented plans to increase the daily production from the 2015 average of 310 STB/d by at least 1.5 times, that is to at least 465 STB/d, within two years from the date of SOCAR's approval of the plan. The programme was approved by SOCAR on October 3, 2017 which established the starting date of the 25 year development and production period. An additional five year extension may be granted by SOCAR at their discretion.

The REDPSA includes a Contract Exploration Area which has not been evaluated in the CPR. Failure to complete the Minimum Exploration Work Programme in respect of the Contract Exploration Area does not impact operations in the Rehabilitation Area which is the focus of the CPR. The Exploration portion of the REDPSA has been assigned no value or liability in the CPR. Exploration may provide an upside to the value of the REDPSA but it is not evaluated herein.

Italy

The nine Italian production concessions are subject to different expiry dates. Only four of these concessions have been evaluated herein, while the other five are not commercially significant at present.

- Lucera Concession – This concession is scheduled to expire in 2022 but extensions are expected based on the remaining reserves.

- Misano Concession – This concession is scheduled to expire in 2020 but extensions are expected based on the remaining reserves.

- San Mauro Concession – This concession is scheduled to expire in 2020 but extensions are expected based on the remaining reserves.

- Torrente Cigno Concession – This concession is scheduled to expire in 2019, with the intention that it be renewed to align with the Company's additional development plans.

In general we have made the assumption for this evaluation that extensions to the producing concessions will be granted due to continuing production. For the other production concessions not evaluated this is a non-issue relating to this report.

(d) All properties in this report in Azerbaijan and Italy are located in active producing fields with conventional infrastructure for producing to market. The fields are developed and have many years of production history. The Company is planning for future development and expansion of these properties.

(e) The results of this evaluation are based on facts and assumptions typical of this type of engagement. It should be noted that under COGEH Section 7.8.2 evaluations are conducted without consideration of the availability of capital for funding the scheduled development. The product price forecasts used for this evaluation, shown in Attachments 1a and 1b, are based on history and analysis and reflect a current industry consensus, however variations may occur and the variations could be material.

Table 1
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Forecast Prices & Costs

Combined Properties - Azerbaijan and Italy

Zenith Energy Ltd.

		Net To Appraised Interest										
		Reserves						Cumulative Cash Flow (BIT) - M$				
		Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbls			Discounted at:			
Description		Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
PROVED												
Proved Developed Producing												
Azerbaijan		377	377	0	0	0	0	4,660	3,833	3,240	2,801	2,468
Italy		0	0	1,196	1,196	15	15	2,623	2,208	1,883	1,631	1,433
Total Proved Developed Producing		**377**	**377**	**1,196**	**1,196**	**15**	**15**	**7,283**	**6,041**	**5,123**	**4,433**	**3,902**
Proved Developed Non-Producing												
Italy		0	0	220	220	0	0	452	361	296	249	213
Total Proved Developed Non-Producing		**0**	**0**	**220**	**220**	**0**	**0**	**452**	**361**	**296**	**249**	**213**
Total Proved Developed		**377**	**377**	**1,416**	**1,416**	**15**	**15**	**7,735**	**6,402**	**5,419**	**4,682**	**4,114**
Proved Undeveloped												
Azerbaijan		3,511	3,511	0	0	0	0	117,965	64,989	34,318	15,961	4,697
Total Proved Undeveloped		**3,511**	**3,511**	**0**	**0**	**0**	**0**	**117,965**	**64,989**	**34,318**	**15,961**	**4,697**
Total Proved		**3,887**	**3,887**	**1,416**	**1,416**	**15**	**15**	**125,700**	**71,391**	**39,737**	**20,643**	**8,811**
PROBABLE												
Probable Developed Producing												
Azerbaijan	Incr.	139	139	0	0	0	0	5,916	3,186	1,816	1,099	710
Italy	Incr.	0	0	1,513	1,513	25	25	4,588	2,600	1,566	997	668
Total Probable Developed Producing		**139**	**139**	**1,513**	**1,513**	**25**	**25**	**10,504**	**5,786**	**3,381**	**2,096**	**1,378**
Probable Developed Non-Producing												
Azerbaijan		1,011	1,011	0	0	0	0	53,275	35,901	25,429	18,782	14,368
Italy		0	0	56	56	0	0	159	99	66	46	34
Total Probable Developed Non-Producing		**1,011**	**1,011**	**56**	**56**	**0**	**0**	**53,434**	**36,001**	**25,495**	**18,829**	**14,401**
Probable Undeveloped												
Azerbaijan		26,697	26,697	0	0	0	0	1,625,997	770,022	404,376	231,741	142,457
Italy		0	0	13,413	13,413	216	216	71,856	21,679	9,850	5,689	3,737
Total Probable Undeveloped		**26,697**	**26,697**	**13,413**	**13,413**	**216**	**216**	**1,697,853**	**791,701**	**414,226**	**237,430**	**146,194**
Total Probable		**27,847**	**27,847**	**14,984**	**14,984**	**242**	**242**	**1,761,791**	**833,487**	**443,102**	**258,354**	**161,974**
PROVED PLUS PROBABLE												
Azerbaijan		31,735	31,735	0	0	0	0	1,807,814	877,931	469,178	270,385	164,701
Italy		0	0	16,400	16,400	257	257	79,678	26,947	13,661	8,612	6,084
Total Proved Plus Probable		**31,735**	**31,735**	**16,400**	**16,400**	**257**	**257**	**1,887,491**	**904,878**	**482,839**	**278,997**	**170,785**

M$ means thousands of US dollars

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Attachment 1a
CHAPMAN PETROLEUM ENGINEERING LTD.
CRUDE OIL
HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES

April 1, 2018

Date		WTI [1] $US/STB	Brent Spot (ICE)[2] $US/STB	Urals Crude Price [3] $US/STB
			HISTORICAL PRICES	
2008		99.67	96.94	93.86
2009		61.95	61.74	59.97
2010		79.48	79.61	77.93
2011		94.88	111.26	109.67
2012		94.05	111.63	110.78
2013		97.98	108.56	108.04
2014		93.12	99.43	N/A
2015		48.69	53.32	N/A
2016		43.17	45.06	N/A
2017		50.86	54.75	N/A
2018	3 months	62.88	67.20	N/A
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)				
		53.45	57.48	56.18
FORECAST PRICES				
2018		60.00	64.80	63.50
2019		65.00	70.20	68.90
2020		68.25	73.71	72.41
2021		71.66	77.40	76.10
2022		73.10	78.94	77.64
2023		74.56	80.52	79.22
2024		76.05	82.13	80.83
2025		77.57	83.78	82.48
2026		79.12	85.45	84.15
2027		80.70	87.16	85.86
2028		82.32	88.90	87.60
2029		83.96	90.68	89.38
2030		85.64	92.49	91.19
2031		87.36	94.34	93.04
2032		89.10	96.23	94.93
2033		90.89	98.16	96.86

Escalated 2% thereafter

Notes:
[1] West Texas Intermediate quality (D2/S2) crude (40API) landed in Cushing, Oklahoma.
[2] The Brent Spot price is estimated based on historic data.
[3] Urals Oil is the reference used as a basis for pricing, which historically has averaged Brent less $1.3/Bbl.

Attachment 1b
CHAPMAN PETROLEUM ENGINEERING LTD.
International Price - Crude Oil & Natural Gas
HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES

April 1, 2018

Date	Brent Spot (ICE)[1] $US/STB	Torrente Cigno Condensate [2] $US/STB	Europe Gas Gas[3] $US/Mcf	Torrente Cigno Gas[5] $US/Mcf	Misano Adriatico Gas[4] $US/Mcf	Lucera Gas[4] $US/Mcf	San Mauro Gas[4] $US/Mcf
HISTORICAL							
2004	38.26	N/A	4.28	N/A	N/A	N/A	N/A
2005	54.57	N/A	6.33	N/A	N/A	N/A	N/A
2006	65.16	N/A	8.47	N/A	N/A	N/A	N/A
2007	72.44	N/A	8.56	N/A	N/A	N/A	N/A
2008	96.94	N/A	13.41	N/A	N/A	N/A	N/A
2009	61.74	N/A	8.71	N/A	N/A	N/A	N/A
2010	79.61	N/A	8.80	N/A	N/A	N/A	N/A
2011	111.26	N/A	10.42	N/A	N/A	N/A	N/A
2012	111.63	N/A	11.48	N/A	N/A	N/A	N/A
2013	108.56	135.52	11.80	7.10	14.89	11.44	11.44
2014	99.43	97.09	10.10	9.70	10.42	9.70	9.70
2015	53.32	51.50	7.30	2.27	6.73	5.87	5.55
2016	45.06	69.26	4.56	4.24	5.12	4.47	4.62
2017	54.75	54.28	6.01	5.45	6.13	5.45	5.45
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)							
	57.48	N/A	N/A	N/A	N/A	N/A	N/A
FORECAST PRICE							
2018	64.80	61.85	**5.70**	2.46	6.14	5.48	5.48
2019	70.20	67.25	**5.80**	2.53	6.25	5.58	5.58
2020	73.71	70.76	**6.00**	2.61	6.46	5.77	5.77
2021	77.40	74.45	**6.20**	2.69	6.68	5.96	5.96
2022	78.94	75.99	**6.40**	2.77	6.89	6.16	6.16
2023	80.52	77.57	**6.50**	2.85	7.00	6.25	6.25
2024	82.13	79.18	**6.70**	2.94	7.22	6.45	6.45
2025	83.78	80.83	**6.90**	3.03	7.43	6.64	6.64
2026	85.45	82.50	**7.15**	3.12	7.70	6.88	6.88
2027	87.16	84.21	**7.35**	3.21	7.92	7.07	7.07
2028	88.90	85.95	**7.57**	3.31	8.15	7.28	7.28
2029	90.68	87.73	**7.78**	3.41	8.38	7.49	7.49
2030	92.49	89.54	**8.01**	3.51	8.62	7.70	7.70
2031	94.34	91.39	**8.24**	3.61	8.87	7.92	7.92
2032	96.23	93.28	**8.47**	3.72	9.13	8.15	8.15
2033	98.16	95.21	**8.72**	3.83	9.39	8.38	8.38

Escalated 2% thereafter

Notes:
[1] The Brent Spot price is estimated based on historic data.
[2] Torrente Cigno Condensate price forecast is based on Chapman price forecast plus difference of actually received in T.C. in 2016/04-2017/03.
[3] Europe gas price forecast comes from Word Bank Forecast (Annual prices and Price Forecasts)
[4] Italy gas price forecast is based on actually received field price compare to European gas price in 2017/04 - 2018/03.
[5] Torrente Cigno price reflects the net price from electrical generation revenue escalated 3% per year (after consideration of electricity from the other owner).

Company Block

Area of Interest

ZENITH ENERGY LTD.	
COMPANY BLOCK **IMISHLI AREA, ARAN E.R., AZERBAIJAN** **ORIENTATION MAP**	
APR. 2018	**JOB No. 6445**

29

Chapman *Petroleum Engineering Ltd.*

MURADKHANLI, JAFARLI AND ZARDAB FIELDS

LOWER KURA REGION, AZERBAIJAN

INDEX

Discussion

b) Muradkhanli Field – Upper Cretaceous Volcanic, Operating Days
c) Muradkhanli Field – Coral Carbonate Middle Eocene, Operating Days

Table 3: Summary of Anticipated Capital Expenditures
a) Development
b) Abandonment and Reclamation

Table 4: Summary of Company Reserves and Economics

Consolidated Cash Flows
a) Total Proved Developed Producing
b) Total Proved
c) Total Proved Plus Probable Developed Producing
d) Total Proved Plus Probable Developed
e) Total Proved Plus Probable

Appendix A – Site Visit

Appendix B – Exploration Contract

MURADKHANLI, JAFARLI AND ZARDAB FIELDS
LOWER KURA REGION, AZERBAIJAN
DISCUSSION

Property Description

The Company holds a twenty five year Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA) with the State Oil Company of Azerbaijan Republic (SOCAR) covering 642 square kilometers or 248 square miles which include the active Muradkhanli, Jafarli and Zardab oil fields located in the Lower Kura Region, about 300 kilometers inland from the city of Baku, Azerbaijan.

On June 8, 2015, the Company and SOCAR executed a confidential memorandum of understanding ("MOU") regarding the Muradkhanli Block. Formal approval of the MOU and permission to disclose was subsequently granted by the President of Azerbaijan through Decree No. 1439 dated October 7, 2015 ("Presidential Decree") which authorized SOCAR to prepare and execute a REDPSA for the Muradkhanli Block between the Company and SOCAR on behalf of the Republic of Azerbaijan.

The REDPSA was formally executed on March 16, 2016 between SOCAR, Zenith Aran and SOCAR Oil Affiliate ("SOA"), a 100% owned subsidiary of SOCAR.

On June 14, 2016, the Company received notice of ratification from the Parliament of the Republic of Azerbaijan of the REDPSA granting the Company the rights and obligations for an 80% participating interest in current and future production, as well as acknowledging, Aran Oil Operating Company Ltd. (Aran), an 80% owned subsidiary of Zenith Aran, as operator of the REDPSA. This ratification has transformed the REDPSA into a law of the country, which has been signed by the President of the Republic of Azerbaijan on June 24, 2016.

The REDPSA became effective on August 11, 2016, making the Company's rights and obligations under the REDPSA binding law in Azerbaijan.

The handover of production operations from SOCAR to Aran Oil Operating Company Ltd. was also completed on August 11, 2016. There was no interruption of oil production.

A summary of the main terms of the REDPSA are presented below.

The Company has the obligation to carry all costs and expenditures attributable to SOA's participating interest from the Effective Date until oil production from the Contract Redevelopment Area (CRA) has exceeded two times the average daily rate in 2015, of about 310 STB/d, for four consecutive calendar quarters. The carried amount will be reimbursed from a portion of the Crude Oil produced from the CRA over and above the level defined as Compensatory Petroleum. The Contractor paid to SOCAR Compensatory Petroleum amounting to five percent of production for the first twelve months after the Effective Date and will pay fifteen percent during the second and subsequent years until the delivery of a maximum of 45,000 tons (approximately 315,000 STB) of Crude Oil, after which no further Compensatory Petroleum is required. The remaining Compensatory Petroleum to be delivered at the effective date of this report is 42,996 tons.

Any associated natural gas shall be delivered to SOCAR free of charge.

Within 150 days of the Effective Date of the agreement, the Contractor is required to submit to SOCAR a draft Rehabilitation and Production Programme which will increase production from the 2015 average daily production of about 310 STB/d from the REDPSA area by 1.5 times, that is to about 465 STB/d, within two years from the date of SOCAR's approval of said Rehabilitation and Production Programme. A draft Rehabilitation and Production Programme was submitted to SOCAR on March 16, 2017. Approval of the programme was issued October 3, 2017.

The term of the agreement is twenty-five years from October 3, 2017, the date of SOCAR's approval of the Contractor's Rehabilitation and Production Programme. An additional five year extension may be approved by SOCAR, but this possible extension is not certain and is not evaluated in this report. The agreement is presumed to terminate in 2042 for the purpose of this report.

<u>Cost Recovery</u>

The Contractor can recover its costs out of total production of petroleum after payment of Compensatory Petroleum as follows:

- one hundred percent of operating costs,
- all capital costs, including interest, from a maximum of fifty percent of production remaining after recovery of operating costs. Unrecovered costs can be carried forward to future years as required until fully recovered.

Profit Petroleum Share

Profit Petroleum remaining after cost recovery shall be shared between the Contractor and SOCAR using the R-factor model. The Contractor share begins at 55 percent when $R < 1.25$, declines to a low of 25 percent when $2.5 < R < 2.75$ and goes up to 80 percent when $2.75 < R$. Additional details are provided in Table 1.

Other Factors

The Contractor has the use, at no cost, of all production facilities, buildings, etc. related to the operation of the oil fields however SOCAR shall retain ownership of such fixed assets. The ownership of vehicles has been transferred to the contractor.

A Joint Operating Company, Aran Oil Operating Company Ltd., has been established to carry out operations in the field. The Joint Operating Company employs the former personnel of Muradkanlineft Amalgamated Oil Field (AOF). The staff of the AOF may be supplemented by other personnel including non citizens of the Republic of Azerbaijan, although preference must be given to Azerbaijani citizens who are fully qualified for any position. Expatriates may make up a maximum of thirty percent of the professional staff until five years after the Effective Date and a maximum of ten percent thereafter.

The Company also has rights to a Contract Exploration Area. The Contract Exploration Area has an area of 102.96 km^2 within the north western portion of the contract area. This area is undrilled. Since no reserves can be attributed to this interest at this time, the potential value of the Contract Exploration Area is not evaluated in this report, however the Exploration Contract and plans are discussed in Appendix B.

A map showing the field location is presented on the Orientation Map, an overview of the wells, fields and contract areas is shown on Figure 1, while a description of the interests and burdens is shown in Table 1.

Exploration History

Azerbaijan has been at the forefront of the petroleum industry since oil and gas production commenced along the Caspian Sea in 1848. Active exploration of the offshore areas of Azerbaijan began in the 1950s and resulted in the discovery of many large oil and gas fields as shown on the Oil and Gas Field Map illustrated in Figure 2a. To date more than 65 fields have been discovered in Azerbaijan with the largest productive complex being the offshore ACG fields. These fields began significant production in 1997 and have reserves of 5-6 billion barrels of oil with about half that amount already produced. The Shah Deniz Field also located offshore in the Caspian Sea was discovered in 1999 and is one of the largest gas-condensate fields in the world with reserves of up to 40 TCF. Oil and condensate from these fields is exported via the BTC pipeline which runs for 1100 miles from the capital of Azerbaijan, Baku located on the Caspian Sea, an isolated interior sea, to tidewater at T'bilisi, Georgia located on the Black Sea. This pipeline was completed in 2005.

Gravity, magnetic and seismic surveys were carried out in and around the Company land in the 1960s. Several structures were designated for exploratory drilling and the Muradkhanli Field was discovered in 1971 in an unconventional Upper Cretaceous volcanic reservoir and brought on production in 1972. The volcanic reservoir zone has produced over 14.6 million barrels of oil to date. In 1973 oil was discovered in the sedimentary Eocene section on the flanks of the structure and placed on production in 1975. This zone has produced over 2.2 million barrels of oil to date. Two additional smaller pools were discovered in the 1980s.

The Jafarli Field is located southeast of the Muradkhanli Field and was discovered and placed on production in 1984 from the Eocene section and has produced over 3.4 million barrels of oil.

The Zardab Field is located northwest of the Muradkhanli Field and was discovered and placed on production in 1981 from the Maykop Formation but has only had minimal production due to sand control problems.

Geology

Azerbaijan, one of five countries that border on the Caspian Sea, is a very prolific oil and gas province with hundreds of producing fields, as shown on the map illustrated in Figure 2a. The Caspian Sea is a hypersaline interior sea now approximately 25 m below sea level. The regional geology of this area is illustrated in Figure 2b. The Company block is located onshore in the Republic of Azerbaijan within the Kura Basin. This basin is an intermontane basin located between the Greater Caucasus Orogenic Belt to the north and the Lesser Caucasus Accretionary Complex to the south and merges with the South Caspian Basin to the east.

The geological setting of the Company block is shown in greater detail in Figures 2c & 2d, a geological map and legend of Azerbaijan prepared by the National Academy of Sciences of Azerbaijan. It can be seen that the block is located in the central interior of the country within the valley of the Kura River and almost equidistant between the Greater and Lesser Caucasus mountain belts to the northeast and southwest respectively.

A schematic stratigraphic column of the Muradkhanli Field, the major oil field on the Company block, is illustrated in Figure 2e showing approximately 4000 m of Cenozoic sedimentary deposits. Basement consists of fractured and weathered volcanics which can form petroleum reservoirs in structural traps in this area. Other productive units consist of the interbedded carbonates and sandstones of the Eocene as well as sandstones of the Miocene Chokrak Formation.

The style of structural trapping of oil reservoirs of the Company block is illustrated in Figure 2f. The major Upper Cretaceous volcanics pool is unconformity trapped at the apex of a faulted dome as also seen in Figure 1 and called Muradkhanli Pool 1. Another weathered and fractured upper volcanics zone has trapped oil on the western flank of this dome. This is divided by an east-west trending fault into Muradkhanli Pool 2 & 3. There is an extensive stratigraphic trap in the Eocene sandstones interbedded in the thick Eocene marl section on the flanks of the structure. In Figure 1, this is shown as the Muradkhanli North, South and South East pools. An additional small oil pool is found in the Chokrak sandstones, draped over the domal structure.

Rehabilitation and Development Work Programme

Workovers

The Company has undertaken numerous workovers and other operational activities between the effective date of the REDPSA in August 2016 and March 2017 as summarized in the following table.

January 2017	Signed a service contract with a well-established local oilfield service company to perform the workovers of wells M-195 and M-45 located in the Muradkhanli field
February 2017	Division of the field rehabilitation activities between two teams: 'Team A' and 'Team B'. • Team B was staffed by personnel from the oilfield service company contracted to perform the workovers of wells M-195 and M-45, operating the Service Company's workover rig. • Team A was staffed by Zenith's field personnel, operating the Company's A-80 workover rig inherited from SOCAR.
March 2017	1. Successfully resolved obstructions in Well M-195, enabling to reach the top of the production liner section at 3,014 metres. 2. Modernization work of its A-80 rig was fully completed. 3. Installation of a new electrical submersible pump ("ESP") in wells M-70 and M-48 in the Muradkhanli field and well C-34 in the Jafarli field
April 2017	1. Pump replacements in wells C-31 and C-34 in Jafarli field and wells M-67 and M-70 in the Muradkhanli field. 2. Well C-39 in the Jafarli field, had pump repair work performed to address minor technical problems. 3. The field rehabilitation activities had resulted in a net increase of 14 barrels of oil per day in total across the five wells. 4. Team A began workover operations at well M-45 in the Muradkhanli field. 5. The Company also commenced sidetrack operations at well M-195 with the arrival of the required larger workover rig.

May 2017	Announced the appointment of a Chief Operating Officer, Mike Palmer, to lead its operations in Azerbaijan
June 2017	Announced the success of its sidetrack operations at well M-195.
July 2017	1. The workover of M-45 had been successfully completed; a production rate of 46 barrels of oil per day was achieved, but potentially higher flowrates were inhibited by partial blockages of old well material. 2. Restored production at well M-66 in the Muradkhanli field, achieving a flow rate of 50 barrels of oil per day.
August 2017	1. Signed a contract for the procurement of oil production materials with Kerui petroleum, a leading Chinese manufacturer of oilfield equipment, for a value of the procurement contract of US$1,705,608 (approximately £1,325,000; CAD$2,146,000), by which: • Zenith paid the 15% of the contract value in advance as deposit. • The materials procured include: a blowout preventer (BOP); a full set of well control equipment; drill pipes to be used as a work string; tubing to be used in the installation of new electric submersible pumps and in old wells that have been returned to production; new oilfield infrastructure; lighting equipment; and a generator system to enable a workover rig to operate without the need for nearby infrastructure across Zenith's 642.4 km2 field area. 2. Successful installation of the custom-built Schlumberger ESP in well M-45 in the Muradkhanli field. Following the installation, the well achieved a production rate of 49 barrels of oil per day.
September 2017	1. It began the installation of ESPs in a further 11 wells, employing its own A-80 workover rig, upgraded earlier in the year, and a similar sized workover rig operated by an experienced local oilfield service company. 2. Successful perforation of well C-26 in the Jafarli field; the well achieved a production rate of 70 barrels of oil per day; it was previously not producing.
October 2017	1. Successful perforation of a new, unexploited production zone in well C-21 in the Jafarli field, achieving a flow rate of 15 barrels of oil per day. Prior to the perforation well C-21 was non-producing. 2. Experienced difficulties in its workover of the Z-21 well, which initially flowed at a rate below 5 BOPD.
December 2017	1. Cleaned out the Z-28 well. However, during the post-workover inspection of the wellhead, Zenith's petroleum engineers had observed a leak during a pressure test from the wellhead in the 9 5/8 inches casing seal assembly, delaying further activity. To resolve this problem, the Company contracted a UK-based, worldwide leader in oilfield leak-sealing technology, with an established presence in Azerbaijan 2. Completed the civil works on the roads to well Z-21 and at the well location.
January 2018	Signed a purchase agreement for the order of a new workover rig with a well-established manufacturer based in Azerbaijan. The total value of the purchase agreement contract was approximately CAD$440k (approximately £251k).
February 2018	1. Successfully cleaned out the entirety of the tubing string in well Z-21, circulating and drilling out mud and debris that had accumulated since the well was last produced in 1988. Due to the small coiled tubing bit (1.875 inches) and the restricted diameter of the tubing, the casing could not be cleaned out further. To rectify this the Company prepared its A-80 workover rig to pull the tubing string from the well. Once completed, it will run in hole with a drill bit and clean out the casing to total depth, 3,982 metres. The well will subsequently be put on production. 2. Successfully sealed the wellhead leaks in well Z-28 and subsequent coiled tubing intervention cleaned out the well to a depth of 3,583 meters, however it

	was determined it would have to mill out 63 metres of tubing inside the liner and then clean out an additional 298 metres of the liner to a total depth of 3,944 metres to complete the workover. 3. A-80 workover rig received further upgrades to increase its capabilities and enable it to be utilized more extensively in the Company's workover operations. This would be supplemented by A-100 truck-mounted workover rig ordered in January 2018. 4. Successfully installed seven ESPs. While this resulted in an uplift in production, it has also reduced production downtime that had been observed as a recurrent problem with the previous generation ESPs.

Stable production rates have increased by about 25 STB/d since the Effective Date of the REDPSA. One workover rig is active at present. One new workover rig has been purchased and is scheduled to be operational in June 2018. Additional equipment may be purchased or contracted as required to optimize field redevelopment.

Between 2018 and 2020, the Company plans to workover a total of 38 existing wells which are currently inactive or produce at low rates to bring rates up to as much as 40 STB/d per well, using improved technology, non damaging fluids and optimized treatments. It is expected that 12 wells will be worked over in 2018, fifteen wells in 2019 and eleven wells in 2020.

If fully successful, the workover of 12 wells in 2018 could increase production by up to 480 STB/d, achieving a field production rate of up to 780 STB/d by Year End 2018. An additional increase in production up to the Company's goal of 1,000 STB/d could be achieved from the resizing or resetting of ESP's and the purchase of additional equipment. This case has not been reflected in the economics analysis, herein. On this basis, the field oil production rate will exceed 1.5 times the average 2015 rate in late 2018, ensuring that the Company will retain its rights under the REDPSA.

The historical performance of each well including peak rates, cumulative oil and water production, and recent performance has been studied to identify wells that are likely to have successful workovers. The results of previous workovers were noted. Although most wells flow to surface, the installation of electrical submersible pumps was usually very beneficial and is expected to form part of most future workovers.

In addition to the 33 recently shut in or marginal producing wells, five non-producing wells completed in the Maykop zone in the Zardab field are expected to be worked over and to be returned to production after wellbore and sand production problems have been resolved. Depending on the results of the programme, the Zardab field may be more fully developed, but new drilling in Zardab is not evaluated in this report.

Vertical Development Drilling – Muradkhanli and Jafarli

Additional drilling locations have been identified in the Muradkhanli and Jafarli fields, on locations adjacent to existing producing wells, which show the potential for unrecovered oil. These locations have been identified after careful consideration of recoveries to date and correlations of recovery factors with associated drainage areas of existing wells.

It is believed that the water production from existing wells, especially in the volcanic reservoirs, is a result of localized premature coning at the near well bore, which would leave un-drained oil at locations between withdrawal points in the reservoir. Based on all the data examined, it has been concluded that the likely effective drainage area for most wells would be 40 acres. Therefore, all the areas overlying the reservoirs outside of each existing wells' 40-acre drainage area have been identified as a potential development drilling opportunity.

The drilling programme will be undertaken with caution, as there will be a learning curve from each new experience. Wells will be logged open hole with a carefully designed programme. Current water contacts will be detected from the well logs, which may lead to altered plans.

A detailed geological model is being developed based on digital log analysis on many of the existing wells, which will result in an enhanced understanding of the reservoirs and provide more control over future drilling locations.

Digital log analysis has already been performed on selected wells across the fields in order to establish a feel for the quality of the results that can be obtained from these older GIS logs available on most wells. One example of the benefit of the detailed log analysis was observed on well M58, where several potential hydrocarbon bearing uphole zones were identified. These zones will be examined during the future drilling operation and could result in major new uphole plays throughout these fields.

Horizontal Drilling – Muradkhanli Middle Eocene

The Middle Eocene system in the Muradkhanli Field has significant oil production from a faulted structural trap and in the Southeast Muradkahnli Field, but over a large area in a widespread stratigraphic-structural trap on the Southwest flank of the field, only scattered and poor production has been achieved.

The only available modern full log suite on the Middle Eocene is on the MOC-1 well drilled in 2000. A petrophysical analysis of this zone has been completed and is illustrated in Figure 2g. The result of our digital log analysis on Well 25a, based on the older GIS log available on the well is presented in Figure 2h.

The Middle Eocene is a predominantly clastic unit of interbedded sands and shale of which 110 metres was penetrated by Well MOC-1. At the base of the logged interval are three predominately limestone zones, which as clearly identified on the PE curve. They are 8-10 metres in thickness and the two lower zones show significant porosity development as seen particularly on the density curve. The upper limestone unit does not have this same porosity development. Both wells show indications of the presence of hydrocarbons in the lower interval and Well 25 produced small volumes of oil.

In well MOC-1 the two lower limestone zones indicate a total net pay of 14.8 metres and average porosity over the pay zone of 11% and average water saturation of 32%. Since these are satisfactory reservoir parameters for a carbonate reservoir zone, the poor productivity of the Middle Eocene on the Muradkhanli field may well be due low permeability of the carbonate rock within this zone.

The poor performance of the scattered wells on the Southwest flank, when compared to the better wells in the fault block from the same horizon, suggests that the Middle Eocene on the flank would be an ideal candidate for a horizontal well development programme. There may be a number of explanations as to the poorer productivity, such as drilling fluid damage, but the most likely cause is low permeability in this expansive portion of the reservoir.

Horizontal well developments are conventionally applied to many different types of reservoirs, where vertical production rates are marginal or sub-commercial, resulting in significant new production and reserves all around the world. The technology in North America is advancing rapidly, resulting in better results and lower cost as time progresses. Typically wells can be expected to have productivities ranging from 3 to 5 times that of a vertical well in the same reservoir. We believe that implementing this horizontal programme will result in a major increase in production and reserves for the REDPSA.

Conventionally, the first well in the programme would be drilled vertically to capture as much technical reservoir information as possible, including cores and a modern suite of open-hole logs. Once the reservoir rock and fluids are well understood the drilling and completion programme can be designed to minimize reservoir damage and maximize the well results.

It is typical to manage the horizontal drilling programme with the use of multi-well pads. Inter-well distance or spacing of well bores is also an issue to be considered for optimum recovery.

General

The Company intends to acquire a modern drilling rig capable of drilling to 4,500 m to carry out the fifteen year drilling programme. It is estimated that five new wells will be drilled in 2019 and ten wells in each year until the anticipated drilling programme is completed in 2033. In total, 145 development wells are expected to be drilled, of these, 58 will be horizontal wells in the Mid Eocene. It is expected that additional rigs will be acquired or contracted at some periods to meet the proposed drilling schedule.

The existing gathering system and central facilities appear to be adequate to handle increased production from the workovers. An analysis of the gathering system and facilities will commence concurrently with the implementation of the Rehabilitation and Production Programme, to expand and modernize the surface facilities in anticipation of field production reaching a rate of 1,768 STB/d by 2020 and a peak rate of about 14,845 STB/d by 2033 in the proved plus probable case. It is anticipated that upgrades to the facilities and gathering system will take place in 2018 and 2020 as rates increase.

Annual work programmes and budgets must be prepared for SOCAR's approval.

Reserves

In the 25 year contract period being evaluated in this report, it is predicted that 70,350 MSTB will be recovered. A five year extension to the contract is permitted, but this extension is not certain and has not been evaluated in this report.

Proved developed producing light and medium oil reserves of 634 MSTB have been estimated for 47 wells producing from the Block, based on a conservative decline curve analysis of the production history of these wells combined.

Total proved undeveloped light and medium oil reserves of 6,079 MSTB have been estimated for 33 locations which are between or directly offset productive wells. These locations have been identified after careful consideration of recoveries to date and correlations of recovery factors with associated drainage areas of existing wells, which indicate the presence of unrecovered oil in stepout locations. Proved reserves have been assigned based on average recoveries from existing wells, reduced by one third, for each respective accumulation.

Total probable light and medium oil reserves of 63,637 MSTB are forecast to be recovered during the 25 year contract period.

Probable additional developed producing oil reserves of 286 MSTB have been estimated for the same 47 wells as for proved developed producing, based on a best estimate decline curve analysis of the wells' production history.

Probable developed non-producing developed oil reserves of 1,764 MSTB have been estimated for 33 wells that are producing at nominal rates and five wells that are currently shut in due to mechanical or sand problems in the well bore. These 38 wells are candidates for workovers, which are expected to restore their production rates to levels indicated by their recent past history ranging from 12 to 40 STB/d per well.

Probable additional undeveloped oil reserves of 18,067 MSTB have been estimated for the producing accumulations in the Muradkhanli and Jafarli fields for 87 undrilled locations directly offsetting existing production including incremental reserves from the 33 proved undeveloped locations. These locations have been identified after careful consideration of recoveries to date and correlations of recovery factors with associated drainage areas on existing wells, which indicate the presence of unrecovered oil in stepout locations. Reserves have been assigned based on average recoveries from the existing wells for each respective accumulation.

Probable undeveloped reserves of 43,520 MSTB have been estimated for the large extensive Mid Eocene accumulation on-lapping the volcanic structure in the Muradkhanli field. This reservoir has produced hydrocarbons from several wells but recoveries were limited possibly due to swelling clays in the sand intervals from older drilling and completion technology. Reserves have been assigned on the expectation that a horizontal well development with properly designed drilling fluids will improve productivity and recoveries from this accumulation.

A third field, Zardab, located north-west of the Muradkhanli field has a structural feature and several existing wells, five of which have produced from the Maykop sand and are included in the probable developed non-producing reserves described above. There is insufficient data to support reserves for future locations for the Maykop sand or for the Upper Cretaceous. The Upper Cretaceous may have significant potential due to the structural feature but no reserves have been assigned currently due to insufficient information.

A Summary of the reserves is presented on Table 2. The wells and locations referred to are shown on the maps, Figures 3a through 3f. Production history graphs on which proved developed producing reserves are based are presented in Figures 4a, 4b and 4c showing rates per operating day and a conservative interpretation of historical production decline. Figures 5a through 5c present the plots on which the proved plus probable reserves are based with the best estimate of the expected production decline.

Production

The Muradkhanli field produces medium gravity oil from fractured and weathered Cretaceous volcanites and from Eocene carbonates with interbedded sand. The wells in the Muradkhanli field have produced about 17,162 MSTB of 27° API gravity crude oil since 1971. The Jafarli oil wells located twelve kilometers to the south of Muradkhanli have a cumulative production of over 3,464 MSTB of 27° API gravity crude oil since 1984. Five wells in the Zardab field have had only minor production volumes before sand or other problems caused wells to be shut in.

Current production from the Muradkhanli and Jafarli fields is approximately 298 STB/d from 47 active wells. It is anticipated that 33 of the less productive or recently shut in wells can be worked over, with wells achieving rates of between 12 and 40 STB/d per well. Five inactive wells in the Zardab field are expected to be returned to production at 40 STB/d per well after wellbore and sand control issues have been resolved.

Full production forecasts for the development of each field are presented in Page 1 of Table 4b (Total Proved) and 4e (Total Proved Plus Probable) in the economic presentation.

Production for the Total Proved case is predicted to reach a peak rate of 1,913 STB/d in 2022 before declining until the end of commercial production in 2036. Similarly for the Proved Plus Probable case, production is expected to reach a peak rate of 14,845 STB/d in 2033 and decline until the end of the contract in 2042.

Initial rates and on production dates for wells to be worked over and locations to be drilled are presented on Table 2.

Product Prices

An average 2018 oil price of $58.80/STB has been used for this area based on researched information for the Urals Oil stream and information provided by the Company.

Operating Environment

There has been an oil industry in Azerbaijan for well over one hundred years. The Muradkhanli structure was recognized and first drilled in 1968. Commercial oil production was obtained in 1971. The field development began in 1973 with peak production occurring in 1979. The field has been in continuous operation since then with occasional additional drilling and workover activity, but generally declining rates. There is a functioning gathering system, network of roads, and central processing and storage facilities equipped to load trucks.

The area is generally dry and flat, with limited vegetation, and is sparsely populated. There is some irrigated agriculture in the area but this should be compatible with current and anticipated oil field activities. There is a modern field office to serve the fields. Major highways are nearby, and rail and pipeline terminals are about 100 km to the north on good roads.

No unusual difficulties are anticipated in continuing operations and increasing produced volumes.

Capital Expenditures

Total capital expenditures of $753,450,000 ($602,760,000 net to the Company) have been estimated to redevelop the oil fields in the block. Details are shown on Table 3a and are discussed below.

During the first four years of the contract it is estimated that $1,500,000 will be spent upgrading the gathering system and central facilities to improve safety, efficiency and handle higher production rates. During the same period, 33 active wells currently producing at marginal rates or recently shut in will be worked over at costs averaging $150,000 each. In 2019 five shut in wells completed in the Maykop formation will be worked over to control sand production at an estimated cost of $200,000 each and returned to production.

From 2020 through 2024, 3D seismic programmes are expected to be run to fully delineate the various pools and formations to optimize the drilling locations. Total seismic costs are estimated to be $20,000,000.

Development drilling will commence in 2019 and continue to 2033. It has been estimated that each well in the proved case will cost $4,300,000. This cost will include the direct cost of materials, fuel, salaries, etc. to drill the well as well as an allocation for the purchase on one drilling rig, well completion and tie in. Each well in the proved plus probable case is expected to cost $5,000,000. In addition to the costs anticipated for the proved wells, wells in the proved plus probable category have an additional allocation for the periodic leasing or contracting of additional drilling rigs and expansion and modernization of the field facilities.

In all, 145 wells are expected to be drilled, 58 of these are anticipated to be horizontal wells (legs). Most horizontal wells will have two legs of about 1,600 m each. For the purpose of estimating costs, each leg is considered to be a well with a cost of $5,000,000.

Under the terms of the REDPSA the Company and SOCAR shall, within 12 months of the Effective Date, agree to a mechanism of making contributions to an Abandonment Fund which shall not exceed 15 percent of all Capital Costs. Contributions to the Abandonment Fund can be recovered as operating costs. No specific provisions for abandonment costs are included in this evaluation but the expected contributions are included within the fixed operating costs.

Operating Costs

Fixed field operating costs have been estimated to be $1,950,000 per year plus $2,500 per well per month, based on historical data and an operating expense spreadsheet provided by the Company.

Variable costs have been estimated to be $2.25/STB. Currently, and in the early years of field redevelopment, crude oil will be trucked to a rail or pipeline terminal. As production rates increase it may become feasible to lay a pipeline to serve the field. In future years, it has been assumed that the fixed field operating costs can be reduced as production rates and well counts decline.

Economics

An economic summary is presented on Table 4 and the results of our economic analysis are presented on Tables 4a through 4e.

In order to properly account for the cost recovery and profit splits under the REDPSA terms (Contract Rehabilitation Area), the economic analysis is conducted for all production from the Block, combining all pools, and for accumulating reserve categories.

The evaluation for each reserve category consists of five pages. Page 1, including supplements, presents the rates for each well or group of wells for each year of the forecast. The daily rates are then multiplied by the active days per year to obtain an annual production volume. The well count, total daily rate and capital expenditures, if any, are shown on the right hand side of the page.

Page 2 presents the gross annual production in barrels and shows the conversion to gross revenue by applying the oil price. The Compensatory Petroleum (similar to a royalty) is deducted. Fixed and variable operating costs are shown and escalated at 2 percent per year in all years. The remainder of Page 2 and Pages 3 and 4 apply the conditions of the Production Sharing Agreement governing Cost Recovery and the sharing of Profit Oil. See the Property Description and Table 1 for an explanation of the terms of the REDPSA. The values to this point present the position of the Contractor Group in which the Company holds an 80 percent interest.

Finally on Page 5, the position of the Company is presented in the Company Cash Flow Analysis. Values are shown before income tax (tax not applicable), at discount rates of 0, 5, 10, 15 and 20 percent. The Company Net Oil Reserves are also shown on this page.

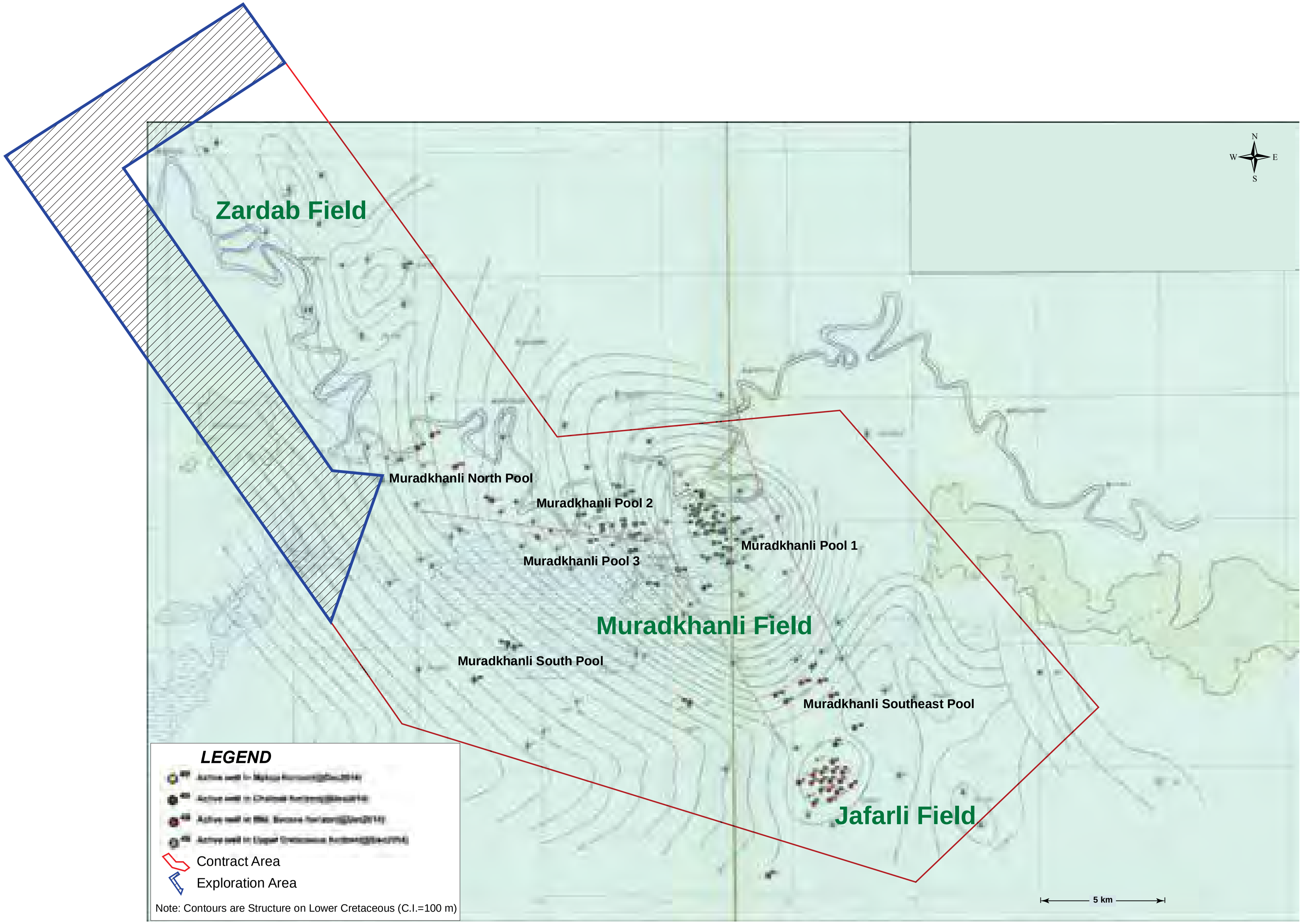
Table 4a presents the proved developed producing reserves. In this case, existing production rates are presumed to follow a conservative decline from their recent levels until the economic limit is reached.

Table 4b presents the Total Proved case, combining the proved developed producing case presented in Table 4a with the forecasts for 33 locations to be drilled which are considered to be proved undeveloped. These locations are between or closely offset productive wells and are forecast to recover two thirds of the reserves volumes which are typical for the area. Production rates peak at 1,913 STB/d in 2022 before beginning to decline to an economic limit.

Table 4c presents the proved plus probable developed producing reserves. This case evaluates the same wells and initial conditions as in Table 4a but with the most likely interpretation of the rate of decline to the economic limit for the Block.

Table 4d presents the proved plus probable developed reserves which include the wells which have been worked over or reactivated. Production rates peak at 771 STB/d in 2020 before beginning to decline to an economic limit.

Table 4e presents all the above reserves plus the full development case in which a total of 145 locations are drilled and placed on production. In this case, the production rate peaks at 14,845 STB/d in 2033 before beginning to decline. It is expected that the block will be on production at about 3,800 STB/d when the REDPSA expires in 2042 and the block is returned to SOCAR as a going concern.



ZENITH ENERGY LTD.		
COMPANY BLOCK IMISHLI AREA, ARAN E.R., AZERBAIJAN LAND AND WELL MAP		
APR. 2018	JOB No. 6445	FIGURE No. 1

Chapman Petroleum Engineering Ltd.

Table 1

Schedule of Lands, Interests and Royalty Burdens
April 1, 2018

Zenith Energy Ltd.

Muradkhanli, Jafarli and Zardab Oil Fields, Kura Region, Azerbaijan

Description	Rights Owned	Gross Sections	Appraised Interest Working %	Appraised Interest Royalty %	Royalty Burdens Basic %	Royalty Burdens Overriding %
Rehabilitation, Exploration, Development and Production Sharing Agreement	[A]	248	80.0000 [1]	-	[2],[3]	
	Total	248				

General Notes : [1] Company has been granted rights to an 80% interest in a Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA) with SOCAR, under which it must carry SOA's (SOCAR Oil Affiliate) 20% share until the end of the 4th quarter when production is more than 2 times the 2015 average of about 310 STB/d. The carried costs can be recovered from SOA's petroleum profits after that time. This report evaluates the 25 year Contract Rehabilitation Area only which has a starting date of October 3, 2017.
The Contract Exploration Area which is a separate part of the agreement is described but has been assigned no value.

[2] Contractor shall deliver at no cost to SOCAR, Compensatory Petroleum to a maximum of 45,000 tons (approx. 315,000 STB) at a rate of 5% of production for the first 12 months after the Effective Date and at a rate of 15% thereafter until the maximum is reached or the project is terminated.

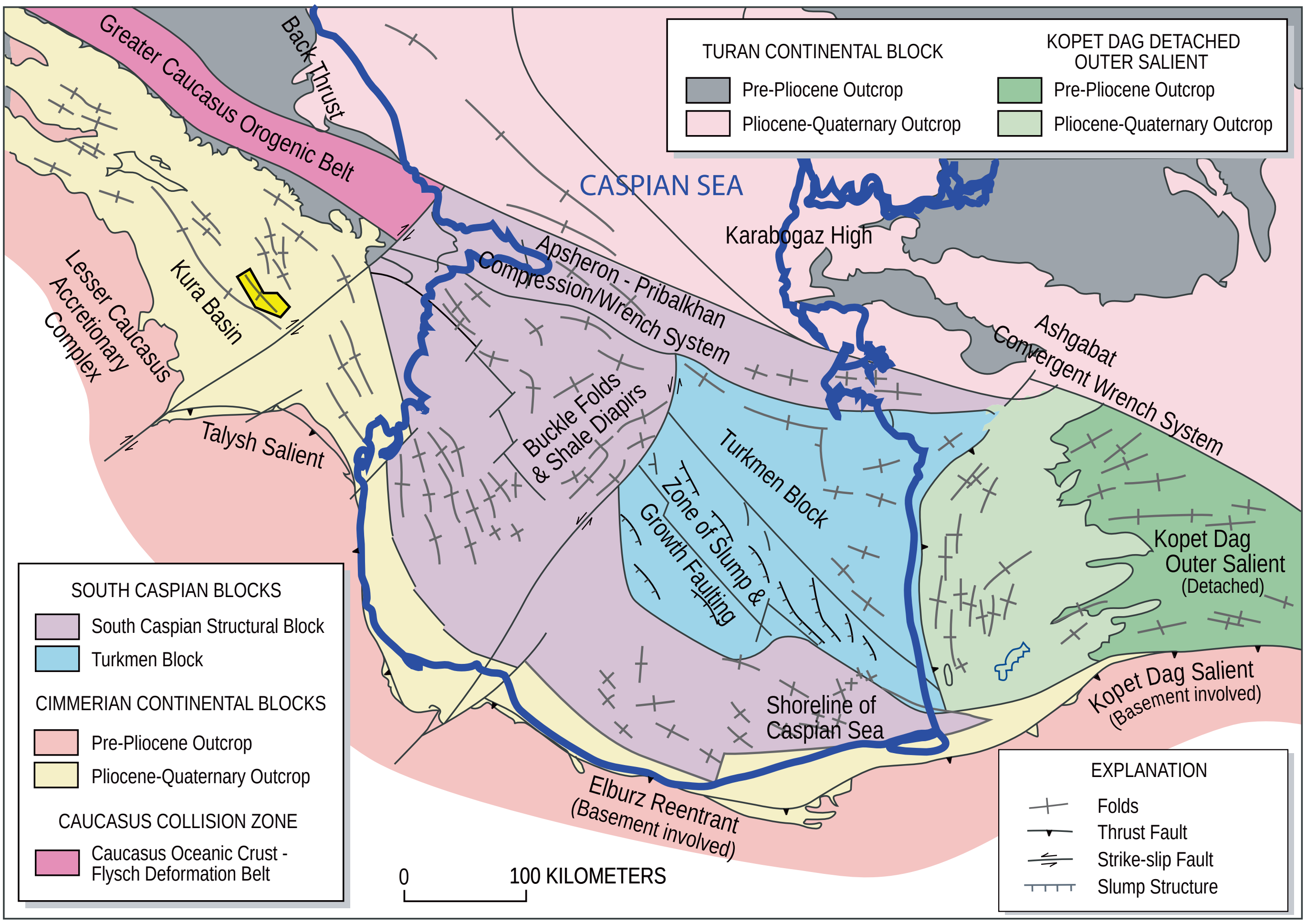
[3] Cost Recovery - Contractor is entitled to recover its costs from total production of Petroleum remaining after the delivery to SOCAR the Compensatory Petroleum in the following order:
a) 100 percent of operating costs.
b) Capital costs including interest accrued, from a maximum of 50 percent of production remaining after recovery of operating costs. Any unrecovered costs can be carried forward until fully recovered.

[4] Profit Petroleum remaining after the Cost Recovery shall be shared between Contractor and SOCAR using the following R-factor model. R-factor is determined as Contractor's cumulative capital costs recovered plus Contractor's profit divided by cumulative capital costs.

R-factor	SOCAR Share (%)	Contractor Share (%)
0.00<R< 1.25	45	55
1.25<R<1.75	50	50
1.75<R<2.00	55	45
2.00<R<2.5	65	35
2.50<R<2.75	75	25
2.75<R	20	80

Rights Owned : [A] All subsurface reservoirs and horizons within the Contract Rehabilitation Area , all Petroleum Resources discovered by SOCAR and/or Petroleum Resources being produced by SOCAR at the Effective Date.

N
W
E
S
Astrakhan field
RUSSIA
Kashagan field
KAZAKHSTAN
Korchagin field
Tengiz field
UZBEKISTAN
AZERBAIJAN
ACG fields
Shah Deniz field
TURKMENISTAN
IRAN
0 100 200 Miles
0 100 200 Kilometers
LEGEND
Oil refinery
Natural gas processing plant
Natural gas field
Oil field
Company Block
Exploration Area
Source: U.S. Energy Information Administration
ZARDAB FIELD
MURADKHANLI FIELD
JAFARLI FIELD
ZENITH ENERGY LTD.
CASPIAN SEA REGION
OIL AND GAS FIELDS MAP
APR. 2018
JOB No. 6445
FIGURE No. 2a
50
Chapman Petroleum Engineering Ltd.



Source: U.S.G.S.

Company Block

ZENITH ENERGY LTD.

CASPIAN SEA REGION

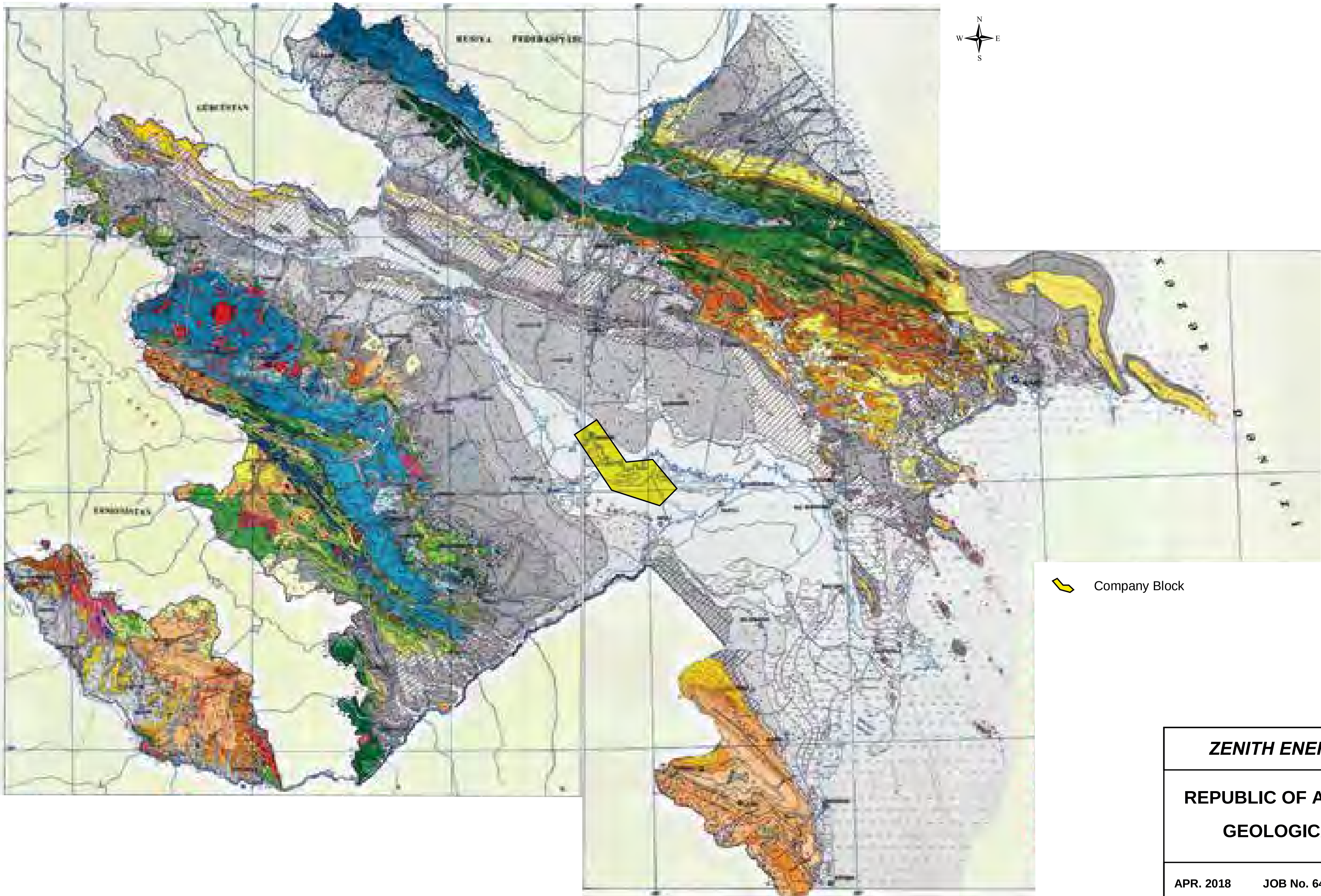
REGIONAL GEOLOGY MAP

APR. 2018 **JOB No. 6445** **FIGURE No. 2b**

51

Chapman Petroleum Engineering Ltd.


NATIONAL ACADEMY OF SCIENCES OF AZERBAIJAN REPUBLIC
Geology Institute
MINISTRY OF ECOLOGY AND NATURAL RESOURCES OF AZERBAIJAN REPUBLIC
National Geological-Exploration Survey
MINISTRY OF FUEL AND ENERGETICS OF AZERBAIJAN REPUBLIC
State Oil Company
GEOLOGICAL MAP OF AZERBAIJAN REPUBLIC
MAQMATIK SÜXURLAR
MAGMATIC FORMATION
52
ZENITH ENERGY LTD.
REPUBLIC OF AZERBAIJAN
GEOLOGICAL MAP
TABLE OF FORMATIONS
APR. 2018
JOB No. 6445
FIGURE No. 2c
Chapman Petroleum Engineering Ltd.



Company Block

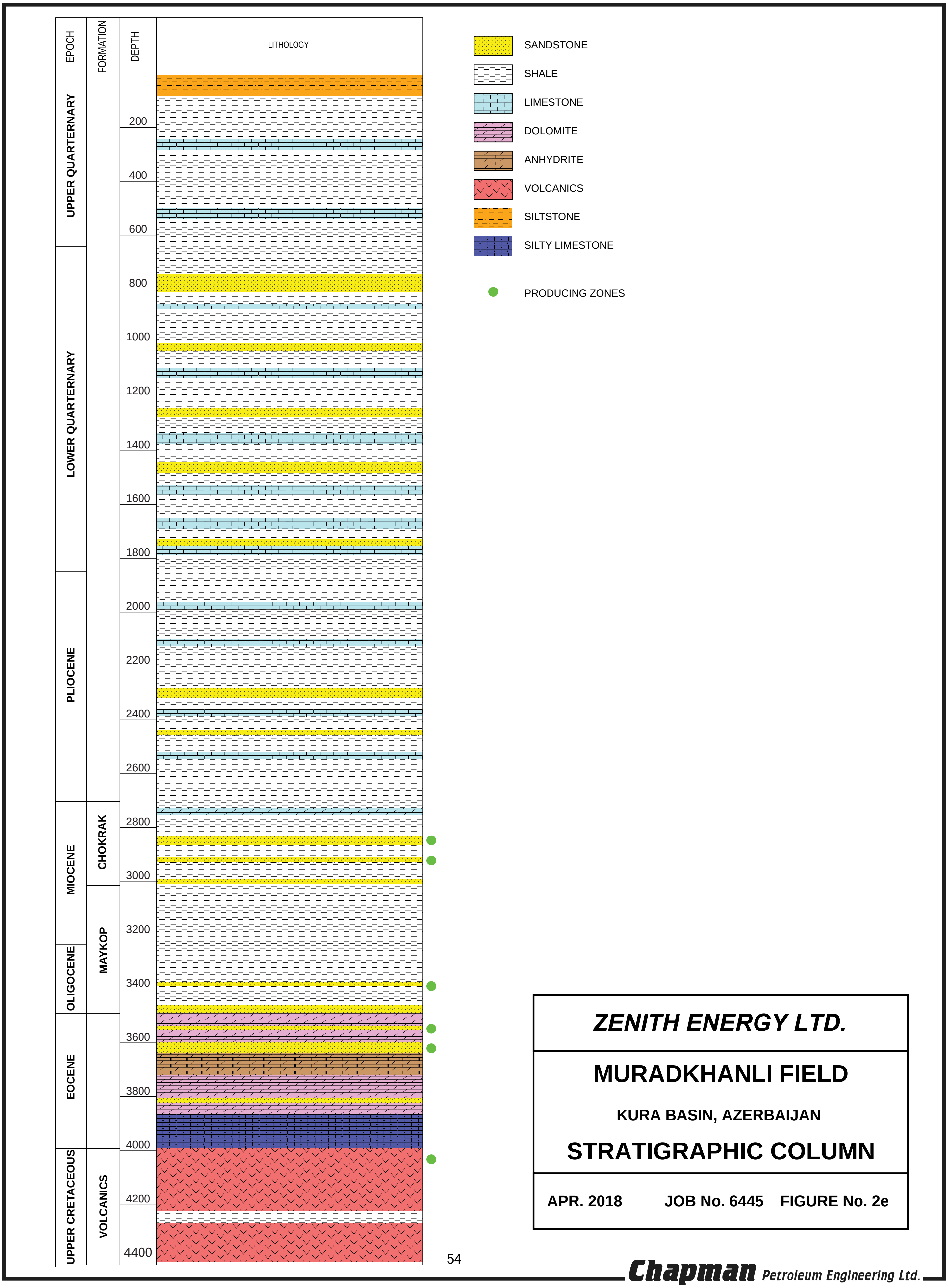
ZENITH ENERGY LTD.

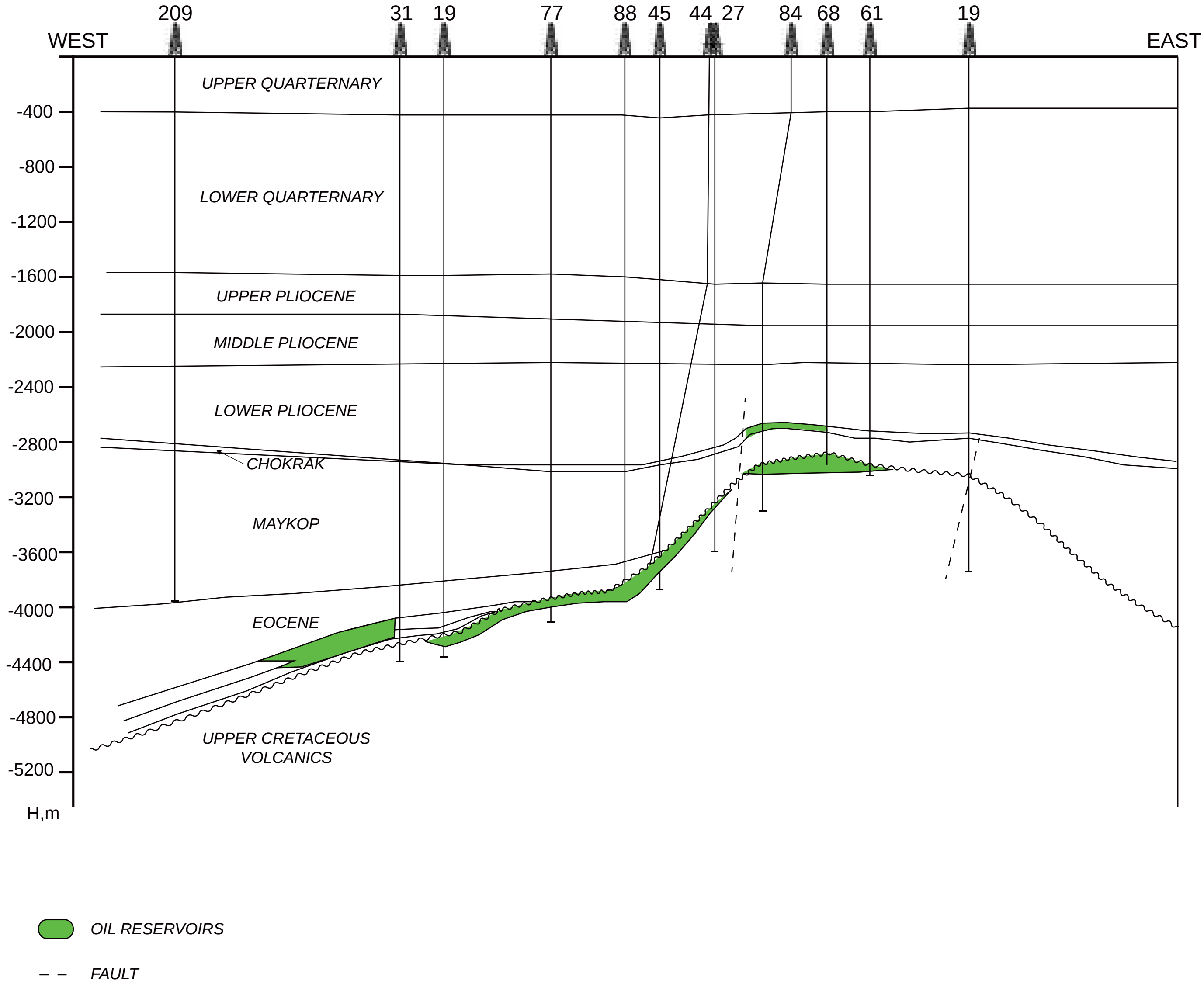
REPUBLIC OF AZERBAIJAN

GEOLOGICAL MAP

APR. 2018 **JOB No. 6445** **FIGURE No. 2d**

Chapman *Petroleum Engineering Ltd.*


EPOCH
FORMATION
DEPTH
LITHOLOGY
UPPER QUARTERNARY
LOWER QUARTERNARY
PLIOCENE
MIOCENE
OLIGOCENE
EOCENE
UPPER CRETACEOUS
CHOKRAK
MAYKOP
VOLCANICS
200
400
600
800
1000
1200
1400
1600
1800
2000
2200
2400
2600
2800
3000
3200
3400
3600
3800
4000
4200
4400
SANDSTONE
SHALE
LIMESTONE
DOLOMITE
ANHYDRITE
VOLCANICS
SILTSTONE
SILTY LIMESTONE
PRODUCING ZONES
ZENITH ENERGY LTD.
MURADKHANLI FIELD
KURA BASIN, AZERBAIJAN
STRATIGRAPHIC COLUMN
APR. 2018
JOB No. 6445
FIGURE No. 2e
54
Chapman Petroleum Engineering Ltd.



ZENITH ENERGY LTD.

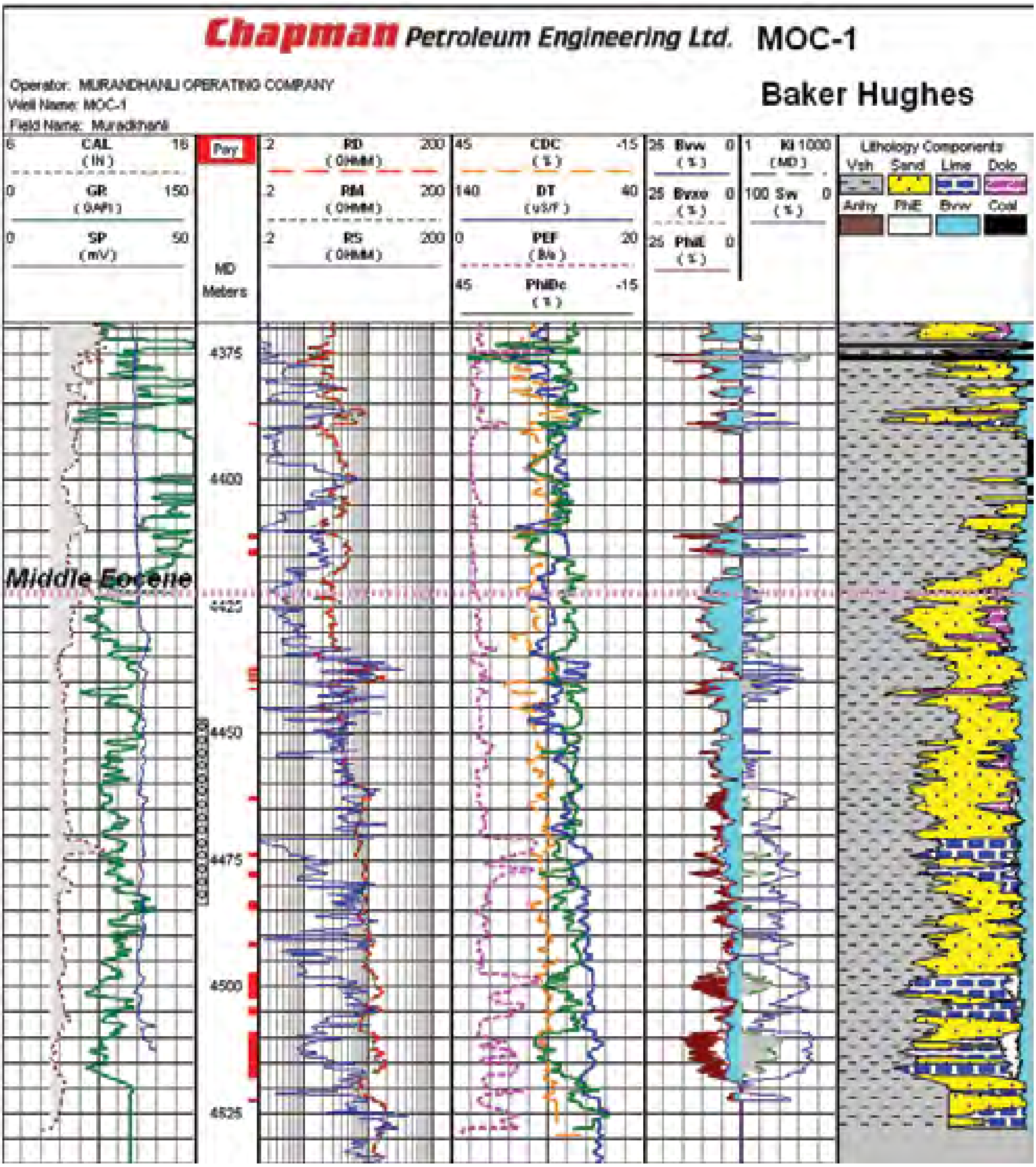
MURADKHANLI FIELD

KURA BASIN, AZERBAIJAN

STRUCTURAL CROSS SECTION

APR. 2018 **JOB No. 6445** **FIGURE No. 2f**

Chapman Petroleum Engineering Ltd.



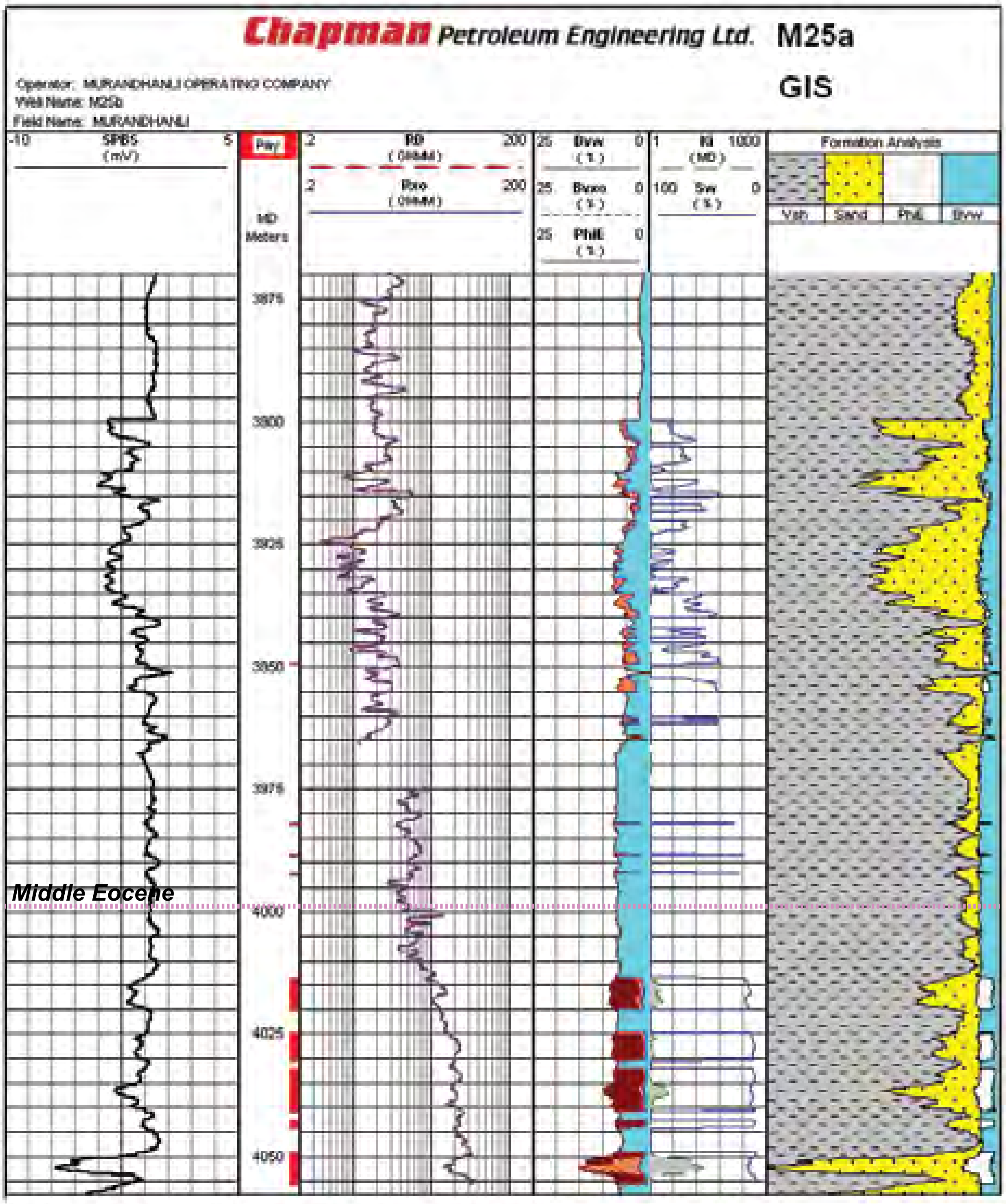
ZENITH ENERGY LTD.

MURADKHANLI FIELD
AZERBAIJAN
WELL MOC-1
LOG ANALYSIS
Middle Eocene Formation

APR. 2018 JOB No. 6445 FIGURE No. 2g

56

Chapman Petroleum Engineering Ltd.



ZENITH ENERGY LTD.

MURADKHANLI FIELD
AZERBAIJAN
WELL M25a
LOG ANALYSIS
Middle Eocene Formation

APR. 2018 | JOB No. 6445 | FIGURE No. 2h

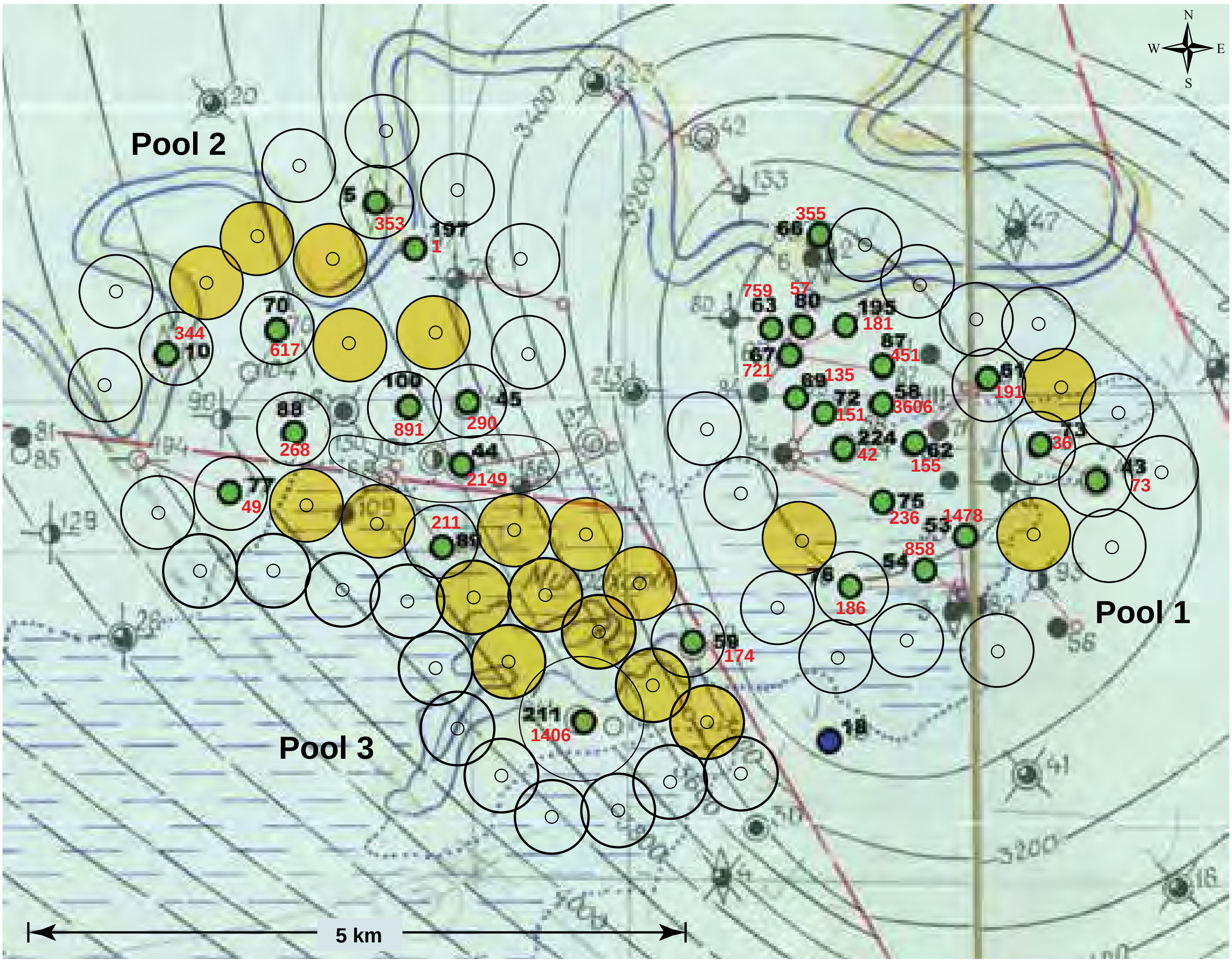
Chapman Petroleum Engineering Ltd.

Table 2

Summary of Gross Reserves
April 1, 2018

Muradkhanli, Jafarli and Zardab Oil Fields, Kura Region, Azerbaijan

Description		Current or Initial Rate STB/d	On Production	API Gravity (Deg)	Ultimate Reserves (MSTB)	Cumulative Production (MSTB)	Reserves (MSTB)	Reference
LIGHT & MEDIUM OIL								
Proved Developed Producing								
Jafarli (12 wells)	Eocene	77		27	3,628	3,464	164	Figure 4a
Muradkhanli (25 wells)	Upper Cretaceous (Volcanic)	162		27	15,029	14,731	298	Figure 4b
Muradkhanli (8 wells)	Eocene	59		27	2,394	2,229	165	Figure 4c
Muradkhanli (2 wells)	Cokrak	5		27	209	202	7	Figure 4d
	Total Proved Developed Producing	298			21,260	20,626	634	
Proved Undeveloped								
Jafarli (3 wells)	Eocene	360	Jan-20 to 22	27	600	0	600	Analogy
Muradkhanli (3 wells)	Upper Cretaceous (Pool 1)	360	Jan-20 to 22	27	645	0	645	Analogy
Muradkhanli (5 wells)	Upper Cretaceous (Pool 2)	750	Jan 20 to 23	27	1,325	0	1,325	Analogy
Muradkhanli (11 wells)	Upper Cretaceous (Pool 3)	1,320	Jan 20 to 25	27	1,980	0	1,980	Analogy
Muradkhanli (11 wells)	Mid Eocene (SE Pool)	1,320	Jan 20 to 29	27	1,529	0	1,529	Analogy
	Total Proved Undeveloped				6,079	0	6,079	
	Total Proved				27,339	20,626	6,713	
Probable								
Probable Developed Producing								
Jafarli (12 wells)	Eocene	0		27	81	0	81	Figure 5a
Muradkhanli (25 wells)	Upper Cretaceous (Volcanic)	2		27	158	0	158	Figure 5b
Muradkhanli (8 wells)	Eocene	0		27	40	0	40	Figure 5c
Muradkhanli (2 wells)	Cokrak	0		27	7	0	7	Figure 5d
	Sub Total				279	0	286	
Probable Developed Non-Producing								
12 wells in 2018 Workovers	Upper Cretaceous & Eocene	117	Aug-18	27	621	0	621	Analogy
10 wells in 2019 Workovers	Upper Cretaceous & Eocene	117	Jun -19	27	336	0	336	Analogy
5 Maycop in 2019 Workovers	Upper Cretaceous & Eocene	194	Jul -19	27	439	0	439	Analogy
11 wells in 2020 Workovers	Upper Cretaceous & Eocene	132	Jan -20	27	368	0	368	Analogy
	Sub Total				1,764	0	1,764	
Probable Undeveloped								
Jafarli (3+9 wells)	Mid Eocene (Incr.)	1,740	Jan -21 to 30	27	2,891	0	2,891	Analogy
Muradkhanli (3+13 wells)	Up. Cret. (Pool 1) (Incr.)	2,440	Jan -20 to 31	27	4,396	0	4,396	Analogy
Muradkhanli (5+7 wells)	Up. Cret. (Pool 2) (Incr.)	1,350	Jan -20 to 30	27	3,381	0	3,381	Analogy
Muradkhanli (11+12 wells)	Up. Cret. (Pool 3) (Incr.)	2,706	Jan -20 to 33	27	4,011	0	4,011	Analogy
Muradkhanli (11+13 wells)	Mid Eocene (SE Pool) (Incr.)	2,880	Jan -20 to 34	27	3,388	0	3,388	Analogy
	Sub Total				18,067	0	18,067	
Muradkhanli (22 hztl wells)	Mid Eocene (North Pool)	11,000	Jan-21 to 34	27	17,818	0	17,818	Analogy
Muradkhanli (36 hztl wells)	Mid Eocene (South Pool)	18,000	Jan-21 to 34	27	25,702	0	25,702	Analogy
	Sub Total				43,520	0	43,520	
	Total Probable				63,630	0	63,637	
	Total Proved Plus Probable				90,969	20,626	70,350	



Active well in Upper Cretaceous Formation

Active well in Chokrak Formation

Location

Probable estimated drainage area

PUD estimated drainage area

2 Well number

2 Cumulative production - Thousands of STB to 2015

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.

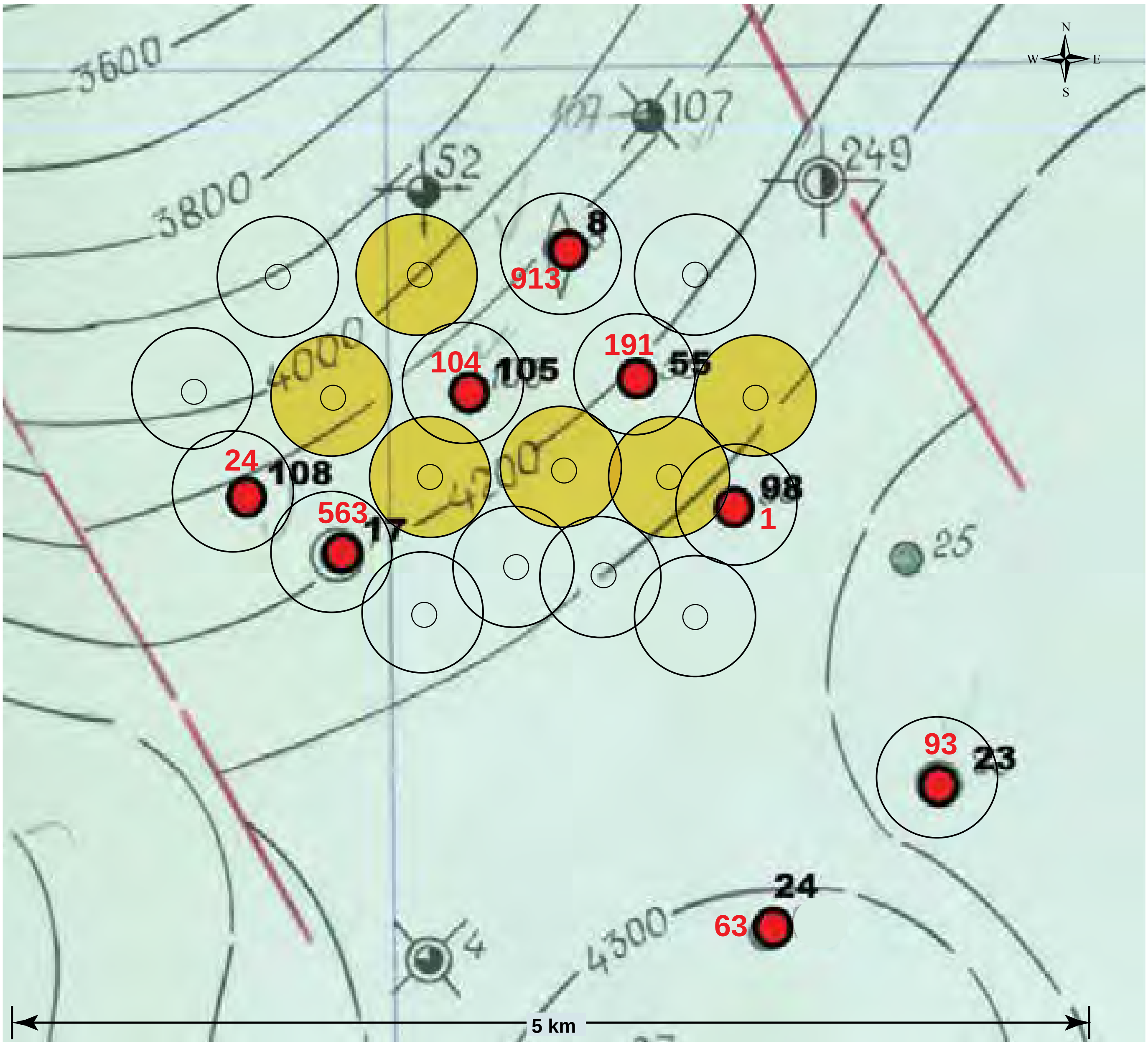
MURADKHANLI POOLS 1,2,3
Upper Cretaceous Formation

MURADKHANLI FIELD, AZERBAIJAN

DEVELOPMENT MODEL

APR. 2018 **JOB No. 6445** **FIGURE No. 3a**

Chapman *Petroleum Engineering Ltd.*



Active well in Mid. Eocene Formation

Location

Probable estimated drainage area

PUD estimated drainage area

2 Well number

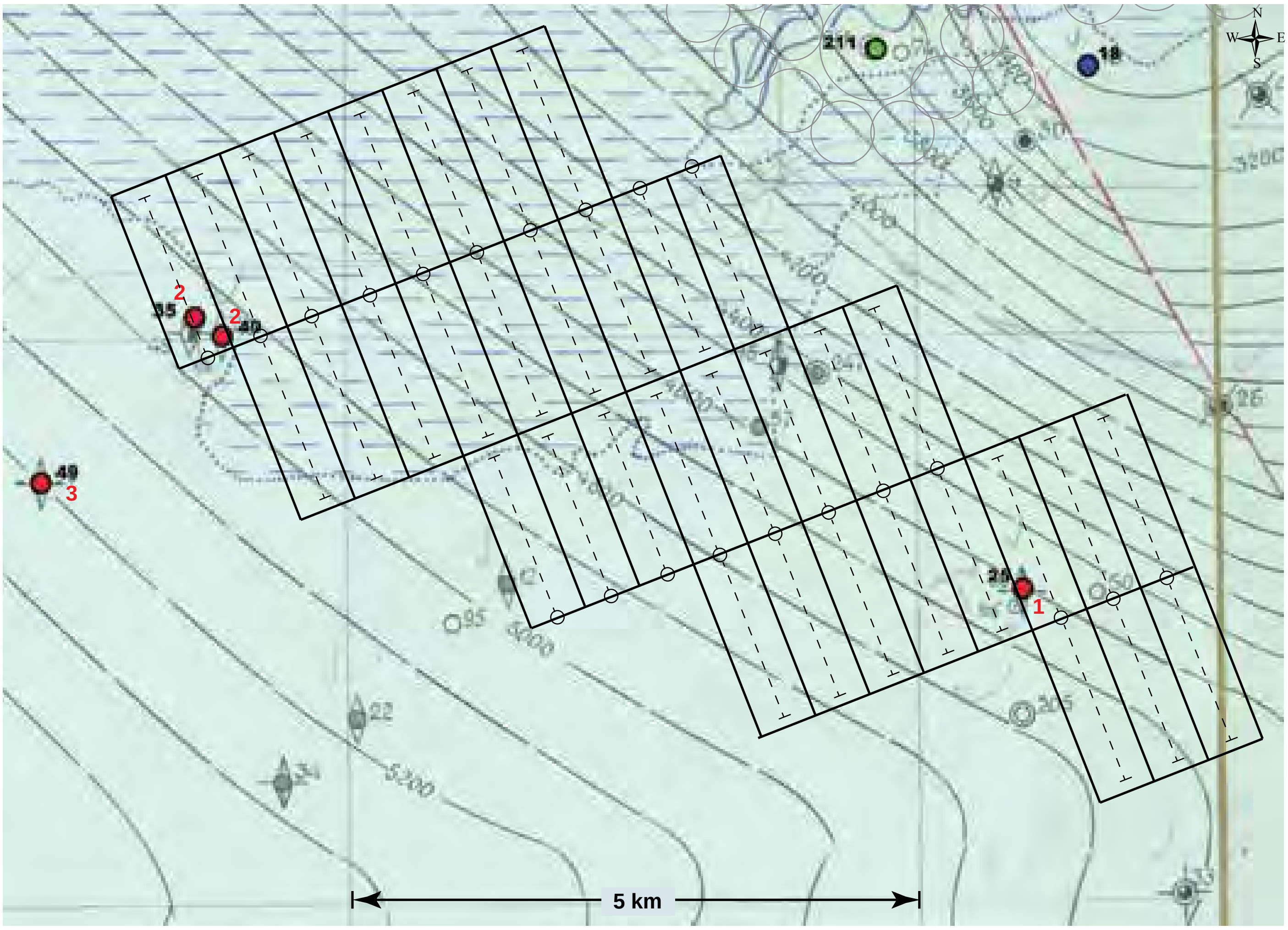
2 Cumulative production - Thousands of STB to 2015

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.
MURADKHANLI SE POOL **Middle Eocene Formation**
MURADKHANLI FIELD, AZERBAIJAN
DEVELOPMENT MODEL
APR. 2018 JOB No. 6445 FIGURE No. 3b

60

Chapman *Petroleum Engineering Ltd.*



Active well in Mid. Eocene Formation

Location

Horizontal location estimated drainage area

2 Well number

2 Cumulative production - Thousands of STB to 2015

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.

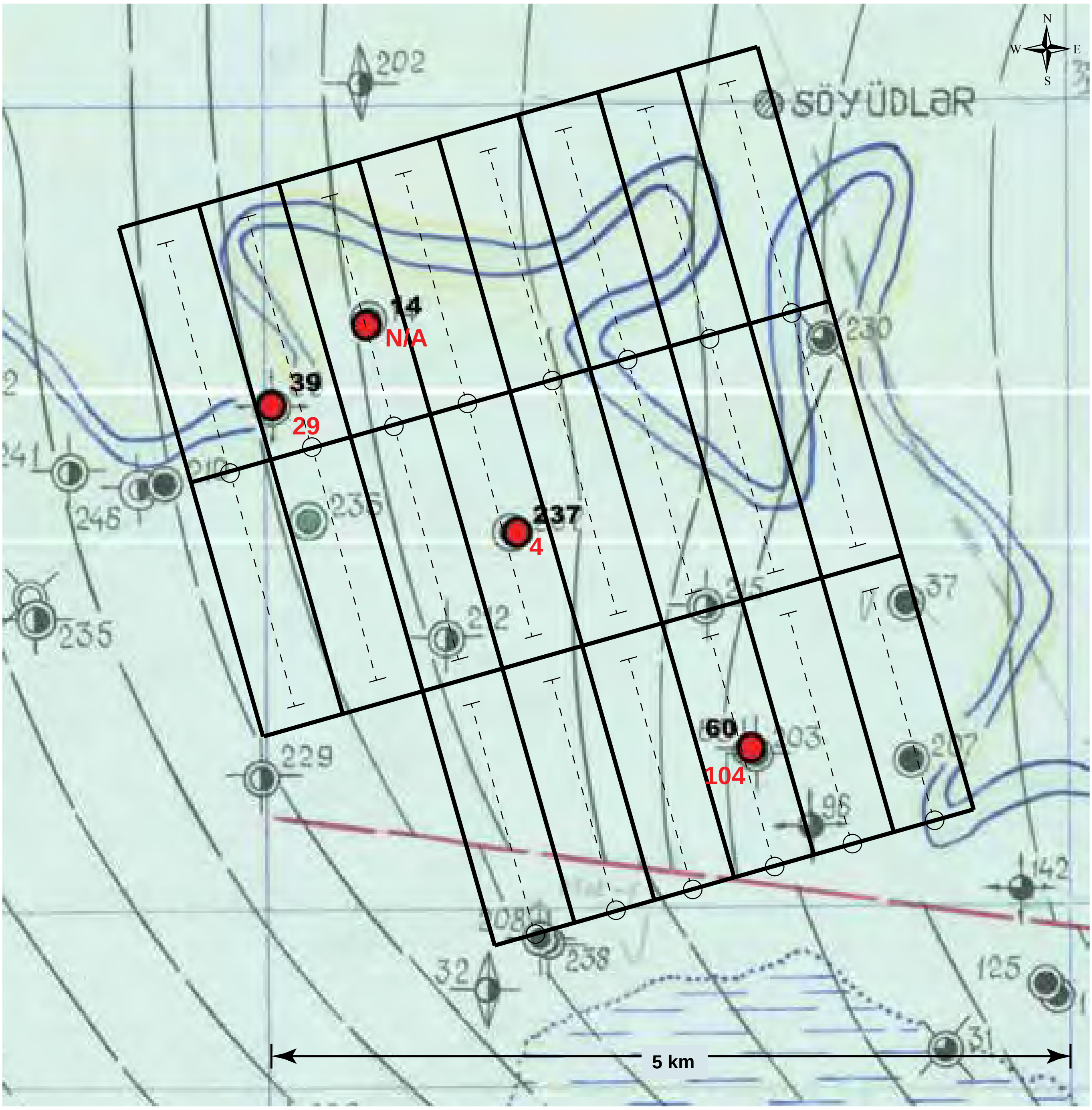
MURADKHANLI SOUTH POOL
Middle Eocene Formation

MURADKHANLI FIELD, AZERBAIJAN

DEVELOPMENT MODEL

APR. 2018 **JOB No. 6445** **FIGURE No. 3c**

Chapman Petroleum Engineering Ltd.



Active well in Mid. Eocene Formation

Location

Horizontal location estimated drainage area

2 Well number

2 Cumulative production - Thousands of STB to 2015

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.

MURADKHANLI NORTH POOL
Middle Eocene Formation

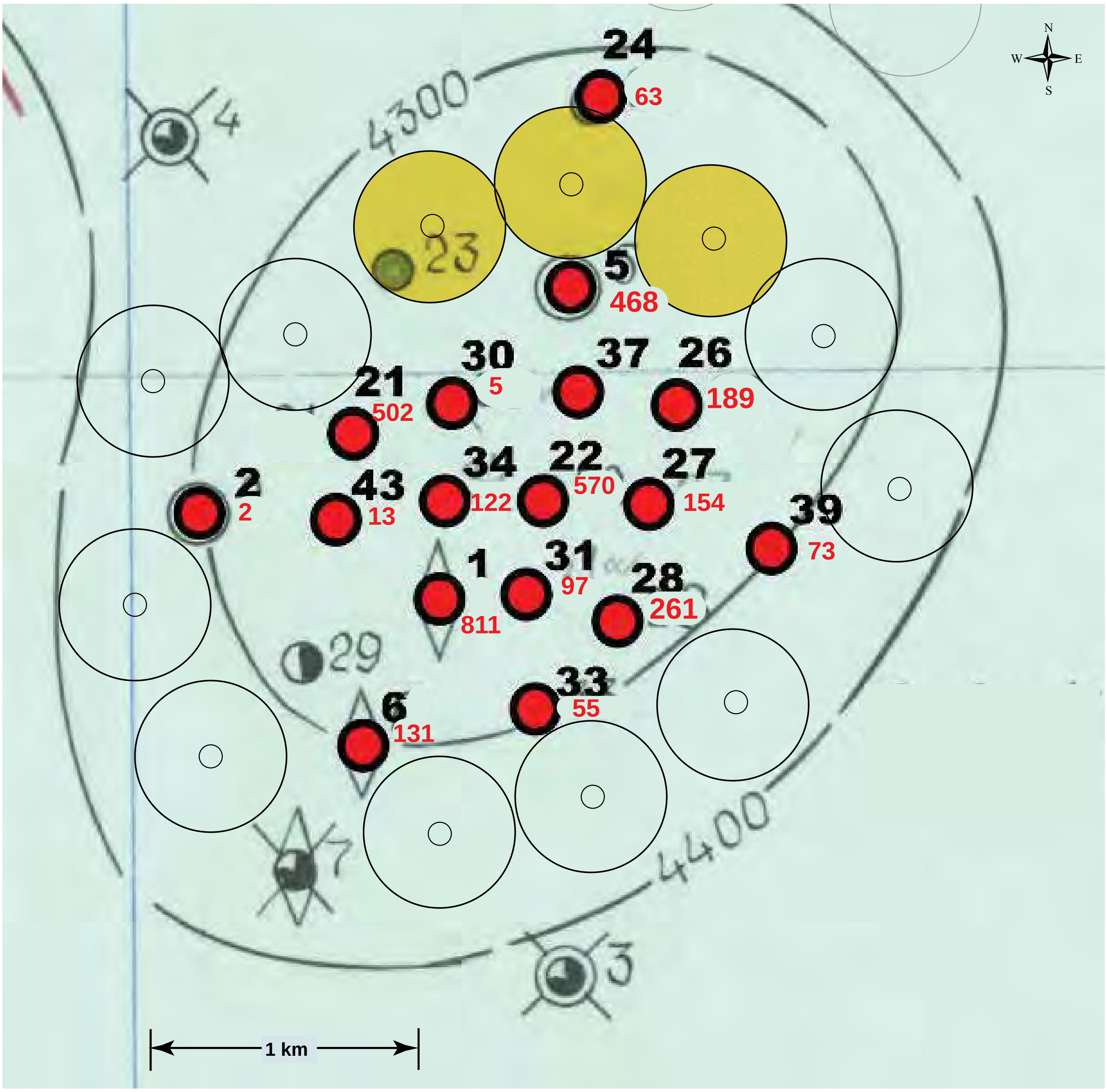
MURADKHANLI FIELD, AZERBAIJAN

DEVELOPMENT MODEL

APR. 2018 **JOB No. 6445** **FIGURE No. 3d**

62

Chapman *Petroleum Engineering Ltd.*



Active well in Mid. Eocene Formation

Location

Probable estimated drainage area

PUD estimated drainage area

2 Well number

2 Cumulative production - Thousands of STB to 2015

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.

JAFARLI POOL
Middle Eocene Formation

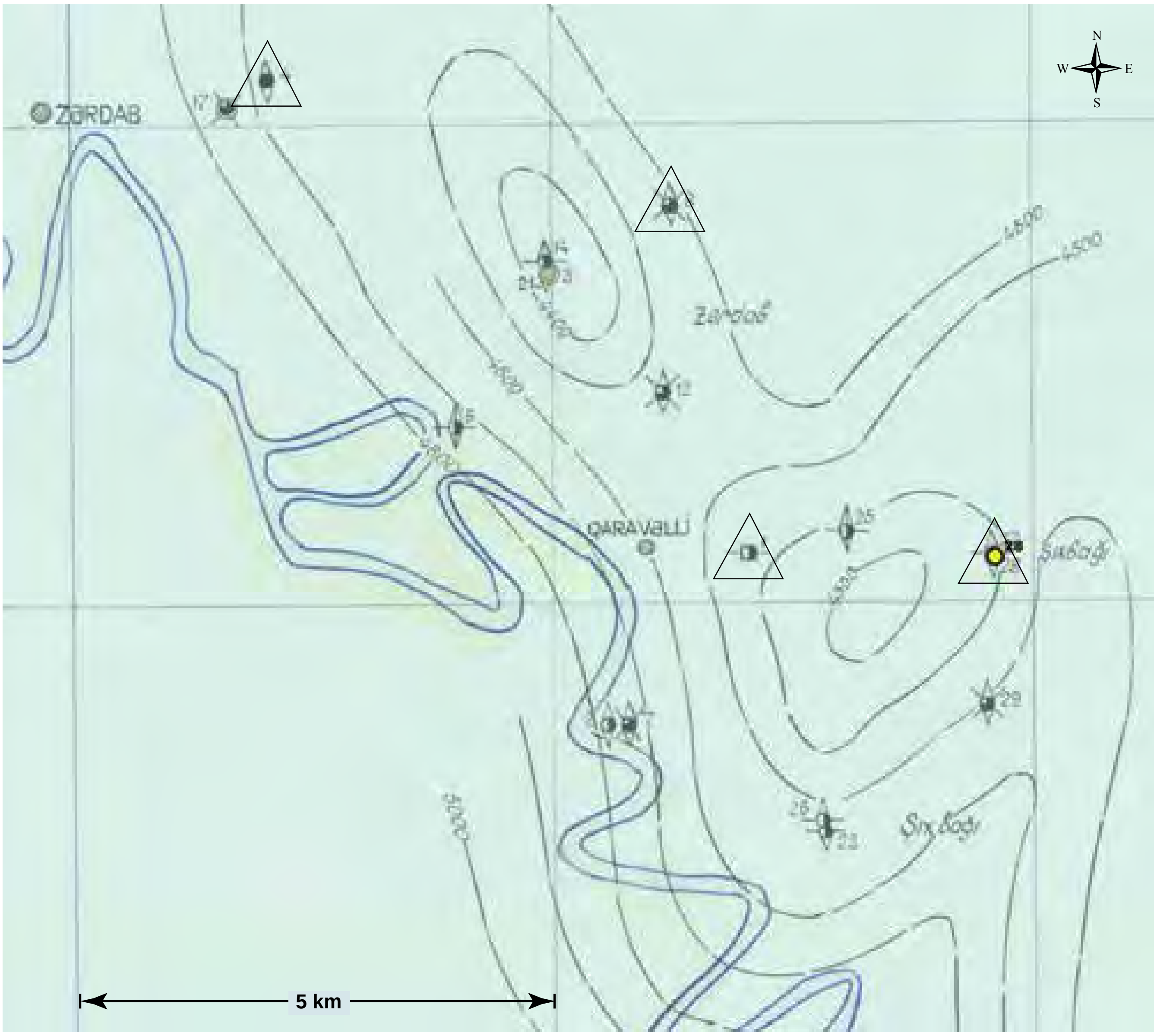
JAFARLI FIELD, AZERBAIJAN

DEVELOPMENT MODEL

APR. 2018 **JOB No. 6445** **FIGURE No. 3e**

63

Chapman Petroleum Engineering Ltd.



Active well in Maykop

△ Workover Candiate

Note: Contours are Structure on Lower Cretaceous (C.I.=100 m)

ZENITH ENERGY LTD.

ZARDAB POOL
Maykop Formation

ZARDAB FIELD, AZERBAIJAN

DEVELOPMENT MODEL

APR. 2018 **JOB No. 6445** **FIGURE No. 3f**

Chapman Petroleum Engineering Ltd.

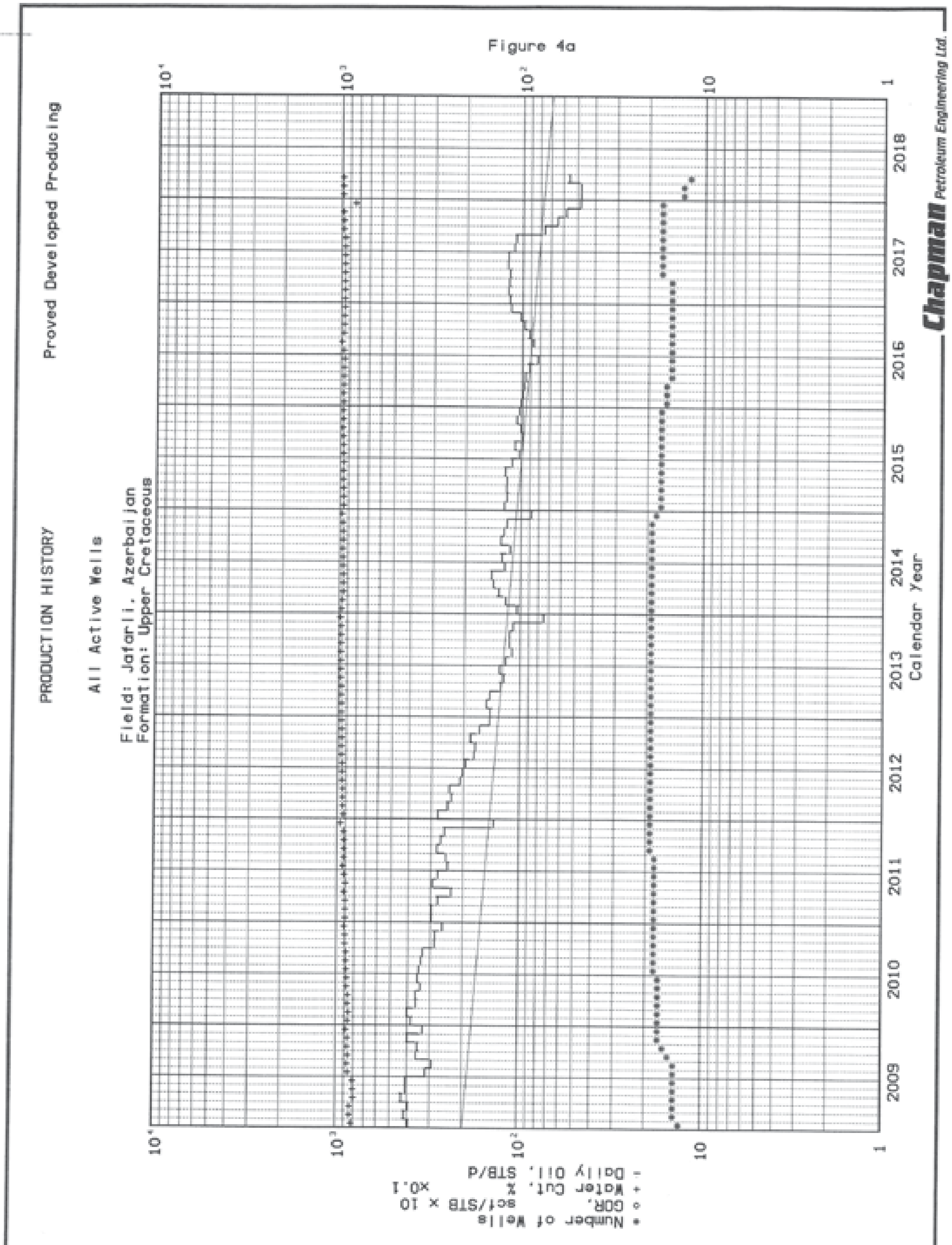


Figure 4a
PRODUCTION HISTORY
Proved Developed Producing
All Active Wells
Field: Jafarli, Azerbaijan
Formation: Upper Cretaceous
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1
10
10^2
10^3
10^4
* Number of Wells
○ GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

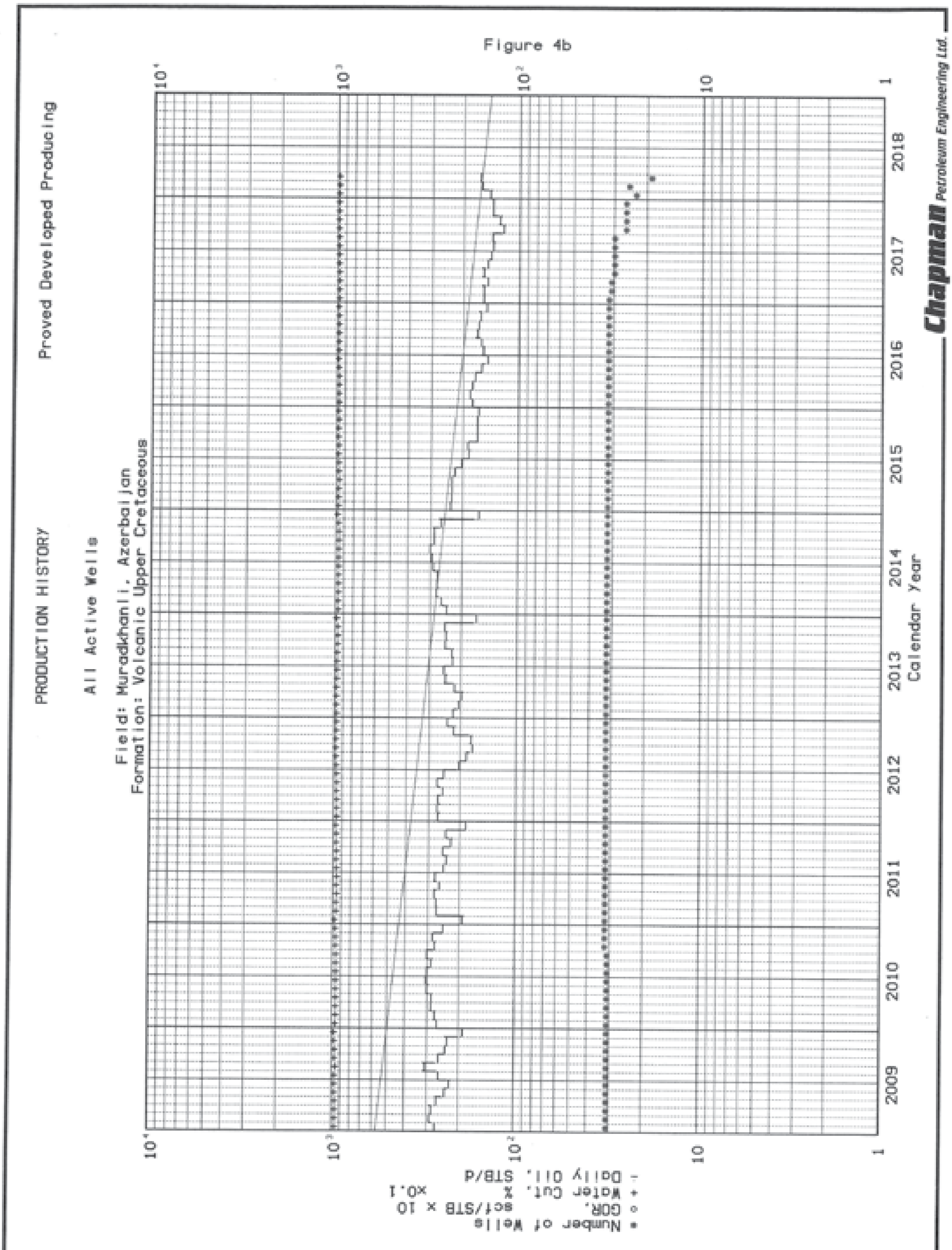
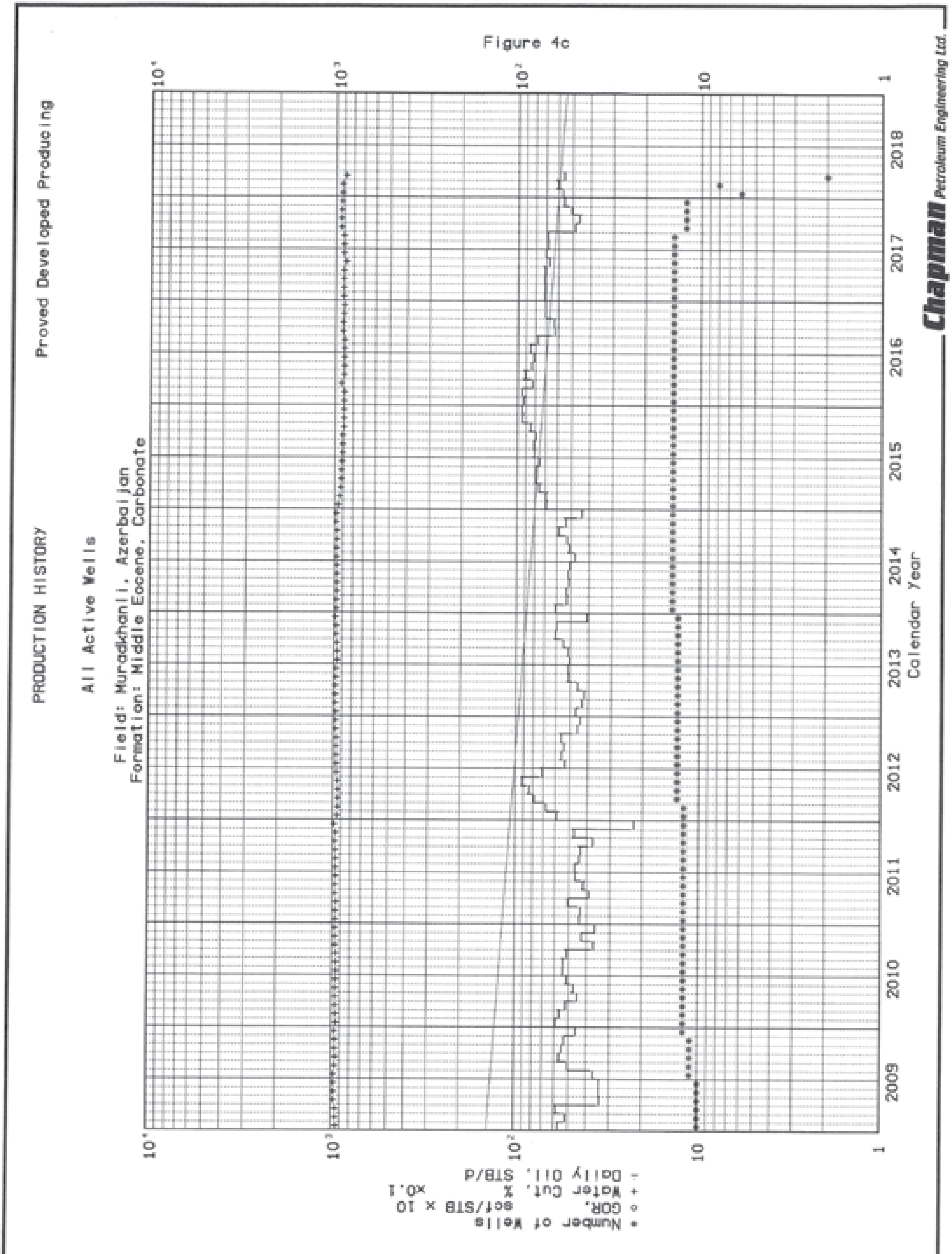


Figure 4b
PRODUCTION HISTORY
Proved Developed Producing
All Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Volcanic Upper Cretaceous
Calendar Year
* Number of Wells
o GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

66


Proved Developed Producing
PRODUCTION HISTORY
All Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Middle Eocene, Carbonate
Figure 4c
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
* Number of Wells
o GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

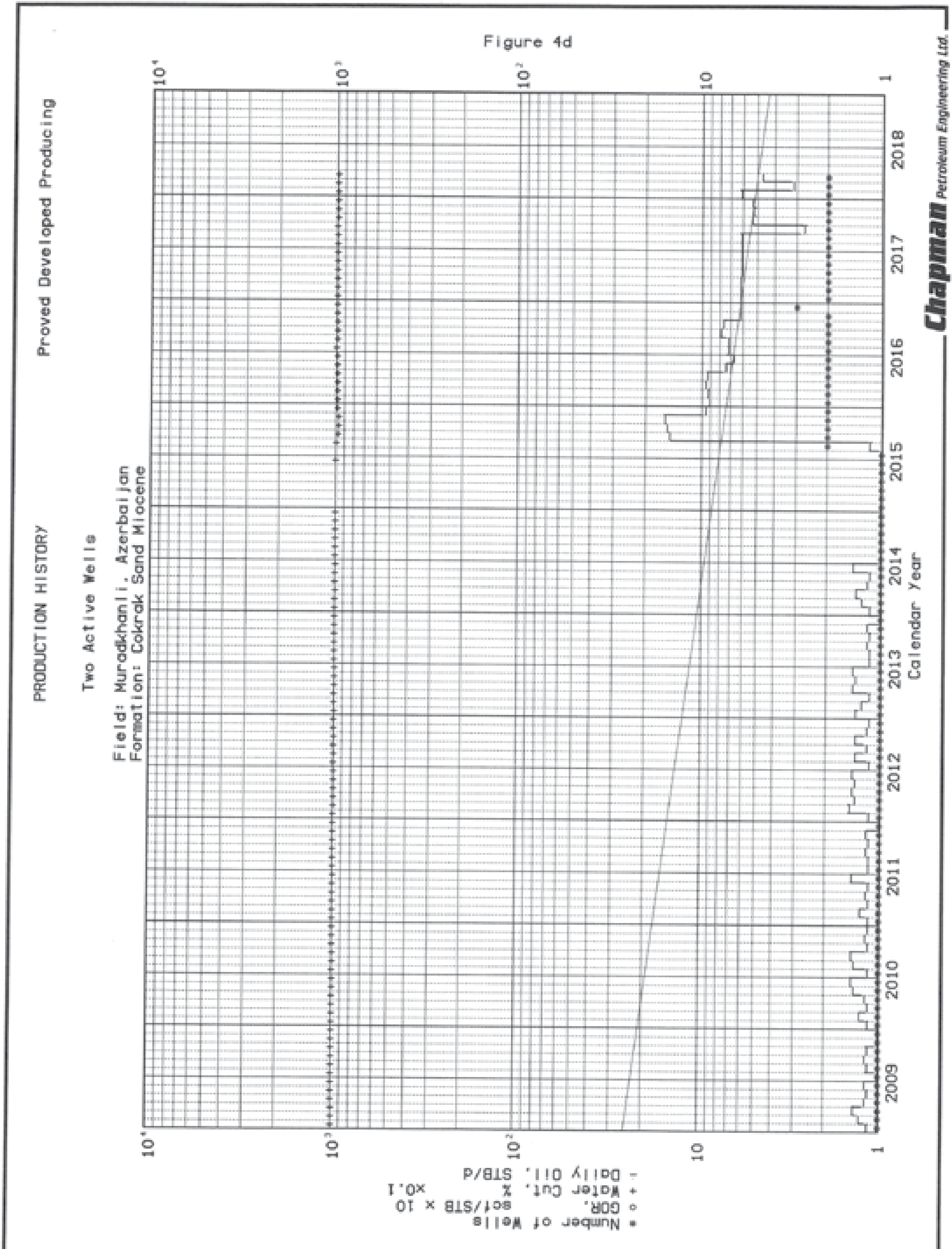


Figure 4d
PRODUCTION HISTORY
Proved Developed Producing
Two Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Cokrak Sand Miocene
10⁴
10³
10²
10
1
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Calendar Year
* Number of Wells
○ GOR, scf/STB × 10
+ Water Cut, % ×0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

68

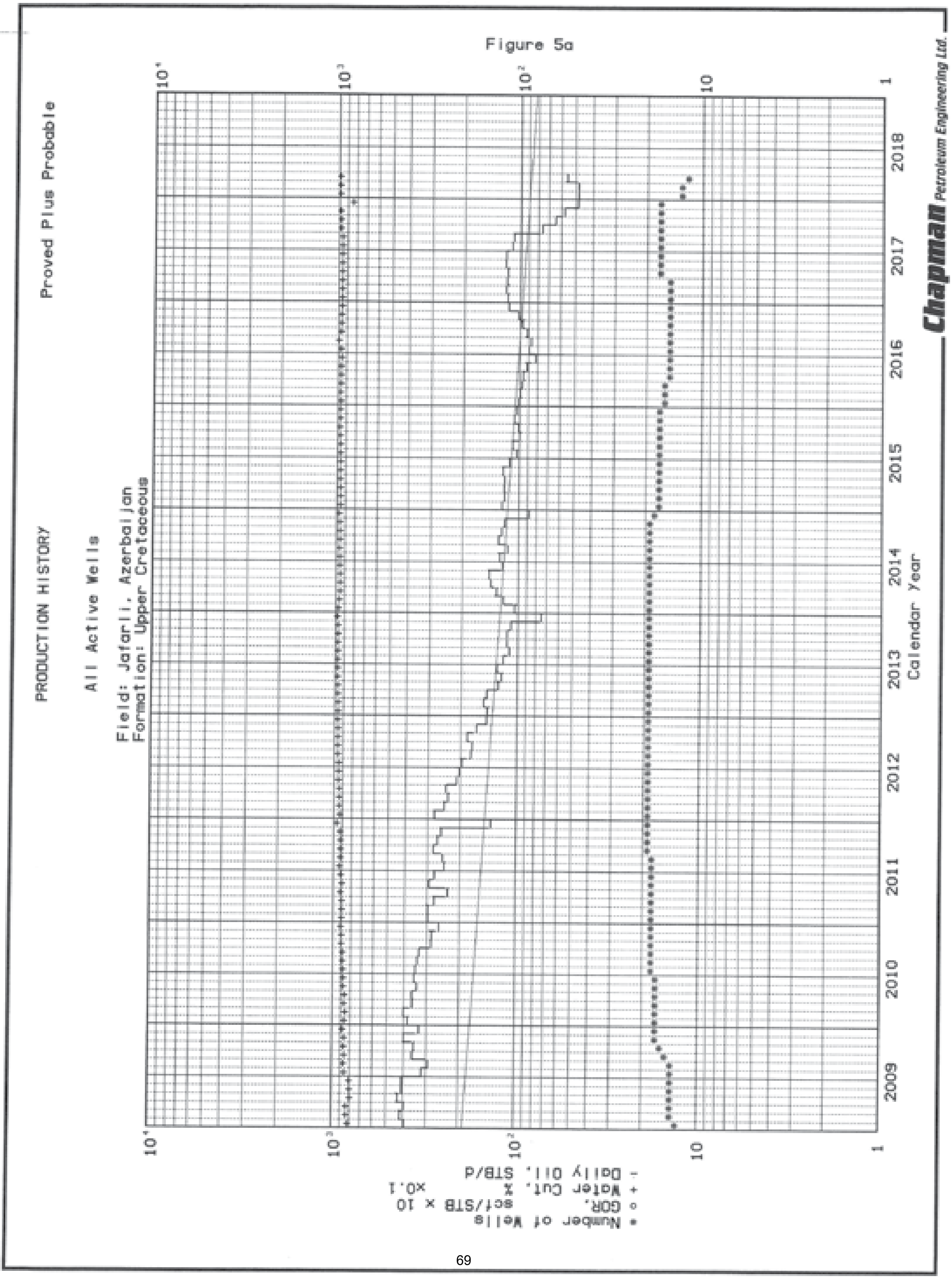


Figure 5a
Proved Plus Probable
PRODUCTION HISTORY
All Active Wells
Field: Jafarli, Azerbaijan
Formation: Upper Cretaceous
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
* Number of Wells
○ GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

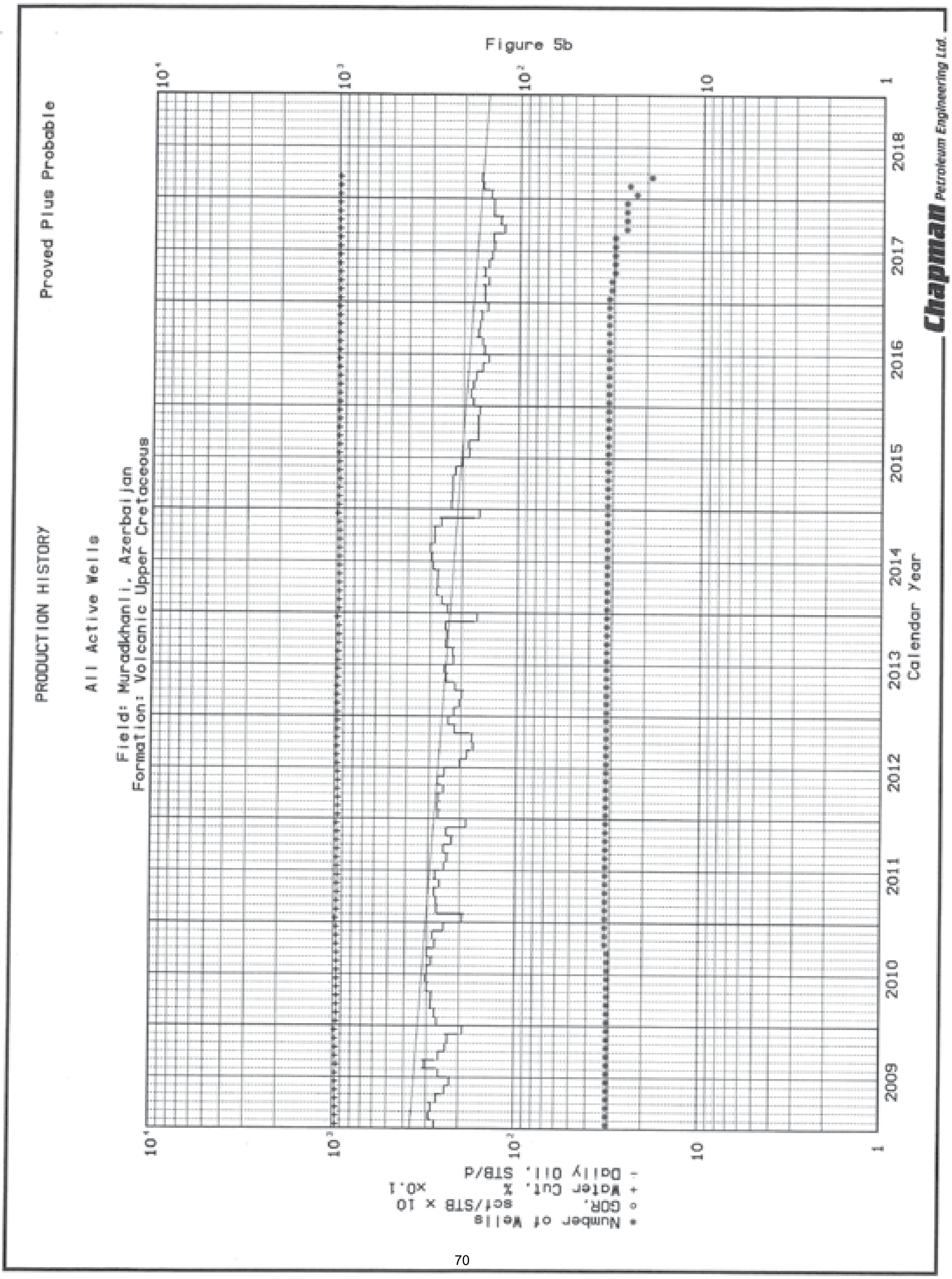


Figure 5b
Proved Plus Probable
PRODUCTION HISTORY
All Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Volcanic Upper Cretaceous
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
* Number of Wells
○ GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.
70

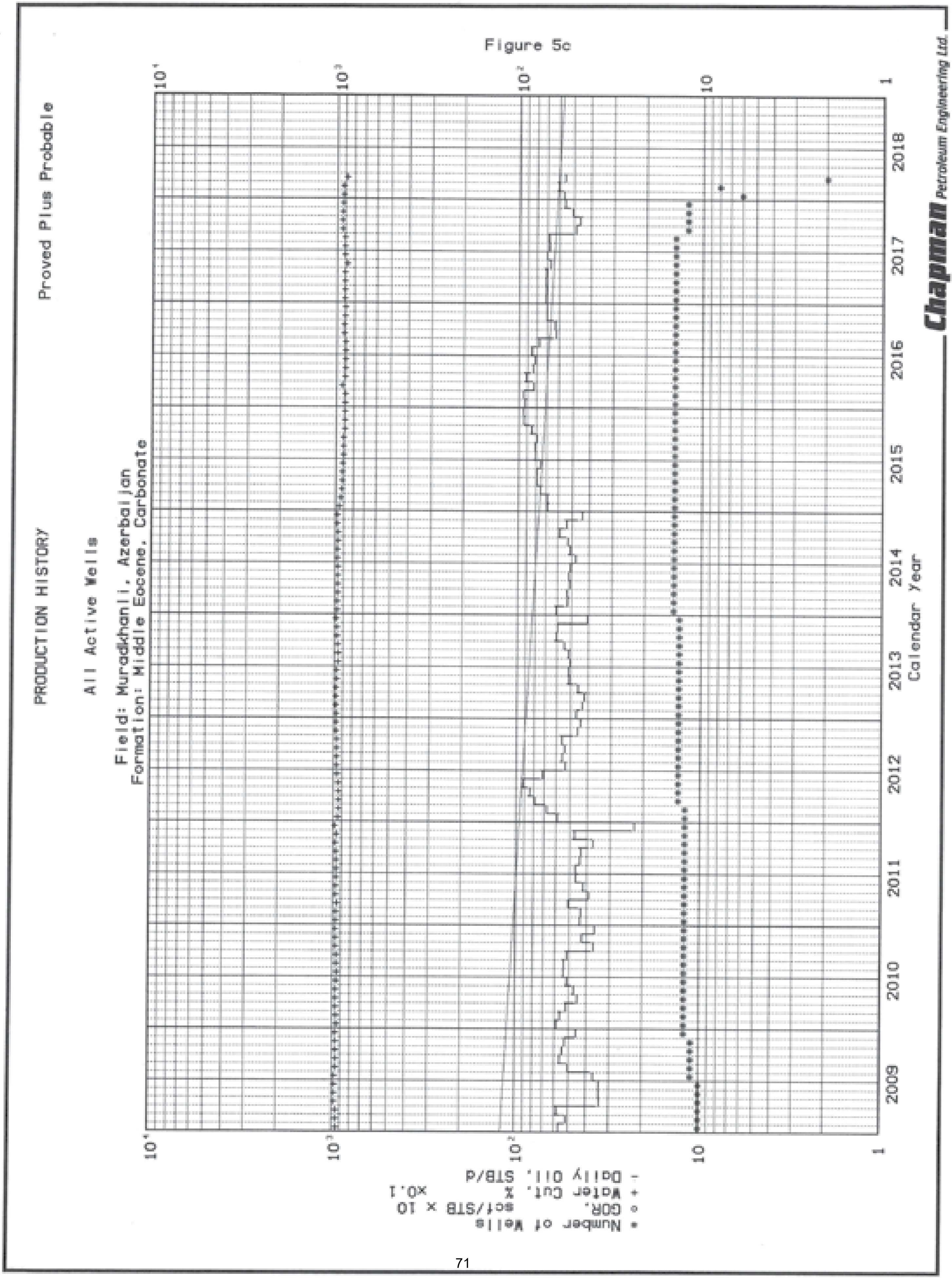


Figure 5c
PRODUCTION HISTORY
Proved Plus Probable
All Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Middle Eocene, Carbonate
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
* Number of Wells
○ GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Chapman Petroleum Engineering Ltd.

71

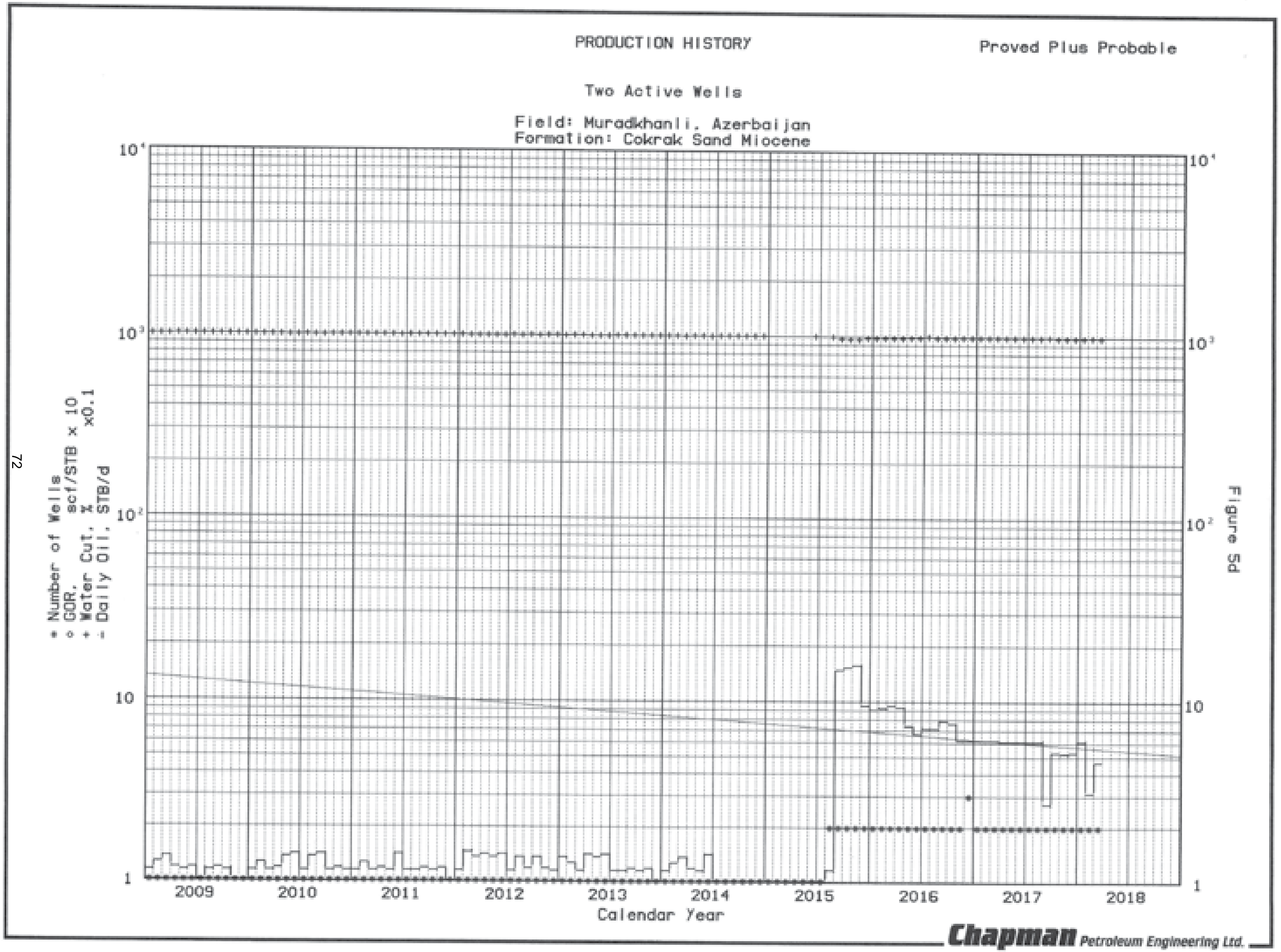

PRODUCTION HISTORY
Proved Plus Probable
Two Active Wells
Field: Muradkhanli, Azerbaijan
Formation: Cokrak Sand Miocene
* Number of Wells
◦ GOR, scf/STB x 10
+ Water Cut, % x0.1
- Daily Oil, STB/d
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Figure 5d
Chapman Petroleum Engineering Ltd.

Table 3a

Summary of Anticipated Capital Expenditures
Development

September 1, 2016

Zenith Energy Ltd.

Muradkhanli (MRX), Jafarli (JFL) and Zardab (ZRD) Oil Fields, Kura Region, Azerbaijan

Description	Date	Operation	Capital Interest %	Gross Capital M$	Net Capital M$
Proved Undeveloped					
5 Development wells	Jul 19	Drill, Complete, Equip & Tie in 5 Development Wells	80.0000	21,500	17,200
Upgrade Facilities	Jul-19	Upgrade Gathering System and Central Facilities	80.0000	1,500	1,200
8 Development wells	Jul 20	Drill, Complete, Equip & Tie in 8 Development Wells	80.0000	34,400	27,520
6 Development wells	Jul 21	Drill, Complete, Equip & Tie in 6 Development Wells	80.0000	25,800	20,640
4 Development wells	Jul 22	Drill, Complete, Equip & Tie in 4 Development Wells	80.0000	17,200	13,760
3 Development wells	Jul 23	Drill, Complete, Equip & Tie in 3 Development Wells	80.0000	12,900	10,320
3 Development wells	Jul 24	Drill, Complete, Equip & Tie in 3 Development Wells	80.0000	12,900	10,320
1 Development well	Jul 25	Drill, Complete, Equip & Tie in 1 Development Well	80.0000	4,300	3,440
1 Development well	Jul 26	Drill, Complete, Equip & Tie in 1 Development Well	80.0000	4,300	3,440
1 Development well	Jul 27	Drill, Complete, Equip & Tie in 1 Development Well	80.0000	4,300	3,440
1 Development well	Jul 28	Drill, Complete, Equip & Tie in 1 Development Well	80.0000	4,300	3,440
		Total Proved Undeveloped		**143,400**	**114,720**
		Total Proved		**143,400**	**114,720**
Probable					
Developed Non- Producing					
10 High Potential workovers	Jul-17	10 High Potential workovers	80.0000	250	200
11 High Potential workovers	Jul-18	11 High Potential workovers	80.0000	275	220
5 Zardab workovers	Jul-19	5 High Potential Zardab Maykop workovers	80.0000	750	600
10 fair potential workovers	Jul-19	10 Fair Potential workovers	80.0000	320	256
8 fair potential workovers	Jul-20	8 Fair Potential workovers	80.0000	256	205
Undeveloped					
5 PUD Locations	Jul 19	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	3,500	2,800
8 PUD Locations	Jul 20	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	5,600	4,480
Drill 2 Probable HZ Locations	Jul 20	Drill, Complete, Equip & Tie in 2 HZ Wells	80.0000	10,000	8,000
3D Seismic Program	Jul-20	3D Seismic Program, Processing & Interpretation	80.0000	4,000	3,200
6 PUD Locations	Jul 21	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	4,200	3,360
Drill 4 Probable HZ Locations	Jul 21	Drill, Complete, Equip & Tie in 4 HZ Wells	80.0000	20,000	16,000
3D Seismic Program	Jul-21	3D Seismic Program, Processing & Interpretation	80.0000	4,000	3,200
4 PUD Locations	Jul 22	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	2,800	2,240
Drill 6 Probable Locations	Jul 22	Drill, Complete, Equip & Tie in 4 HZ & 2 Vertical Wells	80.0000	30,000	24,000
3D Seismic Program	Jul-22	3D Seismic Program, Processing & Interpretation	80.0000	4,000	3,200
3 PUD Locations	Jul 23	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	2,100	1,680
Drill 7 Probable Locations	Jul 23	Drill, Complete, Equip & Tie in 4 HZ & 3 Vertical Wells	80.0000	35,000	28,000
3D Seismic Program		3D Seismic Program, Processing & Interpretation	80.0000	4,000	3,200
3 PUD Locations	Jul-24	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	2,100	1,680
Drill 7 Probable Locations	Jul-24	Drill, Complete, Equip & Tie in 4 HZ & 3 Vertical wells	80.0000	35,000	28,000
3D Seismic Program		3D Seismic Program, Processing & Interpretation	80.0000	4,000	3,200
1 PUD Location	Jul-25	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	700	560
Drill 9 Probable Locations	Jul-25	Drill, Complete, Equip & Tie in 4 HZ & 5 Vertical wells	80.0000	45,000	36,000
1 PUD Location	Jul-26	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	700	560
Drill 9 Probable Locations	Jul-26	Drill, Complete, Equip & Tie in 4 HZ & 5 Vertical Wells	80.0000	45,000	36,000
1 PUD Location	Jul-27	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	700	560
Drill 9 Probable Locations	Jul-27	Drill, Complete, Equip & Tie in 4 HZ & 5 Vertical Wells	80.0000	45,000	36,000
1 PUD Location	Jul-28	Increment for Costs for 2nd Rig & Expanded Facilities	80.0000	700	560
Drill 9 Probable Locations	Jul-28	Drill, Complete, Equip & Tie in 4 HZ & 5 Vertical Wells	80.0000	45,000	36,000
Drill 10 Probable Locations	Jul-29	Drill, Complete, Equip & Tie in 4 HZ & 6 Vertical Wells	80.0000	50,000	40,000
Drill 10 Probable Locations	Jul-30	Drill, Complete, Equip & Tie in 4 HZ & 6 Vertical Wells	80.0000	50,000	40,000
Drill 10 Probable Locations	Jul-31	Drill, Complete, Equip & Tie in 6 HZ & 4 Vertical Wells	80.0000	50,000	40,000
Drill 10 Probable Locations	Jul-32	Drill, Complete, Equip & Tie in 6 HZ & 4 Vertical Wells	80.0000	50,000	40,000
Drill 10 Probable Locations	Jul-33	Drill, Complete, Equip & Tie in 4 HZ & 6 Vertical Wells	80.0000	50,000	40,000
		Total Probable		**604,951**	**483,961**
		Total Proved Plus Probable		**748,351**	**598,681**

Note: **M$ means thousands of US dollars.**
The above capital values are expressed in terms of current dollar values without escalation.
Unless details are known, drilling costs have been split 70% Intangible and 30% Tangible for tax purposes

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

April 1, 2018

Zenith Energy Ltd.

Muradkhanli, Jafarli and Zardab Oil Fields, Kura Region, Azerbaijan

Description	Well Parameters	Capital Interest %	Gross Capital M$	Net Capital M$

As specified in the REDPSA, an Abandaomant Fund is to be created by all parties to the agreement and a mechanism is to be established for making contributions to the fund. Contributions to the fund will be considered operating expenses.

Table 4
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Forecast Prices & Costs

Zenith Energy Ltd.

Jafarli, Muradkhanli, and Zardab Oil Field, Azerbaijan

Description			Net To Appraised Interest: Reserves Light and Medium Oil MSTB Net	Cumulative Cash Flow (BIT) - M$ Undisc.	Discounted at: 5%/year	10%/year	15%/year	20%/year
Proved Developed Producing								
64 producing wells	Volcanic & Carbonate		377	4,660	3,833	3,240	2,801	2,468
Total Proved Developed Producing			**377**	**4,660**	**3,833**	**3,240**	**2,801**	**2,468**
Proved Undeveloped								
33 Locations	Volcanic & Carbonate		3,511	117,965	64,989	34,318	15,961	4,697
Total Proved Undeveloped			**3,511**	**117,965**	**64,989**	**34,318**	**15,961**	**4,697**
Total Proved			**3,887**	**122,626**	**68,822**	**37,558**	**18,763**	**7,165**
Probable								
Probable Developed Producing								
64 producing wells	Volcanic & Carbonate	(Incr.)	139	5,916	3,186	1,816	1,099	710
Total Probable Developed Producing			**139**	**5,916**	**3,186**	**1,816**	**1,099**	**710**
Probable Developed Non-Producing								
Workover 44 Wells	Volcanic & Carbonate		1,011	53,275	35,901	25,429	18,782	14,368
Total Probable Developed Non-Producing			**1,011**	**53,275**	**35,901**	**25,429**	**18,782**	**14,368**
Probable Undeveloped								
145 Locations	Volcanic & Carbonate	(1)	26,697	1,625,997	770,022	404,376	231,741	142,457
Total Probable Undeveloped			**26,697**	**1,625,997**	**770,022**	**404,376**	**231,741**	**142,457**
Total Probable			**27,847**	**1,685,188**	**809,109**	**431,621**	**251,622**	**157,535**
Total Proved Plus Probable			**31,735**	**1,807,814**	**877,931**	**469,178**	**270,385**	**164,701**

M$ means thousands of US dollars.

Company Net reserves are the amounts attributable to the Company share of Cost Oil (Operating Cost Oil & Capital Cost Oil), and Profit Oil.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Note (1): Includes the incremental probable reserves for the 33 Proved Undeveloped Locations.

Table 4a

Page 1

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Developed Producing

Production and Capital Forecast

	Field Production Profile													Total Oil Production			Capital Expenditures				
	Jafarli Carbonate		Muradkanli Volcanic		Muradkanli Carbonate		Muradkanli Cokrak		Days On	Jafarli Carbonate	Muradkanli Volcanic	Muradkanli Carbonate	Muradkanli Cokrak		Well Count		Exploration	Drilling & Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital
Year	STB/d	Well count	STB/d	Well count	STB/d	Well count	STB/d	Well count		STB/yr.	STB/yr.	STB/yr.	STB/yr	STB/yr.		STB/d	$M	$M	$M	$M	$M
2018	76.60	12	162.00	25	59.00	8	5.00	2	275	21065	44550	16225	1375	83,215	47	303	0	0	0	0	0
2019	66.91	12	135.72	25	54.94	8	4.36	2	365	24,422	49,537	20,054	1592	95,605	47	262	0	0	0	0	0
2020	58.45	12	113.70	25	51.16	6	3.80	2	365	21,333	41,500	18,675	1389	82,897	45	227	0	0	0	0	0
2021	51.05	12	95.25	25	47.65	6	3.32	2	365	18,635	34,766	17,391	1211	72,004	45	197	0	0	0	0	0
2022	44.60	8	79.80	20	44.37	6	2.89	1	365	16,277	29,127	16,195	1057	62,656	35	172	0	0	0	0	0
2023	38.95	8	66.85	20	41.32	4	0.00	0	365	14,218	24,402	15,081	0	53,701	32	147	0	0	0	0	0
2024	34.03	8	56.01	20	38.48	4	0.00	0	365	12,420	20,443	14,044	0	46,907	32	129	0	0	0	0	0
2025	29.72	6	46.92	12	35.83	4	0.00	0	365	10,849	17,126	13,078	0	41,053	22	112	0	0	0	0	0
2026	25.96	4	39.31	8	33.37	3	0.00	0	365	9,477	14,348	12,179	0	36,003	15	99	0	0	0	0	0
2027	22.68	2	32.93	4	31.07	2	0.00	0	365	8,278	12,020	11,341	0	31,639	8	87	0	0	0	0	0
2028	19.81	2	27.59	2	28.94	2	0.00	0	365	7,231	10,070	10,561	0	27,862	6	76	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0	0	0
Total										164,204	297,891	164,824	6,623	633,543			0	0	0	0	0
Decline	12.65%		16.22%		6.86%		12.77%														

Table 4a
Page 2

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Developed Producing

Production Splits - Cost Oil

					Operating Costs - $/yr.						Capital Cost Recovery							
Year	Gross Production	Oil Price	Gross Revenue	*Compen-satory Petroleum	Fixed	Variable	Total	Escalated Opex	Available Cost Oil	Operating Cost Oil	Available Capital Cost Oil	Available Capital Cost Oil Revenue Ceiling	Annual Capital Costs For Recovery	Interest on Outstanding Capital	Cumulative Outstanding Capital Costs	Annual Capital Cost Recovery	Cumulative Capital Cost Recovery	Capital Cost Oil
	STB/yr.	$/STB	$/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.
2018	83,215	$58.80	4,893,042	12,482	2,520,000	187,234	2,707,234	2,707,234	70,733	46,041	12,346	725,926	0	0	0	0	0	0
2019	95,605	$64.20	6,137,887	14,341	3,360,000	215,112	3,575,112	3,646,614	81,265	56,801	12,232	785,286	0	0	0	0	0	0
2020	82,897	$67.71	5,612,962	12,435	3,300,000	186,518	3,486,518	3,627,374	70,463	53,572	8,445	571,822	0	0	0	0	0	0
2021	72,004	$71.40	5,141,098	10,801	3,300,000	162,009	3,462,009	3,673,912	61,204	51,455	4,874	348,010	0	0	0	0	0	0
2022	62,656	$72.94	4,570,118	9,398	2,050,000	140,976	2,190,976	2,371,583	53,257	32,514	10,372	756,509	0	0	0	0	0	0
2023	53,701	$74.52	4,001,808	8,055	1,960,000	120,828	2,080,828	2,297,402	45,646	30,829	7,408	552,068	0	0	0	0	0	0
2024	46,907	$76.13	3,571,005	7,036	1,960,000	105,540	2,065,540	2,326,134	39,871	30,555	4,658	354,610	0	0	0	0	0	0
2025	41,053	$77.76	3,193,126	6,158	1,660,000	92,370	1,752,370	2,012,922	34,895	25,880	4,508	350,617	0	0	0	0	0	0
2026	36,003	$79.45	2,860,449	5,400	1,450,000	81,007	1,531,007	1,793,819	30,603	22,578	4,012	318,781	0	0	0	0	0	0
2027	31,639	$81.16	2,567,835	4,746	1,240,000	71,188	1,311,188	1,566,991	26,893	19,307	3,793	307,834	0	0	0	0	0	0
2028	27,862	$82.90	2,309,765	4,179	1,180,000	62,690	1,242,690	1,514,832	23,683	18,273	2,705	224,234	0	0	0	0	0	0
2029	0	$84.68	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	$86.49	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	$88.34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	$90.23	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	$92.16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	$94.12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	$96.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	$98.17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	$100.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	$102.38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	$104.54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	$106.75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	$109.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	$111.31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	633,543		44,859,074	96,031	23,980,000	1,425,472	25,405,472	27,538,816	638,512	387,806	75,353	5,295,698	0	0	0	0		0
					30,000	$2.25				100%	50%			4.50%				
				15%	$/yr/well	$/STB												

* Note Remaining compensatory petroleum is 300,971 STB

Table 4a
Page 3
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Developed Producing
Production Splits - Profit Oil

	Total Profit Oil		Contractors Share						Total Contractors Profit Oil	Total Contractors Profit Oil Revenue	Cumulative Contractor's Profit Oil Revenue
Year	STB/yr.	"R" Factor	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.
2,018	24,691	0.00	13,580	0	0	0	0	0	13,580	798,519	798,519
2,019	24,464	0.00	13,455	0	0	0	0	0	13,455	863,815	1,662,333
2,020	16,890	0.00	9,290	0	0	0	0	0	9,290	629,004	2,291,337
2,021	9,748	0.00	5,362	0	0	0	0	0	5,362	382,812	2,674,149
2,022	20,743	0.00	11,409	0	0	0	0	0	11,409	832,160	3,506,309
2,023	14,817	0.00	8,149	0	0	0	0	0	8,149	607,274	4,113,583
2,024	9,316	0.00	5,124	0	0	0	0	0	5,124	390,071	4,503,654
2,025	9,016	0.00	4,959	0	0	0	0	0	4,959	385,679	4,889,333
2,026	8,025	0.00	4,414	0	0	0	0	0	4,414	350,659	5,239,993
2,027	7,586	0.00	4,172	0	0	0	0	0	4,172	338,618	5,578,610
2,028	5,410	0.00	2,975	0	0	0	0	0	2,975	246,658	5,825,268
2,029	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,030	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,031	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,032	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,033	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,034	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,035	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,036	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,037	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,038	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,039	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,040	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,041	0	0.00	0	0	0	0	0	0	0	0	5,825,268
2,042	0	0.00	0	0	0	0	0	0	0	0	5,825,268
Total	**150,705**		**82,888**	**0**	**0**	**0**	**0**	**0**	**82,888**	**5,825,268**	
			0.55	0.50	0.45	0.35	0.25	0.80			
			0<R<=1.25	1.25<R<=1.75	1.75<R<=2.00	2.00<R<=2.50	2.50<R<=2.75	2.75<R			

Table 4a
Page 4

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Developed Producing

Production Streams and Revenues

	Contractor' Share						Cost Schedule			Contractor's
Year	Operating Cost Oil STB/yr.	Capital Cost Oil STB/yr.	Net Profit Oil STB/yr.	Total Net Oil STB/yr.	Oil Price $/STB	Contractor's Total Revenue (Operating Cash Flow) $/yr.	Total Operating Costs $/yr.	Net Operating Income $/yr.	Total Capital Costs $/yr.	Net Cash Flow $/yr.
2018	46,041	0	13,580	59,622	$58.80	3,505,752	2,707,234	798,519	0	798,519
2019	56,801	0	13,455	70,256	$64.20	4,510,429	3,646,614	863,815	0	863,815
2020	53,572	0	9,290	62,862	$67.71	4,256,378	3,627,374	629,004	0	629,004
2021	51,455	0	5,362	56,817	$71.40	4,056,724	3,673,912	382,812	0	382,812
2022	32,514	0	11,409	43,923	$72.94	3,203,742	2,371,583	832,160	0	832,160
2023	30,829	0	8,149	38,978	$74.52	2,904,676	2,297,402	607,274	0	607,274
2024	30,555	0	5,124	35,679	$76.13	2,716,205	2,326,134	390,071	0	390,071
2025	25,880	0	4,959	30,838	$77.78	2,398,601	2,012,922	385,679	0	385,679
2026	22,578	0	4,414	26,992	$79.45	2,144,478	1,793,819	350,659	0	350,659
2027	19,307	0	4,172	23,480	$81.16	1,905,609	1,566,991	338,618	0	338,618
2028	18,273	0	2,975	21,248	$82.90	1,761,490	1,514,832	246,658	0	246,658
2029	0	0	0	0	$84.68	0	0	0	0	0
2030	0	0	0	0	$86.49	0	0	0	0	0
2031	0	0	0	0	$88.34	0	0	0	0	0
2032	0	0	0	0	$90.23	0	0	0	0	0
2033	0	0	0	0	$92.16	0	0	0	0	0
2034	0	0	0	0	$94.12	0	0	0	0	0
2035	0	0	0	0	$96.13	0	0	0	0	0
2036	0	0	0	0	$98.17	0	0	0	0	0
2037	0	0	0	0	$100.25	0	0	0	0	0
2038	0	0	0	0	$102.38	0	0	0	0	0
2039	0	0	0	0	$104.54	0	0	0	0	0
2040	0	0	0	0	$106.75	0	0	0	0	0
2041	0	0	0	0	$109.01	0	0	0	0	0
2042	0	0	0	0	$111.31	0	0	0	0	0
Total	**387,806**	**0**	**82,888**	**470,694**		**33,364,084**	**27,538,816**	**5,825,268**	**0**	**5,825,268**

Table 4a
Page 5

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Developed Producing

Company Cash Flow Analysis

		Net to Company Before and After Income Tax				
		Undiscounted	Discounted @			
	Company Net Oil	Net Cash Flow (Profit)	5%	10%	15%	20%
Year	STB/yr.	$/yr.	$	$	$	$
2018	47,697	638,815	627,233	616,386	606,196	596,598
2019	56,205	691,052	650,166	613,437	580,281	550,217
2020	50,290	503,203	450,887	406,078	367,429	333,876
2021	45,453	306,249	261,342	224,672	194,450	169,331
2022	35,138	665,728	541,056	443,995	367,562	306,744
2023	31,183	485,819	376,037	294,553	233,244	186,541
2024	28,543	312,057	230,039	172,001	130,278	99,851
2025	24,671	308,543	216,618	154,603	112,010	82,272
2026	21,593	280,528	187,570	127,787	88,556	62,335
2027	18,784	270,894	172,504	112,180	74,361	50,162
2028	16,999	197,326	119,673	74,286	47,101	30,449
2029	0	0	0	0	0	0
2030	0	0	0	0	0	0
2031	0	0	0	0	0	0
2032	0	0	0	0	0	0
2033	0	0	0	0	0	0
2034	0	0	0	0	0	0
2035	0	0	0	0	0	0
2036	0	0	0	0	0	0
2037	0	0	0	0	0	0
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	0	0	0	0
2041	0	0	0	0	0	0
2042	0	0	0	0	0	0
Total	376,555	4,660,215	3,833,124	3,239,978	2,801,469	2,468,376
	80%	80.00%				

Table 4b
Page 1

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved
Production and Capital Forecast

	Total Oil Production					Drilling Capital Expenditures - $M							
	Total Proved Developed Producing	Total Proved Undeveloped	Total Proved	Total Proved well count		Exploration	Seismic	Drilling & Completion	Pipeline	Well Fac. & Tie-ins	Central Facilities	Total Capital	Escalated Capital
Year	STB/yr.	STB/yr.	STB/yr.		STB/d	$M	$M	$M	$M	$M	$M	$M	
2018	83,215	0	83,215	47	325	0	0	0	0	0	0	0	0
2019	95,605	0	95,605	47	262	0	0	21,500	0	0	0	21,500	21,930
2020	82,897	229,950	312,847	50	857	0	0	34,400	0	500	1,000	35,900	37,350
2021	72,004	533,813	605,817	58	1660	0	0	25,800	0	0	0	25,800	27,379
2022	62,656	635,565	698,221	54	1913	0	0	17,200	0	0	0	17,200	18,618
2023	53,701	627,276	680,977	55	1866	0	0	12,900	0	0	0	12,900	14,243
2024	46,907	593,021	639,928	58	1753	0	0	12,900	0	0	0	12,900	14,527
2025	41,053	587,413	628,466	51	1722	0	0	4,300	0	0	0	4,300	4,939
2026	36,003	500,067	536,070	45	1469	0	0	4,300	0	0	0	4,300	5,038
2027	31,639	442,340	473,979	39	1299	0	0	4,300	0	0	0	4,300	5,139
2028	27,862	412,127	439,989	38	1205	0	0	4,300	0	0	0	4,300	5,242
2029	0	385,266	385,266	33	1056	0	0	0	0	0	0	0	0
2030	0	314,978	314,978	32	863	0	0	0	0	0	0	0	0
2031	0	251,928	251,928	29	690	0	0	0	0	0	0	0	0
2032	0	201,103	201,103	26	551	0	0	0	0	0	0	0	0
2033	0	157,072	157,072	23	430	0	0	0	0	0	0	0	0
2034	0	114,938	114,938	19	315	0	0	0	0	0	0	0	0
2035	0	65,823	65,823	12	180	0	0	0	0	0	0	0	0
2036	0	26,702	26,702	6	73	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**633,543**	**6,079,380**	**6,712,923**			**0**	**0**	**141,900**	**0**	**500**	**1,000**	**143,400**	**154,406**

Table 4b
Page 1a

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Undeveloped

Production and Capital Forecast

	Single Well Production Profile												Development Program			
	Jafarli	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene		Jafarli	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene		Jafarli	Jafarli	Jafarli	Muradkanli Pool 1: (Fringe)
Year	STB/d	STB/d	STB/d	STB/d	STB/d	Days On	STB/yr	STB/yr	STB/yr	STB/yr	STB/yr	Well Count	1	1	1	1
2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2019	120	120	150	120	120	365	43,800	43,800	54,750	43,800	43,800	0	0	0	0	0
2020	84	84	113	81	81	365	30,660	30,660	41,063	29,565	29,565	0	0	0	0	0
2021	50	50	84	45	45	365	18,396	18,396	30,797	16,261	16,261	5	43,800	0	0	43,800
2022	44	46	71	41	35	365	16,229	16,643	25,889	14,933	12,925	13	30,660	43,800	0	30,660
2023	39	41	60	38	28	365	14,317	15,057	21,764	13,714	10,273	19	18,396	30,660	43,800	18,396
2024	35	37	50	35	22	365	12,630	13,623	18,295	12,595	8,166	23	16,229	18,396	30,660	16,643
2025	31	34	42	32	18	365	11,142	12,325	15,380	11,567	6,491	26	14,317	16,229	18,396	15,057
2026	27	31	35	29	14	365	9,829	11,150	12,929	10,623	5,159	29	12,630	14,317	16,229	13,623
2027	24	28	30	27	11	365	8,671	10,088	10,869	9,755	4,101	30	11,142	12,630	14,317	12,325
2028	21	25	25	25	9	365	7,650	9,127	9,137	8,959	3,259	31	9,829	11,142	12,630	11,150
2029	18	23	21	23	0	365	6,749	8,257	7,681	8,228	0	32	8,671	9,829	11,142	10,088
2030	16	20	18	0	0	365	5,954	7,470	6,457	0	0	33	7,650	8,671	9,829	9,127
2031	14	19	15	0	0	365	5,252	6,758	5,428	0	0	32	6,749	7,650	8,671	8,257
2032	13	17	13	0	0	365	4,633	6,114	4,563	0	0	29	5,954	6,749	7,650	7,470
2033	11	15	0	0	0	365	4,088	5,532	0	0	0	26	5,252	5,954	6,749	6,758
2034	0	0	0	0	0	365	0	0	0	0	0	23	4,633	5,252	5,954	6,114
2035	0	0	0	0	0	365	0	0	0	0	0	19	4,088	4,633	5,252	5,532
2036	0	0	0	0	0	365	0	0	0	0	0	12	0	4,088	4,633	0
2037	0	0	0	0	0	365	0	0	0	0	0	6	0	0	4,088	0
2038	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	365	0	0	0	0	0	0	0	0	0	0
Total							200,000	215,000	265,000	180,000	140,000		200,000	200,000	200,000	215,000

2018-04-10

Table 4b

Page 1b

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Undeveloped

Production and Capital Forecast

Development Program														
Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene
1	1	1	2	1	1	1	2	2	2	2	2	1	2	1
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	54,750	0	0	0	43,800	0	0	0	0	0	43,800	0	0
43,800	0	41,063	109,500	0	0	29,565	87,600	0	0	0	0	29,565	87,600	0
30,660	43,800	30,797	82,125	54,750	0	16,261	59,130	87,600	0	0	0	16,261	59,130	43,800
18,396	30,660	25,889	61,594	41,063	54,750	14,933	32,522	59,130	87,600	0	0	12,925	32,522	29,565
16,643	18,396	21,764	51,778	30,797	41,063	13,714	29,867	32,522	59,130	87,600	0	10,273	25,850	16,261
15,057	16,643	18,295	43,527	25,889	30,797	12,595	27,429	29,867	32,522	59,130	87,600	8,166	20,547	12,925
13,623	15,057	15,380	36,591	21,764	25,889	11,567	25,190	27,429	29,867	32,522	59,130	6,491	16,332	10,273
12,325	13,623	12,929	30,760	18,295	21,764	10,623	23,134	25,190	27,429	29,867	32,522	5,159	12,981	8,166
11,150	12,325	10,869	25,858	15,380	18,295	9,755	21,245	23,134	25,190	27,429	29,867	4,101	10,318	6,491
10,088	11,150	9,137	21,737	12,929	15,380	8,959	19,511	21,245	23,134	25,190	27,429	3,259	8,202	5,159
9,127	10,088	7,681	18,273	10,869	12,929	8,228	17,918	19,511	21,245	23,134	25,190	0	6,519	4,101
8,257	9,127	6,457	15,361	9,137	10,869	0	16,456	17,918	19,511	21,245	23,134	0	0	3,259
7,470	8,257	5,428	12,913	7,681	9,137	0	0	16,456	17,918	19,511	21,245	0	0	0
6,758	7,470	4,563	10,856	6,457	7,681	0	0	0	16,456	17,918	19,511	0	0	0
6,114	6,758	0	9,126	5,428	6,457	0	0	0	0	16,456	17,918	0	0	0
5,532	6,114	0	0	4,563	5,428	0	0	0	0	0	16,456	0	0	0
0	5,532	0	0	0	4,563	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
215,000	**215,000**	**265,000**	**530,000**	**265,000**	**265,000**	**180,000**	**360,000**	**360,000**	**360,000**	**360,000**	**360,000**	**140,000**	**280,000**	**140,000**

Table 4b
Page 1c

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Undeveloped

Production and Capital Forecast

Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Total Production	Cumulative Production	Daily Rate	Seismic	Drilling & Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital
Production and Capital Forecast										Capital Expenditures - $M				
1	1	1	1	1	1	1	STB/yr.	STB	STB/d					
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	21,500	0	0	21,500
0	0	0	0	0	0	0	229,950	229,950	630	0	34,400	500	1,000	35,900
0	0	0	0	0	0	0	533,813	763,763	1463	0	25,800	0	0	25,800
0	0	0	0	0	0	0	635,565	1,399,328	1741	0	17,200	0	0	17,200
43,800	0	0	0	0	0	0	627,276	2,026,604	1719	0	12,900	0	0	12,900
29,565	43,800	0	0	0	0	0	593,021	2,619,625	1625	0	12,900	0	0	12,900
16,261	29,565	43,800	0	0	0	0	587,413	3,207,037	1609	0	4,300	0	0	4,300
12,925	16,261	29,565	43,800	0	0	0	500,067	3,707,104	1370	0	4,300	0	0	4,300
10,273	12,925	16,261	29,565	43,800	0	0	442,340	4,149,444	1212	0	4,300	0	0	4,300
8,166	10,273	12,925	16,261	29,565	43,800	0	412,127	4,561,571	1129	0	4,300	0	0	4,300
6,491	8,166	10,273	12,925	16,261	29,565	43,800	385,266	4,946,837	1056	0	0	0	0	0
5,159	6,491	8,166	10,273	12,925	16,261	29,565	314,978	5,261,815	863	0	0	0	0	0
4,101	5,159	6,491	8,166	10,273	12,925	16,261	251,928	5,513,743	690	0	0	0	0	0
3,259	4,101	5,159	6,491	8,166	10,273	12,925	201,103	5,714,845	551	0	0	0	0	0
0	3,259	4,101	5,159	6,491	8,166	10,273	157,072	5,871,918	430	0	0	0	0	0
0	0	3,259	4,101	5,159	6,491	8,166	114,938	5,986,855	315	0	0	0	0	0
0	0	0	3,259	4,101	5,159	6,491	65,823	6,052,679	180	0	0	0	0	0
0	0	0	0	3,259	4,101	5,159	26,702	6,079,380	73	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,079,380	0	0	0	0	0	0
140,000	140,000	140,000	140,000	140,000	136,741	132,640	6,079,380			0	141,900	500	1,000	143,400

Chapman Petroleum Engineering Ltd.

Table 4b
Page 2
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved
Production Splits - Cost Oil

	Gross Production	Oil Price	Gross Revenue	*Compensatory Petroleum	Operating Costs - $/yr.			
					Fixed	Variable	Total	Escalated Opex
Year	STB/yr.	$/STB	$/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	
2018	83,215	$58.80	4,893,042	12,482	2,520,000	187,234	2,707,234	2,707,234
2019	95,605	$64.20	6,137,867	14,341	3,360,000	215,112	3,575,112	3,646,614
2020	312,847	$67.71	21,182,876	46,927	3,450,000	703,906	4,153,906	4,321,724
2021	605,817	$71.40	43,255,310	90,873	3,690,000	1,363,088	5,053,088	5,362,377
2022	698,221	$72.94	50,928,257	104,733	3,570,000	1,570,998	5,140,998	5,564,781
2023	680,977	$74.52	50,746,368	31,615	3,600,000	1,532,198	5,132,198	5,666,361
2024	639,928	$76.13	48,717,694	0	3,690,000	1,439,837	5,129,837	5,777,030
2025	628,466	$77.78	48,882,080	0	3,480,000	1,414,048	4,894,048	5,621,723
2026	536,070	$79.45	42,590,777	0	2,350,000	1,206,158	3,556,158	4,166,606
2027	473,979	$81.16	38,468,169	0	2,170,000	1,066,454	3,236,454	3,867,862
2028	439,989	$82.90	36,475,070	0	2,140,000	989,975	3,129,975	3,815,422
2029	385,266	$84.69	32,624,349	0	1,990,000	866,849	2,856,849	3,552,133
2030	314,978	$86.49	27,242,432	0	1,960,000	708,700	2,668,700	3,384,567
2031	251,928	$88.34	22,255,283	0	1,870,000	566,837	2,436,837	3,152,309
2032	201,103	$90.23	18,145,487	0	1,780,000	452,481	2,232,481	2,945,711
2033	157,072	$92.16	14,475,760	0	1,690,000	353,412	2,043,412	2,750,164
2034	114,938	$94.12	10,818,303	0	1,570,000	258,610	1,828,610	2,510,289
2035	65,823	$96.13	6,327,323	0	1,000,000	148,103	1,148,103	1,607,621
2036	26,702	$98.17	2,621,247	0	1,000,000	60,079	1,060,079	1,514,053
2037	0	$100.25	0	0	0	0	0	0
2038	0	$102.39	0	0	0	0	0	0
2039	0	$104.54	0	0	0	0	0	0
2040	0	$106.75	0	0	0	0	0	0
2041	0	$109.01	0	0	0	0	0	0
2042	0	$111.31	0	0	0	0	0	0
Total	**6,712,923**		**526,787,714**	**300,971**	**46,880,000**	**15,104,077**	**61,984,077**	**71,934,570**
					30,000	$2.25		
				15%	$/yr/well	$/STB		

* Note Remaining compensatory petroleum is 300,971 STB

	Available Cost Oil	Operating Cost Oil	Capital Cost Recovery							
			Available Capital Cost Oil	Available Capital Cost Oil Revenue Ceiling	Annual Capital Costs For Recovery	Interest on Outstanding Capital	Cumulative Outstanding Capital Costs	Annual Capital Cost Recovery	Cumulative Capital Cost Recovery	Capital Cost Oil
Year	STB/yr.	STB/yr.	STB/yr.	$/yr	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.
2018	70,733	46,041	12,346	725,926	0	0	0	0	0	0
2019	81,265	56,601	12,232	785,286	21,930,000	0	21,930,000	785,286	785,286	12,232
2020	265,920	63,827	101,047	6,841,860	37,350,360	951,512	59,446,586	6,841,860	7,627,147	101,047
2021	514,944	75,103	219,920	15,702,318	27,379,166	2,367,213	82,351,104	15,702,318	23,329,465	219,920
2022	593,488	76,293	258,598	18,862,118	18,617,833	2,999,195	88,265,815	18,862,118	42,191,584	258,598
2023	649,362	76,038	286,662	21,362,040	14,242,642	3,123,166	86,769,505	21,362,040	63,553,624	286,662
2024	639,928	75,884	282,022	21,470,332	14,527,495	2,943,336	82,878,296	21,470,332	85,023,956	282,022
2025	628,466	72,277	278,094	21,630,178	4,939,346	2,763,358	69,110,670	21,630,178	106,654,134	278,094
2026	536,070	52,443	241,814	19,212,086	5,038,135	2,136,622	54,655,250	19,212,086	125,866,220	241,814
2027	473,979	47,657	213,161	17,300,153	5,138,898	1,594,942	42,177,904	17,300,153	143,166,373	213,161
2028	439,989	46,024	196,982	16,329,824	5,241,676	1,119,458	31,237,985	16,329,824	159,496,197	196,982
2029	385,266	41,948	171,659	14,536,108	0	670,867	15,579,028	14,536,108	174,032,306	171,659
2030	314,978	39,132	137,923	11,926,937	0	46,931	1,089,851	1,089,851	175,122,157	12,601
2031	251,928	35,884	108,122	9,551,487	0	0	0	0	175,122,157	0
2032	201,103	32,647	84,228	7,599,888	0	0	0	0	175,122,157	0
2033	157,072	29,841	63,615	5,662,798	0	0	0	0	175,122,157	0
2034	114,938	26,670	44,134	4,154,007	0	0	0	0	175,122,157	0
2035	65,823	16,724	24,550	2,359,851	0	0	0	0	175,122,157	0
2036	26,702	15,423	5,639	553,597	0	0	0	0	175,122,157	0
2037	0	0	0	0	0	0	0	0	175,122,157	0
2038	0	0	0	0	0	0	0	0	175,122,157	0
2039	0	0	0	0	0	0	0	0	175,122,157	0
2040	0	0	0	0	0	0	0	0	175,122,157	0
2041	0	0	0	0	0	0	0	0	175,122,157	0
2042	0	0	0	0	0	0	0	0	175,122,157	0
Total	**6,411,952**	**926,458**	**2,742,747**	**216,768,797**	**154,405,666**	**20,716,602**		**175,122,157**		**2,274,792**
		100%	50%			4.50%				

Table 4b
Page 3
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved
Production Splits - Profit Oil

	Total Profit Oil		Contractors Share						Total Contractors Profit Oil	Total Contractors Profit Oil Revenue	Cumulative Contractor's Profit Oil Revenue
Year	STB/yr.	"R" Factor	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.
2018	24,691	0.00	13,580	0	0	0	0	0	13,580	796,519	796,519
2019	12,232	0.00	6,728	0	0	0	0	0	6,728	431,907	1,230,426
2020	101,047	0.00	55,576	0	0	0	0	0	55,576	3,763,023	4,993,449
2021	219,920	0.00	120,956	0	0	0	0	0	120,956	8,636,275	13,629,724
2022	258,598	0.62	142,229	0	0	0	0	0	142,229	10,374,165	24,003,890
2023	286,662	0.76	157,664	0	0	0	0	0	157,664	11,749,122	35,753,012
2024	282,022	0.94	155,112	0	0	0	0	0	155,112	11,808,683	47,561,694
2025	278,094	1.11	152,952	0	0	0	0	0	152,952	11,896,598	59,458,292
2026	241,814	1.24	132,997	0	0	0	0	0	132,997	10,566,647	70,024,940
2027	213,161	1.41	0	106,581	0	0	0	0	106,581	8,650,077	78,675,016
2028	196,982	1.54	0	98,491	0	0	0	0	98,491	8,164,912	86,839,928
2029	171,659	1.65	0	85,830	0	0	0	0	85,830	7,268,054	94,107,982
2030	263,245	1.74	0	131,622	0	0	0	0	131,622	11,384,012	105,491,994
2031	216,244	1.82	0	0	97,310	0	0	0	97,310	8,596,338	114,088,332
2032	168,456	1.87	0	0	75,805	0	0	0	75,805	6,839,899	120,928,232
2033	127,231	1.92	0	0	57,254	0	0	0	57,254	5,276,518	126,204,750
2034	88,267	1.95	0	0	39,720	0	0	0	39,720	3,738,606	129,943,356
2035	49,099	1.98	0	0	22,095	0	0	0	22,095	2,123,866	132,067,222
2036	11,279	1.99	0	0	5,075	0	0	0	5,075	498,237	132,565,459
2037	0	1.99	0	0	0	0	0	0	0	0	132,565,459
2038	0	1.99	0	0	0	0	0	0	0	0	132,565,459
2039	0	1.99	0	0	0	0	0	0	0	0	132,565,459
2040	0	1.99	0	0	0	0	0	0	0	0	132,565,459
2041	0	1.99	0	0	0	0	0	0	0	0	132,565,459
2042	0	1.99	0	0	0	0	0	0	0	0	132,565,459
Total	**3,216,703**		**937,794**	**422,524**	**297,289**	**0**	**0**	**0**	**1,657,576**	**132,565,459**	
			0.55	0.50	0.45	0.35	0.25	0.80			
			0<R<=1.25	1.25<R<=1.75	1.75<R<=2.00	2.00<R<=2.50	2.50<R<=2.75	2.75<R			

Table 4b
Page 4

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved

Production Streams and Revenues

	Contractor' Share						Cost Schedule			Contractor's
Year	Operating Cost Oil	Capital Cost Oil	Net Profit Oil	Total Net Oil	Oil Price	Contractor's Total Revenue (Operating Cash Flow)	Total Operating Costs	Net Operating Income	Total Capital Costs	Net Cash Flow
	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/STB	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.
2018	46,041	0	13,580	59,622	58.80	3,505,752	2,707,234	798,519	0	798,519
2019	56,801	12,232	6,728	75,760	64.20	4,863,808	3,646,614	1,217,194	21,930,000	-20,712,806
2020	63,827	101,047	55,576	220,449	67.71	14,926,608	4,321,724	10,604,884	37,350,360	-26,745,476
2021	75,103	219,920	120,956	415,980	71.40	29,700,970	5,362,377	24,338,593	27,379,166	-3,040,573
2022	76,293	258,598	142,229	477,119	72.94	34,801,065	5,564,781	29,236,284	18,617,833	10,618,450
2023	76,038	286,662	157,664	520,364	74.52	38,777,523	5,666,361	33,111,162	14,242,642	18,868,520
2024	75,884	282,022	155,112	513,018	76.13	39,056,045	5,777,030	33,279,015	14,527,496	18,751,519
2025	72,277	278,094	152,952	503,323	77.78	39,148,500	5,621,723	33,526,776	4,939,348	28,587,428
2026	52,443	241,814	132,997	427,254	79.45	33,945,339	4,166,606	29,778,733	5,038,135	24,740,598
2027	47,657	213,161	106,581	367,399	81.16	29,818,092	3,867,862	25,950,230	5,138,898	20,811,332
2028	46,024	196,982	98,491	341,498	82.90	28,310,158	3,815,422	24,494,736	5,241,676	19,253,060
2029	41,948	171,659	85,830	299,437	84.68	25,356,295	3,552,133	21,804,162	0	21,804,162
2030	39,132	12,601	131,622	183,356	86.49	15,858,420	3,384,557	12,473,863	0	12,473,863
2031	35,684	0	97,310	132,994	88.34	11,748,647	3,152,309	8,596,338	0	8,596,338
2032	32,647	0	75,805	108,452	90.23	9,785,610	2,945,711	6,839,899	0	6,839,899
2033	29,841	0	57,254	87,095	92.16	8,026,682	2,750,164	5,276,518	0	5,276,518
2034	26,670	0	39,720	66,391	94.12	6,248,895	2,510,289	3,738,606	0	3,738,606
2035	16,724	0	22,095	38,819	96.13	3,731,487	1,607,621	2,123,866	0	2,123,866
2036	15,423	0	5,075	20,498	98.17	2,012,291	1,514,053	498,237	0	498,237
2037	0	0	0	0	100.25	0	0	0	0	0
2038	0	0	0	0	102.38	0	0	0	0	0
2039	0	0	0	0	104.54	0	0	0	0	0
2040	0	0	0	0	106.75	0	0	0	0	0
2041	0	0	0	0	109.01	0	0	0	0	0
2042	0	0	0	0	111.31	0	0	0	0	0
Total	**926,458**	**2,274,792**	**1,657,576**	**4,858,826**		**379,622,187**	**71,934,570**	**307,687,616**	**154,405,555**	**153,282,061**

Table 4b
Page 5

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved

Company Cash Flow Analysis

	Company Net Oil	Net to Company Before and After Income Tax: Undiscounted Net Cash Flow (Profit)	Discounted @ 5%	Discounted @ 10%	Discounted @ 15%	Discounted @ 20%
Year	STB/yr.	$/yr.	$	$	$	$
2018	47,697	638,815	627,233	616,386	606,196	596,598
2019	60,608	-16,570,245	-15,589,863	-14,709,167	-13,914,148	-13,193,268
2020	176,359	-21,396,381	-19,171,867	-17,266,598	-15,623,207	-14,196,540
2021	332,784	-2,432,458	-2,075,775	-1,784,511	-1,544,463	-1,344,951
2022	381,695	8,494,760	6,903,934	5,665,421	4,690,135	3,914,090
2023	416,291	15,094,816	11,683,797	9,152,005	7,247,098	5,795,972
2024	410,414	15,001,216	11,058,426	8,268,413	6,262,748	4,800,027
2025	402,659	22,869,942	16,056,196	11,459,564	8,302,440	6,098,191
2026	341,803	19,792,478	13,233,919	9,015,930	6,248,028	4,397,997
2027	293,919	16,649,066	10,602,026	6,894,575	4,570,196	3,082,928
2028	273,198	15,402,448	9,341,130	5,798,488	3,676,520	2,376,742
2029	239,549	17,443,330	10,075,110	5,969,826	3,620,585	2,243,057
2030	146,684	9,979,090	5,489,364	3,104,778	1,801,119	1,069,352
2031	106,395	6,877,071	3,602,842	1,945,138	1,079,337	614,118
2032	86,761	5,471,919	2,730,186	1,406,999	746,785	407,199
2033	69,676	4,221,215	2,005,860	986,731	500,951	261,772
2034	53,112	2,990,885	1,353,548	635,578	308,645	154,563
2035	31,055	1,699,093	732,321	328,241	152,468	73,171
2036	16,399	398,590	163,614	70,002	31,102	14,304
2037	0	0.00	0.00	0.00	0.00	0.00
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	0	0	0	0
2041	0	0	0	0	0	0
2042	0	0	0	0	0	0
Total	**3,887,061**	**122,625,649**	**68,822,001**	**37,557,800**	**18,762,536**	**7,165,323**
	80.00%	80.00%				

Chapman Petroleum Engineering Ltd.

Table 4c
Page 1
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable Developed Producing
Production and Capital Forecast

Field Production Profile

	Jafarli Carbonate		Muradkanli Volcanic		Muradkanli Carbonate		Muradkanli Cokrak		Days On
Year	STB/d	Well count	STB/d	Well count	STB/d	Well count	STB/d	Well count	
2018	76.60	12	164.00	25	59.00	8	5.00	2	275
2019	69.89	12	146.03	25	54.57	8	4.73	2	365
2020	63.77	12	130.03	25	50.47	6	4.47	2	365
2021	58.19	12	115.78	25	46.67	6	4.22	2	365
2022	53.09	12	103.09	25	43.17	6	3.99	2	365
2023	48.44	8	91.80	25	39.92	6	3.77	2	365
2024	44.20	8	81.74	20	36.92	4	3.56	2	365
2025	40.33	8	72.78	20	34.15	4	3.37	2	365
2026	36.80	6	64.80	20	31.58	4	3.18	1	365
2027	33.57	6	57.70	15	29.21	4	3.01	1	365
2028	30.63	6	51.38	15	27.02	3	0	0	365
2029	27.95	4	45.75	15	24.99	3	0	0	365
2030	25.50	4	40.74	12	23.11	3	0	0	365
2031	23.27	3	36.27	12	21.37	3	0	0	365
2032	21.23	2	32.30	8	19.77	3	0	0	365
2033	19.37	2	28.76	4	18.28	2	0	0	365
2034	17.68	2	25.61	2	16.91	1	0	0	365
2035	0	0	0	0	0	0	0	0	365
2036	0	0	0	0	0	0	0	0	365
2037	0	0	0	0	0	0	0	0	365
2038	0	0	0	0	0	0	0	0	365
2039	0	0	0	0	0	0	0	0	365
2040	0	0	0	0	0	0	0	0	365
2041	0	0	0	0	0	0	0	0	365
2042	0	0	0	0	0	0	0	0	365
Total									
Decline	8.76%		10.96%		7.51%		5.49%		

	Jafarli Carbonate	Muradkanli Volcanic	Muradkanli Carbonate	Muradkanli Cokrak	Total Oil Production	Well Count		Capital Expenditures: Exploration	Drilling & Completion	Well Fac. & Tie-ins	Central Facilities	Total Capital
Year	STB/yr.	STB/yr.	STB/yr.	STB/yr	STB/yr.		STB/d	$M	$M	$M	$M	$M
2018	21065	45100	16225	1375	83,765	47	305	0	0	0	0	0
2019	25,511	53,301	19,917	1725	100,453	47	275	0	0	0	0	0
2020	23,276	47,460	18,420	1630	90,787	45	249	0	0	0	0	0
2021	21,238	42,259	17,036	1540	82,074	45	225	0	0	0	0	0
2022	19,378	37,629	15,756	1456	74,219	45	203	0	0	0	0	0
2023	17,681	33,505	14,572	1376	67,134	41	184	0	0	0	0	0
2024	16,133	29,834	13,477	1300	60,744	34	166	0	0	0	0	0
2025	14,720	26,565	12,465	1229	54,978	34	151	0	0	0	0	0
2026	13,431	23,654	11,528	1161	49,774	31	136	0	0	0	0	0
2027	12,255	21,062	10,662	1097	45,076	26	123	0	0	0	0	0
2028	11,181	18,754	9,861	0	39,796	24	109	0	0	0	0	0
2029	10,202	16,699	9,120	0	36,021	22	99	0	0	0	0	0
2030	9,309	14,869	8,434	0	32,612	19	89	0	0	0	0	0
2031	8,494	13,240	7,801	0	29,534	18	81	0	0	0	0	0
2032	7,750	11,789	7,215	0	26,753	13	73	0	0	0	0	0
2033	7,071	10,497	6,672	0	24,241	8	66	0	0	0	0	0
2034	6,452	9,347	6,171	0	21,970	5	60	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0
Total	245,146	455,562	205,332	13,889	919,929			0	0	0	0	0

Chapman Petroleum Engineering Ltd.

Table 4c
Page 2
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable Developed Producing
Production Splits - Cost Oil

					Operating Costs - $/yr.						Capital Cost Recovery								
	Gross Production	Oil Price	Gross Revenue	*Compensatory Petroleum	Fixed	Variable	Total	Escalated Opex	Available Cost Oil	Operating Cost Oil	Available Capital Cost Oil	Available Capital Cost Oil Revenue Ceiling	Annual Capital Costs For Recovery	Interest on Outstanding Capital	Cumulative Outstanding Capital Costs	Annual Capital Cost Recovery	Cumulative Capital Cost Recovery	Capital Cost Oil
Year	STB/yr.	$/STB	$/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.
2018	83,765	$59.80	4,925,382	12,565	2,520,000	188,471	2,708,471	2,708,471	71,200	46,062	12,569	739,052	0	0	0	0	0	0
2019	100,453	$64.20	6,449,083	15,068	3,360,000	226,019	3,586,019	3,657,739	85,385	56,974	14,205	911,982	0	0	0	0	0	0
2020	90,787	$67.71	6,147,167	13,618	3,300,000	204,270	3,504,270	3,645,843	77,169	53,845	11,662	789,625	0	0	0	0	0	0
2021	82,074	$71.40	5,860,084	12,311	3,300,000	184,666	3,484,666	3,697,956	69,763	51,792	8,985	641,558	0	0	0	0	0	0
2022	74,219	$72.94	5,413,506	11,133	3,300,000	166,992	3,466,992	3,752,784	63,086	51,450	5,818	424,348	0	0	0	0	0	0
2023	67,134	$74.52	5,002,854	10,070	3,180,000	151,052	3,331,052	3,677,751	57,064	49,353	3,856	287,338	0	0	0	0	0	0
2024	60,744	$76.13	4,624,437	9,112	2,970,000	136,674	3,106,674	3,498,619	51,632	45,956	2,838	216,076	0	0	0	0	0	0
2025	54,978	$77.78	4,276,178	8,247	2,020,000	123,700	2,143,700	2,462,438	46,731	31,659	7,536	586,157	0	0	0	0	0	0
2026	49,774	$79.45	3,954,524	7,466	1,930,000	111,991	2,041,991	2,392,518	42,308	30,114	6,097	484,414	0	0	0	0	0	0
2027	45,076	$81.16	3,658,334	6,761	1,780,000	101,420	1,881,420	2,248,471	38,314	27,704	5,305	430,557	0	0	0	0	0	0
2028	39,796	$82.90	3,299,084	5,969	1,720,000	89,541	1,809,541	2,205,820	33,827	26,608	3,609	299,201	0	0	0	0	0	0
2029	36,021	$84.68	3,050,241	5,403	0	81,047	81,047	100,771	30,618	1,190	14,714	1,245,967	0	0	0	0	0	0
2030	32,612	$86.49	2,820,633	4,892	0	73,378	73,378	93,060	27,720	1,076	13,322	1,152,239	0	0	0	0	0	0
2031	29,534	$88.34	2,609,028	4,430	0	66,451	66,451	85,962	25,104	973	12,065	1,065,856	0	0	0	0	0	0
2032	26,753	$90.23	2,413,941	4,013	0	60,195	60,195	79,426	22,740	880	10,930	986,212	0	0	0	0	0	0
2033	24,241	$92.16	2,234,014	3,636	0	54,541	54,541	73,405	20,605	797	9,904	912,753	0	0	0	0	0	0
2034	21,970	$94.12	2,067,862	3,295	0	49,432	49,432	67,859	18,674	721	8,977	844,911	0	0	0	0	0	0
2035	0	$96.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	$98.17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	$100.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	$102.38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	$104.54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	$106.75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	$109.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	$111.31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**919,929**		**68,806,333**	**137,989**	**29,380,000**	**2,069,840**	**31,449,840**	**34,448,894**	**781,940**	**477,154**	**152,393**	**12,018,244**	**0**	**0**		**0**		**0**
					30,000	$2.25				100%	50%			4.50%				
				15%	$/yr/well	$/STB												

* Note Cumulative compensatory petroleum maximum is 300,971 STB

Chapman Petroleum Engineering Ltd.

Table 4c
Page 3

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed Producing

Production Splits - Profit Oil

	Total Profit Oil		Contractors Share						Total Contractors Profit Oil	Total Contractors Profit Oil Revenue	Cumulative Contractor's Profit Oil Revenue
Year	STB/yr.	"R" Factor	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.
2,018	25,138	0.00	13,826	0	0	0	0	0	13,826	812,957	812,957
2,019	28,411	0.00	15,626	0	0	0	0	0	15,626	1,003,181	1,816,138
2,020	23,324	0.00	12,828	0	0	0	0	0	12,828	868,587	2,684,725
2,021	17,971	0.00	9,884	0	0	0	0	0	9,884	705,713	3,390,438
2,022	11,636	0.00	6,400	0	0	0	0	0	6,400	466,783	3,857,221
2,023	7,712	0.00	4,241	0	0	0	0	0	4,241	316,071	4,173,293
2,024	5,677	0.00	3,122	0	0	0	0	0	3,122	237,684	4,410,976
2,025	15,072	0.00	8,290	0	0	0	0	0	8,290	644,773	5,055,749
2,026	12,194	0.00	6,707	0	0	0	0	0	6,707	532,855	5,588,604
2,027	10,610	0.00	5,836	0	0	0	0	0	5,836	473,612	6,062,216
2,028	7,218	0.00	3,970	0	0	0	0	0	3,970	329,121	6,391,337
2,029	29,428	0.00	16,185	0	0	0	0	0	16,185	1,370,563	7,761,900
2,030	26,644	0.00	14,654	0	0	0	0	0	14,654	1,267,463	9,029,363
2,031	24,131	0.00	13,272	0	0	0	0	0	13,272	1,172,442	10,201,805
2,032	21,860	0.00	12,023	0	0	0	0	0	12,023	1,084,833	11,286,638
2,033	19,808	0.00	10,894	0	0	0	0	0	10,894	1,004,028	12,290,666
2,034	17,953	0.00	9,874	0	0	0	0	0	9,874	929,403	13,220,069
2,035	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,036	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,037	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,038	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,039	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,040	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,041	0	0.00	0	0	0	0	0	0	0	0	13,220,069
2,042	0	0.00	0	0	0	0	0	0	0	0	13,220,069
Total	**304,786**		**167,632**	**0**	**0**	**0**	**0**	**0**	**167,632**	**13,220,069**	
			0.55	0.50	0.45	0.35	0.25	0.80			
			0<R<=1.25	1.25<R<=1.75	1.75<R<=2.00	2.00<R<=2.50	2.50<R<=2.75	2.75<R			

Chapman Petroleum Engineering Ltd.

Table 4c
Page 4

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed Producing

Production Streams and Revenues

	Contractor' Share					Cost Schedule				Contractor's
Year	Operating Cost Oil	Capital Cost Oil	Net Profit Oil	Total Net Oil	Oil Price	Contractor's Total Revenue (Operating Cash Flow)	Total Operating Costs	Net Operating Income	Total Capital Costs	Net Cash Flow
	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/STB	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.
2018	46,062	0	13,826	59,888	$58.80	3,521,428	2,708,471	812,957	0	812,957
2019	56,974	0	15,626	72,600	$64.20	4,660,920	3,657,739	1,003,181	0	1,003,181
2020	53,845	0	12,828	66,673	$67.71	4,514,430	3,645,843	868,587	0	868,587
2021	51,792	0	9,884	61,676	$71.40	4,403,669	3,697,956	705,713	0	705,713
2022	51,450	0	6,400	57,850	$72.94	4,219,567	3,752,784	466,783	0	466,783
2023	49,353	0	4,241	53,594	$74.52	3,993,822	3,677,751	316,071	0	316,071
2024	45,956	0	3,122	49,078	$76.13	3,736,303	3,498,619	237,684	0	237,684
2025	31,659	0	8,290	39,949	$77.78	3,107,210	2,462,438	644,773	0	644,773
2026	30,114	0	6,707	36,820	$79.45	2,925,373	2,392,518	532,855	0	532,855
2027	27,704	0	5,836	33,540	$81.16	2,722,083	2,248,471	473,612	0	473,612
2028	26,608	0	3,970	30,578	$82.90	2,534,941	2,205,820	329,121	0	329,121
2029	1,190	0	16,185	17,375	$84.68	1,471,335	100,771	1,370,563	0	1,370,563
2030	1,076	0	14,654	15,730	$86.49	1,360,523	93,060	1,267,463	0	1,267,463
2031	973	0	13,272	14,245	$88.34	1,258,404	85,962	1,172,442	0	1,172,442
2032	880	0	12,023	12,903	$90.23	1,164,259	79,426	1,084,833	0	1,084,833
2033	797	0	10,894	11,691	$92.16	1,077,434	73,405	1,004,028	0	1,004,028
2034	721	0	9,874	10,595	$94.12	997,262	67,859	929,403	0	929,403
2035	0	0	0	0	$96.13	0	0	0	0	0
2036	0	0	0	0	$98.17	0	0	0	0	0
2037	0	0	0	0	$100.25	0	0	0	0	0
2038	0	0	0	0	$102.38	0	0	0	0	0
2039	0	0	0	0	$104.54	0	0	0	0	0
2040	0	0	0	0	$106.75	0	0	0	0	0
2041	0	0	0	0	$109.01	0	0	0	0	0
2042	0	0	0	0	$111.31	0	0	0	0	0
Total	477,154	0	167,632	644,786		47,668,963	34,448,894	13,220,069	0	13,220,069

Table 4c
Page 5

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed Producing

Company Cash Flow Analysis

		Net to Company Before and After Income Tax				
		Undiscounted	Discounted @			
	Company Net Oil	Net Cash Flow (Profit)	5%	10%	15%	20%
Year	STB/yr.	$/yr.	$	$	$	$
2018	47,911	650,366	638,574	627,531	617,157	607,386
2019	58,080	802,545	755,062	712,407	673,902	638,988
2020	53,338	694,870	622,626	560,751	507,380	461,047
2021	49,341	564,571	481,785	414,183	358,468	312,161
2022	46,280	373,427	303,494	249,050	206,177	172,062
2023	42,875	252,857	195,718	153,308	121,398	97,090
2024	39,262	190,147	140,170	104,806	79,383	60,842
2025	31,959	515,818	362,138	258,464	187,257	137,541
2026	29,456	426,284	285,028	194,182	134,568	94,723
2027	26,832	378,890	241,275	156,903	104,006	70,159
2028	24,463	263,297	159,662	99,122	62,848	40,629
2029	13,900	1,096,451	633,300	375,251	227,582	140,994
2030	12,584	1,013,970	557,771	315,475	183,011	108,656
2031	11,396	937,953	491,388	265,294	147,209	83,759
2032	10,323	867,867	433,017	223,155	118,443	64,583
2033	9,353	803,223	381,680	187,758	95,322	49,811
2034	8,476	743,522	336,487	158,002	76,728	38,424
2035	0	0	0	0	0	0
2036	0	0	0	0	0	0
2037	0	0	0	0	0	0
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	0	0	0	0
2041	0	0	0	0	0	0
2042	0	0	0	0	0	0
Total	515,829	10,576,055	7,019,194	5,058,641	3,900,839	3,178,855
	80%	80.00%				

Table 4d

Page 1

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed

Production and Capital Forecast

	Muradkhanli and Jafarli Field Rehabilitation Plan					Workover Capital Expenditures						
	Total Probable Developed Non-Prod.	Total RA P+P Developed Producing	Total 2 P Proved +Probable Developed	Total 2P Developed well count		12 wells in 2018	10 wells in 2019	5 Maykop in 2019	11wells in 2020	Well Fac. & Tie-ins	Central Facilities	Total Capital
Year	STB/yr.	STB/yr.	STB/yr.		STB/d	$M	$M	$M	$M	$M	$M	$M
2018	42,834	83,765	126,599	64	460	1800	0	0	0	500	500	2,800
2019	127,352	100,453	227,805	69	624	0	1500	1000	0	0	0	2,500
2020	190,789	90,787	281,576	69	771	0	0	0	1650	500	1,000	3,150
2021	191,614	82,074	273,688	69	750	0	0	0	0	0	0	0
2022	170,981	74,219	245,200	69	672	0	0	0	0	0	0	0
2023	152,713	67,134	219,847	52	602	0	0	0	0	0	0	0
2024	136,521	60,744	197,265	52	540	0	0	0	0	0	0	0
2025	122,154	54,978	177,131	52	485	0	0	0	0	0	0	0
2026	109,391	49,774	159,165	52	436	0	0	0	0	0	0	0
2027	98,043	45,076	143,118	31	392	0	0	0	0	0	0	0
2028	87,941	39,796	127,737	31	350	0	0	0	0	0	0	0
2029	78,940	36,021	114,961	31	315	0	0	0	0	0	0	0
2030	70,913	32,612	103,525	19	284	0	0	0	0	0	0	0
2031	63,746	29,534	93,280	19	256	0	0	0	0	0	0	0
2032	57,342	26,753	84,095	19	230	0	0	0	0	0	0	0
2033	40,005	24,241	64,246	15	176	0	0	0	0	0	0	0
2034	23,057	21,970	45,026	12	123	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,764,336	919,929	2,684,265			1,800	1,500	1,000	1,650	1,000	1,500	8,450

Table 4d
Page 2
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable Developed
Production Splits - Cost Oil

					Operating Costs - $/yr.						Capital Cost Recovery							
Year	Gross Production	Oil Price	Gross Revenue	*Compen-satory Petroleum	Fixed	Variable	Total	Escalated Opex	Available Cost Oil	Operating Cost Oil	Available Capital Cost Oil	Available Capital Cost Oil Revenue Ceiling	Annual Capital Costs For Recovery	Interest on Outstanding Capital	Cumulative Outstanding Capital Costs	Annual Capital Cost Recovery	Cumulative Capital Cost Recovery	Capital Cost Oil
	STB/yr.	$/STB	$/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.
2018	126,599	$58.80	7,444,008	18,990	2,902,500	284,847	3,187,347	3,187,347	107,609	54,207	26,701	1,570,030	2,800,000	0	2,800,000	2,800,000	2,800,000	47,619
2019	227,805	$64.20	14,625,068	34,171	4,020,000	512,561	4,532,561	4,623,212	193,634	72,013	60,811	3,904,048	2,550,000	0	2,550,000	2,550,000	5,350,000	39,720
2020	281,576	$67.71	19,065,502	42,236	4,020,000	633,546	4,653,546	4,841,549	239,339	71,504	83,918	5,682,054	3,277,260	0	3,277,260	3,277,260	8,627,260	48,401
2021	273,688	$71.40	19,541,345	41,053	4,020,000	615,799	4,635,799	4,919,547	232,635	68,901	81,867	5,845,298	0	0	0	0	8,627,260	0
2022	245,200	$72.94	17,884,867	36,780	4,020,000	551,699	4,571,699	4,948,554	208,420	67,844	70,288	5,126,791	0	0	0	0	8,627,260	0
2023	219,847	$74.52	16,383,031	32,977	3,510,000	494,657	4,004,657	4,421,465	186,870	59,333	63,769	4,752,056	0	0	0	0	8,627,260	0
2024	197,265	$76.13	15,017,788	29,590	3,510,000	443,846	3,953,846	4,452,673	167,675	58,488	54,594	4,156,223	0	0	0	0	8,627,260	0
2025	177,131	$77.78	13,777,284	26,570	3,510,000	398,546	3,908,546	4,489,691	150,562	57,723	46,419	3,610,501	0	0	0	0	8,627,260	0
2026	159,165	$79.45	12,645,659	23,875	3,510,000	358,121	3,868,121	4,532,121	135,290	57,044	39,123	3,108,345	0	0	0	0	8,627,260	0
2027	143,118	$81.16	11,615,487	14,729	1,930,000	322,016	2,252,016	2,691,368	128,389	33,161	47,614	3,864,344	0	0	0	0	8,627,260	0
2028	127,737	$82.90	10,589,409	0	1,930,000	287,409	2,217,409	2,703,009	127,737	32,606	47,566	3,943,200	0	0	0	0	8,627,260	0
2029	114,961	$84.68	9,734,912	0	1,930,000	258,663	2,188,663	2,721,327	114,961	32,137	41,412	3,506,793	0	0	0	0	8,627,260	0
2030	103,525	$86.49	8,953,661	0	1,570,000	232,931	1,802,931	2,286,552	103,525	26,437	38,544	3,333,655	0	0	0	0	8,627,260	0
2031	93,280	$88.34	8,240,327	0	1,570,000	209,879	1,779,879	2,302,464	93,280	26,064	33,608	2,968,932	0	0	0	0	8,627,260	0
2032	84,095	$90.23	7,587,875	0	1,070,000	189,213	1,259,213	1,661,505	84,095	18,414	32,840	2,963,165	0	0	0	0	8,627,260	0
2033	64,246	$92.16	5,920,895	0	950,000	144,553	1,094,553	1,473,124	64,246	15,984	24,131	2,223,885	0	0	0	0	8,627,260	0
2034	45,026	$94.12	4,238,036	0	860,000	101,310	961,310	1,319,672	45,026	14,021	15,503	1,459,183	0	0	0	0	8,627,260	0
2035	0	$96.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2036	0	$98.17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2037	0	$100.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2038	0	$102.38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2039	0	$104.54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2040	0	$106.75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2041	0	$109.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
2042	0	$111.31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,627,260	0
Total	**2,684,265**		**203,265,357**	**300,971**	**44,832,500**	**6,039,596**	**50,872,096**	**57,575,179**	**2,383,294**	**765,879**	**808,707**	**62,018,532**	**8,627,260**	**0**	**8,627,260**	**8,627,260**		**135,740**
					30,000	$2.25				100%	50%			4.50%				
				15%	$/yr/well	$/STB												

* Note Remaining compensatory petroleum is 300,971 STB

Chapman Petroleum Engineering Ltd.

Table 4d
Page 3

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed

Production Splits - Profit Oil

	Total Profit Oil		Contractors Share						Total Contractors Profit Oil	Total Contractors Profit Oil Revenue	Cumulative Contractor's Profit Oil Revenue
Year	STB/yr.	"R" Factor	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.
2018	$5,783	0.00	$0	$0	$0	$0	0	0	0	0	0
2019	$81,902	0.00	$48,227	$0	$0	$0	0	0	48,227	3,096,162	3,096,162
2020	$119,434	1.58	$0	$59,717	$0	$0	0	0	59,717	4,043,434	7,139,596
2021	$163,734	1.83	$0	$0	$73,680	$0	0	0	73,680	5,260,769	12,400,364
2022	$140,576	2.44	$0	$0	$0	$49,201	0	0	49,201	3,588,754	15,989,118
2023	$127,538	2.85	$0	$0	$0	$0	0	102,030	102,030	7,603,290	23,592,408
2024	$109,188	3.73	$0	$0	$0	$0	0	87,350	87,350	6,649,958	30,242,365
2025	$92,839	4.51	$0	$0	$0	$0	0	74,271	74,271	5,776,801	36,019,166
2026	$78,247	5.18	$0	$0	$0	$0	0	62,597	62,597	4,973,352	40,992,518
2027	$95,228	5.75	$0	$0	$0	$0	0	76,182	76,182	6,182,951	47,175,469
2028	$95,131	6.47	$0	$0	$0	$0	0	76,105	76,105	6,309,120	53,484,589
2029	$82,825	7.20	$0	$0	$0	$0	0	66,260	66,260	5,610,868	59,095,457
2030	$77,088	7.85	$0	$0	$0	$0	0	61,670	61,670	5,333,847	64,429,304
2031	$67,216	8.47	$0	$0	$0	$0	0	53,773	53,773	4,750,291	69,179,595
2032	$65,681	9.02	$0	$0	$0	$0	0	52,545	52,545	4,741,096	73,920,691
2033	$48,261	9.57	$0	$0	$0	$0	0	38,609	38,609	3,558,216	77,478,907
2034	$31,006	9.98	$0	$0	$0	$0	0	24,805	24,805	2,334,692	79,813,600
2035	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2036	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2037	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2038	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2039	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2040	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2041	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
2042	$0	10.25	$0	$0	$0	$0	0	0	0	0	79,813,600
Total	**1,481,674**		**48,227**	**59,717**	**73,680**	**49,201**	**0**	**776,197**	**1,007,022**	**79,813,600**	
			0.55	0.50	0.45	0.35	0.25	0.80			
			0<R<=1.25	1.25<R<=1.75	1.75<R<=2.00	2.00<R<=2.50	2.50<R<=2.75	2.75<R			

Chapman Petroleum Engineering Ltd.

Table 4d
Page 4

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed

Production Streams and Revenues

	Contractor' Share						Cost Schedule			Contractor's
Year	Operating Cost Oil STB/yr.	Capital Cost Oil STB/yr.	Net Profit Oil STB/yr.	Total Net Oil STB/yr.	Oil Price $/STB	Contractor's Total Revenue (Operating Cash Flow) $/yr.	Total Operating Costs $/yr.	Net Operating Income $/yr.	Total Capital Costs $/yr.	Net Cash Flow $/yr.
2018	54,207	47,619	$0	$101,826	58.80	5,987,347	3,187,347	2,800,000	2,800,000	$0
2019	72,013	39,720	$48,227	$159,959	64.20	10,269,374	4,623,212	5,646,162	2,550,000	$3,096,162
2020	71,504	48,401	$59,717	$179,623	67.71	12,162,243	4,841,549	7,320,694	3,277,260	$4,043,434
2021	68,901	0	$73,680	$142,581	71.40	10,180,315	4,919,547	5,260,769	0	$5,260,769
2022	67,844	0	$49,201	$117,046	72.94	8,537,308	4,948,554	3,588,754	0	$3,588,754
2023	59,333	0	$102,030	$161,363	74.52	12,024,754	4,421,465	7,603,290	0	$7,603,290
2024	58,488	0	$87,350	$145,838	76.13	11,102,631	4,452,673	6,649,958	0	$6,649,958
2025	57,723	0	$74,271	$131,994	77.78	10,266,491	4,489,691	5,776,801	0	$5,776,801
2026	57,044	0	$62,597	$119,641	79.45	9,505,472	4,532,121	4,973,352	0	$4,973,352
2027	33,161	0	$76,182	$109,344	81.16	8,874,319	2,691,368	6,182,951	0	$6,182,951
2028	32,606	0	$76,105	$108,711	82.90	9,012,129	2,703,009	6,309,120	0	$6,309,120
2029	32,137	0	$66,260	$98,396	84.68	8,332,195	2,721,327	5,610,868	0	$5,610,868
2030	26,437	0	$61,670	$88,107	86.49	7,620,399	2,286,552	5,333,847	0	$5,333,847
2031	26,064	0	$53,773	$79,836	88.34	7,052,754	2,302,464	4,750,291	0	$4,750,291
2032	18,414	0	$52,545	$70,959	90.23	6,402,601	1,661,505	4,741,096	0	$4,741,096
2033	15,984	0	$38,609	$54,594	92.16	5,031,341	1,473,124	3,558,216	0	$3,558,216
2034	14,021	0	$24,805	$38,825	94.12	3,654,365	1,319,672	2,334,692	0	$2,334,692
2035	0	0	$0	$0	96.13	0	0	$0	0	$0
2036	0	0	$0	$0	98.17	0	0	0	0	$0
2037	0	0	$0	$0	100.25	0	0	0	0	$0
2038	0	0	$0	$0	102.38	0	0	0	0	$0
2039	0	0	$0	$0	104.54	0	0	0	0	$0
2040	0	0	$0	$0	106.75	0	0	0	0	$0
2041	0	0	$0	$0	109.01	0	0	0	0	$0
2042	0	0	$0	$0	111.31	0	0	0	0	$0
Total	**765,879**	**135,740**	**1,007,022**	**1,908,642**		**146,016,039**	**57,575,179**	**88,440,860**	**8,627,260**	**79,813,600**

Chapman Petroleum Engineering Ltd.

Table 4d
Page 5

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable Developed

Company Cash Flow Analysis

		Net to Company Before and After Income Tax				
		Undiscounted	Discounted @			
	Company Net Oil	Net Cash Flow (Profit)	5%	10%	15%	20%
Year	STB/yr.	$/yr.	$	$	$	$
2018	81,461	$0	$0	$0	$0	$0
2019	127,967	$2,476,929	$2,330,381	$2,198,734	$2,079,894	$1,972,137
2020	143,698	$3,234,747	$2,898,441	$2,610,398	$2,361,947	$2,146,261
2021	114,065	$4,208,615	$3,591,484	$3,087,543	$2,672,214	$2,327,020
2022	93,637	$2,871,003	$2,333,346	$1,914,762	$1,585,141	$1,322,858
2023	129,090	$6,082,632	$4,708,122	$3,687,907	$2,920,303	$2,335,554
2024	116,670	$5,319,966	$3,921,712	$2,932,274	$2,220,994	$1,702,261
2025	105,595	$4,621,441	$3,244,554	$2,315,690	$1,677,714	$1,232,291
2026	95,713	$3,978,681	$2,660,280	$1,812,381	$1,255,978	$884,085
2027	87,475	$4,946,361	$3,149,813	$2,048,347	$1,357,784	$915,924
2028	86,969	$5,047,296	$3,061,036	$1,900,132	$1,204,775	$778,845
2029	78,717	$4,488,695	$2,592,629	$1,536,216	$931,686	$577,206
2030	70,486	$4,267,078	$2,347,262	$1,327,609	$770,162	$457,257
2031	63,869	$3,800,233	$1,990,912	$1,074,873	$596,436	$339,358
2032	56,767	$3,792,877	$1,892,436	$975,266	$517,636	$262,251
2033	43,675	$2,846,573	$1,352,650	$665,402	$337,816	$176,526
2034	31,060	$1,867,754	$845,266	$396,907	$192,744	$96,522
2035	0	$0	$0	$0	$0	$0
2036	0	$0	$0	$0	$0	$0
2037	0	$0	$0	$0	$0	$0
2038	0	$0	$0	$0	$0	$0
2039	0	$0	$0	$0	$0	$0
2040	0	$0	$0	$0	$0	$0
2041	0	$0	$0	$0	$0	$0
2042	0	$0	$0	$0	$0	$0
Total	**1,526,913**	**63,850,880**	**42,920,326**	**30,484,440**	**22,683,223**	**17,546,356**
	80.00%	80.00%				

Table 4e
Page 1
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable
Production and Capital Forecast

	Total Oil Production						Workover Capital Expenditures						Drilling Capital Expenditures - $M			
Year	P+P Developed Producing	Total Probable Developed Non-Prod.	Proved + Probable Undeveloped Locations	Total Proved Plus Probable	Total Proved Plus Probable well count		12 wells in 2018	10 wells in 2019	5 Maykop in 2019	11wells in 2020	Well Fac. & Tie-ins	Central Facilities	Seismic	Drilling & Completion	Total Capital	Escalated Capital
	STB/yr.	STB/yr.	STB/yr.	STB/yr.		STB/d			$M	$M	$M	$M	$M	$M	$M	$M
2018	83,765	42,834	0	126,599	64	496	1800	0	0	0	500	500	0	0	2,800	2,800
2019	100,453	127,352	0	227,805	69	670	0	1500	1000	0	0	0	4,000	25,000	31,500	32,130
2020	90,787	190,789	319,375	600,951	74	1768	0	0	0	1650	500	1000	4,000	50,000	57,150	59,459
2021	82,074	191,614	1,099,563	1,373,251	84	4039	0	0	0	0	0	0	4,000	50,000	54,000	57,305
2022	74,219	170,981	1,854,337	2,099,537	94	6175	0	0	0	0	0	0	4,000	50,000	54,000	58,451
2023	67,134	152,713	2,348,041	2,567,888	87	7553	0	0	0	0	0	0	4,000	50,000	54,000	59,620
2024	60,744	136,521	2,719,654	2,916,919	97	8579	0	0	0	0	0	0	0	50,000	50,000	56,308
2025	54,978	122,154	3,046,927	3,224,059	107	9483	0	0	0	0	0	0	0	50,000	50,000	57,434
2026	49,774	109,391	3,335,274	3,494,439	117	10278	0	0	0	0	0	0	0	50,000	50,000	58,583
2027	45,076	98,043	3,591,021	3,734,139	106	10983	0	0	0	0	0	0	0	50,000	50,000	59,755
2028	39,796	87,941	3,818,223	3,945,960	116	11606	0	0	0	0	0	0	0	50,000	50,000	60,950
2029	36,021	78,940	4,018,382	4,133,343	126	12157	0	0	0	0	0	0	0	50,000	50,000	62,169
2030	32,612	70,913	4,194,773	4,298,298	124	12642	0	0	0	0	0	0	0	50,000	50,000	63,412
2031	29,534	63,746	4,349,591	4,442,871	134	13067	0	0	0	0	0	0	0	50,000	50,000	64,680
2032	26,753	57,342	4,717,682	4,801,777	144	14123	0	0	0	0	0	0	0	50,000	50,000	65,974
2033	24,241	40,005	4,983,015	5,047,261	150	14845	0	0	0	0	0	0	0	50,000	50,000	67,293
2034	21,970	23,057	4,919,637	4,964,664	156	14602	0	0	0	0	0	0	0	0	0	0
2035	0	0	3,795,354	3,795,354	142	11163	0	0	0	0	0	0	0	0	0	0
2036	0	0	3,073,392	3,073,392	139	9039	0	0	0	0	0	0	0	0	0	0
2037	0	0	2,661,786	2,661,786	134	7829	0	0	0	0	0	0	0	0	0	0
2038	0	0	2,307,607	2,307,607	129	6787	0	0	0	0	0	0	0	0	0	0
2039	0	0	1,999,298	1,999,298	124	5880	0	0	0	0	0	0	0	0	0	0
2040	0	0	1,730,472	1,730,472	119	5090	0	0	0	0	0	0	0	0	0	0
2041	0	0	1,493,826	1,493,826	114	4394	0	0	0	0	0	0	0	0	0	0
2042	0	0	1,290,737	1,290,737	109	3796	0	0	0	0	0	0	0	0	0	0
Total	919,929	1,764,336	67,667,965	70,352,230			1,800	1,500	1,000	1,650	1,000	1,500	20,000	725,000	753,450	886,324

Chapman Petroleum Engineering Ltd.

Table 4e
Page 1a

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Plus Probable Undeveloped

Production and Capital Forecast

Single Well Production Profile

	Jafarli	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene	Murad Mid Eocene HZL		Jafarli	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene	Murad Mid Eocene HZL		Jafarli	Jafarli
Year	STB/d	STB/d	STB/d	STB/d	STB/d	STB/d	Days On	STB/yr	STB/yr	STB/yr	STB/yr	STB/yr	STB/yr	Well Count	1	1
2018	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0.0	0	0
2019	175.00	175.00	175.00	175.00	175.00	500.00	365	63,875	63,875	63,875	63,875	63,875	182,500	0.0	0	0
2020	122.50	122.50	131.25	118.13	118.13	337.50	365	44,713	44,713	47,906	43,116	43,116	123,188	5.0	63,875	0
2021	73.50	73.50	98.44	64.97	64.97	185.63	365	26,828	26,828	35,930	23,714	23,714	67,753	15.0	44,713	63,875
2022	63.92	66.45	89.15	57.05	50.79	163.54	365	23,333	24,253	32,540	20,823	18,539	59,691	25.0	26,828	44,713
2023	55.60	60.07	80.74	50.09	39.71	144.08	365	20,293	21,926	29,470	18,284	14,494	52,588	35.0	23,333	26,828
2024	48.35	54.31	73.12	43.99	31.04	126.93	365	17,649	19,822	26,689	16,056	11,331	46,330	45.0	20,293	23,333
2025	42.06	49.09	66.22	38.63	24.27	111.83	365	15,350	17,919	24,171	14,098	8,859	40,817	55.0	17,649	20,293
2026	36.58	44.38	59.97	33.92	18.97	98.52	365	13,350	16,200	21,891	12,380	6,926	35,960	65.0	15,350	17,649
2027	31.81	40.12	54.32	29.78	14.83	86.80	365	11,611	14,645	19,825	10,871	5,414	31,681	75.0	13,350	15,350
2028	27.67	36.27	49.19	26.15	11.60	76.47	365	10,099	13,240	17,955	9,545	4,233	27,911	85.0	11,611	13,350
2029	24.06	32.79	44.55	22.96	9.07	67.37	365	8,783	11,969	16,261	8,382	3,309	24,590	95.0	10,099	11,611
2030	20.93	29.65	40.35	20.16	7.09	59.35	365	7,639	10,821	14,726	7,360	2,587	21,664	105.0	8,783	10,099
2031	18.20	26.80	36.54	17.71	5.54	52.29	365	6,644	9,782	13,337	6,463	2,023	19,086	115.0	7,639	8,783
2032	15.83	24.23	33.09	15.55	4.33	46.07	365	5,778	8,844	12,079	5,675	1,581	16,815	125.0	6,644	7,639
2033	13.77	21.90	29.97	13.65	0	40.59	365	5,026	7,995	10,939	4,983	0	14,814	135.0	5,778	6,644
2034	11.97	19.80	27.14	11.99	0	35.76	365	4,371	7,228	9,907	4,376	0	13,051	144.0	5,026	5,778
2035	10.41	17.90	0	0	0	31.50	365	3,801	6,534	0	0	0	11,498	142.0	4,371	5,026
2036	9.06	16.18	0	0	0	27.75	365	3,306	5,907	0	0	0	10,130	139.0	3,801	4,371
2037	7.88	0	0	0	0	24.45	365	2,875	0	0	0	0	8,925	134.0	3,306	3,801
2038	6.85	0	0	0	0	21.54	365	2,501	0	0	0	0	7,863	129.0	2,875	3,306
2039	5.96	0	0	0	0	18.98	365	2,175	0	0	0	0	6,927	124.0	2,501	2,875
2040	0	0	0	0	0	16.72	365	0	0	0	0	0	6,103	119.0	2,175	2,501
2041	0	0	0	0	0	14.73	365	0	0	0	0	0	5,377	114.0	0	2,175
2042	0	0	0	0	0	12.98	365	0	0	0	0	0	4,737	109.0	0	0
Total								300,000	332,500	397,500	270,000	210,000	842,081		300,000	300,000

Chapman Petroleum Engineering Ltd.

Table 4e
Page 1b

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Plus Probable Undeveloped

Production and Capital Forecast

Development Program

Jafarli	Jafarli	Jafarli	Jafarli	Jafarli	Jafarli	Jafarli	Jafarli	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)
1	1	1	1	2	2	1	1	1	1	1	1	1	1	1	1	2
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	63,875	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	44,713	63,875	0	0	0	0	0	0	0
63,875	0	0	0	0	0	0	0	26,828	44,713	63,875	0	0	0	0	0	0
44,713	63,875	0	0	0	0	0	0	24,253	26,828	44,713	63,875	0	0	0	0	0
26,828	44,713	63,875	0	0	0	0	0	21,926	24,253	26,828	44,713	63,875	0	0	0	0
23,333	26,828	44,713	63,875	0	0	0	0	19,822	21,926	24,253	26,828	44,713	63,875	0	0	0
20,293	23,333	26,828	44,713	127,750	0	0	0	17,919	19,822	21,926	24,253	26,828	44,713	63,875	0	0
17,649	20,293	23,333	26,828	89,425	127,750	0	0	16,200	17,919	19,822	21,926	24,253	26,828	44,713	63,875	0
15,350	17,649	20,293	23,333	53,655	89,425	63,875	0	14,645	16,200	17,919	19,822	21,926	24,253	26,828	44,713	127,750
13,350	15,350	17,649	20,293	46,665	53,655	44,713	63,875	13,240	14,645	16,200	17,919	19,822	21,926	24,253	26,828	89,425
11,611	13,350	15,350	17,649	40,586	46,665	26,828	44,713	11,969	13,240	14,645	16,200	17,919	19,822	21,926	24,253	53,655
10,099	11,611	13,350	15,350	35,299	40,586	23,333	26,828	10,821	11,969	13,240	14,645	16,200	17,919	19,822	21,926	48,506
8,783	10,099	11,611	13,350	30,700	35,299	20,293	23,333	9,782	10,821	11,969	13,240	14,645	16,200	17,919	19,822	43,851
7,639	8,783	10,099	11,611	26,701	30,700	17,649	20,293	8,844	9,782	10,821	11,969	13,240	14,645	16,200	17,919	39,643
6,644	7,639	8,783	10,099	23,223	26,701	15,350	17,649	7,995	8,844	9,782	10,821	11,969	13,240	14,645	16,200	35,839
5,778	6,644	7,639	8,783	20,197	23,223	13,350	15,350	7,228	7,995	8,844	9,782	10,821	11,969	13,240	14,645	32,400
5,026	5,778	6,644	7,639	17,566	20,197	11,611	13,350	6,534	7,228	7,995	8,844	9,782	10,821	11,969	13,240	29,291
4,371	5,026	5,778	6,644	15,278	17,566	10,099	11,611	5,907	6,534	7,228	7,995	8,844	9,782	10,821	11,969	26,480
3,801	4,371	5,026	5,778	13,287	15,278	8,783	10,099	0	5,907	6,534	7,228	7,995	8,844	9,782	10,821	23,939
3,306	3,801	4,371	5,026	11,556	13,287	7,639	8,783	0	0	5,907	6,534	7,228	7,995	8,844	9,782	21,642
2,875	3,306	3,801	4,371	10,051	11,556	6,644	7,639	0	0	0	5,907	6,534	7,228	7,995	8,844	19,565
2,501	2,875	3,306	3,801	8,742	10,051	5,778	6,644	0	0	0	0	5,907	6,534	7,228	7,995	17,687
2,175	2,501	2,875	3,306	7,603	8,742	5,026	5,778	0	0	0	0	0	5,907	6,534	7,228	15,990
300,000	**297,825**	**295,324**	**292,449**	**578,285**	**570,682**	**280,970**	**275,945**	**332,600**	**332,600**	**332,600**	**332,600**	**332,600**	**332,600**	**326,693**	**320,069**	**625,662**

Table 4e

Page 1c

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Plus Probable Undeveloped

Production and Capital Forecast

Development Program

Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 1: (Fringe)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 2: (North)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)
2	2	2	1	2	1	1	1	1	1	1	1	1	1	1	2
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	63,875	0	0	0	0	0	0	0	0	0	0	63,875	0
0	0	0	47,906	127,750	0	0	0	0	0	0	0	0	0	43,116	127,750
0	0	0	35,930	95,813	63,875	0	0	0	0	0	0	0	0	23,714	86,231
0	0	0	32,540	71,859	47,906	63,875	0	0	0	0	0	0	0	20,823	47,427
0	0	0	29,470	65,079	35,930	47,906	63,875	0	0	0	0	0	0	18,284	41,646
0	0	0	26,689	58,939	32,540	35,930	47,906	63,875	0	0	0	0	0	16,056	36,569
0	0	0	24,171	53,378	29,470	32,540	35,930	47,906	63,875	0	0	0	0	14,098	32,111
0	0	0	21,891	48,342	26,689	29,470	32,540	35,930	47,906	63,875	0	0	0	12,380	28,197
0	0	0	19,825	43,781	24,171	26,689	29,470	32,540	35,930	47,906	63,875	0	0	10,871	24,759
127,750	0	0	17,955	39,650	21,891	24,171	26,689	29,470	32,540	35,930	47,906	63,875	0	9,545	21,741
89,425	127,750	0	16,261	35,909	19,825	21,891	24,171	26,689	29,470	32,540	35,930	47,906	63,875	8,382	19,091
53,655	89,425	127,750	14,726	32,521	17,955	19,825	21,891	24,171	26,689	29,470	32,540	35,930	47,906	7,360	16,764
48,506	53,655	89,425	13,337	29,453	16,261	17,955	19,825	21,891	24,171	26,689	29,470	32,540	35,930	6,463	14,720
43,851	48,506	53,655	12,079	26,674	14,726	16,261	17,955	19,825	21,891	24,171	26,689	29,470	32,540	5,675	12,926
39,643	43,851	48,506	10,939	24,157	13,337	14,726	16,261	17,955	19,825	21,891	24,171	26,689	29,470	4,983	11,350
35,839	39,643	43,851	9,907	21,878	12,079	13,337	14,726	16,261	17,955	19,825	21,891	24,171	26,689	4,376	9,966
32,400	35,839	39,643	0	19,814	10,939	12,079	13,337	14,726	16,261	17,955	19,825	21,891	24,171	0	8,752
29,291	32,400	35,839	0	0	9,907	10,939	12,079	13,337	14,726	16,261	17,955	19,825	21,891	0	0
26,480	29,291	32,400	0	0	0	9,907	10,939	12,079	13,337	14,726	16,261	17,955	19,825	0	0
23,939	26,480	29,291	0	0	0	0	9,907	10,939	12,079	13,337	14,726	16,261	17,955	0	0
21,642	23,939	26,480	0	0	0	0	0	9,907	10,939	12,079	13,337	14,726	16,261	0	0
19,565	21,642	23,939	0	0	0	0	0	0	9,907	10,939	12,079	13,337	14,726	0	0
17,687	19,565	21,642	0	0	0	0	0	0	0	9,907	10,939	12,079	13,337	0	0
609,672	591,985	572,420	397,500	795,000	397,500	397,500	397,500	397,500	397,500	397,500	387,593	376,654	364,575	270,000	540,000

Table 4e

Page 1d

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Plus Probable Undeveloped

Production and Capital Forecast

Development Program

Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Pool 3: (South)	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene
2	2	2	2	1	1	1	1	2	2	2	2	1	2	1	1
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	63,875	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	43,116	127,750	0	0
127,750	0	0	0	0	0	0	0	0	0	0	0	23,714	86,231	63,875	0
86,231	127,750	0	0	0	0	0	0	0	0	0	0	18,539	47,427	43,116	63,875
47,427	86,231	127,750	0	0	0	0	0	0	0	0	0	14,494	37,078	23,714	43,116
41,646	47,427	86,231	127,750	0	0	0	0	0	0	0	0	11,331	28,988	18,539	23,714
36,569	41,646	47,427	86,231	63,875	0	0	0	0	0	0	0	8,859	22,662	14,494	18,539
32,111	36,569	41,646	47,427	43,116	63,875	0	0	0	0	0	0	6,926	17,717	11,331	14,494
28,197	32,111	36,569	41,646	23,714	43,116	63,875	0	0	0	0	0	5,414	13,851	8,859	11,331
24,759	28,197	32,111	36,569	20,823	23,714	43,116	63,875	0	0	0	0	4,233	10,829	6,926	8,859
21,741	24,759	28,197	32,111	18,284	20,823	23,714	43,116	127,750	0	0	0	3,309	8,466	5,414	6,926
19,091	21,741	24,759	28,197	16,056	18,284	20,823	23,714	86,231	127,750	0	0	2,587	6,619	4,233	5,414
16,764	19,091	21,741	24,759	14,098	16,056	18,284	20,823	47,427	86,231	127,750	0	2,023	5,174	3,309	4,233
14,720	16,764	19,091	21,741	12,380	14,098	16,056	18,284	41,646	47,427	86,231	127,750	1,581	4,045	2,587	3,309
12,926	14,720	16,764	19,091	10,871	12,380	14,098	16,056	36,569	41,646	47,427	86,231	0	3,163	2,023	2,587
11,350	12,926	14,720	16,764	9,545	10,871	12,380	14,098	32,111	36,569	41,646	47,427	0	0	1,581	2,023
9,966	11,350	12,926	14,720	8,382	9,545	10,871	12,380	28,197	32,111	36,569	41,646	0	0	0	1,581
8,752	9,966	11,350	12,926	7,360	8,382	9,545	10,871	24,759	28,197	32,111	36,569	0	0	0	0
0	8,752	9,966	11,350	6,463	7,360	8,382	9,545	21,741	24,759	28,197	32,111	0	0	0	0
0	0	8,752	9,966	5,675	6,463	7,360	8,382	19,091	21,741	24,759	28,197	0	0	0	0
0	0	0	8,752	4,983	5,675	6,463	7,360	16,764	19,091	21,741	24,759	0	0	0	0
0	0	0	0	4,376	4,983	5,675	6,463	14,720	16,764	19,091	21,741	0	0	0	0
0	0	0	0	0	4,376	4,983	5,675	12,926	14,720	16,764	19,091	0	0	0	0
540,000	**540,000**	**540,000**	**540,000**	**270,000**	**270,000**	**265,624**	**260,641**	**509,932**	**497,006**	**482,286**	**465,522**	**210,000**	**420,000**	**210,000**	**210,000**

Chapman Petroleum Engineering Ltd.

Table 4e

Page 1e

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Proved Plus Probable Undeveloped

Production and Capital Forecast

Development Program

Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Muradkanli Mid Eocene	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL
1	1	1	1	1	1	1	2	2	2	6	2	4	4	4	4
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	365,000	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	246,375	730,000	0	0	0
0	0	0	0	0	0	0	0	0	0	0	135,506	492,750	730,000	0	0
63,875	0	0	0	0	0	0	0	0	0	0	119,382	271,013	492,750	730,000	0
43,116	63,875	0	0	0	0	0	0	0	0	0	105,176	238,764	271,013	492,750	730,000
23,714	43,116	63,875	0	0	0	0	0	0	0	0	92,661	210,352	238,764	271,013	492,750
18,539	23,714	43,116	63,875	0	0	0	0	0	0	0	81,635	185,322	210,352	238,764	271,013
14,494	18,539	23,714	43,116	63,875	0	0	0	0	0	0	71,921	163,269	185,322	210,352	238,764
11,331	14,494	18,539	23,714	43,116	63,875	0	0	0	0	0	63,363	143,841	163,269	185,322	210,352
8,859	11,331	14,494	18,539	23,714	43,116	63,875	0	0	0	0	55,823	126,725	143,841	163,269	185,322
6,926	8,859	11,331	14,494	18,539	23,714	43,116	127,750	0	0	0	49,180	111,646	126,725	143,841	163,269
5,414	6,926	8,859	11,331	14,494	18,539	23,714	86,231	127,750	0	0	43,328	98,360	111,646	126,725	143,841
4,233	5,414	6,926	8,859	11,331	14,494	18,539	47,427	86,231	127,750	0	38,172	86,656	98,360	111,646	126,725
3,309	4,233	5,414	6,926	8,859	11,331	14,494	37,078	47,427	86,231	383,250	33,630	76,345	86,656	98,360	111,646
2,587	3,309	4,233	5,414	6,926	8,859	11,331	28,988	37,078	47,427	258,694	29,628	67,260	76,345	86,656	98,360
2,023	2,587	3,309	4,233	5,414	6,926	8,859	22,662	28,988	37,078	142,282	26,103	59,256	67,260	76,345	86,656
1,581	2,023	2,587	3,309	4,233	5,414	6,926	17,717	22,662	28,988	111,235	22,997	52,205	59,256	67,260	76,345
0	1,581	2,023	2,587	3,309	4,233	5,414	13,851	17,717	22,662	86,963	20,260	45,993	52,205	59,256	67,260
0	0	1,581	2,023	2,587	3,309	4,233	10,829	13,851	17,717	67,987	17,849	40,520	45,993	52,205	59,256
0	0	0	1,581	2,023	2,587	3,309	8,466	10,829	13,851	53,152	15,725	35,699	40,520	45,993	52,205
0	0	0	0	1,581	2,023	2,587	6,619	8,466	10,829	41,553	13,854	31,451	35,699	40,520	45,993
0	0	0	0	0	1,581	2,023	5,174	6,619	8,466	32,486	12,206	27,708	31,451	35,699	40,520
210,000	**210,000**	**210,000**	**210,000**	**210,000**	**210,000**	**208,419**	**412,792**	**407,618**	**400,999**	**1,177,601**	**1,659,773**	**3,295,135**	**3,267,427**	**3,235,976**	**3,200,278**

Table 4e
Page 1f

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Probable Undeveloped

Production and Capital Forecast

Development Program													Capital Expenditures - $M		
Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Murad Mid Eocene HZL	Total Production	Cumulative Production	Daily Rate	Gas/Oil Ratio		Drilling &	Total
4	4	4	4	4	4	6	6	4	STB/yr.	STB	STB/d	Scf/STB	Seismic	Completion	Capital
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	250	4,000	25,000	29,000
0	0	0	0	0	0	0	0	0	319,375	319,375	875	250	4,000	50,000	54,000
0	0	0	0	0	0	0	0	0	1,099,563	1,418,938	3013	250	4,000	50,000	54,000
0	0	0	0	0	0	0	0	0	1,854,337	3,273,274	5080	250	4,000	50,000	54,000
0	0	0	0	0	0	0	0	0	2,348,041	5,621,315	6433	250	4,000	50,000	54,000
0	0	0	0	0	0	0	0	0	2,719,654	8,340,968	7451	250	0	50,000	50,000
0	0	0	0	0	0	0	0	0	3,046,927	11,387,896	8348	250	0	50,000	50,000
730,000	0	0	0	0	0	0	0	0	3,335,274	14,723,170	9138	250	0	50,000	50,000
492,750	730,000	0	0	0	0	0	0	0	3,591,021	18,314,191	9838	250	0	50,000	50,000
271,013	492,750	730,000	0	0	0	0	0	0	3,818,223	22,132,414	10461	250	0	50,000	50,000
238,764	271,013	492,750	730,000	0	0	0	0	0	4,018,382	26,150,796	11009	250	0	50,000	50,000
210,352	238,764	271,013	492,750	730,000	0	0	0	0	4,194,773	30,345,569	11493	250	0	50,000	50,000
185,322	210,352	238,764	271,013	492,750	730,000	0	0	0	4,349,591	34,695,160	11917	250	0	50,000	50,000
163,269	185,322	210,352	238,764	271,013	492,750	1,095,000	0	0	4,717,682	39,412,842	12925	250	0	50,000	50,000
143,841	163,269	185,322	210,352	238,764	271,013	739,125	1,095,000	0	4,983,015	44,395,856	13652	250	0	50,000	50,000
126,725	143,841	163,269	185,322	210,352	238,764	406,519	739,125	730,000	4,919,637	49,315,494	13478	250	0	0	0
111,646	126,725	143,841	163,269	185,322	210,352	358,145	406,519	492,750	3,795,354	53,110,848	10398	250	0	0	0
98,360	111,646	126,725	143,841	163,269	185,322	315,528	358,145	271,013	3,073,392	56,184,239	8420	250	0	0	0
86,656	98,360	111,646	126,725	143,841	163,269	277,982	315,528	238,764	2,661,786	58,846,026	7293	250	0	0	0
76,345	86,656	98,360	111,646	126,725	143,841	244,904	277,982	210,352	2,307,607	61,153,633	6322	250	0	0	0
67,260	76,345	86,656	98,360	111,646	126,725	215,762	244,904	185,322	1,999,298	63,152,931	5478	250	0	0	0
59,256	67,260	76,345	86,656	98,360	111,646	190,088	215,762	163,269	1,730,472	64,883,403	4741	250	0	0	0
52,205	59,256	67,260	76,345	86,656	98,360	167,468	190,088	143,841	1,493,826	66,377,229	4093	250	0	0	0
45,993	52,205	59,256	67,260	76,345	86,656	147,541	167,468	126,725	1,290,737	67,667,965	3536	250	0	0	0
3,159,757	3,113,764	3,061,659	3,002,302	2,935,042	2,858,698	4,158,063	4,010,622	2,562,036	67,667,965				20,000	725,000	745,000

Chapman Petroleum Engineering Ltd.

Table 4e
Page 2
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable
Production Splits - Cost Oil

Year	Gross Production	Oil Price	Gross Revenue	*Compensatory Petroleum	Operating Costs - $/yr. Fixed	Variable	Total	Escalated Opex	Available Cost Oil	Operating Cost Oil
	STB/yr.	$/STB	$/yr.	STB/yr.	$/yr.	$/yr.	$/yr.		STB/yr.	STB/yr.
2018	126,599	58.80	7,444,008	18,990	2,902,500	316,497	3,218,997	3,218,997	107,609	54,745
2019	227,805	64.20	14,625,068	34,171	4,020,000	569,512	4,589,512	4,681,302	193,634	72,917
2020	600,951	67.71	40,690,383	90,143	4,170,000	1,502,377	5,672,377	5,901,541	510,808	87,159
2021	1,373,251	71.40	98,050,108	157,668	4,470,000	3,433,127	7,903,127	8,386,862	1,215,583	117,463
2022	2,099,537	72.94	153,140,199	0	4,770,000	5,248,841	10,018,841	10,844,716	2,099,537	148,680
2023	2,567,888	74.52	191,359,010	0	4,560,000	6,419,720	10,979,720	12,122,498	2,567,888	162,674
2024	2,916,919	76.13	222,065,016	0	4,860,000	7,292,297	12,152,297	13,685,460	2,916,919	179,764
2025	3,224,059	77.78	250,767,299	0	5,160,000	8,060,147	13,220,147	15,185,794	3,224,059	195,240
2026	3,494,439	79.45	277,633,215	0	5,460,000	8,736,099	14,196,099	16,632,992	3,494,439	209,352
2027	3,734,139	81.16	303,062,732	0	5,130,000	9,335,348	14,465,348	17,287,430	3,734,139	213,004
2028	3,945,960	82.90	327,120,092	0	5,430,000	9,864,900	15,294,900	18,644,398	3,945,960	224,902
2029	4,133,343	84.68	350,011,465	0	5,730,000	10,333,357	16,063,357	19,972,765	4,133,343	235,862
2030	4,298,298	86.49	371,759,791	0	5,670,000	10,745,745	16,415,745	20,819,134	4,298,298	240,711
2031	4,442,871	88.34	392,483,202	0	5,970,000	11,107,177	17,077,177	22,091,149	4,442,871	250,070
2032	4,801,777	90.23	433,264,295	0	6,270,000	12,004,441	18,274,441	24,112,737	4,801,777	267,236
2033	5,047,261	92.16	465,155,547	0	6,450,000	12,618,152	19,068,152	25,663,222	5,047,261	278,464
2034	4,964,664	94.12	467,290,049	0	5,680,000	12,411,660	18,091,660	24,835,972	4,964,664	283,867
2035	3,795,354	96.13	364,830,931	0	1,000,000	9,488,385	10,488,385	14,686,271	3,795,354	152,782
2036	3,073,392	98.17	301,709,244	0	1,000,000	7,683,479	8,683,479	12,402,146	3,073,392	126,336
2037	2,661,786	100.25	266,848,186	0	1,000,000	6,654,466	7,654,466	11,151,112	2,661,786	111,231
2038	2,307,607	102.38	236,244,940	0	1,000,000	5,769,019	6,769,019	10,058,406	2,307,607	98,249
2039	1,999,298	104.54	209,014,775	0	1,000,000	4,998,244	5,998,244	9,091,337	1,999,298	86,962
2040	1,730,472	106.75	184,736,499	0	1,000,000	4,326,180	5,326,180	8,234,166	1,730,472	77,131
2041	1,493,826	109.01	162,842,079	0	1,000,000	3,734,565	4,734,565	7,465,931	1,493,826	68,488
2042	1,290,737	111.31	143,672,257	0	1,000,000	3,226,841	4,226,841	6,798,609	1,290,737	61,078
Total	**78,352,230**		**6,235,820,391**	**300,971**	**94,702,500**	**175,880,575**	**270,583,075**	**343,974,946**	**70,051,259**	**3,984,369**
				15%	30,000 $/yr/well	$2.50 $/STB				100%

Year	Capital Cost Recovery: Available Capital Cost Oil	Available Capital Cost Oil Revenue Ceiling	Annual Capital Costs For Recovery	Interest on Outstanding Capital	Cumulative Outstanding Capital Costs	Annual Capital Cost Recovery	Cumulative Capital Cost Recovery	Capital Cost Oil
	STB/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	$/yr.	STB/yr.
2018	26,432	1,554,205	0	0	0	0	0	0
2019	60,358	3,875,003	29,580,000	0	29,580,000	3,875,003	3,875,003	60,358
2020	211,825	14,342,642	56,181,600	1,156,725	83,043,322	14,342,642	18,217,645	211,825
2021	549,060	39,202,890	57,305,232	3,091,531	129,097,442	39,202,890	57,420,535	549,060
2022	975,428	71,147,741	58,451,337	4,045,255	152,391,144	71,147,741	128,568,276	975,428
2023	1,202,607	89,618,256	59,620,363	3,655,953	144,519,719	89,618,256	218,186,532	1,202,607
2024	1,368,577	104,189,778	58,308,121	2,470,566	113,680,150	104,189,778	322,376,310	1,368,577
2025	1,514,409	117,790,753	57,434,283	427,067	67,351,722	67,351,722	389,728,032	865,926
2026	1,642,544	130,500,112	58,582,969	0	58,582,969	58,582,969	448,311,001	737,356
2027	1,760,567	142,887,851	59,754,628	0	59,754,628	59,754,628	508,065,630	736,257
2028	1,860,529	154,237,847	60,949,721	0	60,949,721	60,949,721	569,015,351	735,220
2029	1,948,741	165,019,350	62,168,715	0	62,168,715	62,168,715	631,184,066	734,161
2030	2,028,793	175,470,329	63,412,090	0	63,412,090	63,412,090	694,596,156	733,173
2031	2,096,401	185,196,026	64,680,332	0	64,680,332	64,680,332	759,276,488	732,175
2032	2,267,270	204,575,779	65,973,938	0	65,973,938	65,973,938	825,250,426	731,175
2033	2,384,398	219,746,183	67,293,417	0	67,293,417	67,293,417	892,543,843	730,180
2034	2,350,399	221,227,038	0	0	0	0	892,543,843	0
2035	1,821,286	175,072,330	0	0	0	0	892,543,843	0
2036	1,473,528	144,653,549	0	0	0	0	892,543,843	0
2037	1,275,278	127,848,537	0	0	0	0	892,543,843	0
2038	1,104,679	113,093,267	0	0	0	0	892,543,843	0
2039	956,168	99,961,719	0	0	0	0	892,543,843	0
2040	826,670	88,251,167	0	0	0	0	892,543,843	0
2041	712,669	77,688,074	0	0	0	0	892,543,843	0
2042	614,829	68,436,824	0	0	0	0	892,543,843	0
Total	**33,033,446**	**2,936,687,030**	**877,696,747**	**14,847,096**	**1,222,479,311**	**892,543,843**		**11,103,478**
	50%			4.50%				

* Note Remaining compensatory petroleum is 300,971 STB

Table 4e
Page 3
Zenith Energy Ltd.
April 1, 2018
Azerbaijan Project Particulars-Total Proved Plus Probable
Production Splits - Profit Oil

Year	Total Profit Oil		Contractors Share						Total Contractors Profit Oil	Total Contractors Profit Oil Revenue	Cumulative Contractor's Profit Oil Revenue
	STB/yr.	"R" Factor	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	STB/yr.	$/yr.	$/yr.
2018	52,864	0.00	29,075	0	0	0	0	0	29,075	1,709,625	1,709,625
2019	60,358	0.00	33,197	0	0	0	0	0	33,197	2,131,251	3,840,877
2020	211,825	0.26	116,504	0	0	0	0	0	116,504	7,888,453	11,729,330
2021	549,060	0.35	301,983	0	0	0	0	0	301,983	21,561,589	33,290,919
2022	975,428	0.63	536,486	0	0	0	0	0	536,486	39,131,258	72,422,177
2023	1,202,607	1.00	661,434	0	0	0	0	0	661,434	49,290,041	121,712,218
2024	1,368,577	1.30	0	684,289	0	0	0	0	684,289	52,094,889	173,807,107
2025	2,162,893	1.56	0	1,081,446	0	0	0	0	1,081,446	84,114,892	257,921,999
2026	2,547,731	1.73	0	1,273,866	0	0	0	0	1,273,866	101,208,627	359,130,626
2027	2,784,878	1.86	0	0	1,253,195	0	0	0	1,253,195	101,709,303	460,839,929
2028	2,985,838	1.96	0	0	1,343,627	0	0	0	1,343,627	111,386,688	572,226,617
2029	3,163,321	2.06	0	0	0	1,107,162	0	0	1,107,162	93,754,495	665,981,112
2030	3,324,414	2.10	0	0	0	1,163,545	0	0	1,163,545	100,634,999	766,616,110
2031	3,460,626	2.15	0	0	0	1,211,219	0	0	1,211,219	106,999,102	873,615,213
2032	3,803,365	2.19	0	0	0	1,331,178	0	0	1,331,178	120,112,167	993,727,380
2033	4,038,617	2.24	0	0	0	1,413,516	0	0	1,413,516	130,269,618	1,123,996,997
2034	4,700,797	2.30	0	0	0	1,645,279	0	0	1,645,279	154,858,927	1,278,855,924
2035	3,642,572	2.47	0	0	0	1,274,900	0	0	1,274,900	122,550,631	1,401,406,555
2036	2,947,056	2.61	0	0	0	0	736,764	0	736,764	72,326,775	1,473,733,330
2037	2,550,555	2.70	0	0	0	0	637,639	0	637,639	63,924,269	1,537,657,598
2038	2,209,358	2.77	0	0	0	0	0	1,767,487	1,767,487	180,949,228	1,718,606,826
2039	1,912,336	2.98	0	0	0	0	0	1,529,869	1,529,869	159,938,751	1,878,545,577
2040	1,653,340	3.16	0	0	0	0	0	1,322,672	1,322,672	141,201,867	2,019,747,444
2041	1,425,337	3.32	0	0	0	0	0	1,140,270	1,140,270	124,300,918	2,144,048,362
2042	1,229,659	3.46	0	0	0	0	0	983,727	983,727	109,498,918	2,253,547,280
Total	**64,963,412**		**1,678,678**	**3,039,601**	**2,596,822**	**9,146,799**	**1,374,403**	**6,744,024**	**24,580,327**	**2,253,547,280**	
			0.55	0.50	0.45	0.35	0.25	0.80			
			$0<R<=1.25$	$1.25<R<=1.75$	$1.75<R<=2.00$	$2.00<R<=2.50$	$2.50<R<=2.75$	$2.75<R$			

Table 4e
Page 4

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable

Production Streams and Revenues

	Contractor' Share						Cost Schedule			Contractor's
Year	Operating Cost Oil STB/yr.	Capital Cost Oil STB/yr.	Net Profit Oil STB/yr.	Total Net Oil STB/yr.	Oil Price $/STB	Contractor's Total Revenue (Operating Cash Flow) $/yr.	Total Operating Costs $/yr.	Net Operating Income $/yr.	Total Capital Costs $/yr.	Net Cash Flow $/yr.
2018	54,745	0	29,075	83,820	58.80	4,928,622	3,218,997	1,709,625	2,800,000	-1,090,375
2019	72,917	60,358	33,197	166,473	64.20	10,687,556	4,681,302	6,006,254	32,130,000	-26,123,746
2020	87,159	211,825	116,504	415,487	67.71	28,132,637	5,901,541	22,231,096	59,458,860	-37,227,764
2021	117,463	549,060	301,983	968,506	71.40	69,151,341	8,386,862	60,764,479	57,305,232	3,459,247
2022	148,680	975,428	536,486	1,660,594	72.94	121,123,715	10,844,716	110,278,999	58,451,337	51,827,662
2023	162,674	1,202,607	661,434	2,026,715	74.52	151,030,795	12,122,498	138,908,297	59,620,363	79,287,934
2024	179,764	1,368,577	684,289	2,232,630	76.13	169,970,127	13,685,460	156,284,667	56,308,121	99,976,546
2025	195,240	865,926	1,081,446	2,142,613	77.78	166,652,408	15,185,794	151,466,614	57,434,283	94,032,331
2026	209,352	737,356	1,273,866	2,220,574	79.45	176,424,588	16,632,992	159,791,596	58,582,969	101,208,627
2027	213,004	736,257	1,253,195	2,202,456	81.16	178,751,361	17,287,430	161,463,932	59,754,628	101,709,303
2028	224,902	735,220	1,343,627	2,303,749	82.90	190,980,807	18,644,398	172,336,409	60,949,721	111,386,688
2029	235,862	734,161	1,107,162	2,077,184	84.68	175,895,975	19,972,765	155,923,210	62,168,715	93,754,495
2030	240,711	733,173	1,163,545	2,137,429	86.49	184,866,222	20,819,134	164,047,089	63,412,090	100,634,999
2031	250,070	732,175	1,211,219	2,193,464	88.34	193,770,583	22,091,149	171,679,434	64,680,332	106,999,102
2032	267,236	731,175	1,331,178	2,329,589	90.23	210,198,842	24,112,737	186,086,105	65,973,938	120,112,167
2033	278,464	730,180	1,413,516	2,422,160	92.16	223,226,256	25,663,222	197,563,035	67,293,417	130,269,618
2034	263,867	0	1,645,279	1,909,146	94.12	179,694,899	24,835,972	154,858,927	0	154,858,927
2035	152,782	0	1,274,900	1,427,682	96.13	137,236,902	14,686,271	122,550,631	0	122,550,631
2036	126,336	0	736,764	863,100	98.17	84,728,921	12,402,146	72,326,775	0	72,326,775
2037	111,231	0	637,639	748,870	100.25	75,075,380	11,151,112	63,924,269	0	63,924,269
2038	98,249	0	1,767,487	1,865,736	102.38	191,007,633	10,058,406	180,949,228	0	180,949,228
2039	86,962	0	1,529,869	1,616,830	104.54	169,030,087	9,091,337	159,938,751	0	159,938,751
2040	77,131	0	1,322,672	1,399,804	106.75	149,436,032	8,234,166	141,201,867	0	141,201,867
2041	68,488	0	1,140,270	1,208,758	109.01	131,766,849	7,465,931	124,300,918	0	124,300,918
2042	61,078	0	983,727	1,044,805	111.31	116,297,527	6,798,609	109,498,918	0	109,498,918
Total	**3,984,369**	**11,103,478**	**24,580,327**	**39,668,174**		**3,490,066,068**	**343,974,946**	**3,146,091,122**	**886,324,007**	**2,259,767,116**

Table 4e
Page 5

Zenith Energy Ltd.

April 1, 2018

Azerbaijan Project Particulars-Total Proved Plus Probable

Company Cash Flow Analysis

		Net to Company Before and After Income Tax				
		Undiscounted	Discounted @			
	Company Net Oil	Net Cash Flow (Profit)	5%	10%	15%	20%
Year	STB/yr.	$/yr.	$	$	$	$
2018	67,056	-872,300	-856,485	-841,673	-827,759	-814,653
2019	133,178	-20,898,997	-19,662,504	-18,551,737	-17,549,031	-16,639,830
2020	332,390	-29,782,211	-26,685,849	-24,033,853	-21,746,371	-19,760,555
2021	774,805	2,767,398	2,361,600	2,030,230	1,757,129	1,530,145
2022	1,328,475	41,462,130	33,697,454	27,652,391	22,892,108	19,104,308
2023	1,621,372	63,430,347	49,096,809	38,457,893	30,453,234	24,355,416
2024	1,786,104	79,981,237	58,959,664	44,084,288	33,390,784	25,592,065
2025	1,714,090	75,225,864	52,813,478	37,693,826	27,309,129	20,058,717
2026	1,776,459	80,966,902	54,137,202	36,882,289	25,559,381	17,991,287
2027	1,761,965	81,367,443	51,814,302	33,695,222	22,335,498	15,066,908
2028	1,842,999	89,109,350	54,042,193	33,546,580	21,270,143	13,750,406
2029	1,661,748	75,003,596	43,321,399	25,669,321	15,567,948	9,644,796
2030	1,709,943	80,507,999	44,286,374	25,048,322	14,530,832	8,627,178
2031	1,754,771	85,599,282	44,844,781	24,211,241	13,434,569	7,643,964
2032	1,863,671	96,089,733	47,943,471	24,707,638	13,113,927	7,150,629
2033	1,937,728	104,215,694	49,521,788	24,360,976	12,367,760	6,462,776
2034	1,527,317	123,887,142	56,066,071	26,326,620	12,784,576	6,402,226
2035	1,142,146	98,040,505	42,256,170	18,940,076	8,797,673	4,222,105
2036	690,480	57,861,420	23,751,135	10,161,845	4,514,956	2,076,497
2037	599,096	51,139,415	19,992,253	8,164,819	3,469,943	1,529,385
2038	1,492,589	144,759,382	53,896,854	21,010,909	8,541,132	3,607,667
2039	1,293,464	127,951,001	45,370,241	16,882,981	6,564,695	2,657,310
2040	1,119,843	112,961,494	38,147,714	13,550,121	5,039,686	1,955,004
2041	967,007	99,440,734	31,982,552	10,843,872	3,857,798	1,434,169
2042	835,844	87,599,134	26,832,387	8,684,148	2,955,134	1,052,821
Total	**31,734,539**	**1,807,813,693**	**877,931,054**	**469,178,346**	**270,384,875**	**164,700,741**
	80%	80%				

Chapman Petroleum Engineering Ltd.

APPENDIX A

AZERBAIJAN SITE VISIT

BAKU CITY AND MURADKHANLI, JAFARLI AND ZARDAB OIL FIELDS

SEPTEMBER 14 TO 19, 2015

CONDUCTED BY CHARLES G. K. MOORE

SENIOR ASSOCIATE, CHAPMAN PETROLEUM ENGINEERING LTD.

The first two and final three days of the location visit were held in the offices of Zenith Energy Ltd. (the Company) located in the recently completed Azure Business Centre in Baku. Technical information, reserve estimates, production history, etc. were presented by and discussed with Elkan Ahmadov, Consultant to the Company. Also in attendance were Mail Guliyev, Chief SOCAR (State Oil Company of Azerbaijan Republic) Geologist in Muradkhanli Field, Riccardo Lazzeri, geologist employed by the Company and Zaur Hajizada, Senior Geologist with SOCAR.

On September 15, there was a visit to the SOCAR Institute of Geology and Geophysics to meet the personnel conducting seismic interpretations and to view certain well logs which are in storage there and are not readily available elsewhere. Copies were requested, especially of modern porosity logs with LAS files.

The visit to the oil fields was held on September 16, 2015, arriving at the field office at 10:30 am. The visit began with a meeting in the field office conference room. The room was well equipped and comfortable. Mail Guliyev, the chief geologist and Elkhan Ahmadov, consulting reservoir geologist, were present to provide information and answer questions. We obtained a better understanding of the condition of the wells, producing and nonproducing. In many cases simple clean outs, reperforating, acid jobs are expected to restore or greatly increase production. Maps were inspected and various proposed locations were identified.

Mr. Riccardo Lazzeri, geologist, is the Company staff person who accompanied and assisted Charles Moore greatly throughout the visit in Baku and the oil field. Mr. Zaur Hajizada, Senior Geologist, the Company's main contact with SOCAR, arranged for the car to take us to the field, translated for us as required and generally accompanied us in Baku and in the field. Mr. Elkhan Ahmadov, Consulting Reservoir Engineer, had been engaged to prepare & summarize material for our use and for use in later field redevelopment. We also were greeted by Mubariz Guliyev, the field manager in his office.

At 14:30 for about 2 hours a tour was made of the oil fields, guided by Fakhraddin Ahmadov, the field supervisor and a driver in a SOCAR field truck. Several active flowing wells as well as wells being pumped by ESP's were inspected. We also visited the service rig which was just moving in on a well to remove and replace or repair the ESP which was not working. There was a large crew, quite well equipped with hard hats, coveralls and work boots. A little oil was being drained from the well to the ground but safety and the environment were being considered. Flare pits are in use.

Wells are tied in with surface gathering lines ranging in size from 4 to 10 inches. They seemed to be randomly placed but provide alternate routing for production in case of problems with one line. Well effluent is gathered to a central processing and storage facility in the Muradkhanli field. Separators and heater/treaters were in operation. There were 4 large storage tanks with capacities of 5000, 3000, 2500 and 2500 barrels respectively. One of the 2500 barrel tanks is worn out and is being replaced. The tanks are surrounded by berms to confine any spills. There is ample installed capacity to allow field production rates to increase several fold without any major new equipment. The truck loading facilities were also observed. Increased production rates would require more frequent trucking but not new facilities in early years. Oil is trucked to a pipeline terminal at Shirvan, a distance of about 120 km. From there the crude oil is shipped in batches for refining or export.

The very little gas that is produced is used on site for the heater/ treater. The produced water is pumped to disposal well #56 for disposal to a permeable sand at 1400 m. There is also a backup disposal well, #93.

The area is generally very flat and dry. There is some agriculture, using irrigation in the area, which does not interfere with oil field operations. The area is sparsely settled but is near a main paved highway. A railway is also nearby. There are no major communities in the immediate area. Minimal site restoration should be required to restore the land to its original condition. A marsh area had been noted on maps which had precluded most drilling and seismic activities in this considerable area. It was noted that at the time of the visit the ground was dry and appeared to be hard. It appears the seismic and other work may be practical in the marshy area during dry periods. Directional drilling is another approach to access resources under the marsh area.

Two service rigs, one needing repair will be transferred to the Company with the field. The SOCAR field office and all equipment will be available to the Company.

Charles Moore concluded that this is an active oil field. There is the opportunity and need for some upgrading and updating of equipment and procedures but the foundation for expanded operations is in place. SOA, a subsidiary of SOCAR, will be a 20 percent Working Interest participant and is expected to be very helpful in transferring equipment and facilitating the construction or import of new equipment.

Some photos of the field were taken. Eight photos are included as Attachment 2. Additional photos can be viewed on request.

Other Observations and Comments

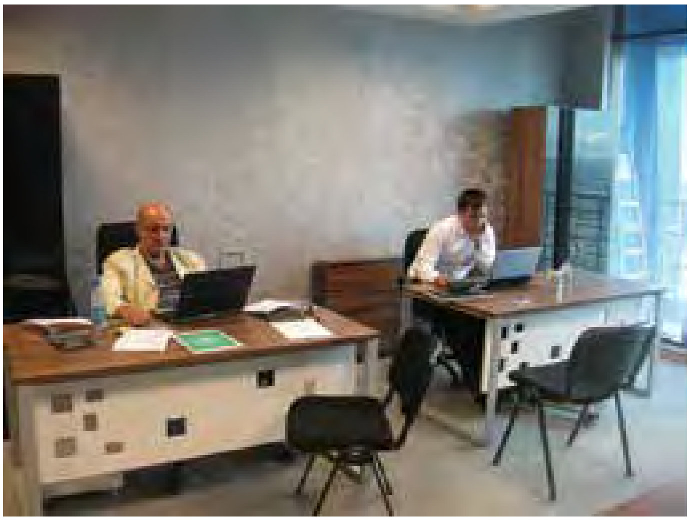
Well cores were discussed. Rock mechanic studies would be helpful if fracturing and stimulation activities are to be optimized. Zaur Hajizada will check if some cores are in storage in Azerbaijan; he knows some will have been sent to Moscow and likely cannot be obtained. In any case fresh cores should be obtained when new wells are drilled. Most existing cores will be over 30 years old and storage conditions are not likely optimum.

A ten well workover plan was provided by the SOCAR geologist Mail Guliyev. Two wells have been worked on, one had little success and the job will be repeated. The other workover candidates provide a starting point for the work the Company intends to carry out.

Photos from Site Visit

Baku and Muradkhanli Oil Field, Azerbaijan

September 2015



Zenith Personnel at Work in Zenith Head Office in Baku

Chapman Associate at Muradkhanli Field Office

Chapman, Zenith and SOCAR Personnel in Muradkhanli Field

Typical Flowing Muradkhanli Oil Well

Photos from Site Visit

Baku and Muradkhanli Oil Field, Azerbaijan

September 2015

Service Rig Moving to Work Over Well with ESP

Chapman and Zenith Personnel with SOCAR Field Supervisors

Heater Treaters and Other Equipment at Muradkhanli Central Facilities

3000 BBL Oil Storage Tank at Muradkhanli Central Facilities

APPENDIX B

EXPLORATION CONTRACT

Introduction

Within the REDPSA, besides the Rehabilitation and Development obligation, there is a separate Exploration contract. The agreed to exploration area is comprised of 103 sq. km. and is located in the Northwest fringe within the REDPSA area is shown in Figure 1 of the report.

The Company has two significant exploration work commitments in the Exploration area, involving seismic and drilling, which must be completed within four years of the effective date of the REDPSA. The seismic commitment is to acquire, process and interpret a new 2D/3D seismic program, of which the 3D portion must be a minimum of 60 sq. km. The drilling commitment is to drill one exploratory well to a depth of 5000 m. or 50 m. below the top of the Upper Cretaceous System, whichever occurs first. All work will be planned in consultation with SOCAR and decisions will be approved by SOCAR. All information gathered in the Exploration Work Program will be provided promptly to SOCAR.

Seismic Review

The Company plans to adopt a methodical approach to fulfilling its seismic work commitment. Geophysical staff or consultants of the Company shall first investigate availability of all previous 2D and 3D seismic shot on or near the Exploration Block. We are aware of two significant 3D seismic surveys near the Exploration Block. Any available previously shot data would be subject to a quality inspection process and, if of any utility, would be acquired by the Company.

This data would be digitized and/or processed to a consistent format and loaded onto a geophysical work station. An exploration database would also be constructed consisting of topography and well data. All available sonic and density logs would be added to the database as an aid to interpretation. A geophysical interpretation would then be undertaken incorporating geological mapping completed by the Company. Prospective areas would then be selected based on this geological and geophysical mapping.

Seismic Acquisition

A seismic acquisition program would then be planned over the most prospective areas of interest on the Exploration Block. This program would be laid out onto large scale topographic maps so that it could be acquired in an efficient manner. Seismic acquisition parameters would be determined to delineate the major targeted horizons. Invitation to Bid documents would then be prepared to deliver to potential seismic acquisition companies. A number of these companies would be contacted to determine their qualifications and ability to acquire this seismic data in a cost effective and environmentally safe manner. A short list of at least three qualified companies would be selected and invited to competitively bid for this job. As per the requirements of the REDPSA, any bidding company would be obligated to acquire seismic using the standards of the Operations Safety Manual of the International Association of Geophysical Contractors. The submitted bids would be evaluated on the basis of cost, timing and reputational experience and a Seismic Acquisition Contract would be signed with the selected bidder.

In preparation of the commencement of the seismic program, a Baseline Survey of the prospective area would be undertaken as part of the Environmental Work Program as required by the REDPSA. A specific seismic Environmental Impact Assessment would be commissioned from a qualified environmental consulting firm and an HSE Management Plan would be developed for seismic operations in consultation with the seismic acquisition company.

During the seismic operations, the Company would be represented by our own experienced quality control consultant on site at all times. Daily operations reports from this consultant and the seismic acquisition company would be promptly forwarded to SOCAR.

Upon conclusion of the seismic acquisition and delivery of the field data to the Company and SOCAR, a chosen seismic processing firm would produce the final seismic data ready for interpretation. A copy of this final data would be forwarded to SOCAR. This final data would be loaded onto the geophysical work station and integrated into the already existing exploration database. After interpretation, a drilling location deep enough to satisfy the terms of the REDPSA would be chosen.

Well Drilling

A drilling engineering firm would be contracted to prepare a cost effective, safe and environmentally sound drilling plan for the chosen location. A drilling Environmental Impact Assessment would be commissioned from a qualified environmental consulting firm and an Environmental Monitoring

Program and HSE Management Plan would be developed for the drilling operations in consultation with the environmental consulting firm, the drilling engineering firm and the chosen drilling contractor.

The drilling plan would include a complete Formation Evaluation Plan for the well as itemized in the REDPSA. This would include a logging suite over the entire wellbore, a vertical seismic profile upon reaching total depth and wireline formation testing of all potentially productive horizons. Mud logging and geological logging of drilling samples would also be carried out over the entire wellbore. All these formation evaluation services would be carried out by major international oil field service companies.

Upon completion of the drilling plan, drilling contractors would be contacted and a short list of at least three qualified companies would be selected and invited to bid on the drilling contract. Each of these drilling contractors would be experienced in drilling wells using the standards of the Drilling Safety Manual of the International Association of Drilling Contractors as required by the REDPSA.

During drilling operations, daily drilling reports would be forwarded to both the Company and SOCAR. These would include reports from the drilling contractor, the onsite drilling engineer representing the Company, the mud loggers and the wellsite geologist. At the completion of drilling, all final formation evaluation reports would also be forwarded to SOCAR. These would include all sets of well logs, any wireline formation tests, the vertical seismic profile and the final mud and wellsite geologist's logs.

The exploration program has been inspired, in part, by the results of the deep well 210, which reportedly had oil shows from a deeper unexploited horizon during drilling and testing operations.

Failure to complete the Exploration Plans or lack of success in exploration does not affect the Company's rights and obligations under the Rehabilitation and Development Contract.

ZENITH ENERGY LTD.	
COMPANY'S CONCESSIONS ITALY ORIENTATION MAP	
APR. 2018	JOB No. 6445

118

Chapman Petroleum Engineering Ltd.

ITALY
DISCUSSION

General Discussion

The Company has working interests in nine concessions in Italy. The four concessions which have commercial significance at this time have been evaluated in this report.

SUMMARY OF COMPANY RESERVES AND ECONOMICS

ITALY

INDEX

Forecast Prices and Costs

Forecast Prices & Costs

Table 1
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Italy Properties Only

Zenith Energy Ltd.

Description		Light and Medium Oil MSTB Gross	Light and Medium Oil MSTB Net	Conventional Natural gas MMscf Gross	Conventional Natural gas MMscf Net	NGL Mbbls Gross	NGL Mbbls Net	Cumulative Cash Flow (BIT) - MUS$ Undisc.	Discounted at: 5%/year	Discounted at: 10%/year	Discounted at: 15%/year	Discounted at: 20%/year
Proved Developed Producing												
Misano Adriatico Concession		0	0	123	123	0	0	378	310	252	210	179
Torrente Cigno Concession		0	0	1,073	1,073	15	15	2,245	1,898	1,631	1,421	1,254
Total Proved Developed Producing		**0**	**0**	**1,196**	**1,196**	**15**	**15**	**2,623**	**2,208**	**1,883**	**1,631**	**1,433**
Proved Developed Non-Producing												
Lucera Concession		0	0	120	120	0	0	289	241	204	175	152
San Mauro Concession		0	0	101	101	0	0	162	120	92	73	60
Total Proved Developed Non-Producing		**0**	**0**	**220**	**220**	**0**	**0**	**452**	**361**	**296**	**249**	**213**
Total Proved Developed		**0**	**0**	**1,416**	**1,416**	**15**	**15**	**3,075**	**2,569**	**2,179**	**1,880**	**1,646**
Probable												
Probable Developed Producing												
Misano Adriatico Concession	Incr.	0	0	74	74	0	0	351	179	97	57	38
Torrente Cigno Concession	Incr.	0	0	1,439	1,439	25	25	4,237	2,421	1,469	940	630
Total Probable Developed Producing		**0**	**0**	**1,513**	**1,513**	**25**	**25**	**4,588**	**2,600**	**1,566**	**997**	**668**
Probable Developed Non-Producing												
Lucera Concession	Incr.	0	0	31	31	0	0	93	65	46	34	26
San Mauro Concession	Incr.	0	0	25	25	0	0	66	35	20	12	8
Total Probable Developed Non-Producing		**0**	**0**	**56**	**56**	**0**	**0**	**159**	**99**	**66**	**46**	**34**
Probable Undeveloped												
Torrente Cigno Concession		0	0	13,413	13,413	216	216	71,856	21,679	9,850	5,689	3,737
Total Probable Undeveloped		**0**	**0**	**13,413**	**13,413**	**216**	**216**	**71,856**	**21,679**	**9,850**	**5,689**	**3,737**
Total Probable		**0**	**0**	**14,984**	**14,984**	**242**	**242**	**76,603**	**24,378**	**11,481**	**6,732**	**4,438**
Total Proved Plus Probable		**0**	**0**	**16,400**	**16,400**	**257**	**257**	**79,678**	**26,947**	**13,661**	**8,612**	**6,084**

Net To Appraised Interest

MUS$ means thousands of United States dollars.

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 1a

EVALUATION OF: Zenith Energy Ltd. (Italy Properties)
=============== Total Proved Developed Producing Cons.

ERGO v7.43 P2 ENERGY SOLUTIONS GRAND TOTAL
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:57
FILE:

EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TOTAL ABANDONMENT - 120 -M$-

Year	# of Wells	Sales Gas MMCF Price $/MCF	Sales Gas MMCF Pool MCF/D	Sales Gas MMCF Pool Vol	Sales Gas MMCF Company Share Gross	Sales Gas MMCF Company Share Net	Condensate BBL Price $/BBL	Condensate BBL Co. Share Gross
2018	2	2.73	451.5	124	124	124	61.85	1609
2019	2	2.78	449.1	164	164	164	67.25	2135
2020	2	2.85	446.4	163	163	163	70.76	2135
2021	2	2.92	444.1	162	162	162	74.45	2135
2022	2	2.99	441.9	161	161	161	75.99	2135
2023	2	3.05	439.9	161	161	161	77.57	2135
2024	2	3.18	344.0	126	126	126	79.18	1655
2025	2	3.41	208.3	76	76	76	80.83	972
2026	2	5.32	33.9	12	12	12	82.50	90
2027	1	7.92	14.9	5	5	5	.00	0
2028	1	8.15	13.6	5	5	5	.00	0
2029	1	8.38	12.5	5	5	5	.00	0
2030	1	8.63	11.4	4	4	4	.00	0
2031	1	8.87	10.4	4	4	4	.00	0
2032	1	9.12	9.5	3	3	3	.00	0
SUB				1175	1175	1175		15002
REM				21	21	21		0
TOT				1196	1196	1196		15002

= P/T = ==================== COMPANY SHARE FUTURE NET REVENUE ====================

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	Future Revenue (FR) SaleGas -M$-	Future Revenue (FR) Products -M$-	Future Revenue (FR) Total -M$-	Royalties Crown -M$-	Royalties Other -M$-	Royalties Mineral -M$-	Royalties -%-	Operating Costs Fixed -M$-	Operating Costs Variable -M$-	Operating Costs $/BOE	FR After Roy&Oper -M$-	Net back $/BOE	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	Future Net Rev 10.0% -M$-
2018	0	0	339	100	438	0	0	0	.0	78	108	8.35	252	11.30	0	0	0	252	243
2019	0	0	456	144	600	0	0	0	.0	106	145	8.51	349	11.85	0	0	0	349	310
2020	0	0	465	151	616	0	0	0	.0	108	146	8.67	362	12.35	0	0	0	362	292
2021	0	0	473	159	632	0	0	0	.0	110	147	8.83	375	12.86	0	0	0	375	275
2022	0	0	482	162	644	0	0	0	.0	112	149	9.00	383	13.20	0	0	0	383	255
2023	0	0	490	166	656	0	0	0	.0	114	151	9.17	391	13.52	0	0	0	391	237
2024	0	0	400	131	531	0	0	0	.0	117	121	10.55	293	12.97	0	0	0	293	161
2025	0	0	259	79	338	0	0	0	.0	119	77	14.37	142	10.37	0	0	0	142	71
2026	30	0	66	7	73	0	0	0	.0	23	18	19.06	32	15.00	0	0	30	2	1
2027	0	0	43	0	43	0	0	0	.0	9	11	22.21	23	25.28	0	0	0	23	10
2028	0	0	41	0	41	0	0	0	.0	9	10	23.63	21	25.29	0	0	0	21	8
2029	0	0	38	0	38	0	0	0	.0	10	10	25.18	19	25.09	0	0	0	19	7
2030	0	0	36	0	36	0	0	0	.0	10	9	26.89	17	24.87	0	0	0	17	5
2031	0	0	34	0	34	0	0	0	.0	10	8	28.77	16	24.47	0	0	0	16	4
2032	0	0	32	0	32	0	0	0	.0	10	8	30.85	14	23.88	0	0	0	14	4
SUB	30	0	3653	1098	4751	0	0	0	.0	946	1117		2688		0	0	30	2658	1882
REM	90	0	207	0	207	0	0	0	.0	101	50		56		0	0	90	-34	1
TOT	120	0	3859	1098	4958	0	0	0	.0	1047	1167		2743		0	0	120	2623	1883

==================== NET PRESENT VALUE (-M$-) ====================

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	2743	2257	2034	1906	1793	1644	1441
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	120	49	31	23	18	13	8
Future Net Revenue .	2623	2208	2003	1883	1775	1631	1433

==================== COMPANY SHARE ====================

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	44.7	55.3	.0	52.9

==================== PROFITABILITY ====================

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/BOE)	8.79
NPV @ 5.0% ($/BOE)	10.30

Table 1b

EVALUATION OF: Zenith Energy Ltd. (Italy Properties)
============== Total Proved Developed Cons.

ERGO v7.43 P2 ENERGY SOLUTIONS GRAND TOTAL
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:58
FILE:

EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 63 -M$-
TOTAL ABANDONMENT - 348 -M$-

		Sales Gas MMCF					Condensate BBL	
			Pool		Company Share			
Year	# of Wells	Price $/MCF	MCF/D	Vol	Gross	Net	Price $/BBL	Co. Share Gross
2018	3	2.84	559.6	154	130	130	61.85	1609
2019	5	3.14	894.4	326	188	188	67.25	2135
2020	5	3.28	973.9	355	191	191	70.76	2135
2021	5	3.32	898.1	328	186	186	74.45	2135
2022	5	3.35	833.4	304	182	182	75.99	2135
2023	5	3.38	778.2	284	179	179	77.57	2135
2024	5	3.55	636.9	232	142	142	79.18	1655
2025	5	3.91	462.6	169	90	90	80.83	972
2026	5	6.09	255.0	93	25	25	82.50	90
2027	4	7.35	207.7	76	16	16	.00	0
2028	4	7.58	182.1	66	14	14	.00	0
2029	4	7.80	160.1	58	13	13	.00	0
2030	2	8.18	69.9	26	8	8	.00	0
2031	2	8.41	64.8	24	7	7	.00	0
2032	2	8.64	60.1	22	7	7	.00	0
SUB				2518	1378	1378		15002
REM				118	38	38		0
TOT				2636	1416	1416		15002

= P/T = ==================== COMPANY SHARE FUTURE NET REVENUE ====================

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties Crown -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/BOE	FR After Roy&Oper -M$-	Net back $/BOE	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	63	0	368	100	468	0	0	0	.0	82	123	8.83	263	11.33	0	11	0	251	243
2019	0	0	591	144	735	0	0	0	.0	123	200	9.64	412	12.30	0	0	0	412	365
2020	0	0	627	151	778	0	0	0	.0	131	210	10.01	438	12.88	0	0	0	438	353
2021	0	0	618	159	777	0	0	0	.0	133	204	10.16	440	13.25	0	0	0	440	323
2022	0	0	612	162	774	0	0	0	.0	136	199	10.30	439	13.49	0	0	0	439	293
2023	0	0	605	166	770	0	0	0	.0	138	196	10.46	436	13.65	0	0	0	436	264
2024	0	0	503	131	634	0	0	0	.0	141	162	12.00	331	13.11	0	0	0	331	182
2025	0	0	352	79	430	0	0	0	.0	144	113	16.12	173	10.82	0	0	0	173	87
2026	30	0	150	7	157	0	0	0	.0	49	51	23.68	58	13.87	0	0	30	28	13
2027	0	0	119	0	119	0	0	0	.0	35	41	28.07	43	16.04	0	0	0	43	18
2028	0	0	109	0	109	0	0	0	.0	36	37	30.31	36	15.17	0	0	0	36	14
2029	142	0	101	0	101	0	0	0	.0	37	34	32.79	30	14.00	0	0	19	11	4
2030	0	0	66	0	66	0	0	0	.0	18	22	30.46	25	18.64	0	0	0	25	8
2031	0	0	62	0	62	0	0	0	.0	19	21	32.30	22	18.18	0	0	0	22	6
2032	0	0	59	0	59	0	0	0	.0	19	20	34.30	20	17.57	0	0	0	20	5
SUB	235	0	4941	1098	6039	0	0	0	.0	1241	1632		3166		0	11	49	3106	2177
REM	176	0	362	0	362	0	0	0	.0	169	118		75		0	0	105	-31	2
TOT	411	0	5303	1098	6401	0	0	0	.0	1410	1750		3241		0	11	155	3075	2179

==================== NET PRESENT VALUE (-M$-) ====================

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	3241	2645	2376	2223	2086	1908	1668
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	11	11	11	11	11	11	11
Abandonment Costs ..	155	66	42	32	25	18	11
Future Net Revenue .	3075	2569	2323	2179	2050	1880	1646

==================== COMPANY SHARE ====================

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	85.1	55.3					
% of Future Revenue.			.0	49.4	50.6	.2	48.0

==================== PROFITABILITY ====================

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	18.5
(disc. @ 10.0%) .	50.6
(disc. @ 5.0%) .	33.5
First Payout (years)	.1
Total Payout (years)	.4
Cost of Finding ($/BOE)	.66
NPV @ 10.0% ($/BOE)	8.68
NPV @ 5.0% ($/BOE)	10.23

Table 1c

EVALUATION OF: Zenith Energy Ltd. (Italy Properties)
============== Total Proved Plus Probable Cons.

ERGO v7.43 P2 ENERGY SOLUTIONS GRAND TOTAL
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:58
FILE:

EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 1593 -M$-
TOTAL ABANDONMENT - 473 -M$-

	Sales Gas MMCF						Condensate BBL	
			Pool		Company Share			Co.
Year	# of Wells	Price $/MCF	MCF/D	Vol	Gross	Net	Price $/BBL	Share Gross
2018	3	2.85	560.5	154	130	130	61.85	1856
2019	6	2.78	1681.2	614	473	473	67.25	7054
2020	6	2.86	1927.0	703	532	532	70.76	7939
2021	6	2.93	1863.5	680	529	529	74.45	7939
2022	6	3.00	1807.5	660	525	525	75.99	7939
2023	6	3.06	1758.3	642	522	522	77.57	7939
2024	6	3.14	1714.8	626	520	520	79.18	7939
2025	6	3.22	1676.4	612	517	517	80.83	7939
2026	6	3.30	1642.5	600	515	515	82.50	7939
2027	6	3.38	1612.5	589	513	513	84.21	7939
2028	6	3.47	1565.5	571	504	504	85.95	7818
2029	6	3.57	1503.6	549	488	488	87.73	7592
2030	6	3.66	1448.0	529	474	474	89.54	7388
2031	6	3.76	1398.1	510	462	462	91.39	7204
2032	6	3.87	1353.3	494	450	450	93.28	7037
SUB				8532	7154	7154		109460
REM				9403	9245	9245		147400
TOT				17934	16400	16400		256860

= P/T = ================== COMPANY SHARE FUTURE NET REVENUE ==================

	Capital &Aband	Future Revenue (FR)				Royalties				Operating Costs					Proc&			Future Net Rev	
Year	Costs -M$-	Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Crown -M$-	Other -M$-	Mineral -M$-	-%-	Fixed -M$-	Variable -M$-	$/BOE	FR After Roy&Oper -M$-	Net back $/BOE	Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Undisc -M$-	10.0% -M$-
2018	63	0	369	115	484	0	0	0	.0	82	123	8.74	279	11.88	0	11	0	267	258
2019	1530	0	1316	474	1790	0	0	0	.0	164	436	6.97	1191	13.85	0	1530	0	-339	-301
2020	0	0	1524	562	2086	0	0	0	.0	180	498	7.02	1407	14.56	0	0	0	1407	1135
2021	0	0	1549	591	2140	0	0	0	.0	184	500	7.13	1455	15.15	0	0	0	1455	1067
2022	0	0	1574	603	2177	0	0	0	.0	188	503	7.23	1487	15.57	0	0	0	1487	991
2023	0	0	1598	616	2213	0	0	0	.0	191	506	7.35	1516	15.96	0	0	0	1516	919
2024	0	0	1630	629	2259	0	0	0	.0	195	510	7.47	1553	16.43	0	0	0	1553	856
2025	0	0	1664	642	2305	0	0	0	.0	199	515	7.59	1591	16.90	0	0	0	1591	797
2026	0	0	1699	655	2354	0	0	0	.0	203	520	7.71	1630	17.39	0	0	0	1630	742
2027	0	0	1734	669	2402	0	0	0	.0	207	526	7.85	1669	17.86	0	0	0	1669	691
2028	0	0	1750	672	2422	0	0	0	.0	211	525	8.02	1686	18.36	0	0	0	1686	634
2029	0	0	1742	666	2409	0	0	0	.0	216	517	8.24	1676	18.83	0	0	0	1676	573
2030	0	0	1738	662	2399	0	0	0	.0	220	511	8.46	1669	19.31	0	0	0	1669	519
2031	0	0	1736	658	2394	0	0	0	.0	224	506	8.68	1664	19.78	0	0	0	1664	470
2032	150	0	1740	656	2397	0	0	0	.0	229	502	8.91	1666	20.31	0	0	20	1645	423
SUB	1743	0	23362	8869	32232	0	0	0	.0	2895	7199		22137		0	1541	20	20576	9775
REM	323	0	58349	19464	77813	0	0	0	.0	4488	13978		59347		0	0	245	59102	3885
TOT	2066	0	81711	28333	110045	0	0	0	.0	7383	21177		81484		0	1541	265	79678	13661

============ NET PRESENT VALUE (-M$-) ============

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	81484	28451	18735	15045	12499	9913	7315
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	1541	1450	1400	1369	1338	1295	1228
Abandonment Costs ..	265	54	25	16	10	6	3
Future Net Revenue .	79678	26947	17310	13661	11151	8612	6084

============ COMPANY SHARE ============

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	85.2	92.1					
% of Future Revenue.			.0	26.0	74.0	1.4	72.4

============ PROFITABILITY ============

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	44.1
(disc. @ 10.0%) .	9.9
(disc. @ 5.0%) .	17.9
First Payout (years)	.6
Total Payout (years)	2.0
Cost of Finding ($/BOE)	.60
NPV @ 10.0% ($/BOE)	4.57
NPV @ 5.0% ($/BOE)	9.01

Chapman Petroleum Engineering Ltd.

LUCERA GAS CONCESSION

ONSHORE, ITALY

INDEX

LUCERA GAS CONCESSION
ONSHORE ITALY
DISCUSSION

Property Description

The Company owns 13.6% working interest in the Lucera gas concession covering approximately 38,514 acres and located onshore Italy along the Adriatic coast. This concession is scheduled to expire in 2022 but an extension is expected to be granted based on the remaining reserves.

A map showing the Lucera concession location is presented in Figure 1a, and a description of the ownership is presented in Table 1.

Geology

The regional geology of Italy as shown in Fig 2a places the company's properties in the on-land shallow depths of the Apenninic Foredeep basin.

The Apennines are the consequences of the subduction of three types of lithosphere with different characteristics, but pertaining to the same Adriatic plate.[1]

1. In the north central Apennines, thin continental lithosphere at the surface in the foreland, and probably thinner at depth, occurs
2. In the southern Apennines, thick continental lithosphere occurs in the foreland, whereas probably old oceanic lithosphere constitutes the slab at depth to the west (northern prologation of the Ionian Mesozoic basin
3. In the southern sector, offshore Calabria, old oceanic Ionian lithosphere occurs both in the foreland and at depth.

The Lucera exploration play has gas resources in the Cenozoic Upper Tertiary Pliocene sand levels of the Bradano Trough as represented in the Stratigraphic Column of Fig 2b.

[1] 'An Introduction To The Italian Geology' – Carlo Doglioni and Giovanni Flores, 1997

Reserves

Total gross proved developed non-producing conventional non-associated marketable gas reserves of 879 MMscf have been estimated for the two producing gas wells. These estimates are based on production decline analyses as presented in Figures 3a and 3b.

Gross probable additional developed non-producing conventional non-associated marketable gas reserves of 232 MMscf have been estimated for the same two wells based on production decline analyses assuming a lesser decline rate, as presented in Figures 4a and 4b.

Production

The Lucera gas concession was producing at a total rate of 538 Mscf/d as of May 2016. There were some problems with the gas treatment plant, and the production was temporarily suspended. Production is expected to resume in May, 2019 when the problems with the treatment plant are anticipated to be solved.

Product Prices

An average 2018 gas price of $5.48/Mscf has been used for this area based on information provided by the Company, which reflects a correlation to the World Bank European posted gas price of 96%.

Capital Expenditures

There are no forecasted capital expenditures as presented in Table 3a.

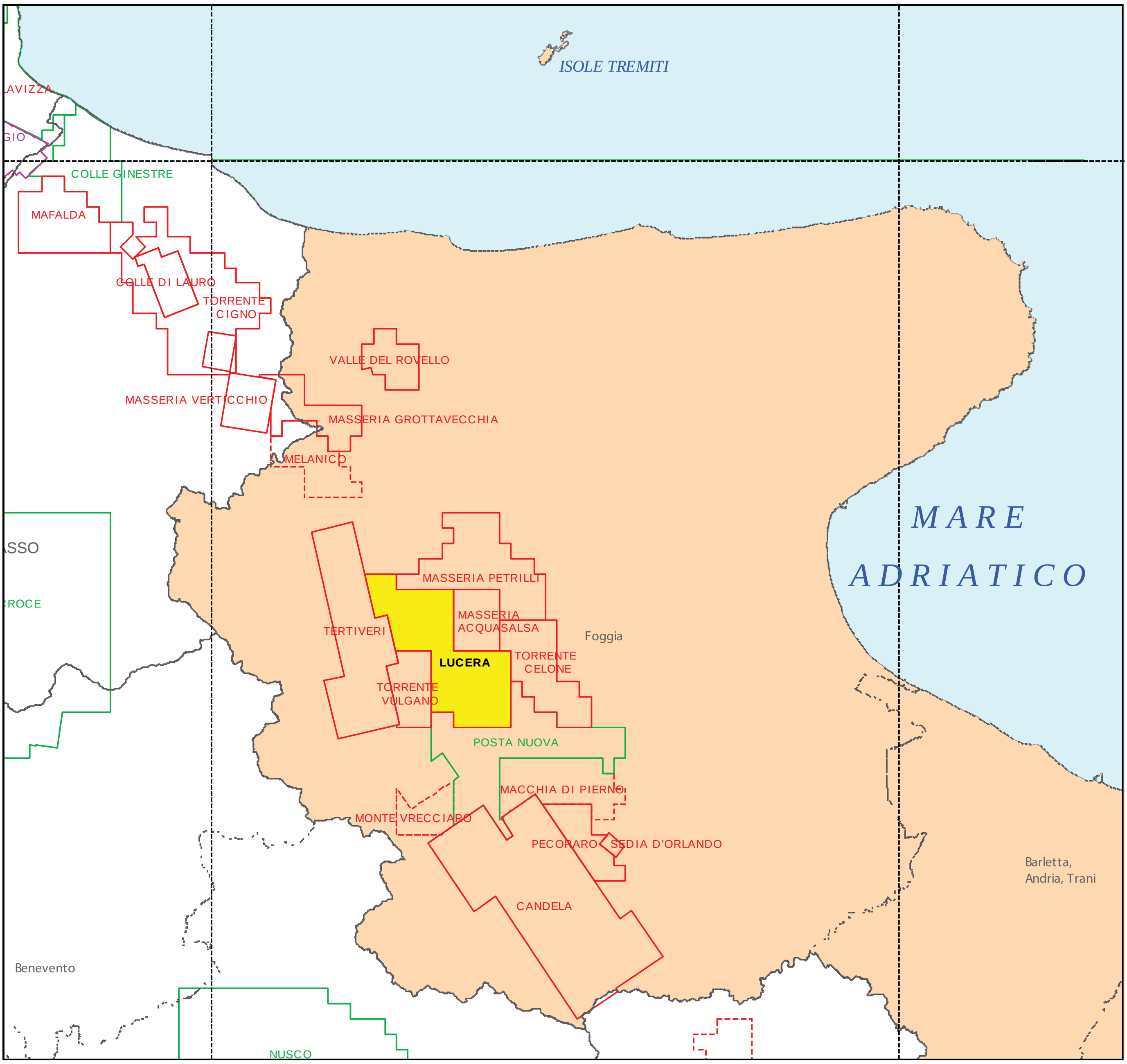
Total abandonment and reclamation liabilities of $114,000 ($15,500 net to the Company) have been estimated based on a reasonable expectation for these types of wells. The abandonment and site reclamation costs are presented in Table 3b.

Operating Costs

Operating costs for this area have been estimated to be $4,700 per well per month plus $1.86/Mscf, based on information provided by the Company.

Economics

An economic summary is presented on Table 4 and the results of our economic analysis are presented on Tables 4a and 4b.



40 km

ZENITH ENERGY LTD.

LUCERA CONCESSION

PUGLIA REGION, ITALY

LAND MAP

APR. 2018 **JOB No. 6445** **FIGURE No. 1**

129

Chapman Petroleum Engineering Ltd.

Table 1

Schedule of Lands, Interests and Royalty Burdens
April 1, 2018

Zenith Energy Ltd.

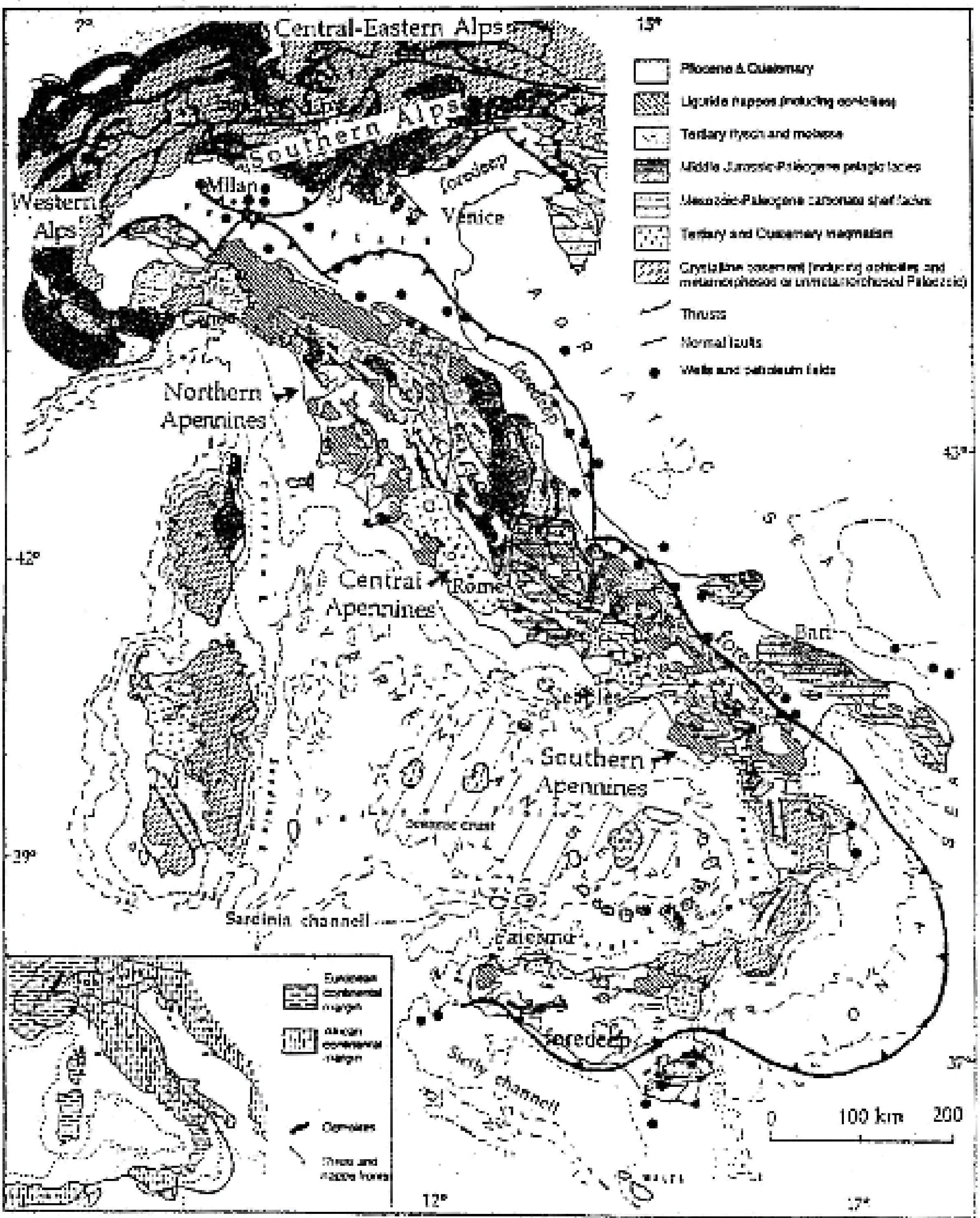
Lucera Concession, Onshore Italy

			Appraised Interest		Royalty Burdens	
Description	Rights Owned	Gross Acres	Working %	Royalty %	Basic %	Overriding %
Lucera Concession	[A]	38,514	13.6000	-	7.0000 [1]	

General Notes : [1] Only if over 25 million cubic meters annually (882.8 MMCF). 0% at forecast rates.

Rights Owned : [A] All P&NG.
The Concession is scheduled to expire in 2022. An extension is expected to be granted based on the remaining reserves.

Chapman Petroleum Engineering Ltd.



Source: Doglioni and Flores, An Introduction to the Italian Geology, 1997

ZENITH ENERGY LTD.

ITALY

REGIONAL GEOLOGY

APR. 2018 **JOB No. 6445** **FIGURE No. 2a**

System	Series	Stage	Age (Ma)	*ZONES OF INTEREST*
Quaternary	Pleistocene	Gelasian	younger	
Neogene	Pliocene	Piacenzian	2.588–3.600	GAS ZONE
		Zanclean	3.600–5.332	GAS ZONE
	Miocene	Messinian	5.332–7.246	GAS ZONE
		Tortonian	7.246–11.608	
		Serravallian	11.608–13.65	
		Langhian	13.65–15.97	
		Burdigalian	15.97–20.43	
		Aquitanian	20.43–23.03	
Paleogene	Oligocene	Chattian	older	

ZENITH ENERGY LTD.

ITALY

STRATIGRAPHIC CHART

APR. 2018 **JOB No. 6445** **FIGURE No. 2b**

Chapman *Petroleum Engineering Ltd.*

Table 2

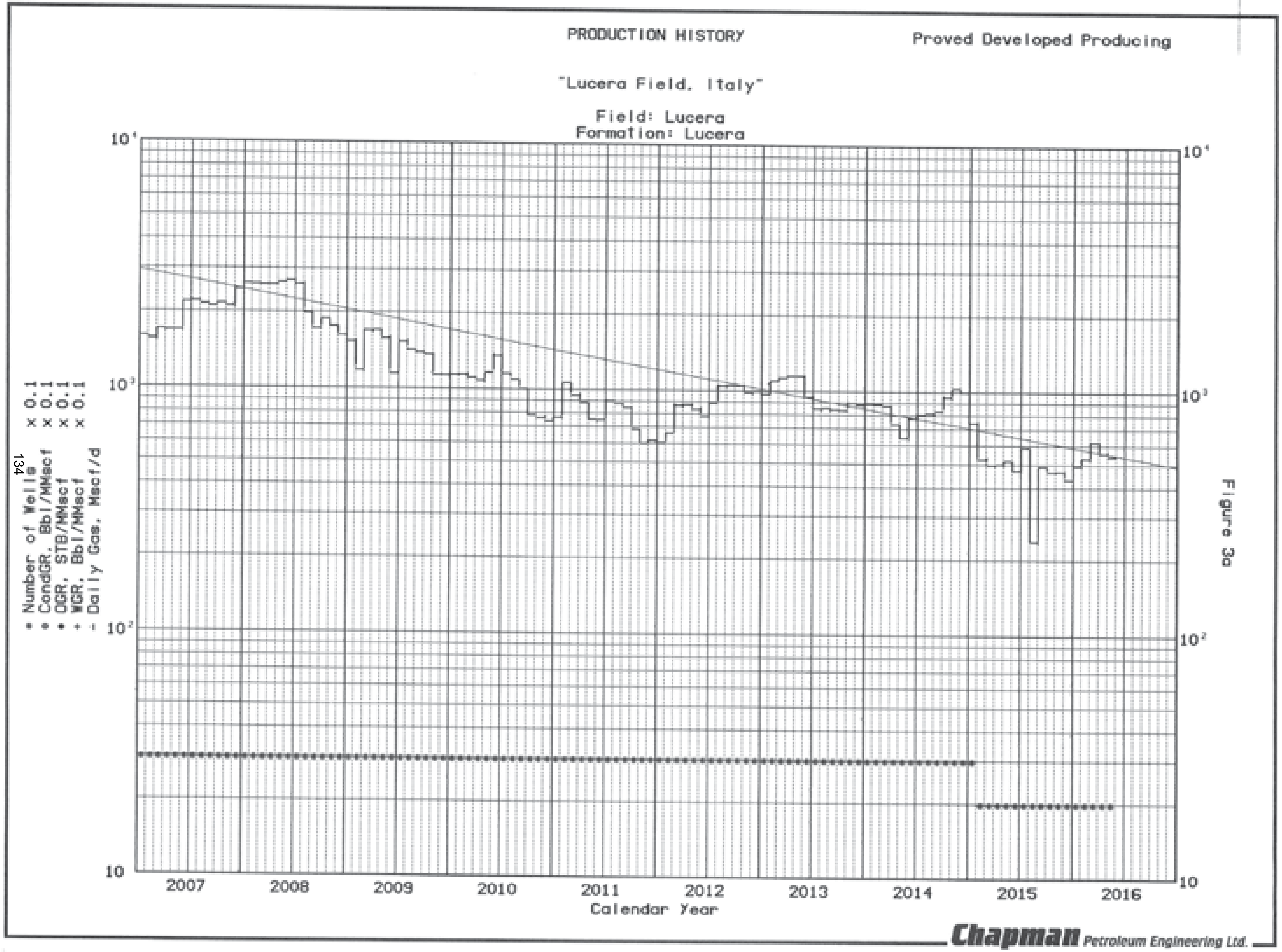
Summary of Gross Reserves
April 1, 2018

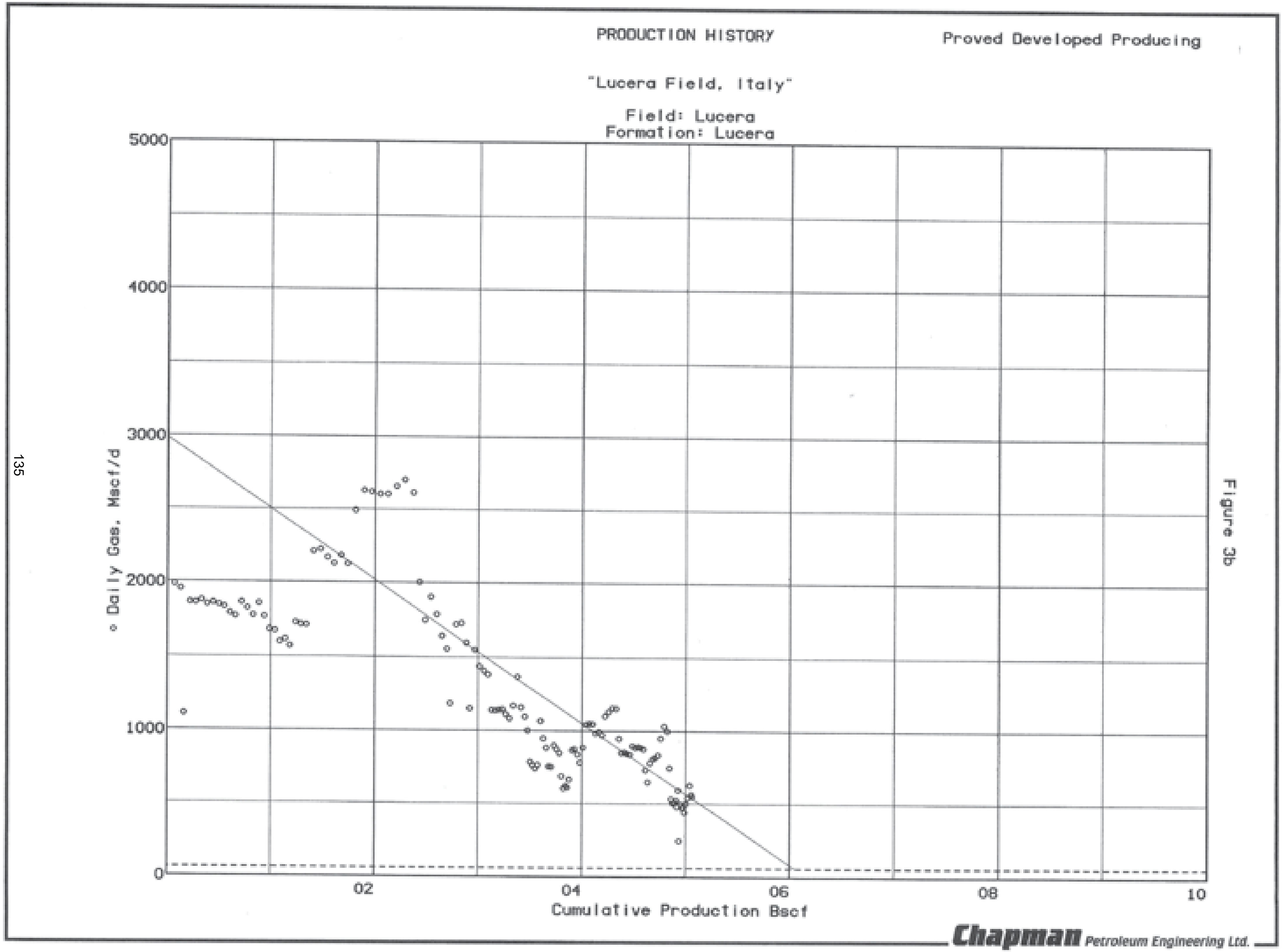
Zenith Energy Ltd.

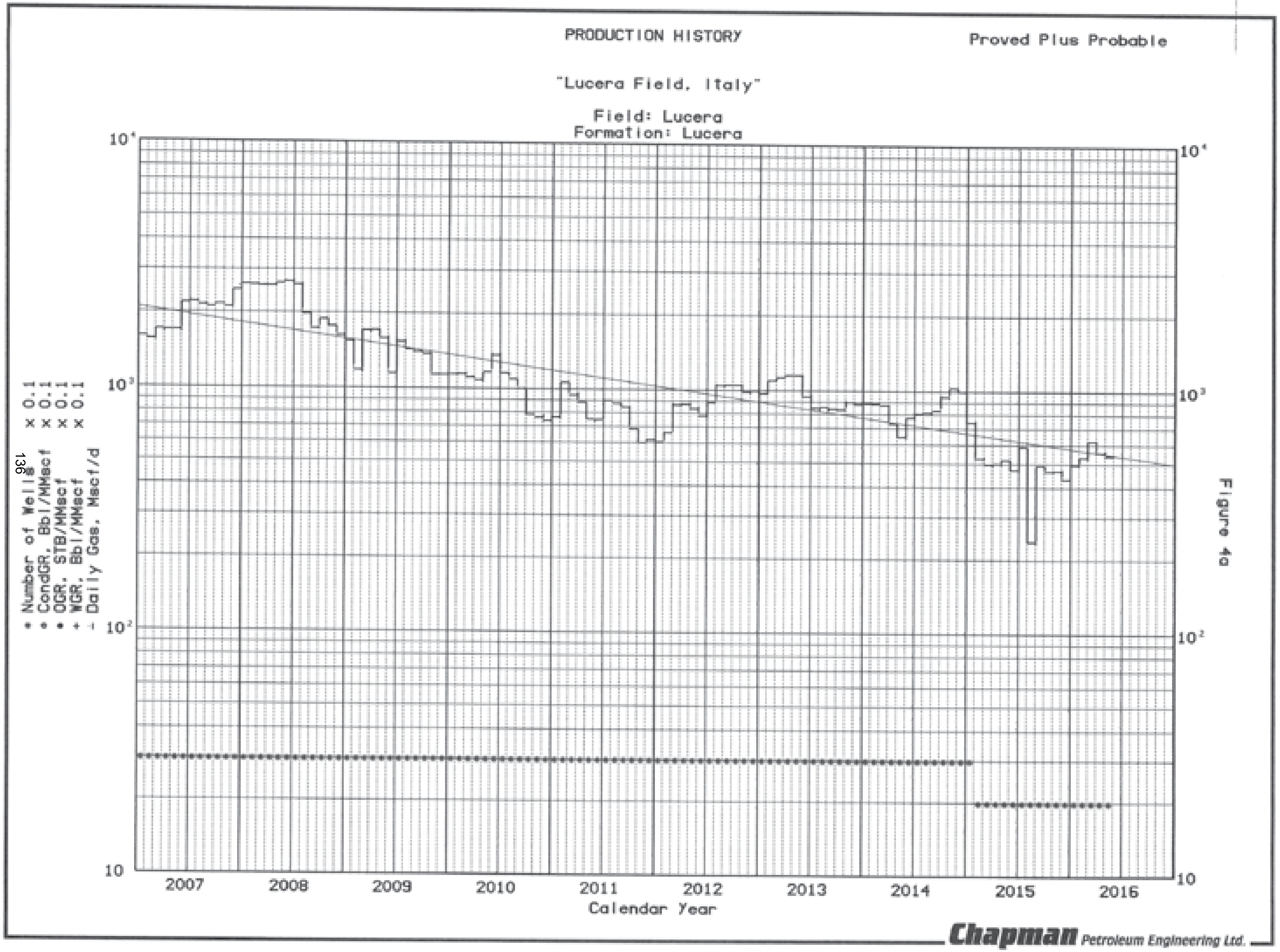
Lucera Concession, Onshore Italy

Description			Current or Initial Rate Mscf/d	Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining RGIP (raw) (MMscf)	Remaining RGIP (sales) (MMscf)	Remaining NGLs (MBbls)	Reference
Proved Developed Non-Producing									
Lucera Concession	2 Lucera wells		538	5,984	5,059	925	879	0	Fig 3a & b
Total Proved Developed Non-Producing			**538**	**5,984**	**5,059**	**925**	**879**	**0**	
Probable Developed Non-Producing									
Lucera Concession	2 Lucera wells	(Incr.)	0	244	0	244	232	0	Fig 4a & b
Total Probable Developed Non-Producing			0	244	0	244	232	0	
Total Proved Plus Probable Developed Non-Producing			**538**	**6,228**	**5,059**	**1,169**	**1,111**	**0**	

Chapman Petroleum Engineering Ltd.


PRODUCTION HISTORY
Proved Developed Producing
"Lucera Field, Italy"
Field: Lucera
Formation: Lucera
10⁴
10³
10²
10
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Calendar Year
* Number of Wells x 0.1
* CondGR, Bbl/MMscf x 0.1
* OGR, STB/MMscf x 0.1
+ WGR, Bbl/MMscf x 0.1
- Daily Gas, Mscf/d
Figure 3a
Chapman Petroleum Engineering Ltd.


PRODUCTION HISTORY
Proved Developed Producing
"Lucera Field, Italy"
Field: Lucera
Formation: Lucera
Figure 3b
o Daily Gas, Mscf/d
5000
4000
3000
2000
1000
0
02
04
06
08
10
Cumulative Production Bscf
Chapman Petroleum Engineering Ltd.


PRODUCTION HISTORY
Proved Plus Probable
"Lucera Field, Italy"
Field: Lucera
Formation: Lucera
Figure 4a
* Number of Wells x 0.1
* CondGR, Bbl/MMscf x 0.1
* OGR, STB/MMscf x 0.1
+ WGR, Bbl/MMscf x 0.1
- Daily Gas, Mscf/d
10⁴
10³
10²
10
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Calendar Year
Chapman Petroleum Engineering Ltd.

PRODUCTION HISTORY

Proved Plus Probable

"Lucera Field, Italy"

Field: Lucera
Formation: Lucera

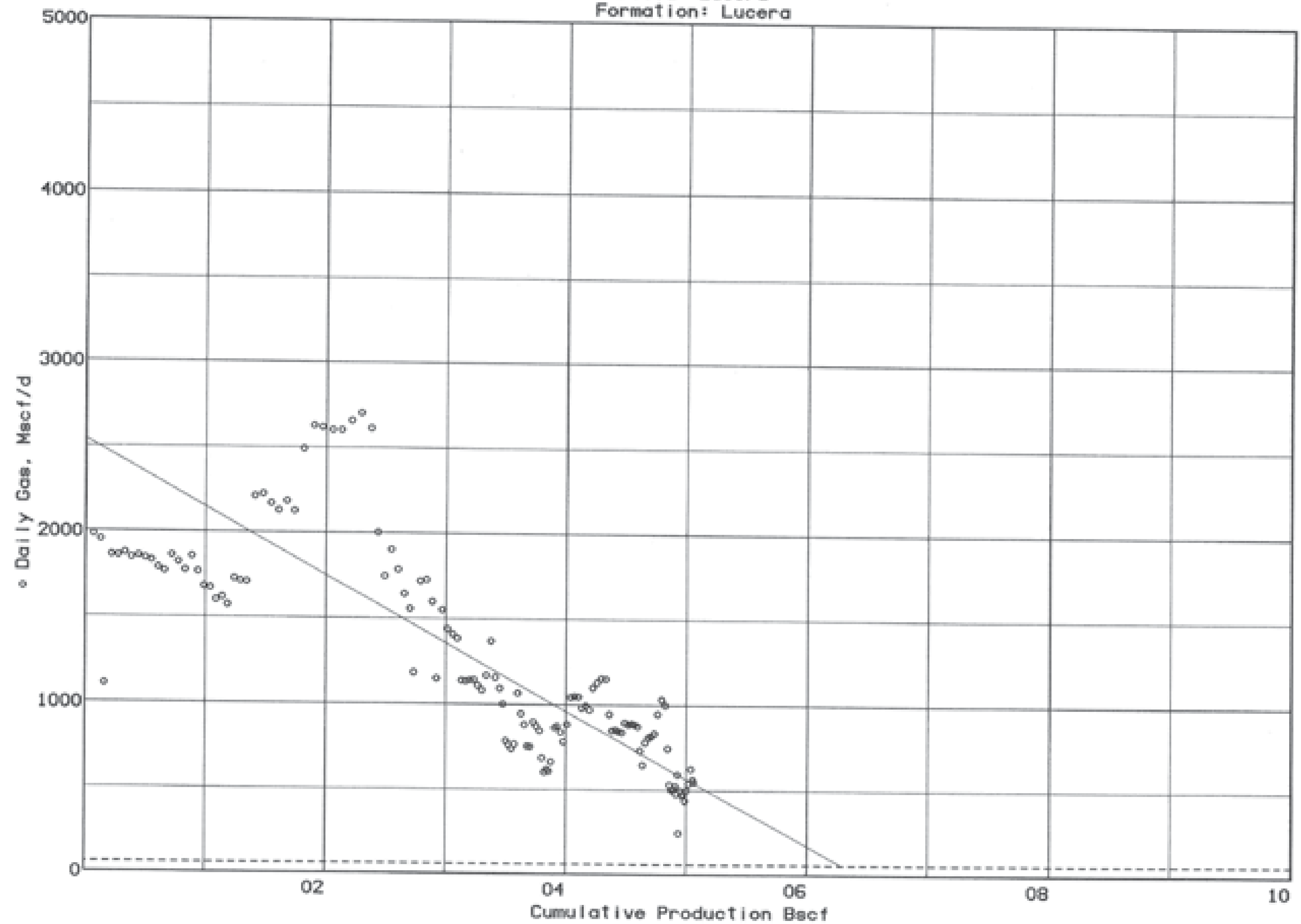


Figure 4b

Chapman Petroleum Engineering Ltd.

Table 3a

Summary of Anticipated Capital Expenditures
Development

April 1, 2018

Zenith Energy Ltd.

Lucera Concession, Onshore Italy

Description	Date	Operation	Capital Interest %	Gross Capital M$	Net Capital M$

No anticipated capital expenditures.

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

April 1, 2018

Zenith Energy Ltd.

Lucera Concession, Onshore Italy

Description	Well Parameters	Capital Interest %	Gross Capital M$	Net Capital M$
Lucera Concession	Abandon 2 gas wells, reclaim the land	13.6000	114	16

Note: **M$ means thousands of dollars.**
The above capital values are expressed in terms of current dollar values without escalation.

Table 4
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Forecast Prices & Costs

Zenith Energy Ltd.

Lucera Concession, Italy

	Net To Appraised Interest										
	Reserves						Cumulative Cash Flow (BIT) - MUS$				
	Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbls			Discounted at:			
Description	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
Proved Developed Non-Producing											
Bastia-1, Reggente 6, S. Caterina 2	0	0	120	120	0	0	289	241	204	175	152
Total Proved Developed Non-Producing	**0**	**0**	**120**	**120**	**0**	**0**	**289**	**241**	**204**	**175**	**152**
Probable											
Probable Developed Non-Producing											
Bastia-1, Reggente 6, S. Caterina 2 Incr.	0	0	31	31	0	0	93	65	46	34	26
Total Probable Developed Non-Producing	**0**	**0**	**31**	**31**	**0**	**0**	**93**	**65**	**46**	**34**	**26**
Total Proved Plus Probable	**0**	**0**	**151**	**151**	**0**	**0**	**383**	**306**	**250**	**209**	**178**

MUS$ means thousands of United States dollars.

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a

EVALUATION OF: Lucera Concession, Onshore Italy - Proved Developed Non-Producing
****

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-MAY-2019
RUN DATE: 11-APR-2018 TIME: 13:59
FILE: GlcPN1.DAX

WELL/LOCATION - Lucera Wells
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 927 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 141745 -$- (2030)
NOTE: ECONOMIC LIMIT OCCURS IN 2030

INTEREST

AVG WI 13.6000%

ROYALTIES/TAXES

STATE

Sales Gas MMCF

Year	# of Wells	Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net
2018	0	5.48	.0	0	0	0
2019	2	5.58	482.4	115	16	16
2020	2	5.77	417.3	148	20	20
2021	2	5.96	350.6	124	17	17
2022	2	6.15	294.6	105	14	14
2023	2	6.25	247.5	88	12	12
2024	2	6.44	207.9	74	10	10
2025	2	6.63	174.7	62	8	8
2026	2	6.87	146.7	52	7	7
2027	2	7.07	123.3	44	6	6
2028	2	7.28	103.6	37	5	5
2029	2	7.48	87.0	31	4	4
SUB				879	120	120
REM				0	0	0
TOT				879	120	120

* P/T * ==================== COMPANY SHARE FUTURE NET REVENUE ====================

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	0	0	0	0	0	0	0	0	.0	0	0	.00	0	.00	0	0	0	0	0
2019	0	0	87	0	87	0	0	0	.0	10	31	2.65	46	2.93	0	0	0	46	41
2020	0	0	116	0	116	0	0	0	.0	16	41	2.81	60	2.96	0	0	0	60	48
2021	0	0	101	0	101	0	0	0	.0	16	35	3.01	50	2.95	0	0	0	50	37
2022	0	0	88	0	88	0	0	0	.0	16	30	3.25	41	2.90	0	0	0	41	27
2023	0	0	75	0	75	0	0	0	.0	16	26	3.54	32	2.71	0	0	0	32	20
2024	0	0	65	0	65	0	0	0	.0	17	22	3.88	26	2.56	0	0	0	26	14
2025	0	0	56	0	56	0	0	0	.0	17	19	4.28	20	2.35	0	0	0	20	10
2026	0	0	49	0	49	0	0	0	.0	17	16	4.76	15	2.11	0	0	0	15	7
2027	0	0	42	0	42	0	0	0	.0	18	14	5.34	10	1.73	0	0	0	10	4
2028	0	0	36	0	36	0	0	0	.0	18	12	6.02	6	1.25	0	0	0	6	2
2029	142	0	31	0	31	0	0	0	.0	19	10	6.85	3	.63	0	0	19	-17	-6
SUB	142	0	746	0	746	0	0	0	.0	180	257		309		0	0	19	289	204
REM	0	0	0	0	0	0	0	0	.0	0	0		0		0	0	0	0	0
TOT	142	0	746	0	746	0	0	0	.0	180	257		309		0	0	19	289	204

==================== NET PRESENT VALUE (-$-) ====================

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	308538	252293	225976	210799	197209	179342	154921
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	19277	11133	8108	6595	5385	3999	2477
Future Net Revenue .	289261	241160	217868	204204	191824	175342	152444

==================== COMPANY SHARE ====================

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	13.6	13.6					
% of Future Revenue.			.0	58.6	41.4	.0	38.8

==================== PROFITABILITY ====================

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	1.71
NPV @ 5.0% ($/MCF)	2.02

Table 4b

EVALUATION OF: Lucera Concession, Onshore Italy - Proved Plus Probable Developed Non-Produci
****

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-MAY-2019
RUN DATE: 11-APR-2018 TIME: 13:59
FILE: G1cRB1.DAX

WELL/LOCATION - Lucera Wells
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 1171 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 150421 -$- (2033)
NOTE: ECONOMIC LIMIT OCCURS IN 2033

INTEREST

AVG WI 13.6000%

ROYALTIES/TAXES

STATE

			Sales Gas MMCF			
			Pool		Company Share	
Year	# of Wells	Price $/MCF	MCF/D	Vol	Gross	Net
2018	0	5.48	.0	0	0	0
2019	2	5.58	488.0	116	16	16
2020	2	5.77	434.8	154	21	21
2021	2	5.96	378.5	134	18	18
2022	2	6.15	329.4	117	16	16
2023	2	6.25	286.7	102	14	14
2024	2	6.44	249.6	89	12	12
2025	2	6.63	217.2	77	10	10
2026	2	6.87	189.1	67	9	9
2027	2	7.07	164.6	58	8	8
2028	2	7.28	143.2	51	7	7
2029	2	7.48	124.7	44	6	6
2030	2	7.70	108.5	39	5	5
2031	2	7.92	94.4	34	5	5
2032	2	8.14	82.2	29	4	4
SUB				1111	151	151
REM				0	0	0
TOT				1111	151	151

= P/T = COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR)				Royalties				Operating Costs			FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev	
		Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	State -M$-	Other -M$-	Mineral -M$-	-%-	Fixed -M$-	Variable -M$-	$/MCF						Undisc -M$-	10.0% -M$-
2018	0	0	0	0	0	0	0	0	.0	0	0	.00	0	.00	0	0	0	0	0
2019	0	0	88	0	88	0	0	0	.0	10	32	2.64	46	2.93	0	0	0	46	41
2020	0	0	121	0	121	0	0	0	.0	16	43	2.78	63	2.99	0	0	0	63	51
2021	0	0	109	0	109	0	0	0	.0	16	38	2.94	55	3.02	0	0	0	55	40
2022	0	0	98	0	98	0	0	0	.0	16	34	3.13	48	3.02	0	0	0	48	32
2023	0	0	87	0	87	0	0	0	.0	16	30	3.35	40	2.90	0	0	0	40	24
2024	0	0	78	0	78	0	0	0	.0	17	27	3.60	34	2.84	0	0	0	34	19
2025	0	0	70	0	70	0	0	0	.0	17	24	3.88	29	2.75	0	0	0	29	14
2026	0	0	63	0	63	0	0	0	.0	17	21	4.21	24	2.66	0	0	0	24	11
2027	0	0	56	0	56	0	0	0	.0	18	19	4.58	20	2.48	0	0	0	20	8
2028	0	0	50	0	50	0	0	0	.0	18	17	5.02	16	2.26	0	0	0	16	6
2029	0	0	45	0	45	0	0	0	.0	19	15	5.52	12	1.96	0	0	0	12	4
2030	0	0	40	0	40	0	0	0	.0	19	13	6.10	8	1.61	0	0	0	8	3
2031	0	0	36	0	36	0	0	0	.0	19	12	6.77	5	1.16	0	0	0	5	1
2032	150	0	32	0	32	0	0	0	.0	20	10	7.54	2	.60	0	0	20	-18	-5
SUB	150	0	973	0	973	0	0	0	.0	238	332		403		0	0	20	383	250
REM	0	0	0	0	0	0	0	0	.0	0	0		0		0	0	0	0	0
TOT	150	0	973	0	973	0	0	0	.0	238	332		403		0	0	20	383	250

NET PRESENT VALUE (-$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	403006	316102	277428	255718	236653	212132	179629
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	20457	10205	6830	5258	4067	2791	1521
Future Net Revenue .	382549	305897	270598	250459	232585	209341	178107

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	13.6	13.6					
% of Future Revenue.			.0	58.6	41.4	.0	39.3

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	1.66
NPV @ 5.0% ($/MCF)	2.02

MISANO ADRIATICO GAS CONCESSION

ONSHORE, ITALY

INDEX

Discussion

MISANO ADRIATICO GAS CONCESSION
ONSHORE ITALY
DISCUSSION

Property Description

The Company owns 100% working interest in the Misano Adriatico gas concession covering approximately 18,610 acres, and located onshore Italy along the Adriatic coast. This concession is scheduled to expire in 2020 but an extension is expected to be granted based on the remaining reserves.

A map showing the Misano Adriatico concession location is presented in Figure 1a, and a description of the ownership is presented in Table 1.

Geology

The regional geology of Italy as shown in Fig 2a places the company's properties in the on-land shallow depths of the Apenninic Foredeep basin.

The Apennines are the consequences of the subduction of three types of lithosphere with different characteristics, but pertaining to the same Adriatic plate.[1]

1. In the north central Apennines, thin continental lithosphere at the surface in the foreland, and probably thinner at depth, occurs
2. In the southern Apennines, thick continental lithosphere occurs in the foreland, whereas probably old oceanic lithosphere constitutes the slab at depth to the west (northern prologation of the Ionian Mesozoic basin
3. In the southern sector, offshore Calabria, old oceanic Ionian lithosphere occurs both in the foreland and at depth.

The Misano Adriatico exploration play has gas resources in the Cenozoic Upper Tertiary Pliocene sand levels as represented in the Stratigraphic Column of Fig 2b.

[1] 'An Introduction To The Italian Geology' – Carlo Doglioni and Giovanni Flores, 1997

Reserves

Total gross proved developed producing conventional non-associated marketable gas reserves of 123 MMscf have been estimated for the one producing gas well. This estimate is based on production decline analysis as presented in Figures 3a and 3b.

Gross probable additional developed producing conventional non-associated marketable gas reserves of 74 MMscf have been estimated for the same well based on production decline analysis assuming a lesser decline rate, as presented in Figures 4a and 4b.

Production

The Misano Adriatico gas concession is being produced from well Misano 2 which is currently producing 37 Mscf/d.

Product Prices

An average 2018 gas price of $6.14/Mscf has been used for this area based on information provided by the Company, which reflects a correlation to World Bank European posted gas prices of 108%.

Capital Expenditures

There are no forecasted capital expenditures as presented in Table 3a.

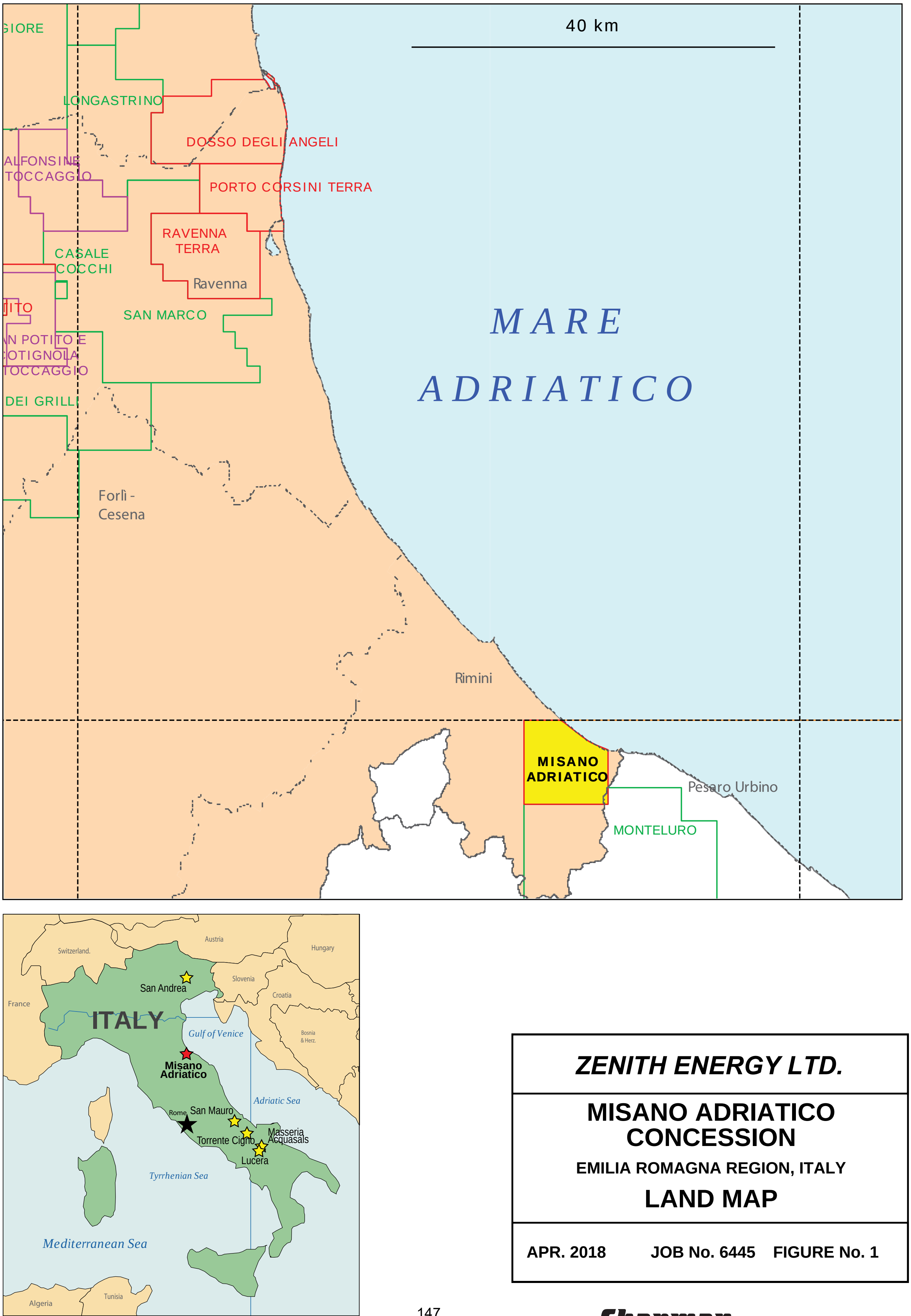
Total abandonment and reclamation liabilities of $57,000 ($57,000 net to the Company) have been estimated based on a reasonable expectation for these types of wells. The abandonment and site reclamation costs are presented in Table 3b.

Operating Costs

Operating costs for this area have been estimated to be $660 per well per month plus $1.60/Mscf, based on information provided by the Company.

Economics

An economic summary is presented on Table 4 and the results of our economic analysis are presented on Tables 4a and 4b.



ZENITH ENERGY LTD.

MISANO ADRIATICO CONCESSION

EMILIA ROMAGNA REGION, ITALY

LAND MAP

APR. 2018	JOB No. 6445	FIGURE No. 1

147

Chapman Petroleum Engineering Ltd.

Table 1

Schedule of Lands, Interests and Royalty Burdens
April 1, 2018

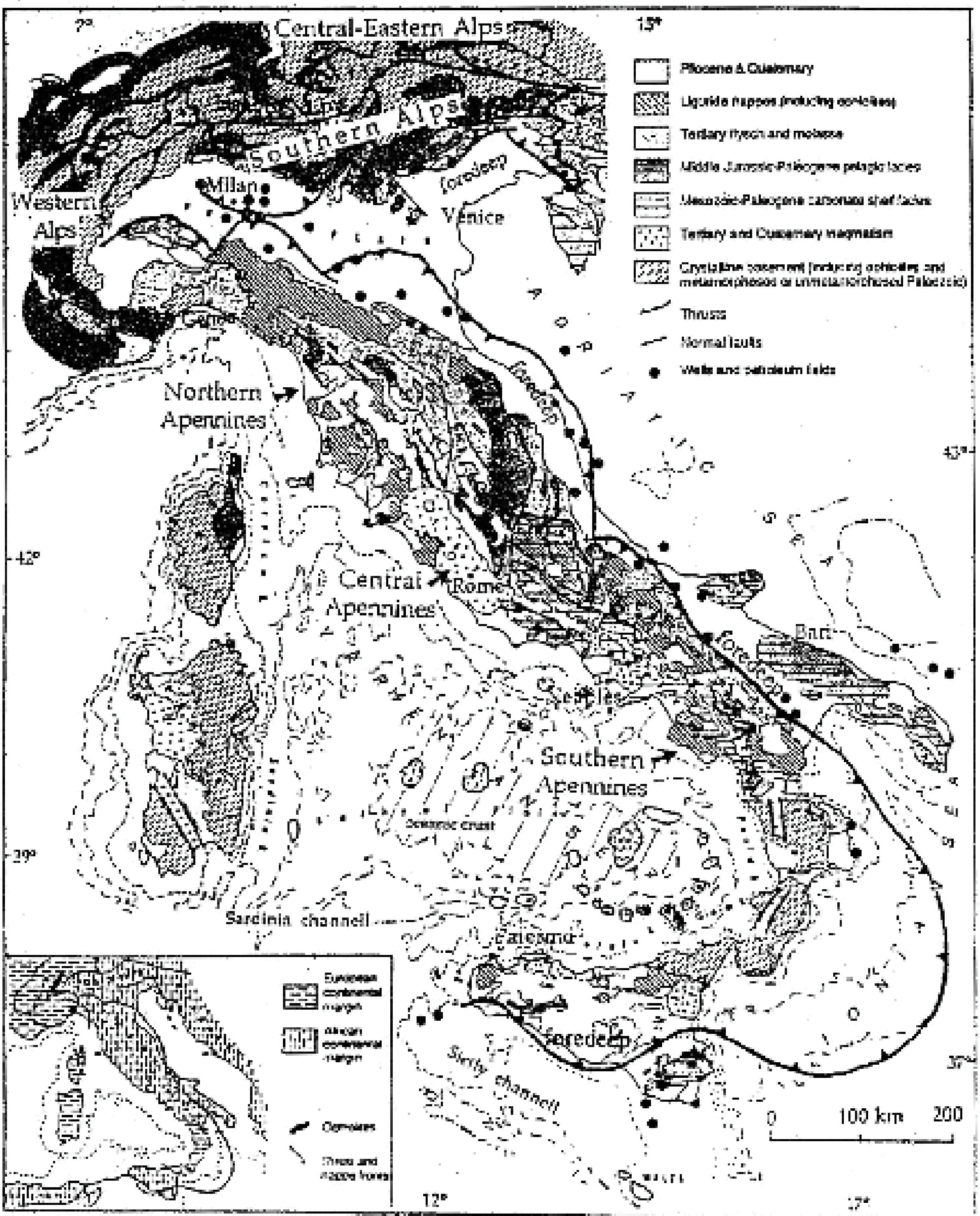
Zenith Energy Ltd.

Misano Adriatico Concession, Onshore Italy

Description	Rights Owned	Gross Acres	Appraised Interest Working %	Appraised Interest Royalty %	Royalty Burdens Basic %	Royalty Burdens Overriding %
Misano Adriatico Concession	[A]	18,610	100.0000	-	7.0000 [1]	

General Notes : [1] Only if over 25 million cubic meters annually (882.9 MMCF), 0% at forecast rates.

Rights Owned : [A] All P&NG.
This Concession is scheduled to expire in 2020 but an extension is expected to be granted based on the remaining reserves.



Source: Doglioni and Flores, An Introduction to the Italian Geology, 1997

ZENITH ENERGY LTD.

ITALY

REGIONAL GEOLOGY

APR. 2018 **JOB No. 6445** **FIGURE No. 2a**

Chapman Petroleum Engineering Ltd.

System	Series	Stage	Age (Ma)	ZONES OF INTEREST
Quaternary	Pleistocene	Gelasian	younger	
Neogene	Pliocene	Piacenzian	2.588–3.600	GAS ZONE
		Zanclean	3.600–5.332	GAS ZONE
	Miocene	Messinian	5.332–7.246	GAS ZONE
		Tortonian	7.246–11.608	
		Serravallian	11.608–13.65	
		Langhian	13.65–15.97	
		Burdigalian	15.97–20.43	
		Aquitanian	20.43–23.03	
Paleogene	Oligocene	Chattian	older	

ZENITH ENERGY LTD.

ITALY

STRATIGRAPHIC CHART

APR. 2018 JOB No. 6445 FIGURE No. 2b

150

Chapman Petroleum Engineering Ltd.

Table 2

Summary of Gross Reserves
April 1, 2018

Zenith Energy Ltd.

Misano Adriatico Concession, Onshore Italy

Description		Current or Initial Rate Mscf/d	Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining RGIP (raw) (MMscf)	Remaining RGIP (sales) (MMscf)	Remaining NGLs (MBbls)	Reference
Proved Developed Producing								
Misano Adriatico Concession	Misano 2	37	547	417	129	123	0	Fig 3a & b
	Total Proved	**37**	**547**	**417**	**129**	**123**	**0**	
Probable Incremental								
Misano Adriatico Concession	Misano 2 (Incr.)	0	78	0	78	74	0	Fig 4a & b
	Total Probable	**0**	**78**	**0**	**78**	**74**	**0**	
	Total Proved Plus Probable	**37**	**624**	**417**	**207**	**197**	**0**	

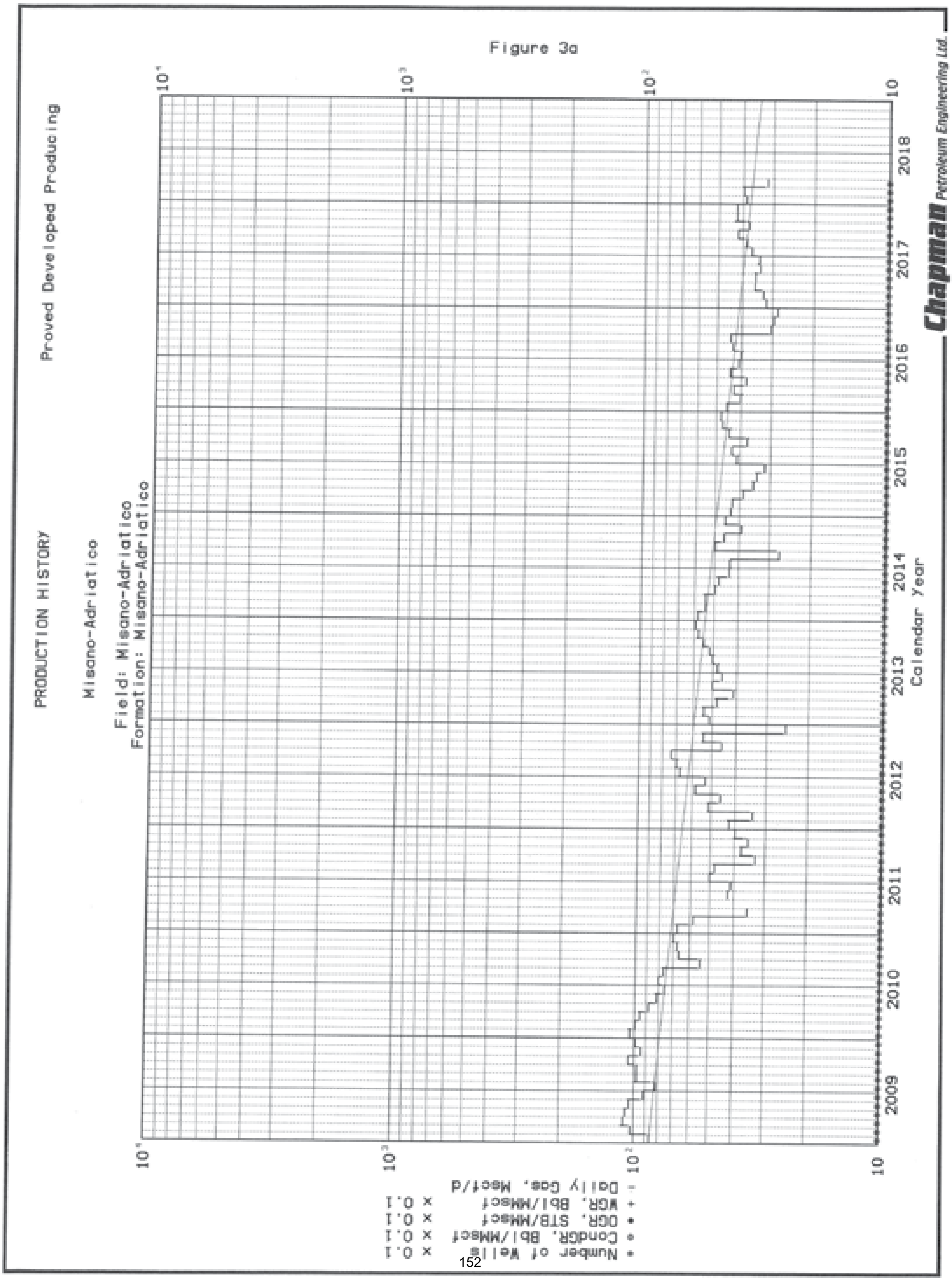


Figure 3a
PRODUCTION HISTORY
Proved Developed Producing
Misano-Adriatico
Field: Misano-Adriatico
Formation: Misano-Adriatico
10^4
10^3
10^2
10
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Calendar Year
Number of Wells x 0.1
CondGR, Bbl/MMscf x 0.1
OGR, STB/MMscf x 0.1
WGR, Bbl/MMscf x 0.1
Daily Gas, Mscf/d
Chapman Petroleum Engineering Ltd.

152

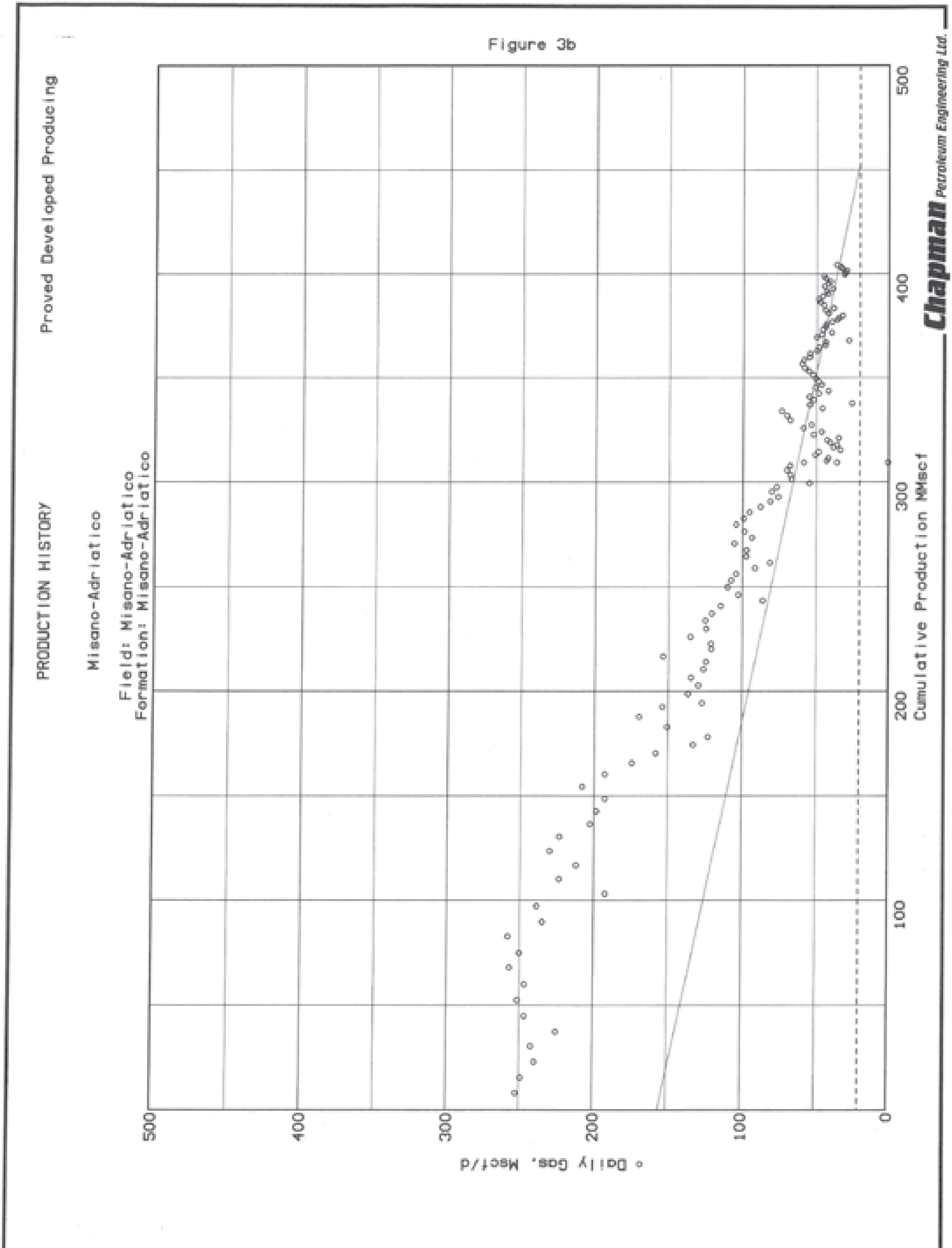


Figure 3b
PRODUCTION HISTORY
Proved Developed Producing
Misano-Adriatico
Field: Misano-Adriatico
Formation: Misano-Adriatico
Daily Gas, Mscf/d
0
100
200
300
400
500
Cumulative Production MMscf
Chapman Petroleum Engineering Ltd.

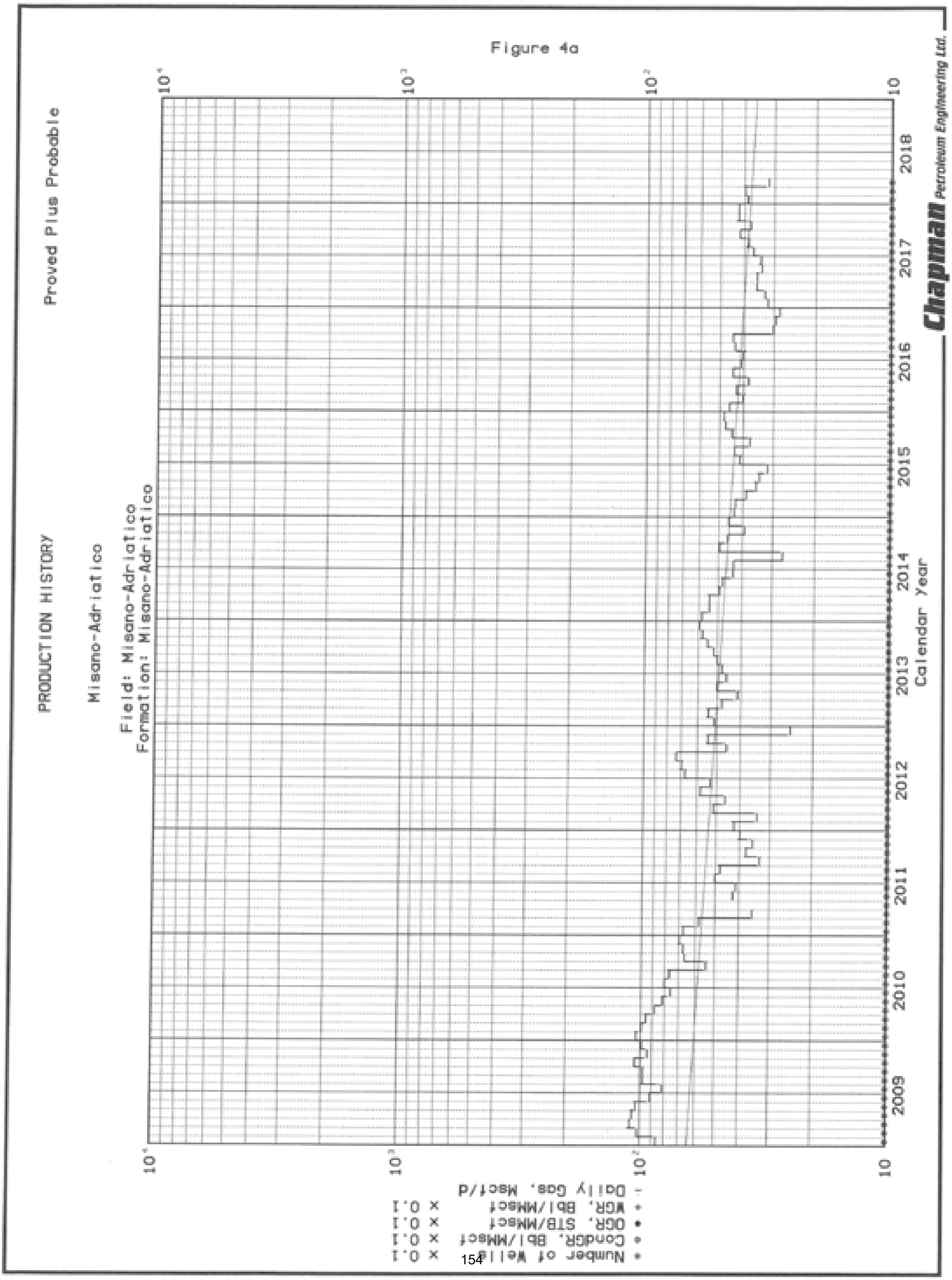


Figure 4a
Proved Plus Probable
PRODUCTION HISTORY
Misano-Adriatico
Field: Misano-Adriatico
Formation: Misano-Adriatico
10⁴
10³
10²
10
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Calendar Year
Number of Wells x 0.1
CondGR, Bbl/MMscf x 0.1
OGR, STB/MMscf x 0.1
WGR, Bbl/MMscf x 0.1
Daily Gas, Mscf/d
Chapman Petroleum Engineering Ltd.

154

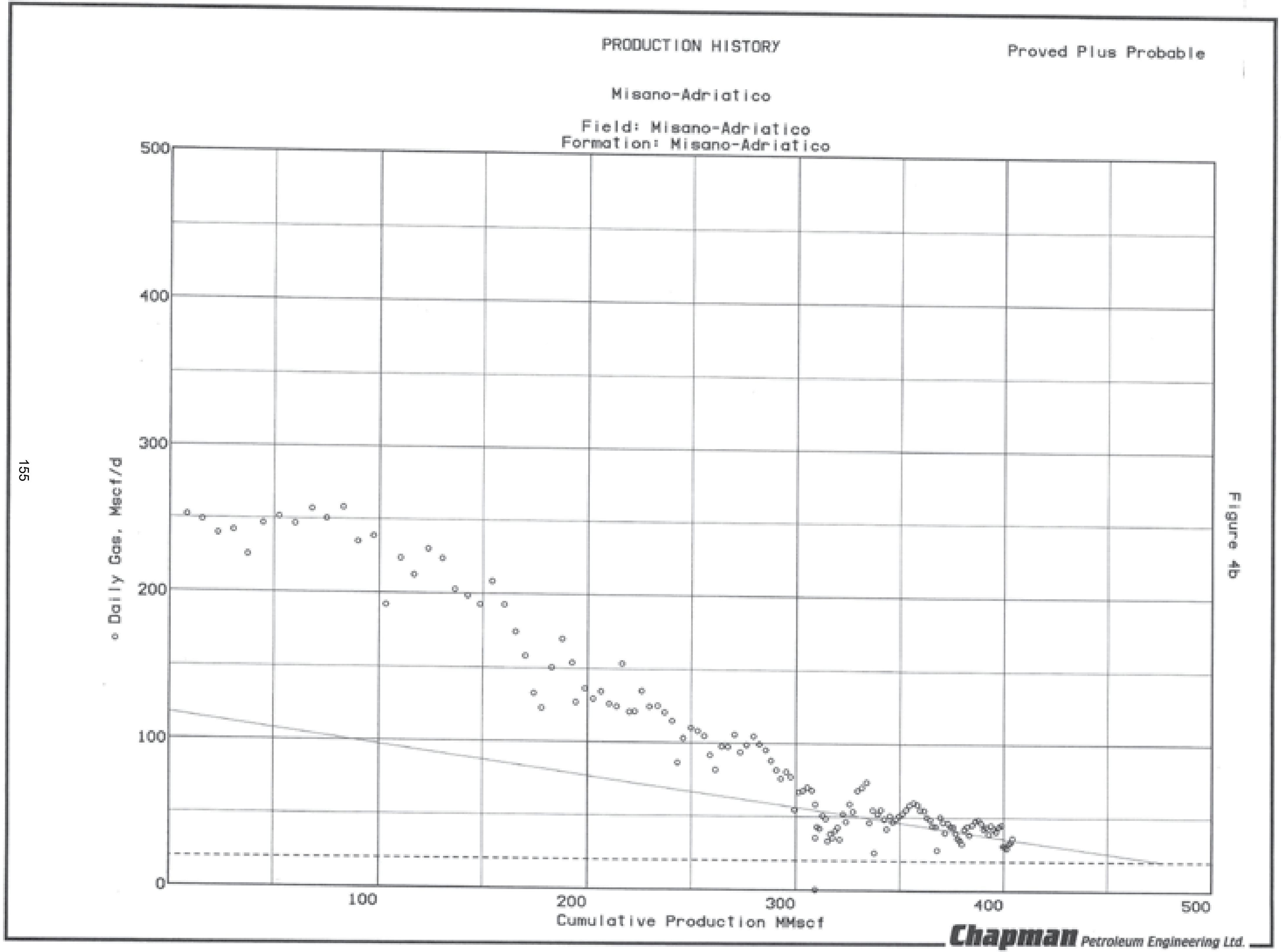

PRODUCTION HISTORY
Proved Plus Probable
Misano-Adriatico
Field: Misano-Adriatico
Formation: Misano-Adriatico
Daily Gas, Mscf/d
500
400
300
200
100
0
100
200
300
400
500
Cumulative Production MMscf
Figure 4b
Chapman Petroleum Engineering Ltd.

Table 3a

Summary of Anticipated Capital Expenditures
Development

April 1, 2018

Zenith Energy Ltd.

Misano Adriatico Concession, Onshore Italy

Description	Date	Operation	Capital Interest %	Gross Capital M$	Net Capital M$

No anticipated capital expenditures.

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

April 1, 2018

Zenith Energy Ltd.

Misano Adriatico Concession, Onshore Italy

Description	Well Parameters	Capital Interest %	Gross Capital M$	Net Capital M$
Misano Adriatico Concession	Abandon 1 gas well, reclaim the land	100.0000	57	57
	Total Abandonment and Restoration		**57**	**57**

Note: **M$ means thousands of dollars.**
The above capital values are expressed in terms of current dollar values without escalation.

Forecast Prices & Costs

Table 4
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Zenith Energy Ltd.

Misano Adriatico Concession, Italy

Description		Light and Medium Oil MSTB Gross	Light and Medium Oil MSTB Net	Conventional Natural gas MMscf Gross	Conventional Natural gas MMscf Net	NGL Mbbls Gross	NGL Mbbls Net	Undisc.	5%/year	10%/year	15%/year	20%/year
		Net To Appraised Interest — Reserves						Cumulative Cash Flow (BIT) - MUS$	Discounted at:			
Proved Developed Producing												
Misano-2		0	0	123	123	0	0	378	310	252	210	179
Total Proved Developed Producing		0	0	123	123	0	0	378	310	252	210	179
Probable												
Probable Developed Producing												
Misano-2	Incr.	0	0	74	74	0	0	351	179	97	57	38
Total Probable Developed Producing		0	0	74	74	0	0	351	179	97	57	38
Total Proved Plus Probable		0	0	197	197	0	0	729	489	349	267	217

MUS$ means thousands of United States dollars.

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a

EVALUATION OF: Misano Adriatico Concession, Onshore Italy - Proved Developed Producing

ERGO V7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 13:56
FILE: GmiPP1.DAX

WELL/LOCATION - Misano-2
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 129 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 89883 -$- (2042)
NOTE: ECONOMIC LIMIT OCCURS IN 2042

INTEREST

AVG WI 100.0000%

ROYALTIES/TAXES

STATE

Sales Gas MMCF

Year	# of Wells	Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net
2018	1	6.14	34.0	9	9	9
2019	1	6.25	31.4	11	11	11
2020	1	6.46	28.7	10	10	10
2021	1	6.68	26.3	9	9	9
2022	1	6.89	24.0	9	9	9
2023	1	7.00	22.0	8	8	8
2024	1	7.22	20.1	7	7	7
2025	1	7.43	18.4	7	7	7
2026	1	7.70	16.8	6	6	6
2027	1	7.92	15.3	5	5	5
2028	1	8.15	14.0	5	5	5
2029	1	8.38	12.8	5	5	5
2030	1	8.63	11.7	4	4	4
2031	1	8.87	10.7	4	4	4
2032	1	9.12	9.8	3	3	3
SUB				102	102	102
REM				21	21	21
TOT				123	123	123

= P/T = COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -$-	FR Oil -$-	FR SaleGas -$-	FR Products -$-	FR Total -$-	Royalties State -$-	Royalties Other -$-	Royalties Mineral -$-	-%-	Operating Costs Fixed -$-	Operating Costs Variable -$-	$/MCF	FR After Roy&Oper -$-	Net back $/MCF	Proc& Other Income -$-	Cap'l Costs -$-	Aband Costs -$-	Future Net Rev Undisc -$-	Future Net Rev 10.0% -$-
2018	0	0	55716	0	55716	0	0	0	.0	5794	15286	2.33	34637	3.82	0	0	0	34637	33415
2019	0	0	69699	0	69699	0	0	0	.0	7857	19168	2.42	42674	3.82	0	0	0	42674	37868
2020	0	0	65923	0	65923	0	0	0	.0	8014	17876	2.54	40033	3.92	0	0	0	40033	32296
2021	0	0	62283	0	62283	0	0	0	.0	8175	16671	2.66	37438	4.01	0	0	0	37438	27456
2022	0	0	58783	0	58783	0	0	0	.0	8338	15547	2.80	34897	4.09	0	0	0	34897	23267
2023	0	0	54585	0	54585	0	0	0	.0	8505	14499	2.95	31581	4.05	0	0	0	31581	19141
2024	0	0	51443	0	51443	0	0	0	.0	8675	13522	3.11	29246	4.10	0	0	0	29246	16115
2025	0	0	48438	0	48438	0	0	0	.0	8848	12610	3.29	26980	4.14	0	0	0	26980	13515
2026	0	0	45892	0	45892	0	0	0	.0	9025	11760	3.49	25107	4.21	0	0	0	25107	11433
2027	0	0	43133	0	43133	0	0	0	.0	9206	10967	3.70	22960	4.21	0	0	0	22960	9505
2028	0	0	40617	0	40617	0	0	0	.0	9390	10228	3.94	20999	4.22	0	0	0	20999	7903
2029	0	0	38167	0	38167	0	0	0	.0	9578	9539	4.20	19050	4.18	0	0	0	19050	6518
2030	0	0	35928	0	35928	0	0	0	.0	9769	8896	4.48	17263	4.15	0	0	0	17263	5369
2031	0	0	33792	0	33792	0	0	0	.0	9965	8296	4.80	15531	4.08	0	0	0	15531	4392
2032	0	0	31759	0	31759	0	0	0	.0	10164	7737	5.14	13858	3.98	0	0	0	13858	3562
SUB	0	0	736157	0	736157	0	0	0	.0	131302	192601		412253		0	0	0	412253	251753
REM	89883	0	206832	0	206832	0	0	0	.0	101129	49921		55783		0	0	89883	-34101	716
TOT	89883	0	942989	0	942989	0	0	0	.0	232431	242523		468036		0	0	89883	378152	252469

NET PRESENT VALUE (-$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	468036	338556	288469	262267	240344	213573	180395
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	89883	28904	15013	9798	6445	3485	1296
Future Net Revenue .	378152	309652	273456	252469	233899	210087	179100

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	50.4	49.6	.0	40.1

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	2.06
NPV @ 5.0% ($/MCF)	2.52

Chapman Petroleum Engineering Ltd.

Table 4b

EVALUATION OF: Misano Adriatico Concession, Onshore Italy - Proved Plus Probable Developed P
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ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 13:57
FILE: GmiRA1.DAX

WELL/LOCATION - Misano-2
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 208 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 121 -M$- (2057)
NOTE: ECONOMIC LIMIT OCCURS IN 2057

INTEREST

AVG WI 100.0000%

ROYALTIES/TAXES

STATE

Sales Gas MMCF

Year	# of Wells	Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net
2018	1	6.14	34.4	9	9	9
2019	1	6.25	32.8	12	12	12
2020	1	6.46	31.0	11	11	11
2021	1	6.68	29.3	10	10	10
2022	1	6.89	27.7	10	10	10
2023	1	7.00	26.2	9	9	9
2024	1	7.22	24.8	9	9	9
2025	1	7.43	23.4	8	8	8
2026	1	7.70	22.1	8	8	8
2027	1	7.92	20.9	7	7	7
2028	1	8.15	19.8	7	7	7
2029	1	8.38	18.7	7	7	7
2030	1	8.63	17.7	6	6	6
2031	1	8.87	16.7	6	6	6
2032	1	9.12	15.8	6	6	6
SUB				125	125	125
REM				72	72	72
TOT				197	197	197

= P/T = COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	0	0	56	0	56	0	0	0	.0	6	15	2.31	35	3.82	0	0	0	35	34
2019	0	0	73	0	73	0	0	0	.0	8	20	2.39	45	3.85	0	0	0	45	40
2020	0	0	71	0	71	0	0	0	.0	8	19	2.48	44	3.98	0	0	0	44	35
2021	0	0	69	0	69	0	0	0	.0	8	19	2.57	43	4.10	0	0	0	43	31
2022	0	0	68	0	68	0	0	0	.0	8	18	2.67	42	4.22	0	0	0	42	28
2023	0	0	65	0	65	0	0	0	.0	9	17	2.77	39	4.23	0	0	0	39	24
2024	0	0	63	0	63	0	0	0	.0	9	17	2.88	38	4.33	0	0	0	38	21
2025	0	0	62	0	62	0	0	0	.0	9	16	3.00	37	4.43	0	0	0	37	18
2026	0	0	61	0	61	0	0	0	.0	9	16	3.12	36	4.58	0	0	0	36	16
2027	0	0	59	0	59	0	0	0	.0	9	15	3.25	35	4.66	0	0	0	35	14
2028	0	0	57	0	57	0	0	0	.0	9	14	3.39	33	4.76	0	0	0	33	13
2029	0	0	56	0	56	0	0	0	.0	10	14	3.54	32	4.84	0	0	0	32	11
2030	0	0	54	0	54	0	0	0	.0	10	13	3.69	31	4.94	0	0	0	31	10
2031	0	0	53	0	53	0	0	0	.0	10	13	3.86	30	5.02	0	0	0	30	8
2032	0	0	51	0	51	0	0	0	.0	10	12	4.03	29	5.09	0	0	0	29	7
SUB	0	0	918	0	918	0	0	0	.0	131	239		548		0	0	0	548	311
REM	121	0	814	0	814	0	0	0	.0	315	196		302		0	0	121	181	38
TOT	121	0	1732	0	1732	0	0	0	.0	447	435		850		0	0	121	729	349

NET PRESENT VALUE (-M$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	850	508	402	352	313	268	217
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	121	19	6	3	2	1	0
Future Net Revenue .	729	489	395	349	311	267	217

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	50.9	49.1	.0	42.1

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	1.77
NPV @ 5.0% ($/MCF)	2.48

Chapman Petroleum Engineering Ltd.

SAN MAURO GAS CONCESSION

ONSHORE, ITALY

INDEX

SAN MAURO GAS CONCESSION
ONSHORE ITALY
DISCUSSION

Property Description

The Company owns 18% working interest in the San Mauro gas concession covering approximately 6,257 acres, and located onshore Italy along the Adriatic coast. This concession is scheduled to expire in 2020 but an extension is expected to be granted based on remaining reserves.

A map showing the San Mauro concession location is presented in Figure 1a, and a description of the ownership is presented in Table 1.

Geology

The regional geology of Italy as shown in Fig 2a places the company's properties in the on-land shallow depths of the Apenninic Foredeep basin.

The Apennines are the consequences of the subduction of three types of lithosphere with different characteristics, but pertaining to the same Adriatic plate.[1]

1. In the north central Apennines, thin continental lithosphere at the surface in the foreland, and probably thinner at depth, occurs
2. In the southern Apennines, thick continental lithosphere occurs in the foreland, whereas probably old oceanic lithosphere constitutes the slab at depth to the west (northern prologation of the Ionian Mesozoic basin
3. In the southern sector, offshore Calabria, old oceanic Ionian lithosphere occurs both in the foreland and at depth.

The San Mauro exploration play has gas resources in the Cenozoic Upper Tertiary Pliocene sand levels as represented in the Stratigraphic Column of Fig 2b.

[1] 'An Introduction To The Italian Geology' – Carlo Doglioni and Giovanni Flores, 1997

Reserves

Total gross proved developed non-producing conventional non-associated marketable gas reserves of 561 MMscf have been estimated for the one producing gas well. This estimate is based on production decline analysis as presented in Figures 3a and 3b.

Gross probable additional developed non-producing conventional non-associated marketable gas reserves of 140 MMscf have been estimated for the same well based on production history assuming a lesser decline rate, as presented in Figures 4a and 4b.

Production

The San Mauro gas concession has been produced from well San Mauro at a recent rate of 170 Mscf/d, to October, 2017. The well is expected to resume production in June 2018 after the compressor is replaced and equipment is cleaned.

Product Prices

An average 2018 gas price of $5.48/Mscf has been used for this area based on information provided by the Company, which reflects a correlation to World Bank European posted gas prices of 96%.

Capital Expenditures

Gross capital expenditures of $63,000 ($11,340 net to the Company) are forecast in 2018, as presented in Table 3a.

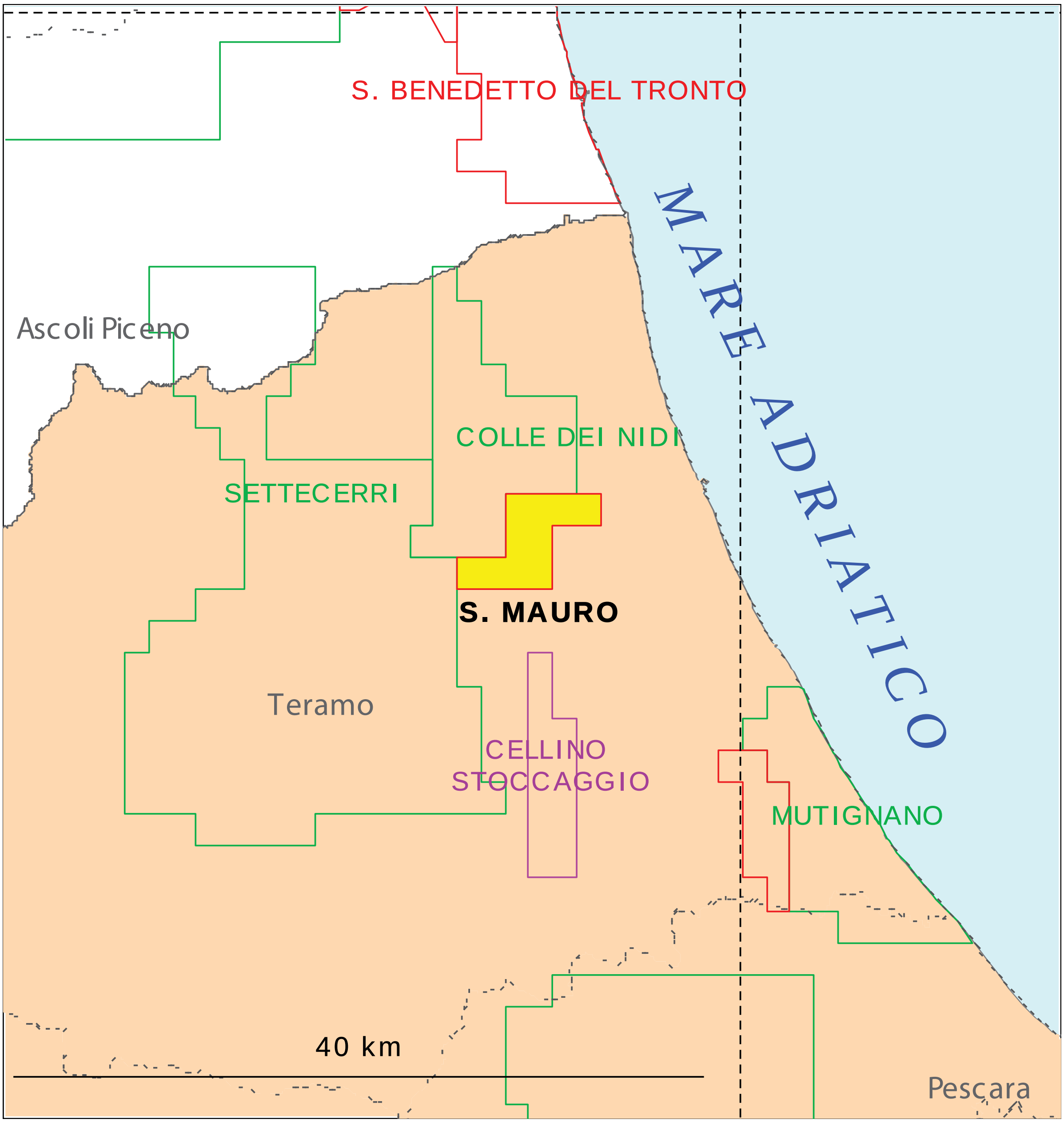
Total abandonment and reclamation liabilities of $57,000 ($10,260 net to the Company) have been estimated based on a reasonable expectation for these types of wells. The abandonment and site reclamation costs are presented in Table 3b.

Operating Costs

Operating costs for this area have been estimated to be $3,600 per well per month plus $2.60/Mscf, based on information provided by the Company.

Economics

An economic summary is presented on Table 4 and the results of our economic analysis are presented on Tables 4a and 4b.



ZENITH ENERGY LTD.

SAN MAURO CONCESSION

ABRUZZO REGION, ITALY

LAND MAP

APR. 2018 **JOB No. 6445** **FIGURE No. 1**

165

Chapman *Petroleum Engineering Ltd.*

Table 1

Schedule of Lands, Interests and Royalty Burdens
April 1, 2018

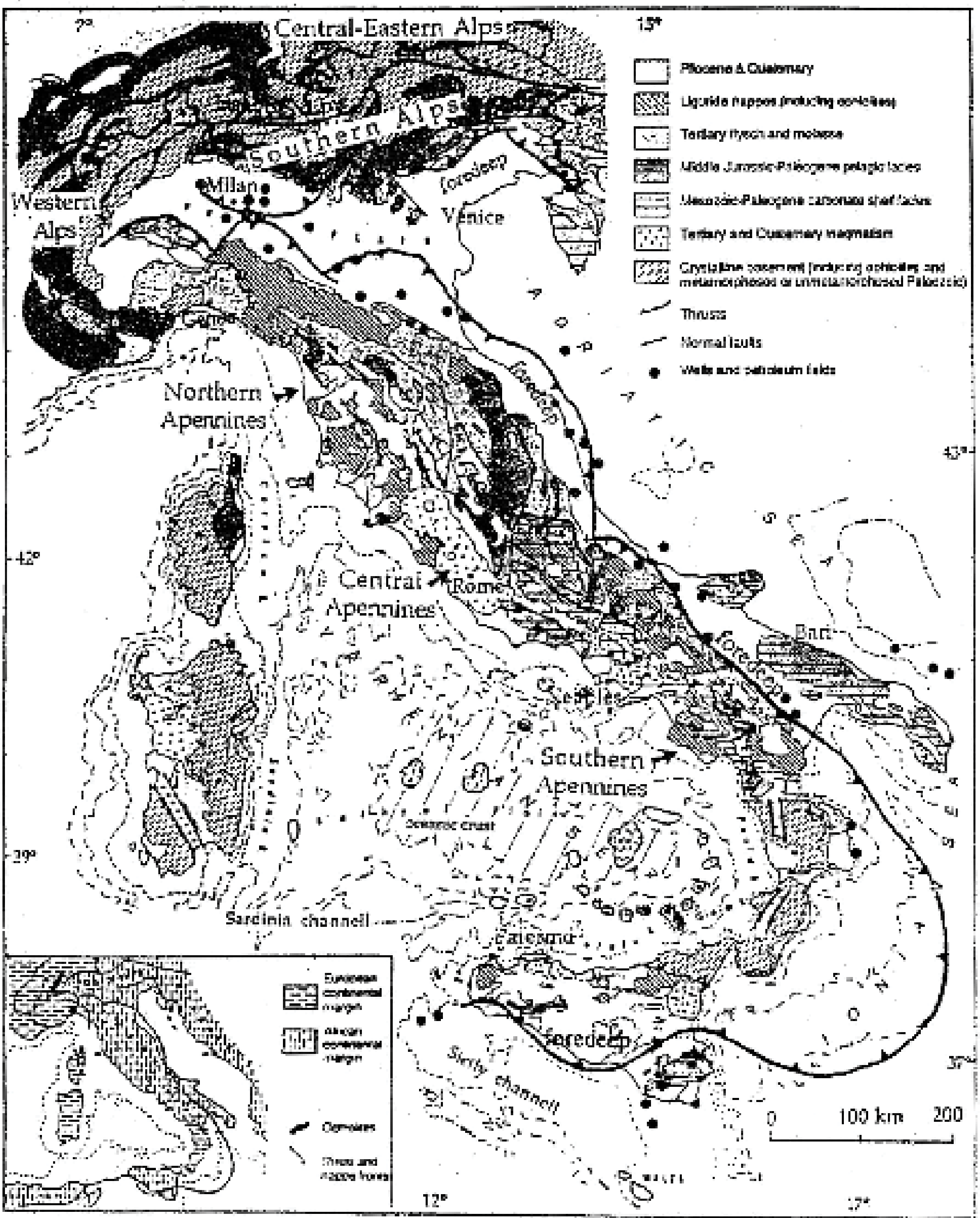
Zenith Energy Ltd.

San Mauro Concession, Onshore Italy

			Appraised Interest		Royalty Burdens	
Description	Rights Owned	Gross Acres	Working %	Royalty %	Basic %	Overriding %
San Mauro Concession	[A]	6,257	18.0000	-	7.0000 [1]	

General Notes : [1] Only if over 25 million cubic meters annually (882.9 MMCF). 0% at forecast rates.

Rights Owned : [A] All P&NG.
This Concession is scheduled to expire in 2020 but an extension is expected to be granted based on the remaining reserves.



Source: Doglioni and Flores, An Introduction to the Italian Geology, 1997

ZENITH ENERGY LTD.
ITALY REGIONAL GEOLOGY
APR. 2018 JOB No. 6445 FIGURE No. 2a

167

Chapman Petroleum Engineering Ltd.

System	Series	Stage	Age (Ma)	ZONES OF INTEREST
Quaternary	Pleistocene	Gelasian	younger	
Neogene	Pliocene	Piacenzian	2.588–3.600	GAS ZONE
		Zanclean	3.600–5.332	GAS ZONE
	Miocene	Messinian	5.332–7.246	GAS ZONE
		Tortonian	7.246–11.608	
		Serravallian	11.608–13.65	
		Langhian	13.65–15.97	
		Burdigalian	15.97–20.43	
		Aquitanian	20.43–23.03	
Paleogene	Oligocene	Chattian	older	

ZENITH ENERGY LTD.

ITALY

STRATIGRAPHIC CHART

APR. 2018 JOB No. 6445 FIGURE No. 2b

Chapman Petroleum Engineering Ltd.

Table 2

Summary of Gross Reserves
April 1, 2018

Zenith Energy Ltd.

San Mauro Concession, Onshore Italy

Description		Current or Initial Rate Mscf/d	Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining RGIP (raw) (MMscf)	Remaining RGIP (sales) (MMscf)	Remaining NGLs (MBbls)	Reference
Proved Developed Producing								
San Mauro Concession	San Mauro	170	2,429	1,838	591	561	0	Fig 3a & b
	Total Proved	**170**	**2,429**	**1,838**	**591**	**561**	**0**	
Probable Incremental								
San Mauro Concession	San Mauro (Incr.)	0	148	0	148	140	0	Fig 4a & b
	Total Probable	**0**	**148**	**0**	**148**	**140**	**0**	
	Total Proved Plus Probable	**170**	**2,576**	**1,838**	**738**	**701**	**0**	

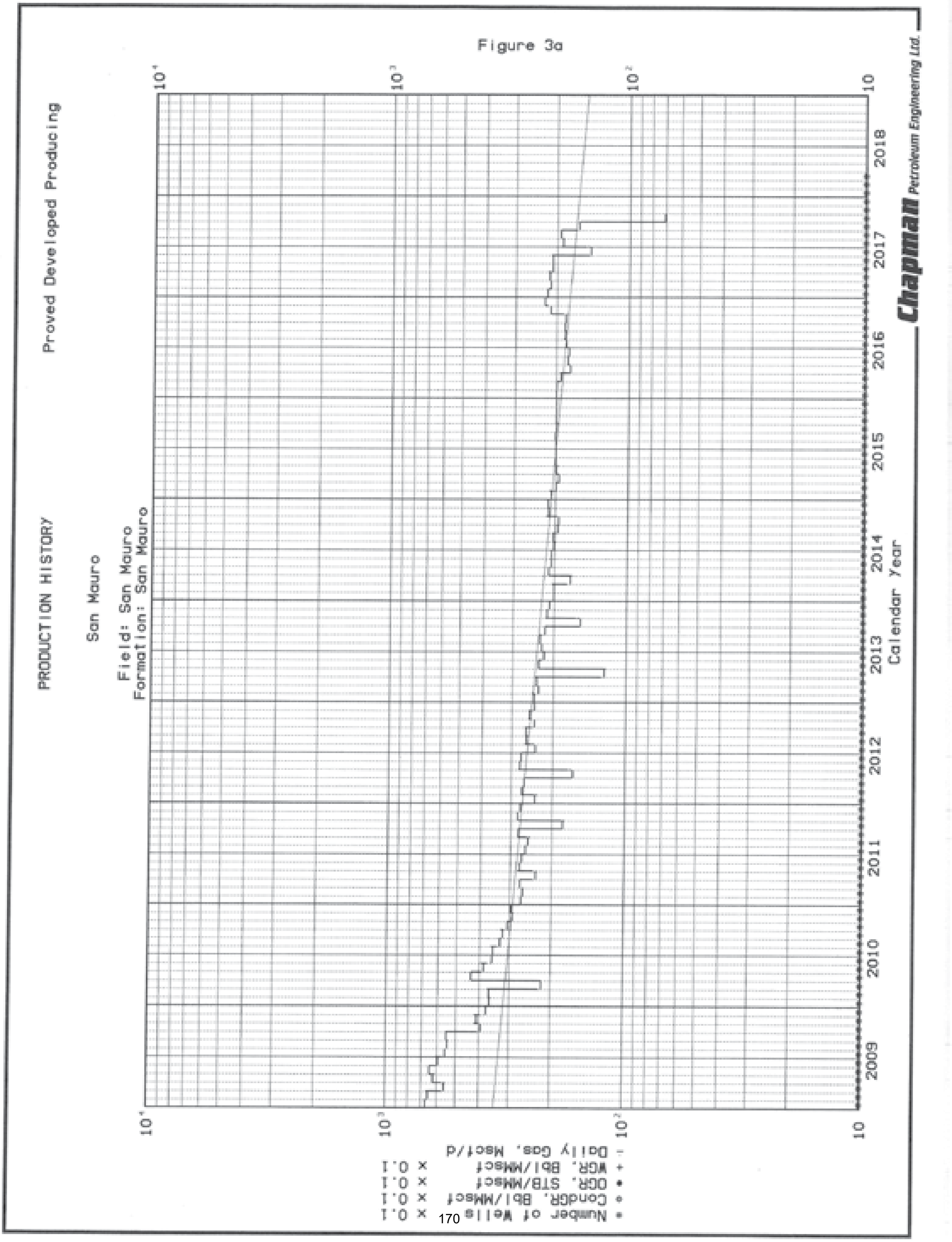


Figure 3a
PRODUCTION HISTORY
Proved Developed Producing
San Mauro
Field: San Mauro
Formation: San Mauro
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
10
10²
10³
10⁴
• Number of Wells x 0.1
◦ CondGR, Bbl/MMscf x 0.1
• OGR, STB/MMscf x 0.1
+ WGR, Bbl/MMscf x 0.1
- Daily Gas, Mscf/d
Chapman Petroleum Engineering Ltd.

170

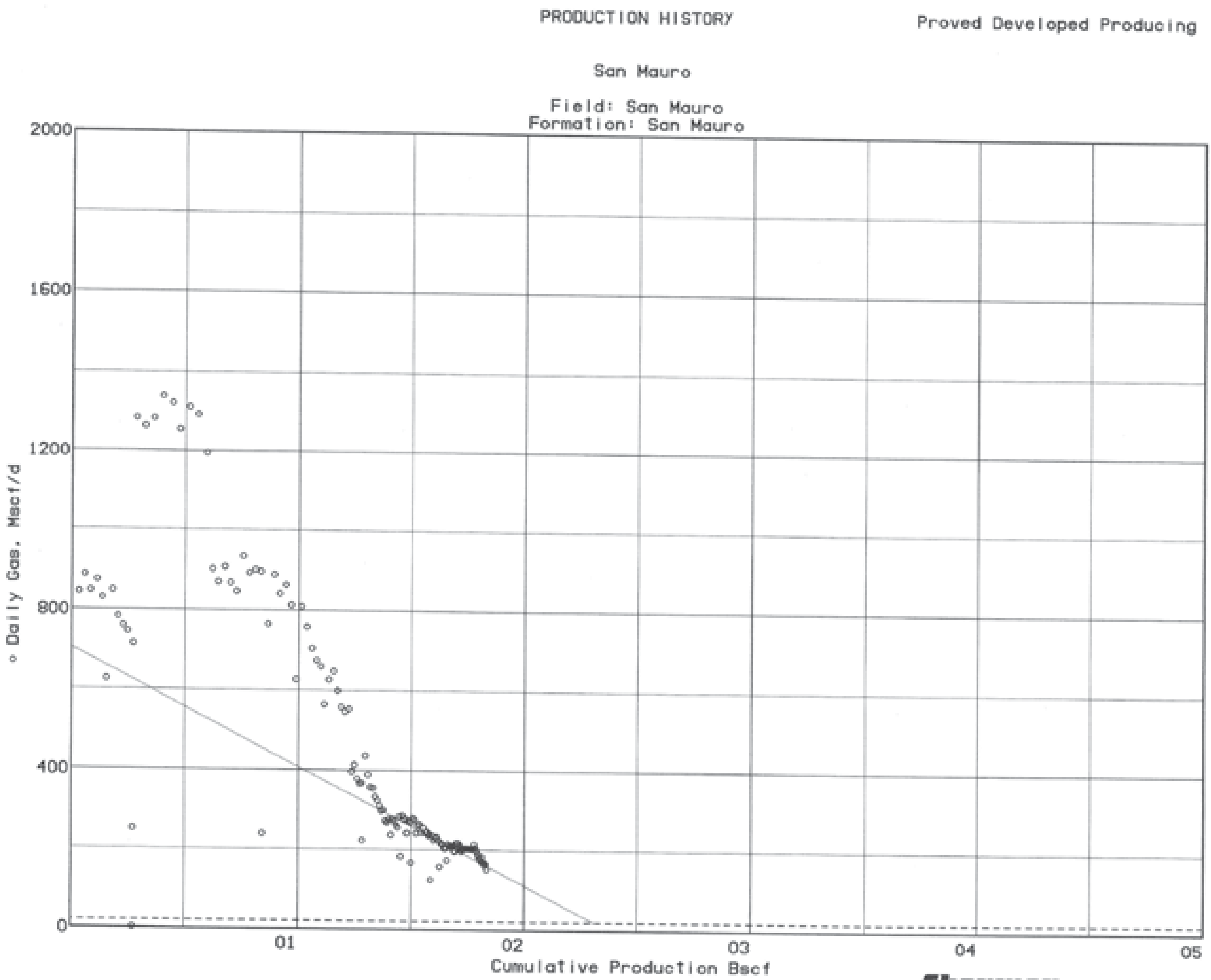
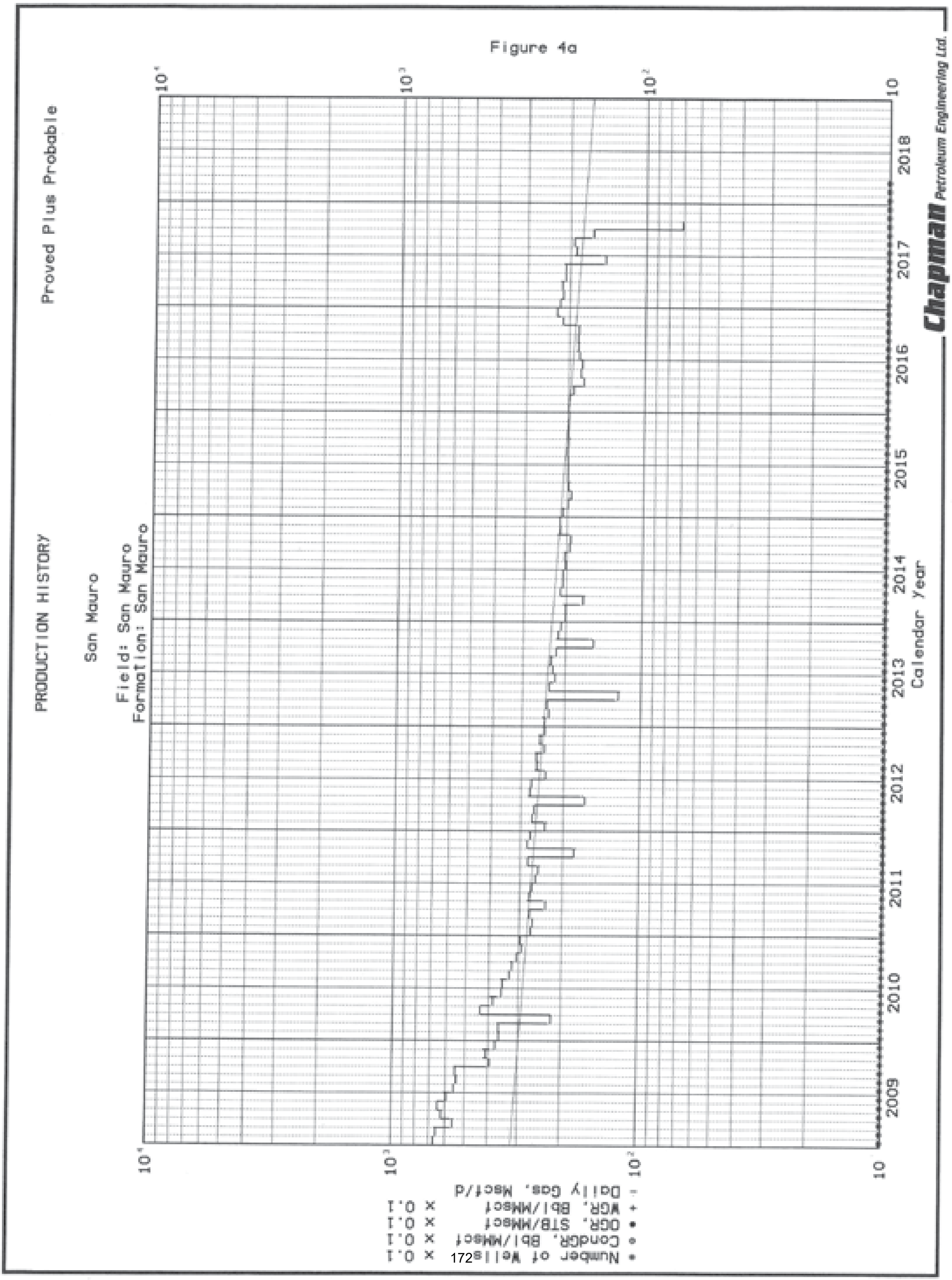


Figure 3b

Chapman Petroleum Engineering Ltd.


PRODUCTION HISTORY
San Mauro
Field: San Mauro
Formation: San Mauro
Proved Plus Probable
Figure 4a
Calendar Year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
10^4
10^3
10^2
10
Number of Wells x 0.1
CondGR, Bbl/MMscf x 0.1
OGR, STB/MMscf x 0.1
WGR, Bbl/MMscf x 0.1
Daily Gas, Mscf/d
172
Chapman Petroleum Engineering Ltd.

PRODUCTION HISTORY

Proved Plus Probable

San Mauro

Field: San Mauro
Formation: San Mauro

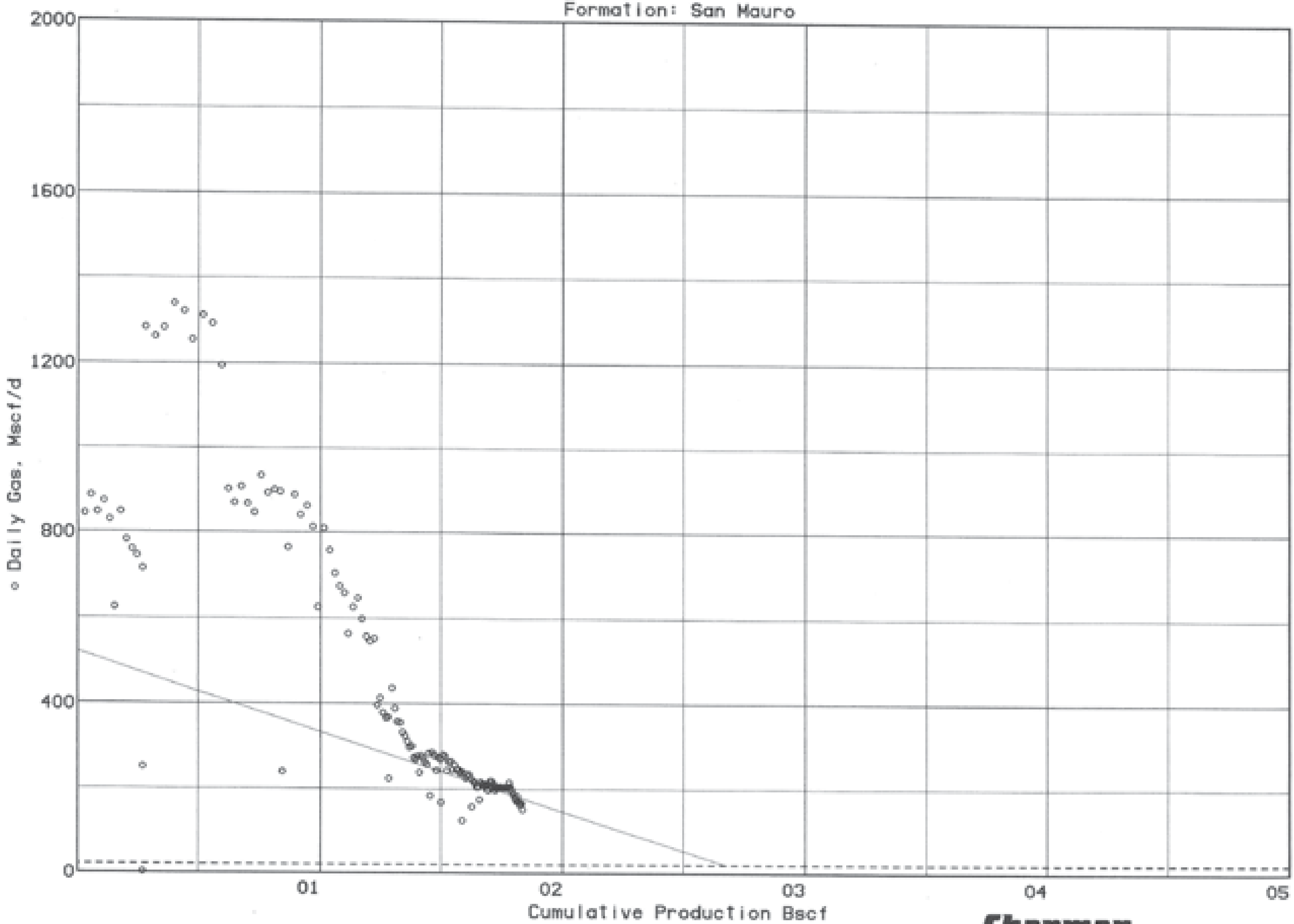


Figure 4b

Chapman Petroleum Engineering Ltd.

Table 3a

Summary of Anticipated Capital Expenditures
Development
April 1, 2018
Zenith Energy Ltd.

San Mauro Concession, Onshore Italy

Description	Date	Operation	Capital Interest %	Gross Capital M$	Net Capital M$
Proved Developed Non-Producing					
San Mauro	May -18	Replace compressor and clean equipment	18.0000	63.0	11.3
		Total Proved Developed Non-Producing		**63.0**	**11.3**
		Total Proved Developed		**63.0**	**11.3**

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

April 1, 2018

Zenith Energy Ltd.

San Mauro Concession, Onshore Italy

Description	Well Parameters	Capital Interest %	Gross Capital M$	Net Capital M$
San Mauro Concession	Abandon 1 gas well, reclaim the land	18.0000	57	10
	Total Abandonment and Restoration		**57**	**10**

Note: **M$ means thousands of dollars.**
The above capital values are expressed in terms of current dollar values without escalation.

Forecast Prices & Costs

Table 4
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Zenith Energy Ltd.

San Mauro Concession, Italy

		Net To Appraised Interest									
		Reserves					Cumulative Cash Flow (BIT) - MUS$				
	Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbls			Discounted at:			
Description	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
Proved Developed Non-Producing											
Bastia-1	0	0	101	101	0	0	162	120	92	73	60
Total Proved Developed Non-Producing	**0**	**0**	**101**	**101**	**0**	**0**	**162**	**120**	**92**	**73**	**60**
Probable											
Probable Developed Non-Producing											
Bastia-1 Incr.	0	0	25	25	0	0	66	35	20	12	8
Total Probable Developed Non-Producing	**0**	**0**	**25**	**25**	**0**	**0**	**66**	**35**	**20**	**12**	**8**
Total Proved Plus Probable	**0**	**0**	**126**	**126**	**0**	**0**	**228**	**155**	**112**	**86**	**68**

MUS$ means thousands of United States dollars.

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a

EVALUATION OF: San Mauro Concession, Onshore Italy - Proved Developed Non-Producing

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-JUN-2018
RUN DATE: 11-APR-2018 TIME: 13:55
FILE: GemPN1.DAX

WELL/LOCATION - San Mauro
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 591 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL
TOTAL CAPITAL COSTS - 63000 -$-
TOTAL ABANDONMENT - 86393 -$- (2040)
NOTE: ECONOMIC LIMIT OCCURS IN 2040

INTEREST

AVG WI 18.0000%

ROYALTIES/TAXES

STATE

Year	# of Wells	Price $/MCF	Sales Gas MMCF: Pool MCF/D	Vol	Company Share Gross	Net
2018	1	5.48	158.1	30	5	5
2019	1	5.58	149.2	48	9	9
2020	1	5.77	138.7	44	8	8
2021	1	5.96	128.9	41	7	7
2022	1	6.15	119.8	38	7	7
2023	1	6.25	111.4	36	6	6
2024	1	6.44	103.5	33	6	6
2025	1	6.63	96.2	31	6	6
2026	1	6.87	89.4	29	5	5
2027	1	7.07	83.1	27	5	5
2028	1	7.28	77.3	25	4	4
2029	1	7.48	71.8	23	4	4
2030	1	7.70	66.8	21	4	4
2031	1	7.92	62.1	20	4	4
2032	1	8.14	57.7	18	3	3
SUB				464	83	83
REM				97	18	18
TOT				561	101	101

* P/T * COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	63	0	29	0	29	0	0	0	.0	4	15	3.49	11	1.99	0	11	0	-1	-1
2019	0	0	48	0	48	0	0	0	.0	7	24	3.60	17	1.98	0	0	0	17	15
2020	0	0	46	0	46	0	0	0	.0	7	23	3.74	16	2.03	0	0	0	16	13
2021	0	0	44	0	44	0	0	0	.0	7	22	3.88	15	2.08	0	0	0	15	11
2022	0	0	42	0	42	0	0	0	.0	7	20	4.03	15	2.12	0	0	0	15	10
2023	0	0	40	0	40	0	0	0	.0	8	19	4.20	13	2.05	0	0	0	13	8
2024	0	0	38	0	38	0	0	0	.0	8	18	4.37	12	2.07	0	0	0	12	7
2025	0	0	37	0	37	0	0	0	.0	8	17	4.56	12	2.08	0	0	0	12	6
2026	0	0	35	0	35	0	0	0	.0	8	17	4.76	11	2.12	0	0	0	11	5
2027	0	0	34	0	34	0	0	0	.0	8	16	4.97	10	2.09	0	0	0	10	4
2028	0	0	32	0	32	0	0	0	.0	8	15	5.20	9	2.07	0	0	0	9	3
2029	0	0	31	0	31	0	0	0	.0	8	14	5.45	8	2.03	0	0	0	8	3
2030	0	0	30	0	30	0	0	0	.0	9	13	5.72	8	1.98	0	0	0	8	2
2031	0	0	28	0	28	0	0	0	.0	9	13	6.01	7	1.91	0	0	0	7	2
2032	0	0	27	0	27	0	0	0	.0	9	12	6.32	6	1.82	0	0	0	6	2
SUB	63	0	543	0	543	0	0	0	.0	115	258		170		0	11	0	159	90
REM	86	0	155	0	155	0	0	0	.0	68	68		19		0	0	16	3	2
TOT	149	0	698	0	698	0	0	0	.0	183	326		189		0	11	16	162	92

NET PRESENT VALUE (-$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	188963	136633	116051	105214	96114	84970	71134
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	11340	11133	11016	10940	10866	10758	10587
Abandonment Costs ..	15551	5513	3030	2051	1399	797	323
Future Net Revenue .	162072	119987	102005	92222	83849	73415	60224

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	18.0	18.0					
% of Future Revenue.			.0	72.9	27.1	1.6	23.2

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	6.0
(disc. @ 10.0%) .	7.1
(disc. @ 5.0%) .	7.2
First Payout (years)	.8
Total Payout (years)	1.7
Cost of Finding ($/BOE)	1.60
NPV @ 10.0% ($/MCF)	.91
NPV @ 5.0% ($/MCF)	1.19

Table 4b

EVALUATION OF: San Mauro Concession, Onshore Italy - Proved Plus Probable Developed Non-Prod
****

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-JUN-2018
RUN DATE: 11-APR-2018 TIME: 13:55
FILE: GemRB1.DAX

WELL/LOCATION - San Mauro
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 738 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL
TOTAL CAPITAL COSTS - 63000 -$-
TOTAL ABANDONMENT - 95385 -$- (2045)
NOTE: ECONOMIC LIMIT OCCURS IN 2045

INTEREST

AVG WI 18.0000%

ROYALTIES/TAXES

STATE

Sales Gas MMCF

Year	# of Wells	Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net
2018	1	5.48	158.8	30	5	5
2019	1	5.58	151.7	49	9	9
2020	1	5.77	143.1	46	8	8
2021	1	5.96	135.0	43	8	8
2022	1	6.15	127.4	41	7	7
2023	1	6.25	120.3	38	7	7
2024	1	6.44	113.5	36	7	7
2025	1	6.63	107.1	34	6	6
2026	1	6.87	101.1	32	6	6
2027	1	7.07	95.4	31	5	5
2028	1	7.28	90.0	29	5	5
2029	1	7.48	84.9	27	5	5
2030	1	7.70	80.1	26	5	5
2031	1	7.92	75.6	24	4	4
2032	1	8.14	71.4	23	4	4
SUB				509	92	92
REM				192	35	35
TOT				701	126	126

= F/T = COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	63	0	29	0	29	0	0	0	.0	4	15	3.48	11	2.00	0	11	0	-1	-1
2019	0	0	49	0	49	0	0	0	.0	7	24	3.59	17	1.99	0	0	0	17	15
2020	0	0	48	0	48	0	0	0	.0	7	23	3.71	17	2.06	0	0	0	17	14
2021	0	0	46	0	46	0	0	0	.0	7	23	3.83	17	2.13	0	0	0	17	12
2022	0	0	45	0	45	0	0	0	.0	7	22	3.97	16	2.19	0	0	0	16	11
2023	0	0	43	0	43	0	0	0	.0	8	21	4.11	15	2.14	0	0	0	15	9
2024	0	0	42	0	42	0	0	0	.0	8	20	4.26	14	2.18	0	0	0	14	8
2025	0	0	41	0	41	0	0	0	.0	8	19	4.41	14	2.22	0	0	0	14	7
2026	0	0	40	0	40	0	0	0	.0	8	19	4.58	13	2.30	0	0	0	13	6
2027	0	0	39	0	39	0	0	0	.0	8	18	4.75	13	2.31	0	0	0	13	5
2028	0	0	38	0	38	0	0	0	.0	8	17	4.94	12	2.34	0	0	0	12	5
2029	0	0	37	0	37	0	0	0	.0	8	17	5.14	11	2.34	0	0	0	11	4
2030	0	0	36	0	36	0	0	0	.0	9	16	5.34	11	2.36	0	0	0	11	3
2031	0	0	35	0	35	0	0	0	.0	9	15	5.57	10	2.36	0	0	0	10	3
2032	0	0	33	0	33	0	0	0	.0	9	15	5.80	10	2.34	0	0	0	10	2
SUB	63	0	600	0	600	0	0	0	.0	115	284		201		0	11	0	190	104
REM	95	0	319	0	319	0	0	0	.0	123	140		56		0	0	17	39	8
TOT	158	0	919	0	919	0	0	0	.0	238	424		257		0	11	17	228	112

NET PRESENT VALUE (-$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	256715	170551	139734	124255	111665	96762	79048
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	11340	11133	11016	10940	10866	10758	10587
Abandonment Costs ..	17169	4769	2276	1406	876	438	143
Future Net Revenue .	228206	154648	126442	111908	99923	85566	68317

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	18.0	18.0					
% of Future Revenue.			.0	72.1	27.9	1.2	24.8

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	8.0
(disc. @ 10.0%) .	9.1
(disc. @ 5.0%) .	9.7
First Payout (years)	.8
Total Payout (years)	1.8
Cost of Finding ($/BOE)	1.36
NPV @ 10.0% ($/MCF)	.89
NPV @ 5.0% ($/MCF)	1.23

TORRENTE CIGNO GAS CONCESSION

ONSHORE, ITALY

INDEX

TORRENTE CIGNO GAS CONCESSION
ONSHORE ITALY
DISCUSSION

Property Description

The Company owns 45% working interest in the Torrente Cigno gas concession covering approximately 38,163 acres, and located onshore Italy along the Adriatic coast. The Company owns a 100% working interest in an electrical generation facility which utilizes gas from wells in this concession. The partner's raw gas, including condensate, is purchased at the facility intake. This concession is scheduled to expire in 2019. An extension is expected to be granted to align with the Company's additional development plans.

A map showing the Torrente Cigno concession location is presented in Figure 1a, and a description of the ownership is presented in Table 1.

Geology

The regional geology of Italy as shown in Figure 2a places the company's properties in the on-land shallow depths of the Apenninic Foredeep basin.

The Apennines are the consequences of the subduction of three types of lithosphere with different characteristics, but pertaining to the same Adriatic plate. [1]

1. In the north central Apennines, thin continental lithosphere at the surface in the foreland, and probably thinner at depth, occurs
2. In the southern Apennines, thick continental lithosphere occurs in the foreland, whereas probably old oceanic lithosphere constitutes the slab at depth to the west (northern prologation of the Ionian Mesozoic basin
3. In the southern sector, offshore Calabria, old oceanic Ionian lithosphere occurs both in the foreland and at depth.

[1] 'An Introduction To The Italian Geology' – Carlo Doglioni and Giovanni Flores, 1997

The Torrente Cigno exploration play has gas resources from a subcropping sequence of carbonates beneath a significant unconformity below the base Pliocene, as represented in the Stratigraphic Column of Figure 2b and as seen in the structure of Figure 2c.

Reserves

Total gross proved developed producing conventional non-associated marketable gas reserves of 1,073 MMscf and 15.0 Mbbl of condensate have been estimated for the one producing gas well Masseria Vincelli 1. These estimates are based on volumetric analyses as presented in Table 2a.

Gross probable additional developed producing conventional non-associated marketable gas reserves of 1,439 MMscf and 25.5 Mbbl of condensate have been estimated for the same MV1 well based on a volumetric analysis assuming an improved drainage area and slightly higher condensate/gas ratio, as presented in Table 2a.

Probable undeveloped gas reserves of 13,413 MMscf and 216.3 Mbbl of condensate have been estimated for an offset horizontal well location (Masseria Vincelli 2) based on volumetric analysis based on reservoir parameters as shown in Table 2b. (This table reflects the reserves of the total accumulation.)

Production

The Masseria Vincelli 1 well is located in the southern part of Torrente Cigno concession. The MV1 well is producing from the top of the Apulian platform carbonates belonging to or oligo-Miocene transgressive deposits. The well came into production during the month of October 2002.

The well Masseria Vincelli 1 is currently producing at a fairly constant rate of 450 Mscf/d into the Company's electrical generation facility. This production rate is predicted to be constant for the next six years to maintain operation of a single 1.4 MWh unit before commencing a decline.

The offset probable horizontal well location Masseria Vincelli 2 is expected to be drilled in 2019 and produce at a rate of 1,000 Mscf/d which will maintain the operation of the other three 1.4 MWh units at the electrical generation facility for a number of years. Later in life, as the well declines, non utilized units will be taken off line.

Product Prices

A net effective gas price for 2018 of $2.46/Mscf has been established for this property based on the revenues generated from the electricity generation facility and correlated to the World Bank European gas price forecast. This price accounts for a deduction of $1.05/Mscf off the total sales volume to account for the purchase of the partner's 55% share of the gas.

Condensate is sold for $61.85/Bbl.

Capital Expenditures

Total capital expenditures of $3,300,000 ($1,500,000 net to the Company) have been estimated for the drilling, testing, completion, and tie-in of one new well, as presented in Table 3a.

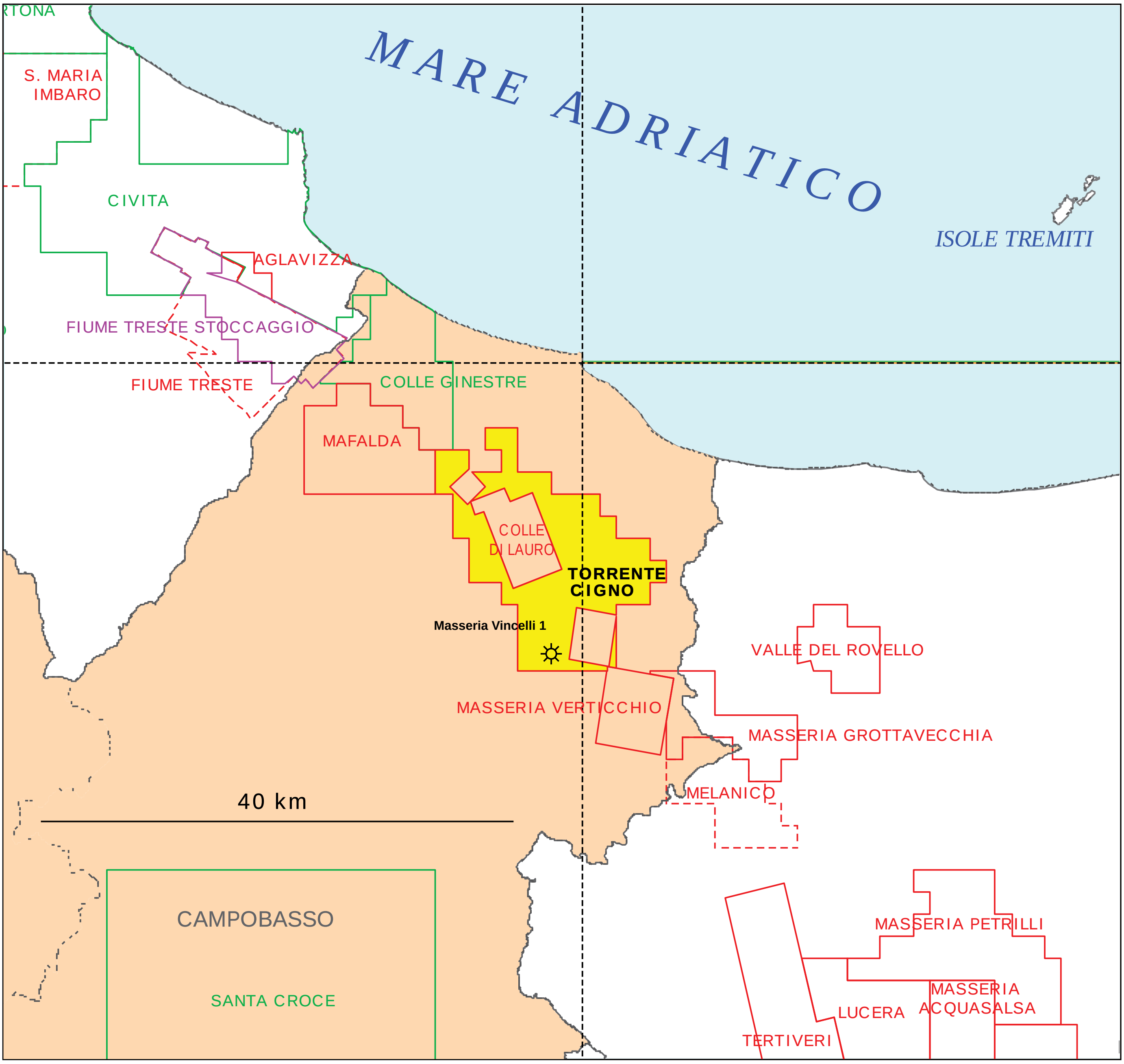
Total abandonment liabilities of $114,000 ($51,300 net to the Company) have been estimated based on a reasonable expectation for these types of wells. The abandonment and site reclamation costs are presented in Table 3b.

Operating Costs

Operating costs for the wells and facility combined have been estimated to be $3,700 per month, plus $0.75/Mscf net to the Company, based on revenue and expense statements provided. These costs account for the reimbursement of well and gas handling costs from the 55% WI partner and costs relating to condensate production and sales.

Economics

An economic summary is presented on Table 4 and the results of our economic analysis are presented on Tables 4a through 4d.



ZENITH ENERGY LTD.

TORRENTE CIGNO CONCESSION

MOLISE REGION, ITALY

LAND AND WELL MAP

APR. 2018 JOB No. 6445 FIGURE No. 1

183

Chapman Petroleum Engineering Ltd.

Table 1

Schedule of Lands, Interests and Royalty Burdens
April 1, 2018

Zenith Energy Ltd.

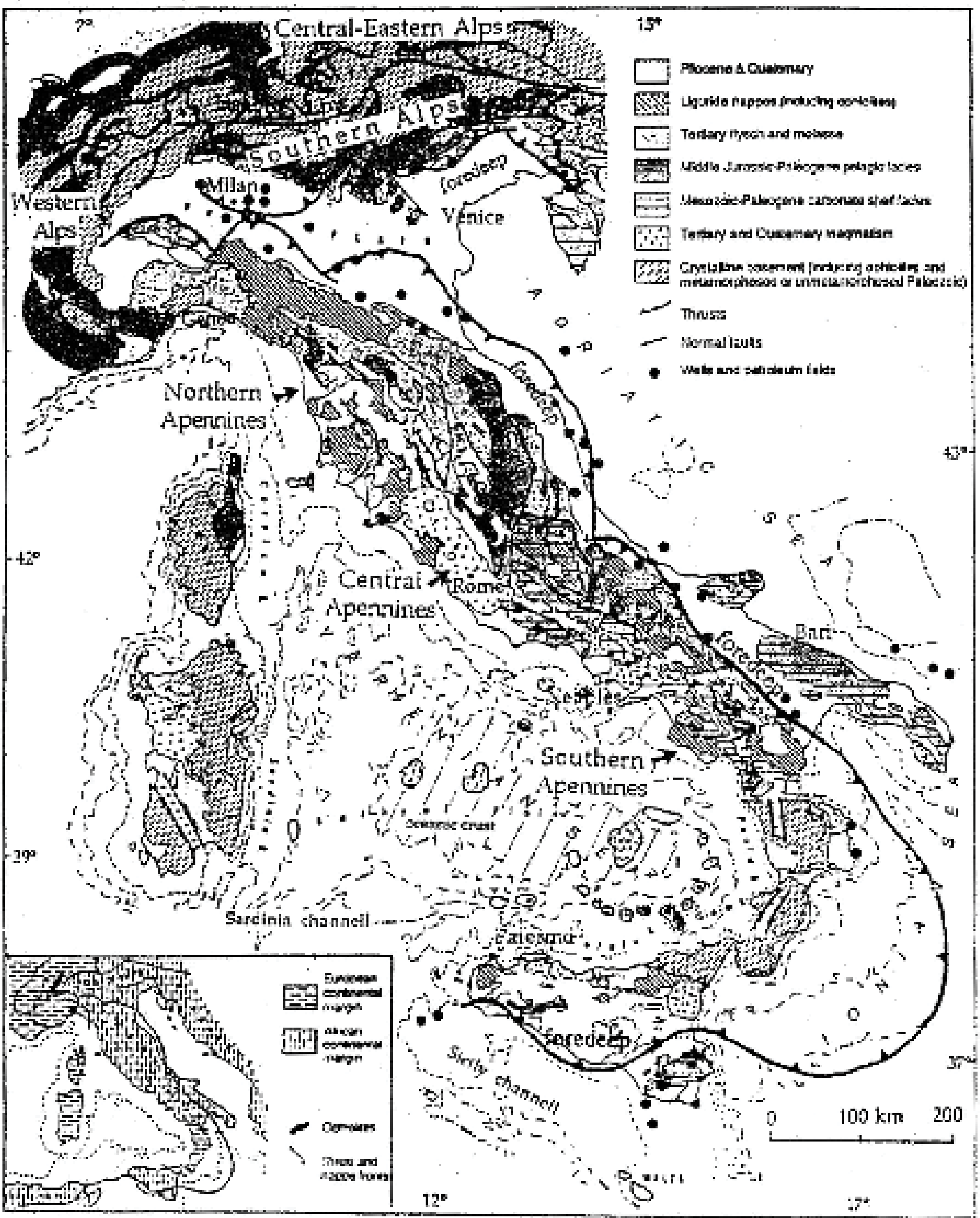
Torrente Cigno Concession, Onshore Italy

			Appraised Interest		Royalty Burdens	
Description	Rights Owned	Gross Acres	Working %	Royalty %	Basic %	Overriding %
Masseria Vincelli 1 Masseria Vincelli 2 (Location)	[A]	38,163	45.0000	-	7.0000 [1]	-

General Notes : [1] If over 25 million cubic meters annually (882.9 MMCF)
[2] This gas is used for electrical generation from the Company's 100% owned facility and revenue from electricity sales is realized by the Company at 100%.

Rights Owned : [A] All P&NG.
This concession is scheduled to expire in 2019. An extension is expected to be granted to align with the Company's additional development plans.

Chapman Petroleum Engineering Ltd.



Source: Doglioni and Flores, An Introduction to the Italian Geology, 1997

ZENITH ENERGY LTD.
ITALY **REGIONAL GEOLOGY**
APR. 2018 **JOB No. 6445** **FIGURE No. 2a**

Chapman *Petroleum Engineering Ltd.*

System	Series	Stage	Age (Ma)	
Quaternary	Pleistocene	Gelasian	younger	
Neogene	Pliocene	Piacenzian	2.588–3.600	← GAS ZONE
		Zanclean	3.600–5.332	← GAS ZONE
	Miocene	Messinian	5.332–7.246	← GAS ZONE
		Tortonian	7.246–11.608	ZONE OF INTEREST
		Serravallian	11.608–13.65	
		Langhian	13.65–15.97	
		Burdigalian	15.97–20.43	
		Aquitanian	20.43–23.03	
Paleogene	Oligocene	Chattian	older	

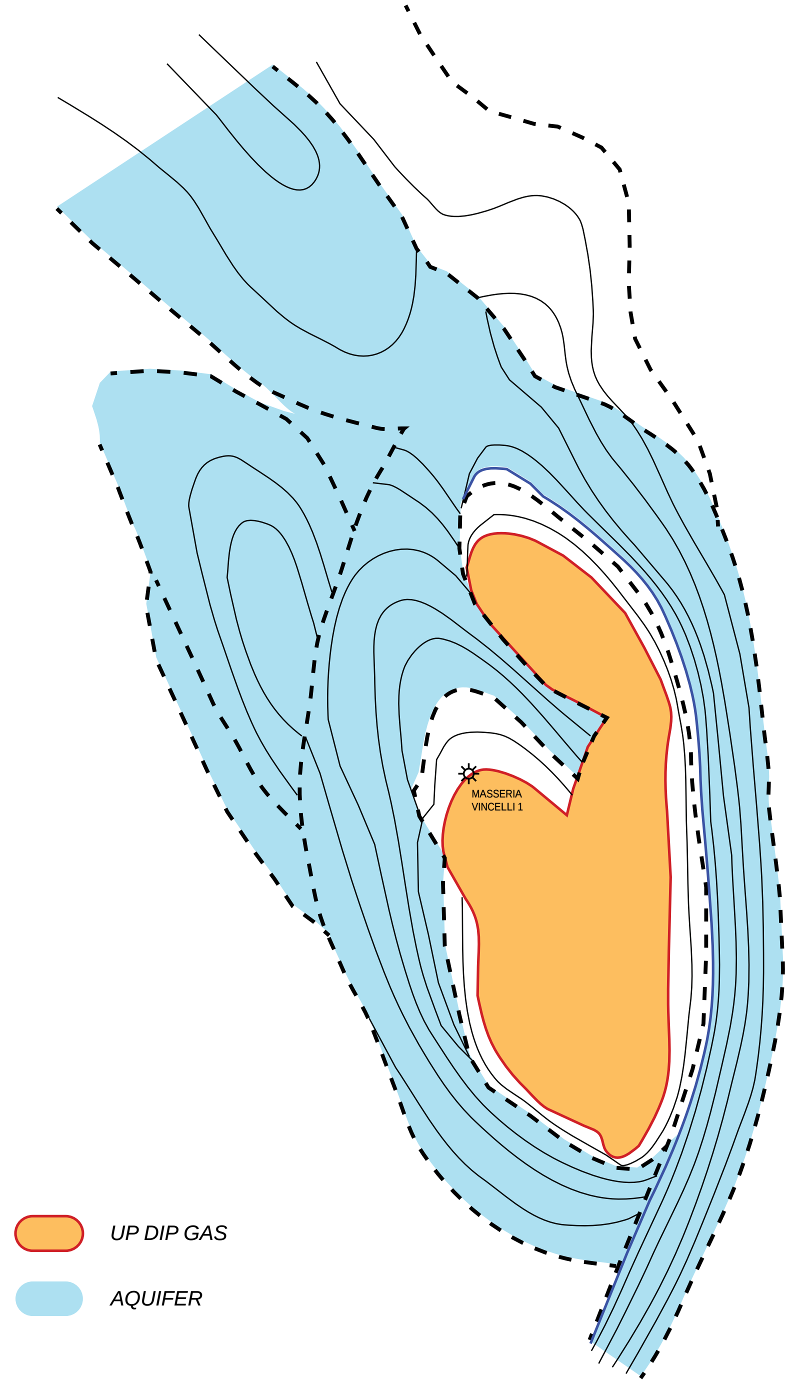
ZENITH ENERGY LTD.

ITALY

STRATIGRAPHIC CHART

APR. 2018 JOB No. 6445 FIGURE No. 2b

Chapman *Petroleum Engineering Ltd.*



ZENITH ENERGY LTD.
TORRENTE CIGNO CONCESSION
MOLISE REGION, ITALY
MASSERIA VINCELLI STRUCTURE
APR. 2018 **JOB No. 6445** **FIGURE No. 2c**

187

Chapman Petroleum Engineering Ltd.

Table 2

Summary of Gross Reserves
April 1, 2018

Zenith Energy Ltd.

Torrente Cigno Concession, Onshore Italy

Description			Current or Initial Rate Mscf/d		Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining RGIP (raw) (MMscf)	Remaining RGIP (sales) (MMscf)	Remaining NGLs (MBbls)	Reference
Proved Developed Producing										
Torrente Cigno Concession	Masseria Vincelli 1		450		3,100	1,946	1,154	1,073	15	Fig 3a & Table 2a
	Total Proved				**3,100**	**1,946**	**1,154**	**1,073**	**15**	
Probable Developed Producing										
Torrente Cigno Concession	Masseria Vincelli 1	(incr.)			1,547	0	1,547	1,439	26	Fig 3a & Table 2a
Probable Undeveloped										
Torrente Cigno Concession	HZ Loc. Masseria Vincelli 2		1,000	Mar 19	14,423	0	14,423	13,413	216	Table 2b
	Total Probable				**15,970**	**0**	**15,970**	**14,852**	**242**	
	Total Proved Plus Probable				**19,070**	**1,946**	**17,124**	**15,925**	**257**	

Table 2a

SUMMARY OF GROSS RESERVES AND RESERVOIR PARAMETERS
April 1, 2017

Torrente Cigno, Italy

	MV-1 Apullian Carbonates (1) Proved Developed Producing	MV-1 Apullian Carbonates (1) Proved Plus Probable
PRODUCT TYPE		
Non-Associated Gas		
RESERVOIR PARAMETERS		
Reservoir Pressure, psia	2,946	2,946
Reservoir Temperature, deg F	134	134
Average Porosity, %	15.0	15.0
Average Water Saturation, %	30.0	30.0
Compressibility Factor, Z	0.798	0.798
Petroleum Initially-in-Place, Mscf/ac.ft	1009.0	1008.5
Reservoir Loss, %	40.0	40.0
Surface Loss, %	7.0	7.0
RESERVES		
Net Pay, feet	32.0	32.0
Area, acres	160	240
Petroleum Initially-in-Place, MMscf	5,166	7,745
Reserves Initially-in-Place, MMscf	3,100	4,647
Cumulative Production, MMscf	1,946	1,946
Remaining Raw Reserves, MMscf	1,154	2,701
Remaining Marketable Reserves, MMscf	**1,073**	**2,512**
NGL's Recovery, bbl/MMscf	13	15
Remaining NGL's, bbls	15,002	40,515

Note: (1) Interval 2240.0 - 2255.0 m KB.

Table 2b

SUMMARY OF GROSS RESERVES AND RESERVOIR PARAMETERS
April 1, 2017

Torrente Cigno, Italy

	Total Proved plus Probable MV1 & MV2 Apullian Carbonate (1)
PRODUCT TYPE	
Non-Associated Gas	
RESERVOIR PARAMETERS	
Reservoir Pressure, psia	2,946
Reservoir Temperature, deg F	134
Average Porosity, %	15.0
Average Water Saturation, %	30.0
Compressibility Factor, Z	0.798
Petroleum Initially-in-Place, Mscf/ac.ft	1009.0
Reservoir Loss, %	40.0
Surface Loss, %	7.0
RESERVES	
Net Pay, feet	70.0
Area, acres	450
Petroleum Initially-in-Place, MMscf	31,784
Reserves Initially-in-Place, MMscf	19,070
Cumulative Production, MMscf	1,946
Remaining Raw Reserves, MMscf	17,124
Remaining Marketable Reserves, MMscf	**15,925**
NGL's Recovery, bbl/MMscf	15
Remaining NGL's, bbls	256,860

Note: (1) Interval 2240.0 - 2255.0 m KB.

Chapman Petroleum Engineering Ltd.

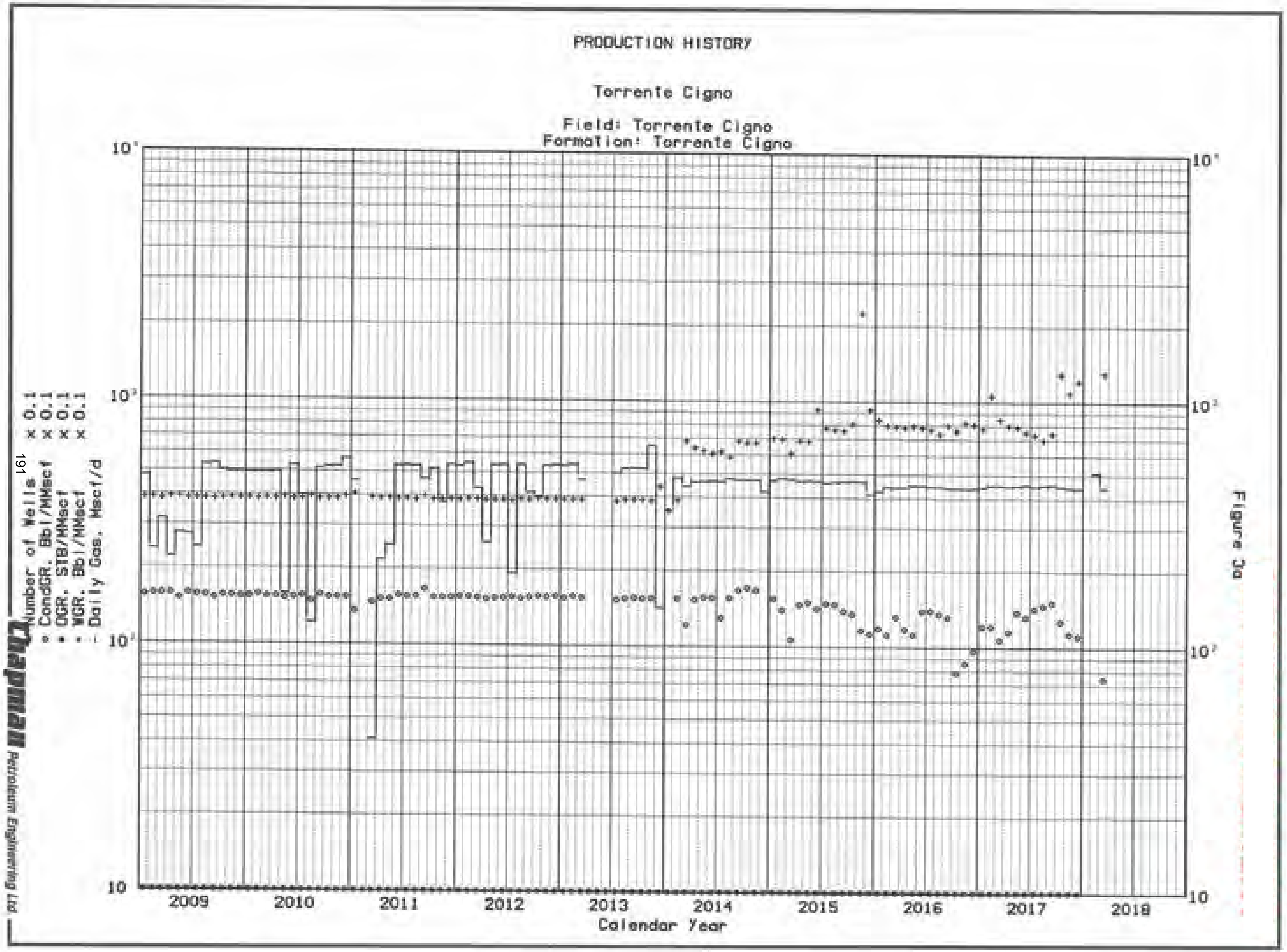

PRODUCTION HISTORY
Torrente Cigno
Field: Torrente Cigno
Formation: Torrente Cigno
Figure 3a
Number of Wells × 0.1
CondGR, Bbl/MMscf × 0.1
OGR, STB/MMscf × 0.1
WGR, Bbl/MMscf × 0.1
Daily Gas, Mscf/d
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Calendar Year
Chapman Petroleum Engineering Ltd
191

Table 3a

Summary of Anticipated Capital Expenditures
Development

April 1, 2018

Zenith Energy Ltd.

Torrente Cigno Concession, Onshore Italy

Description	Date	Operation	Capital Interest %	Gross Capital M$	Net Capital M$
Probable					
Loc. Masseria Vincelli 2	March -19	Horizontal drilling, testing, completion, and tie-in	45.0000	3,333	1,500
		Total Probable		**3,333**	**1,500**

Note: **M$ means thousands of dollars.**
The above capital values are expressed in terms of current dollar values without escalation.
Unless details are known, drilling costs have been split 70% Intangible and 30% Tangible for tax purposes

Table 3b

Summary of Anticipated Capital Expenditures
Abandonment and Restoration

April 1, 2018

Zenith Energy Ltd.

Torrente Cigno Concession, Onshore Italy

Description	Well Parameters	Capital Interest %	Gross Capital M$	Net Capital M$
Torrente Cigno Field	Abandon 1 gas well MV1, reclaim the land	45.0000	57	26
Torrente Cigno Field	Abandon 1 gas well MV2, reclaim the land	45.0000	57	26
	Total Abandonment and Restoration		**114**	**51**

Note: **M$ means thousands of dollars.**
The above capital values are expressed in terms of current dollar values without escalation.

Table 4
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2018

Forecast Prices & Costs

Zenith Energy Ltd.

Torrente Cigno Concession, Italy

Description			Net To Appraised Interest										
			Reserves						Cumulative Cash Flow (BIT) - MUS$				
			Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbls			Discounted at:			
			Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year
Proved Developed Producing													
Masseria Vincelli-1	Apullian Carbonate		0	0	1,073	1,073	15	15	2,245	1,898	1,631	1,421	1,254
Total Proved Developed Producing			0	0	1,073	1,073	15	15	2,245	1,898	1,631	1,421	1,254
Probable													
Probable Developed Producing													
Masseria Vincelli-1	Apullian Carbonate	Incr	0	0	1,439	1,439	25	25	4,237	2,421	1,469	940	630
Total Probable Developed Producing			0	0	1,439	1,439	25	25	4,237	2,421	1,469	940	630
Probable Undeveloped													
Masseria Vincelli-2	Apullian Carbonate		0	0	13,413	13,413	216	216	71,856	21,679	9,850	5,689	3,737
Total Probable Undeveloped			0	0	13,413	13,413	216	216	71,856	21,679	9,850	5,689	3,737
Total Probable			0	0	14,852	14,852	242	242	76,093	24,100	11,319	6,629	4,367
Total Proved Plus Probable			0	0	15,925	15,925	257	257	78,338	25,998	12,950	8,050	5,621

MUS$ means thousands of United States dollars.

Gross reserves are the total of the Company's working interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 4a

EVALUATION OF: Torrente Cigno Concession - Proved Developed Producing
****

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:54
FILE: GtcPP1.DAX

WELL/LOCATION - Masseria Vincelli-1
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 1154 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 30 -M$- (2026)

INTEREST

AVG WI 100.0000%

ROYALTIES/TAXES

STATE

	Sales Gas MMCF						Condensate BBL	
			Pool		Company Share			Co.
Year	# of Wells	Price $/MCF	MCF/D	Vol	Gross	Net	Price $/BBL	Share Gross
2018	1	2.46	418.5	115	115	115	61.85	1609
2019	1	2.53	418.5	153	153	153	67.25	2135
2020	1	2.61	418.5	153	153	153	70.76	2135
2021	1	2.69	418.5	153	153	153	74.45	2135
2022	1	2.77	418.5	153	153	153	75.99	2135
2023	1	2.85	418.5	153	153	153	77.57	2135
2024	1	2.94	324.5	118	118	118	79.18	1655
2025	1	3.03	190.5	70	70	70	80.83	972
2026	1	3.12	17.6	6	6	6	82.50	90
SUB				1073	1073	1073		15002
REM				0	0	0		0
TOT				1073	1073	1073		15002

* P/T * ============ COMPANY SHARE FUTURE NET REVENUE ============

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	0	0	283	100	383	0	0	0	.0	72	93	1.43	217	1.89	0	0	0	217	210
2019	0	0	386	144	530	0	0	0	.0	98	126	1.46	306	2.01	0	0	0	306	272
2020	0	0	399	151	550	0	0	0	.0	100	128	1.49	322	2.11	0	0	0	322	260
2021	0	0	411	159	570	0	0	0	.0	102	131	1.52	337	2.21	0	0	0	337	247
2022	0	0	423	162	585	0	0	0	.0	104	133	1.55	348	2.28	0	0	0	348	232
2023	0	0	435	166	601	0	0	0	.0	106	136	1.58	359	2.35	0	0	0	359	218
2024	0	0	348	131	479	0	0	0	.0	108	108	1.82	264	2.23	0	0	0	264	145
2025	0	0	211	79	289	0	0	0	.0	110	64	2.51	115	1.65	0	0	0	115	57
2026	30	0	20	7	27	0	0	0	.0	14	6	3.15	7	1.12	0	0	30	-23	-10
SUB	30	0	2916	1098	4015	0	0	0	.0	814	925		2275		0	0	30	2245	1631
REM	0	0	0	0	0	0	0	0	.0	0	0		0		0	0	0	0	0
TOT	30	0	2916	1098	4015	0	0	0	.0	814	925		2275		0	0	30	2245	1631

============ NET PRESENT VALUE (-M$-) ============

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	2275	1918	1745	1644	1553	1431	1261
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	30	20	16	14	12	9	7
Future Net Revenue .	2245	1898	1729	1631	1541	1421	1254

============ COMPANY SHARE ============

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	43.3	56.7	.0	55.9

============ PROFITABILITY ============

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	1.52
NPV @ 5.0% ($/MCF)	1.77

Table 4b

EVALUATION OF: Torrente Cigno Concession, Italy
=============== Total Proved Plus Probable cons.

ERGO v7.43 P2 ENERGY SOLUTIONS TOTAL
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:57
FILE:

EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 1530 -M$-
TOTAL ABANDONMENT - 107 -M$-

	Sales Gas MMCF						Condensate BBL	
			Pool		Company Share			Co.
Year	# of Wells	Price $/MCF	MCF/D	Vol	Gross	Net	Price $/BBL	Share Gross
2018	1	3.46	418.5	115	115	115	61.85	1856
2019	2	2.53	1198.2	437	437	437	67.25	7054
2020	2	2.61	1348.5	492	492	492	70.76	7939
2021	2	2.69	1348.5	492	492	492	74.45	7939
2022	2	2.77	1348.5	492	492	492	75.99	7939
2023	2	2.85	1348.5	492	492	492	77.57	7939
2024	2	2.94	1348.5	492	492	492	79.18	7939
2025	2	3.03	1348.5	492	492	492	80.83	7939
2026	2	3.12	1348.5	492	492	492	82.50	7939
2027	2	3.21	1348.5	492	492	492	84.21	7939
2028	2	3.31	1328.0	485	485	485	85.95	7818
2029	2	3.41	1289.7	471	471	471	87.73	7592
2030	2	3.51	1255.0	458	458	458	89.54	7388
2031	2	3.61	1223.7	447	447	447	91.39	7204
2032	2	3.72	1195.4	436	436	436	93.28	7037
SUB				6787	6787	6787		109460
REM				9139	9139	9139		147400
TOT				15925	15925	15925		256860

= P/T = ====================== COMPANY SHARE FUTURE NET REVENUE ======================

	Capital &Aband	Future Revenue (FR)				Royalties				Operating Costs			FR After	Net	Proc& Other	Cap'l	Aband	Future Net Rev	
Year	Costs -M$-	Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Crown -M$-	Other -M$-	Mineral -M$-	-%-	Fixed -M$-	Variable -M$-	$/BOE	Roy&Oper -M$-	back $/BOE	Income -M$-	Costs -M$-	Costs -M$-	Undisc -M$-	10.0% -M$-
2018	0	0	283	115	398	0	0	0	.0	72	93	7.85	233	11.07	0	0	0	233	225
2019	1530	0	1106	474	1581	0	0	0	.0	139	360	6.24	1082	13.54	0	1530	0	-448	-397
2020	0	0	1285	562	1846	0	0	0	.0	150	413	6.26	1284	14.27	0	0	0	1284	1036
2021	0	0	1324	591	1915	0	0	0	.0	153	421	6.38	1341	14.90	0	0	0	1341	983
2022	0	0	1363	603	1967	0	0	0	.0	156	430	6.51	1381	15.35	0	0	0	1381	921
2023	0	0	1403	616	2019	0	0	0	.0	159	438	6.64	1421	15.80	0	0	0	1421	861
2024	0	0	1447	629	2076	0	0	0	.0	162	447	6.77	1466	16.30	0	0	0	1466	808
2025	0	0	1491	642	2133	0	0	0	.0	165	456	6.91	1512	16.80	0	0	0	1512	757
2026	0	0	1536	655	2191	0	0	0	.0	169	465	7.04	1557	17.30	0	0	0	1557	709
2027	0	0	1580	669	2248	0	0	0	.0	172	474	7.19	1602	17.81	0	0	0	1602	663
2028	0	0	1604	672	2276	0	0	0	.0	176	477	7.36	1624	18.33	0	0	0	1624	611
2029	0	0	1605	666	2271	0	0	0	.0	179	472	7.57	1620	18.83	0	0	0	1620	554
2030	0	0	1608	662	2269	0	0	0	.0	183	469	7.78	1618	19.33	0	0	0	1618	503
2031	0	0	1612	658	2271	0	0	0	.0	186	466	7.99	1619	19.82	0	0	0	1619	458
2032	0	0	1623	656	2280	0	0	0	.0	190	464	8.20	1625	20.38	0	0	0	1625	418
SUB	1530	0	20872	8869	29741	0	0	0	.0	2411	6344		20986		0	1530	0	19456	9110
REM	107	0	57216	19464	76680	0	0	0	.0	4049	13642		58989		0	0	107	58883	3839
TOT	1636	0	78088	28333	106421	0	0	0	.0	6460	19986		79975		0	1530	107	78338	12950

============================ NET PRESENT VALUE (-M$-) ============================

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	79975	27457	17916	14313	11838	9336	6839
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	1530	1439	1389	1358	1327	1284	1217
Abandonment Costs ..	107	20	9	6	4	2	1
Future Net Revenue .	78338	25998	16518	12950	10507	8050	5621

==================================== COMPANY SHARE ====================================

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	24.9	75.1	1.4	73.6

================== PROFITABILITY ==================

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	47.9
(disc. @ 10.0%) .	9.5
(disc. @ 5.0%) .	17.8
First Payout (years)	.6
Total Payout (years)	2.0
Cost of Finding ($/BOE)	.56
NPV @ 10.0% ($/BOE)	4.45
NPV @ 5.0% ($/BOE)	8.93

Chapman Petroleum Engineering Ltd.

Table 4c

EVALUATION OF: Torrente Cigno Concession - Proved Plus Probable Developed Producing

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-APR-2018
RUN DATE: 11-APR-2018 TIME: 11:55
FILE: OtcRA1.DAX

WELL/LOCATION - Masseria Vincelli-1
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 2701 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL

TOTAL ABANDONMENT - 39 -M$- (2039)

INTEREST

AVG WI 100.0000%

ROYALTIES/TAXES

STATE

Year	# of Wells	Sales Gas MMCF Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net	Condensate BBL Price $/BBL	Co. Share Gross
2018	1	2.46	418.5	115	115	115	61.85	1856
2019	1	2.53	418.5	153	153	153	67.25	2464
2020	1	2.61	418.5	153	153	153	70.76	2464
2021	1	2.69	418.5	153	153	153	74.45	2464
2022	1	2.77	418.5	153	153	153	75.99	2464
2023	1	2.85	418.5	153	153	153	77.57	2464
2024	1	2.94	418.5	153	153	153	79.18	2464
2025	1	3.03	418.5	153	153	153	80.83	2464
2026	1	3.12	418.5	153	153	153	82.50	2464
2027	1	3.21	418.5	153	153	153	84.21	2464
2028	1	3.31	398.0	145	145	145	85.95	2343
2029	1	3.41	359.7	131	131	131	87.73	2117
2030	1	3.51	325.0	119	119	119	89.54	1913
2031	1	3.61	293.7	107	107	107	91.39	1729
2032	1	3.72	265.4	97	97	97	93.28	1562
SUB				2089	2089	2089		33695
REM				423	423	423		6820
TOT				2512	2512	2512		40515

= B/T = COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Proc& Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	0	0	283	115	398	0	0	0	.0	72	93	1.43	233	2.02	0	0	0	233	225
2019	0	0	386	166	552	0	0	0	.0	98	126	1.46	329	2.15	0	0	0	329	292
2020	0	0	399	174	573	0	0	0	.0	100	128	1.49	345	2.26	0	0	0	345	278
2021	0	0	411	183	594	0	0	0	.0	102	131	1.52	362	2.37	0	0	0	362	265
2022	0	0	423	187	610	0	0	0	.0	104	133	1.55	373	2.44	0	0	0	373	249
2023	0	0	435	191	626	0	0	0	.0	106	136	1.58	384	2.52	0	0	0	384	233
2024	0	0	449	195	644	0	0	0	.0	108	139	1.62	397	2.60	0	0	0	397	219
2025	0	0	463	199	662	0	0	0	.0	110	142	1.65	410	2.69	0	0	0	410	205
2026	0	0	477	203	680	0	0	0	.0	112	144	1.68	423	2.77	0	0	0	423	193
2027	0	0	490	207	698	0	0	0	.0	115	147	1.71	436	2.85	0	0	0	436	180
2028	0	0	481	201	682	0	0	0	.0	117	143	1.79	422	2.91	0	0	0	422	159
2029	0	0	448	186	633	0	0	0	.0	119	132	1.91	382	2.91	0	0	0	382	131
2030	0	0	416	171	588	0	0	0	.0	122	121	2.05	345	2.91	0	0	0	345	107
2031	0	0	387	158	545	0	0	0	.0	124	112	2.20	309	2.88	0	0	0	309	87
2032	0	0	360	146	506	0	0	0	.0	127	103	2.37	276	2.85	0	0	0	276	71
SUB	0	0	6309	2684	8993	0	0	0	.0	1636	1929		5427		0	0	0	5427	2894
REM	39	0	1735	681	2416	0	0	0	.0	841	480		1094		0	0	39	1055	206
TOT	39	0	8044	3365	11408	0	0	0	.0	2478	2410		6521		0	0	39	6482	3100

NET PRESENT VALUE (-M$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	6521	4333	3520	3105	2766	2363	1885
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	0	0	0	0	0	0	0
Abandonment Costs ..	39	14	8	5	3	2	1
Future Net Revenue .	6482	4319	3512	3100	2763	2361	1884

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	42.8	57.2	.0	56.8

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	n/a
Profit Index (undisc.)	n/a
(disc. @ 10.0%) .	n/a
(disc. @ 5.0%) .	n/a
First Payout (years)	n/a
Total Payout (years)	n/a
Cost of Finding ($/BOE)	n/a
NPV @ 10.0% ($/MCF)	1.23
NPV @ 5.0% ($/MCF)	1.72

Chapman Petroleum Engineering Ltd.

Table 4d

EVALUATION OF: Torrente Cigno Concession - Probable Undeveloped

ERGO v7.43 P2 ENERGY SOLUTIONS PAGE 1
GLOBAL : 10-APR-2018 6445
EFF:01-APR-2018 DISC:01-APR-2018 PROD:01-MAR-2019
RUN DATE: 11-APR-2018 TIME: 11:55
FILE: GtcRE2.DAX

WELL/LOCATION - HZ Loc. Masseria Vincelli-2 (Apullian Carbonate)
EVALUATED BY -
COMPANY EVALUATED - Zenith Energy Ltd.
APPRAISAL FOR -
PROJECT - FORECAST PRICES & COSTS

TRACT FACTOR - 100.0000 %
ULT POOL RESERVES - 14423 MMCF
PRODUCTION TO DATE - N/A
DECLINE INDICATOR - EXPONENTIAL
TOTAL CAPITAL COSTS - 1530 -M$-
TOTAL ABANDONMENT - 68 -M$- (2067)

INTEREST

AVG WI 100.0000%

ROYALTIES/TAXES

STATE

Year	# of Wells	Sales Gas MMCF Price $/MCF	Pool MCF/D	Pool Vol	Company Share Gross	Company Share Net	Condensate BBL Price $/BBL	Co. Share Gross
2018	0	2.46	.0	0	0	0	61.85	0
2019	1	2.53	930.0	285	285	285	67.25	4590
2020	1	2.61	930.0	339	339	339	70.76	5475
2021	1	2.69	930.0	339	339	339	74.45	5475
2022	1	2.77	930.0	339	339	339	75.99	5475
2023	1	2.85	930.0	339	339	339	77.57	5475
2024	1	2.94	930.0	339	339	339	79.18	5475
2025	1	3.03	930.0	339	339	339	80.83	5475
2026	1	3.12	930.0	339	339	339	82.50	5475
2027	1	3.21	930.0	339	339	339	84.21	5475
2028	1	3.31	930.0	339	339	339	85.95	5475
2029	1	3.41	930.0	339	339	339	87.73	5475
2030	1	3.51	930.0	339	339	339	89.54	5475
2031	1	3.61	930.0	339	339	339	91.39	5475
2032	1	3.72	930.0	339	339	339	93.28	5475
SUB				4697	4697	4697		75765
REM				8716	8716	8716		140580
TOT				13413	13413	13413		216345

\- P/T - COMPANY SHARE FUTURE NET REVENUE

Year	Capital &Aband Costs -M$-	Future Revenue (FR) Oil -M$-	SaleGas -M$-	Products -M$-	Total -M$-	Royalties State -M$-	Other -M$-	Mineral -M$-	-%-	Operating Costs Fixed -M$-	Variable -M$-	$/MCF	FR After Roy&Oper -M$-	Net back $/MCF	Procs Other Income -M$-	Cap'l Costs -M$-	Aband Costs -M$-	Future Net Rev Undisc -M$-	10.0% -M$-
2018	0	0	0	0	0	0	0	0	.0	0	0	.00	0	.00	0	0	0	0	0
2019	1530	0	720	309	1029	0	0	0	.0	41	234	.97	754	2.65	0	1530	0	-776	-689
2020	0	0	886	387	1273	0	0	0	.0	50	285	.99	939	2.77	0	0	0	939	757
2021	0	0	913	408	1321	0	0	0	.0	51	291	1.01	979	2.88	0	0	0	979	718
2022	0	0	940	416	1356	0	0	0	.0	52	296	1.03	1008	2.97	0	0	0	1008	672
2023	0	0	967	425	1392	0	0	0	.0	53	302	1.05	1037	3.05	0	0	0	1037	628
2024	0	0	998	434	1431	0	0	0	.0	54	308	1.07	1069	3.15	0	0	0	1069	589
2025	0	0	1029	443	1471	0	0	0	.0	55	314	1.09	1101	3.24	0	0	0	1101	552
2026	0	0	1059	452	1511	0	0	0	.0	56	321	1.11	1134	3.34	0	0	0	1134	516
2027	0	0	1090	461	1551	0	0	0	.0	57	327	1.13	1166	3.44	0	0	0	1166	483
2028	0	0	1124	471	1594	0	0	0	.0	59	334	1.16	1202	3.54	0	0	0	1202	452
2029	0	0	1158	480	1638	0	0	0	.0	60	340	1.18	1238	3.65	0	0	0	1238	423
2030	0	0	1191	490	1682	0	0	0	.0	61	347	1.20	1274	3.75	0	0	0	1274	396
2031	0	0	1225	500	1726	0	0	0	.0	62	354	1.23	1310	3.86	0	0	0	1310	370
2032	0	0	1263	511	1773	0	0	0	.0	63	361	1.25	1349	3.97	0	0	0	1349	347
SUB	1530	0	14563	6185	20748	0	0	0	.0	774	4415		15559		0	1530	0	14029	6216
REM	68	0	55481	18783	74265	0	0	0	.0	3208	13161		57895		0	0	68	57827	3634
TOT	1598	0	70044	24969	95013	0	0	0	.0	3982	17576		73454		0	1530	68	71856	9850

NET PRESENT VALUE (-M$-)

Discount Rate	.0%	5.0%	8.0%	10.0%	12.0%	15.0%	20.0%
FR After Roy & Oper.	73454	23124	14397	11208	9072	6973	4954
Proc & Other Income.	0	0	0	0	0	0	0
Capital Costs	1530	1439	1389	1358	1327	1284	1217
Abandonment Costs ..	68	6	2	1	0	0	0
Future Net Revenue .	71856	21679	13006	9850	7744	5689	3737

COMPANY SHARE

	1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0					
% of Future Revenue.			.0	22.7	77.3	1.6	75.6

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	124.6
Profit Index (undisc.)	45.0
(disc. @ 10.0%) .	7.3
(disc. @ 5.0%) .	15.0
First Payout (years)	2.6
Total Payout (years)	2.6
Cost of Finding ($/BOE)	.65
NPV @ 10.0% ($/MCF)	.73
NPV @ 5.0% ($/MCF)	1.62

Chapman Petroleum Engineering Ltd.

GLOSSARY OF TERMS
(Abbreviations & Definitions)

General

BIT	-	Before Income Tax
AIT	-	After Income Tax
M$	-	Thousands of Dollars
Effective Date	-	The date for which the Present Value of the future cash flows and reserve categories are established
$US	-	United States Dollars
WTI	-	West Texas Intermediate – the common reference for crude oil used for oil price comparisons
ARTC	-	Alberta Royalty Tax Credit
GRP	-	Gas Reference Price

Interests and Royalties

BPO	-	Before Payout
APO	-	After Payout
APPO	-	After Project Payout
Payout	-	The point at which a participant's original capital investment is recovered from its net revenue
GORR	-	Gross Overriding Royalty – percentage of revenue on gross revenue earned (can be an interest or a burden)
NC	-	New Crown – crown royalty on petroleum and natural gas discovered after April 30, 1974
SS 1/150 (5%-15%) Oil	-	Sliding Scale Royalty – a varying gross overriding royalty based on monthly production. Percentage is calculated as 1-150th of monthly production with a minimum percentage of 5% and a maximum of 15%
FH	-	Freehold Royalty
P&NG	-	Petroleum and Natural Gas
Twp	-	Township
Rge	-	Range
Sec	-	Section

Technical Data

psia	-	Pounds per square inch absolute
MSTB	-	Thousands of Stock Tank Barrels of oil (oil volume at 60 F and 14.65 psia)
MMscf	-	Millions of standard cubic feet of gas (gas volume at 60 F and 14.65 psia)
Bbls	-	Barrels
Mbbls	-	Thousands of barrels
MMBTU	-	Millions of British Thermal Units – heating value of natural gas
STB/d	-	Stock Tank Barrels of oil per day – oil production rate
Mscf/d	-	Thousands of standard cubic feet of gas per day – gas production rate
GOR (scf/STB)	-	Gas-Oil Ratio (standard cubic feet of solution gas per stock tank barrel of oil)
mKB	-	Metres Kelly Bushing – depth of well in relation to the Kelly Bushing which is located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations.
EOR	-	Enhanced Oil Recovery
GJ	-	Gigajoules
Marketable or Sales Natural Gas	-	Natural gas that meets specifications for its sale, whether it occurs naturally or results from the processing of raw natural gas. Field and plant fuel and losses to the point of the sale must be excluded from the marketable quantity. The heating value of marketable natural gas may vary considerably, depending on its composition; therefore, quantities are usually expressed not only in volumes but also in terms of energy content. Reserves are always reported as marketable quantities.
NGLs	-	Natural Gas Liquids – Those hydrocarbon components that can be recovered from natural gas as liquids, including but not limited to ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.
Raw Gas	-	Natural gas as it is produced from the reservoir prior to processing. It is gaseous at the conditions under which its Volume is measured or estimated and may include varying amounts of heavier hydrocarbons (that may liquefy at atmospheric conditions) and water vapour; may also contain sulphur and other non-hydrocarbon compounds. Raw natural gas is generally not suitable for end use.
EUR	-	Estimated Ultimate Recovery