



ZENITH ENERGY LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED MARCH 31, 2019

JULY 2, 2019

ZENITH ENERGY LTD.

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FOR THE YEAR ENDED MARCH 31, 2019**

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ABBREVIATIONS

In this Annual Information Form (“AIF”), the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		Natural Gas	
bbls	barrels of crude oil	Mcf	thousand cubic feet of natural gas
bbls/d	barrels per day	MMcf	million cubic feet of natural gas
boe	barrels of oil equivalent	Bcf	billion cubic feet of natural gas
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
Mbbl	thousands of barrels	Mcfe	thousand cubic feet of gas equivalent
MSTB	thousand stock tank barrels	MMbtu	million British Thermal Units
NGL	natural gas liquids	MMcf	million cubic feet
Other			
AECO	a natural gas storage facility located at Suffield, Alberta	Km	Kilometres
AFE	authorization for expenditure	km ²	square kilometres
API	American Petroleum Institute the measure of the density or gravity of liquid petroleum products derived from a specific gravity	m ³	cubic metres
		2D	two dimensional
		3D	three dimensional
		US\$	United States dollars
		\$	Canadian dollars
		M\$	thousands of dollars

Conversion

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.315
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMbtu	0.950
MMbtu	Gigajoules	1.0526

In this AIF, calculations of barrels of oil equivalent (boe) and thousand cubic feet of gas equivalent (Mcfe) are based on the standard of 6 Mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 Mcf when converting oil to natural gas. Boe and Mcfe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl or a Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVENTIONS

Certain terms used herein are defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”) or the Canadian Oil and Gas Evaluation Handbook (“**COGE Handbook**”) and, unless the context otherwise requires, shall have the same meanings in this AIF as in NI 51-101 or the COGE Handbook.

CURRENCY

In this AIF, all dollar amounts are expressed in Canadian currency “\$”, unless otherwise noted. United States dollars are expressed as “**US\$**”, British pounds are expressed as “**GBP**”, Euros are expressed as “**EUR**” and Swiss Francs are expressed as “**CHF**”.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- **the quantity of reserves or resources;**
- **the performance characteristics of the Company’s oil and gas properties;**
- **oil and natural gas production levels;**
- **capital expenditure programs;**
- **future development and exploration activities and the timing thereof;**
- **future land expiries;**
- **estimated future contractual obligations;**
- **future liquidity and financial capacity;**
- **projections of market prices and costs;**
- **supply and demand for oil and natural gas;**
- **expectations regarding the Company’s ability to raise capital and to continually add to reserves through acquisitions and development;**
- **expectations for the Company’s growth;**
- **expectations relating to the award of exploration permits by governmental authorities;**
and
- **treatment under government regulatory and taxation regimes.**

With respect to forward looking statements contained in this Annual Information Form, the Company has made assumptions regarding:

- **oil and natural gas production levels;**
- **commodity prices;**
- **availability of labour and drilling equipment;**
- **ability of the Company to continue to raise the capital;**
- **general economic and financial market conditions; and**
- **government regulation in the areas of taxation, royalty rates and environmental protection.**

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- **volatility in market prices for oil and natural gas;**
- **liabilities and risks inherent in oil and natural gas operations;**
- **uncertainties associated with estimating oil and gas reserves;**
- **competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;**
- **ability of the Company to raise the capital;**
- **incorrect assessments of the value of acquisitions;**
- **geological, technical, drilling and processing problems;**
- **fluctuations in foreign exchange or interest rates and stock market volatility;**
- **changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;**
- **failure to realize the anticipated benefits of acquisitions; and**
- **the other factors discussed under "Risk Factors".**

These factors should not be considered exhaustive. Statements relating to "**reserves**" or "**resources**" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Zenith does not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities laws.

PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this Annual Information Form has been prepared and presented in accordance with NI 51-101. The actual oil and gas reserves and future production will be greater than or less than the estimates provided herein. The estimated value of future net revenue from the production of the disclosed oil and gas reserves does not represent the fair market value of these reserves. There is no assurance that the forecast prices and costs or other assumptions made in connection with the reserves disclosed herein will be attained and variances could be material.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of revenue and future net revenue for all properties, due to the effects of aggregation.

CORPORATE STRUCTURE

Name, Address and Incorporation

Zenith Energy Ltd. ("**Zenith**" or the "**Company**") was incorporated, as Canoel International Energy Ltd, under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on September 20, 2007 and changed its name to Zenith Energy Ltd. on September 30, 2014. The registered Corporation number is BC0803216. The Company's head office is located at 15th Floor, Bankers Court, 850 -2nd Street S.W., Calgary, Alberta T2P 0R8, Canada, being also the mailing address of the Company.

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

The Company was listed on the TSX Venture Exchange Inc ("**TSXV**") as a capital pool company on April 10, 2008 under the ticker symbol "ZEE". On November 21, 2008, the Company completed a short form offering to the public and a non-brokered private placement, which allowed the Company to complete its Qualifying Transaction in accordance with the applicable policies of the TSXV on December 8, 2008. The Company is a development stage entity as defined by the Canadian Institute of Chartered Accountants ("**CICA**") Accounting Guideline 11.

The Company's articles of association and any amendments made thereof are available at the Company's registered address.

Inter-corporate Relationships

On March 10, 2010, Zenith formed Ingenieria Petrolera del Rio de la Plata S.r.l. ("**IPRP**"), a wholly owned subsidiary of Zenith. IPRP was initially incorporated in Buenos Aires, Argentina, to negotiate management agreements to operate existing producing properties. IPRP is currently in a dormant state and held in trust by Zenith's trustees in Argentina.

On March 23, 2011, Zenith established Canoel Italia S.r.l. ("**Italia Srl**"), a wholly owned subsidiary of the Company, so that it would have an operating entity if the Company was awarded the oil and gas properties being posted for auction by the Italian Ministry of Economic Development.

On November 27, 2015, the Company incorporated a wholly owned subsidiary in the British Virgin Islands under the BVI Business Companies Act, 2004, as an operating entity for the management of the Azerbaijan oil properties and changed the subsidiary's name to Zenith Aran Oil Company Limited on December 30, 2015.

In July 2016, the Company established Aran Oil Operating Company Ltd. ("**Aran Oil**"), an 80% owned subsidiary of Zenith Aran

On March 30, 2017, Zenith acquired a Swiss company, Altasol SA, paying an amount of CHF100.00 (\$134). The acquired entity is a non-operating company, which was purchased with the prospective of developing an oil trading subsidiary of Zenith.

On July 29, 2017 the Company established an oilfield services subsidiary company, Zena Drilling Limited ("**Zena**"), 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 Mr 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

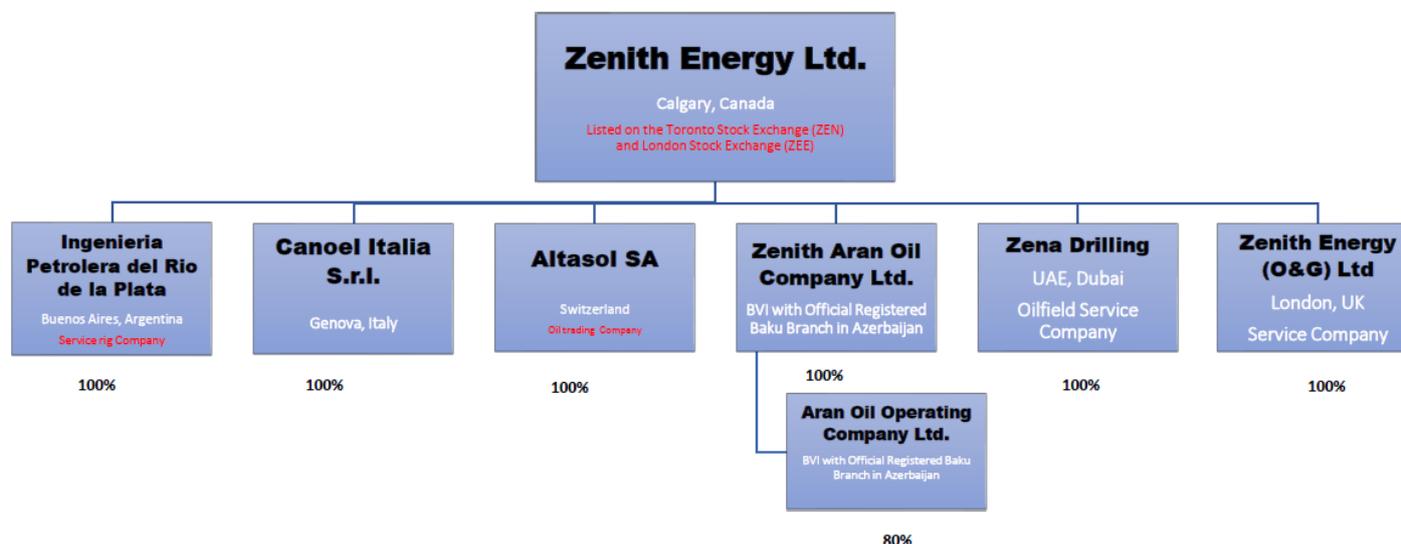
Convention Abolishing the Requirement of Legalisation for Foreign Public Documents, the process of transferring legal ownership to Zenith was elongated and it was finalised on 28 November 2018.

On November 2, 2017, Zenith was a founding party in a newly incorporated Italian entity named Leonardo Energy Consulting S.r.l. The Company holds a 48 percent interest in this subsidiary. The primary purpose of this subsidiary is the identification of business development opportunities in Central Asia and in the Middle East.

On March 28, 2018, the Company announced that it had entered into a binding exclusivity and an option to purchase agreement (the "**Option to Purchase Agreement**") for the possible acquisition of an oil production asset located in Indonesia (the "**Proposed Acquisition**"). The due diligence of the Proposed Acquisition's financial statements of the entity in Indonesia uncovered certain discrepancies. Management visited Indonesia during July 2018 to undertake further pricing negotiations with the ultimate vendor of the Proposed Acquisition, based on the findings of the due diligence report. However, the ultimate vendor decided not to accept the Company's proposal. Zenith's Board of Directors therefore agreed not to proceed with the completion of the Proposed Acquisition due to the vendor's refusal to renegotiate the total consideration.

The organization chart below sets out each of Zenith's subsidiaries, indicating the Company's interest in each entity:

ZENITH ENERGY LTD. – ORGANIZATION CHART



GENERAL DEVELOPMENT OF THE BUSINESS

Zenith's business plan is to grow through international acquisitions and exploration and to increase the production and reserves from its international inventory of oil and gas projects. The Company's operations are targeted to areas that have good access for exploration activities, with stable economic and business environments, and where there is a favourable legal system. Zenith's primary operations are in Azerbaijan, where the Company owns an 80% interest in three producing oil concessions and in Italy, where the Company owns various working interests in 13 onshore exploration and production assets, and two gas permits which are currently shut-in.

Zenith's strategy is to develop a balanced portfolio of short, medium and long-term opportunities. To accomplish this objective, Zenith 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 high impact 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 build on strategic alliances with national oil companies and large proven operators.

THREE YEAR HISTORY

April 1, 2016 to March 31, 2017

Corporate

On April 11, 2016 the Company completed a private placement of 6,674,775 Common Shares at \$0.08 per share or unit, for gross proceeds of \$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 warrant entitles the holder to acquire one Common Share at \$0.15 per Common Share for a period of 24 months from the date of issuance. The remaining 1,674,775 Common Shares were issued without accompanying share purchase warrants ("**Warrants**"). The Company paid aggregate finders' fees of \$27,000 in connection with this private placement.

On April 21, 2016, Zenith completed a private placement of 3,892,875 Units at \$0.08 per unit for gross proceeds of \$311k. Each unit is comprised of one Common Share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at \$0.15 per Common Share for a period of 24 months from the date of issuance. The Company paid aggregate finders' fees of \$15,000 and issued 179,712 warrants to certain arm's-length parties in the connection with the private placement.

In May 2016, the Company received written confirmation of its successful tender from Agjencia Kombëtare e Burimeve Natyrore ("**ABKN**"), the National Agency of Natural Resources of Tirana, a wholly-controlled government agency of the Albanian Ministry of Energy, which is responsible for the development and control of natural resources within Albanian territory. Block C covers an area of 222,395 acres (347.5 square miles or 900 square kilometers) and is located south of the city of Durrës, in the central region of the Albanian coast. The award is conditional to the negotiation of a petroleum agreement, and subsequent government and board of director approvals. Zenith is now working with ABKN to negotiate and execute a production sharing contract. The Company will have seven years to conduct initial exploration activities, which allows the financial commitments to be largely deferred. Management considers this deferral of costs advantageous given the projected demand for new reserves over the longer term and the outlook for world pricing beyond 2020.

On June 16, 2016, the Company closed a non-brokered private placement of 1,519,250 Common Shares at a price of \$0.08 per unit for aggregate gross proceeds of \$122,000. Each unit is comprised of one Common Share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of 24 months from the date of closing of the offering. The Company paid aggregate finders' fees of \$6,000 in connection with this private placement.

On August 29, 2016, the Company amended the terms of repayment of the US Loan such that a US\$700,000 (\$943,000) payment would be payable on October 15, 2016 and a final payment of approximately US\$1,485,000 (\$2,000,000) would be due on April 10, 2018. See "*Prior Sales – Loan Payable – US loan payable*".

On October 10, 2016, the Company closed a non-brokered private placement of 1,906,050 Units at a price of \$0.10 per unit for aggregate gross proceeds of \$191,000. Each unit is comprised of one Common Share and one common share purchase warrant. Each warrant entitles the holder to acquire one Common Share at a price of \$0.20 per share for a period of 24 months from the date of closing of the offering. The Company paid aggregate finders' fees of \$10,000 in connection with this non-brokered private placement.

On October 19, 2016, the Company issued 724,235 Common Shares at a deemed price of \$0.085 per Common Share to certain debtholders and creditors of the Company to settle debts owing by the Company, representing an aggregate of \$62,000.

On November 7, 2016, the Company completed a non-brokered private placement of 2,745,062 units at a price of \$0.12 per unit for aggregate gross proceeds of \$329,000. Each unit is comprised of one Common Share and one common share purchase warrant. Each warrant entitles the holder to acquire one Common Share at a price of \$0.20 per Common Share for a period of 24 months from the date of closing of the offering. The Company paid aggregate finders' fees of \$4,000 in connection with this private placement.

On December 2016, the Company amended the repayment of the US\$700,000 (\$943,000) of the loan to January 2017.

On November 22, 2016, Gunsynd Plc ("**Gunsynd**"), a company listed on the London Stock Exchange's AIM market, invested £100,000 in the Company by way of subscription for convertible unsecured loan notes bearing interest of 3% per annum. Interest on the new convertible notes is payable in arrears in quarterly instalments. At the option of Gunsynd, the principal of the new convertible notes may be converted into Common Shares at any time prior to the expiry of 36 months from issuance at a price equal to \$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).

On November 23, 2016, the Company issued 150,000 Common Shares to a certain debtholder of the Company (based on a price of \$0.08 per Common Share) in settlement of a debt of GBP7,000 (\$12,000) (inclusive of accrued interest) owed by the Company in respect of services provided by the debtholder.

On November 28, 2016, the Company formalized the previously reached agreement for the amendments of the terms of its 5% convertible unsecured debenture (the "**Debenture**"). The proposed amendments to the Debenture will include an extension of two years to the maturity date from January 11, 2017 to January 11, 2019, a reduction to the conversion price from \$0.125 per Common Share to \$0.11 per Common Share and a reduction to the interest rate payable by the Company from 5% to 1% for the remainder of the term.

In November 2016, the bond was partially repaid for \$121,000 (with related accrued interest), and within December 31, 2016 all the outstanding accrued bond interests were paid in the amount of \$71,000.

On January 11, 2017 Zenith announced that its entire Common Share capital, consisting of 98,564,867 Common Shares, was admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market ("**LSE**") under the ticker symbol "ZEN".

In connection with Admission, the Company successfully placed 33,322,143 Common Shares (the "**UK Placing**") at £0.07 (\$0.11) per share. On completion of the UK Placing, the gross proceeds available to the Company were approximately £2,333,000 (\$3,824,000) and the net proceeds were approximately £2,016,000 (\$3,305,000). The Company paid finder's fees of £113,500 and issued 1,114,286 broker warrants exercisable for 24 months from closing at a price of £0.07 per Common Share to third parties under the US Placing.

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

On January 2017, the Company paid the US\$700,000 (\$943,000) of the US loan, utilising part of the proceeds from the fundraising aligned with the listing on the London Stock Exchange of January 11, 2017.

On January 2017, the Company issued 668,571 Common 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 GBP47,000 (\$77,000).

On January 30, 2017, the Company entered into an agreement to proceed with a brokered private placement (the “**Private Placement**”) to raise gross proceeds of GBP855,000 (approximately \$1,408,000) through the issue of 9,000,000 Common Shares at a price of GBP0.095 (approximately \$0.1565) per share. In addition to the Common Shares, under the Private Placement each subscriber received one warrant for every Common Share purchased. Each warrant entitles the warrant holder to subscribe for one Common Share at a price of GBP0.15 per Common Share (approximately \$0.247), exercisable at any time until February 1, 2019. The proceeds of the Private Placement will be used to accelerate the Company’s field rehabilitation activities in Azerbaijan and increase the number of well workovers scheduled for completion by March 31, 2018. The Company also paid aggregate finders’ fees of \$70,000.

On January 25, 2017, the Company issued 3,700,000 Common Shares on the conversion of CHF311,000 (\$407,000) principal amount of convertible notes. After this operation the current amount of convertible note was CHF4,000 (\$5,000) of principal, and CHF250,000 (\$328,000) of accrued interest.

On March 14, 2017, the Company issued 505,263 Common Shares at a deemed price of \$0.1425 per Common Share, to settle certain debts owing by the Company. The Company further confirms that the debts have been fully paid, with the balance being settled in cash.

On March 21, 2017 Gunsynd Plc elected to fully convert its £100,000 principal amount unsecured convertible note into Common Shares at the conversion price of \$0.10, as outlined in the Zenith’s prospectus published on January 2017. Upon conversion of the convertible note, 1,637,100 Common Shares were issued to Gunsynd, eliminating Zenith’s GBP convertible debt.

On March 21, 2017 the Company issued 2,170,000 Common Shares for the conversion of CHF179,000 (\$239,000) principal amount of convertible notes. The current outstanding amount of convertible note, at the date of this document, is CHF75,000 (\$101,000) of accrued interest.

On March 30, 2017 the Company acquired a Swiss company, Altasol SA, paying an amount of CHF100.00 (\$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.

ITALY

During the year ended March 31, 2017, the Company sold 25,124 mcf of natural gas from its Italian properties as compared 92,345 mcf of natural gas in the 2016 similar period a decrease of 73%. The predominant reason for the decrease is a change in classification from gas to electricity from the Torrente Cigno concession. Prior to October 1, 2015, the Company sold its 45% share of this gas to the previous electricity producer and included such sales in oil and gas revenues. Following the Company’s acquisition of co-generation equipment and facilities on October 1, 2015, the Company

became an electricity producer and now classifies its 45% share of Torrente Cigno gas production as sales volumes for electricity.

During the year ended March 31, 2017, the Company sold 692 bbls of condensate from its Italian properties as compared to 906 bbls of condensate in the 2016 similar period, a decrease of 11%.

During the year ended March 31, 2017, the Company sold 9,636 MWh of electricity from its Italian properties. The electricity production in Italy started on October 1, 2015 and therefore values relating the two years are not comparable.

AZERBAIJAN

Conditions for ratification by the Parliament of the Republic of Azerbaijan included an Ultimate Parent Guarantee in favour of the REDPSA which the Company delivered to SOCAR on April 10, 2016 and a Government Guarantee by SOCAR which the Company received on April 27, 2016.

On June 14, 2016, the Company received notice that the Parliament of the Republic of Azerbaijan ratified the REDPSA for certain areas of the Block in which the Company holds an 80% participating interest in current and future production.

In July 2016, the Company established Aran Oil, an 80% owned subsidiary of Zenith Aran, to serve as operator of the REDPSA.

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, physically completed in June 2016, was formally completed on August 11, 2016 (the “**Effective Date**”) with the necessary signatures on related documents.

On August 9, 2016, the Company’s wholly owned subsidiary, Zenith Aran, entered into the First Credit Agreement. See “*Prior Sales – Loan Payable – US\$320,000 General Line of Credit Agreement*”.

The acquisition of the assets in Azerbaijan was reflected in an immediate accretion of the oil gross revenues of \$2.56 million for the period from August 11 to March 31, 2017.

During the year ended March 31, 2017 the Company sold 68,866 bbls of oil from its properties in Azerbaijan.

At the end of March 2017, there were 272 bbls of unsold oil production in Azerbaijan held in inventory which were sold in subsequent months. Total oil sales, transfers of produced volumes to the Term Oil Storage and oil held in inventory at the end of the period correspond to an average daily production rate for the three months ended March 31, 2017 of 281 bbls of oil per day. The average daily production rate is not comparable with past year.

On September 30, 2016, Zenith Aran entered into the Second Credit Agreement. See “*Prior Sales – Loan Payable – US\$200,000 General Line of Credit Agreement*”.

ARGENTINA

On July 16, 2016, the Company’s then wholly-owned subsidiary in Argentina, Petrolera Patagonia S.r.l. entered into the Arpenta Bond Loan. See “*Prior Sales – Notes Payable – Argentina Convertible Note*”.

Due to a series of circumstances beyond the Company’s control, caused by the collapse of a major storage tank owned by YPF (Argentina’s national oil company), Zenith’s Argentine operations was 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 Zenith to reconsider its operational involvement in Argentina.

On February 20, 2017, Zenith announced the sale of its operations in Argentina to a group of local energy investors. The sale of the Company's Argentina subsidiary was fixed at a nominal sum in recognition of the costs the new owner is expected to incur to return the Don Alberto and Don Ernesto fields to production. In addition, Zenith is longer liable for any environmental responsibilities or future well abandonment obligations for those fields.

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

April 1, 2017 to March 31, 2018

OPERATIONAL:

- During the financial year ended March 31, 2018 the Group produced 97,471 bbls of oil and sold 81,745 bbls of oil from its assets in Azerbaijan. There is no exact comparative data for the year ended March 31, 2017 because the effective handover data, and the consequent beginning of operations was August 11, 2016.

It should be noted that production from a number of the Group's wells in Azerbaijan was suspended during Q3 as a result of field rehabilitation operations, specifically the installation of electrical submersible pumps and well interventions. Daily production from the field was also affected as a result of the Group receiving faulty chemical to treat its oil production from an international chemical supplier. The Group is now seeking to have the faulty chemical replaced and has ordered new chemical supplies to avoid similar problems being incurred in future.

- On August 11, 2016 the handover of the Azerbaijan oil production assets, physically completed in June 2016, was formally completed with the necessary signatures on related documents and the Company began oil production activities at a rate of 300 bopd. During the period from August 11, 2016 to September 30, 2016, the Company sold 11,806 bbls of oil produced from its Azerbaijan oil production assets.
- At the end of March 2018, there were 107 bbls of unsold oil production in Azerbaijan held in inventory which were sold in subsequent months.
- During the three months and year ended March 31, 2018, the Company sold 3,710 and 16,909 mcf of natural gas production from its Italian assets as compared to 4,787 and 25,124 mcf of natural gas in the 2017 similar period. The decline in 33% was due to an interruption of production from the Lucera and Acquasalsa concessions for essential maintenance work
- During the three months and year ended March 31, 2018, the Company sold 105 and 715 bbls of condensate production from its Italian assets as compared to 93 and 692 bbls of condensate in the 2017 similar periods, recording an increase of 3%.

- During the three months and year ended March 31, 2018, the Company sold 760 and 7,975 MWh of electricity production from its Italian assets as compared to 1,524 and 9,636 MWh for the 2017 equivalent period, recording a decrease of 17%. This decline was due to disruption to production activities in January and February 2018 resulting from essential maintenance work.
- The Company incurred CAD\$5,971k of capital expenditures in the year ended March 31, 2018, primarily resulting from the workover field development programme underway in Azerbaijan and purchase of equipment.
- On July 29, 2017, the Company established an oilfield services subsidiary company, Zena Drilling Limited (“Zena”), incorporated in the Ras Al Khaimah Free Trade Zone (“RAKFTZ”), in the 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 Mr Andrea Cattaneo as pro bono trustee for the Company. Due to the process of incorporation in RAKFTZ, this was the most efficient method of establishment in fact the UAE is not a signatory to The Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents and the process of transferring legal ownership to Zenith is elongated and is not expected to be completed until later in 2018.
- On August 21, 2017, the Group announced that it had signed a contract for the procurement of oil production materials with Kerui Petroleum, a leading Chinese manufacturer of oilfield equipment.

The total value of the procurement contract between Kerui Petroleum and Zenith is USD\$1,706k (approximately £1,325k; CAD\$2,146k). The terms of payment have been defined in accordance with INCOTERMS 2010 and will take place within 1 year of the contract's effective date, which was 2 January 2018. As per contract stipulates that the Group paid 15 percent of the total contract value in advance as deposit.

The procurement of this new equipment will enhance the Group's operational capabilities, enable the Group's personnel to work in remote field locations, and replenish the Group's stock of oil production materials.

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 the 642.4 km² field area.

The procurement of these materials demonstrates the Group's preference for acquiring its own equipment and resources across its operational activities. This ensures lower costs, direct accountability, and comprehensive oversight of the Group's operations. The Group's stock of oilfield equipment will also avoid the risk of the Group's operations being affected by third-party delays, specifically in supplying equipment that the Group's systematic field rehabilitation activities often require on an immediate basis.

- On January 25, 2018 the Company announced that it has signed a purchase agreement contract for the order of a new workover rig, (the "**New Workover Rig**"), with a well-established manufacturer based in Azerbaijan.

The New Workover Rig is designated as an A-100 truck-mounted workover rig. The model of the New Workover Rig has an extensive manufacturing history in Russian and Central Asian countries and is among the most heavily utilised workover rig variants in the region. The abundant

availability of spare parts and mechanical support in the proximity of the Company's operations has played an important role in the selection of the New Workover Rig.

The use of the New Workover Rig will not be restricted to the Company's Azerbaijan operations.

FINANCIAL:

- The Company generated oil and natural gas revenue, net of royalties, of CAD\$5,6916k and CAD\$785k of electricity revenue in the year ended March 31, 2018. The Company generated oil and natural gas revenue, net of royalties, of CAD\$3,996k and CAD\$373k of electricity revenue in the year ended March 31, 2017.
- On May 25, 2017, the Company announced that following the announcement of February 22, 2017 regarding a Director of Zenith having exercised an option to acquire 1,000,000 new Common Shares in the capital of the Company, the Option Shares had been issued on May 23, 2017 following confirmation by the Director of the custodian to whom they should be issued.
- On June 29, 2017, an investor in the Company exercised warrants to acquire 1,019,250 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$15k (approximately £91k).
- On April 5, 2017, the Company's wholly owned subsidiary, Zenith Aran Oil Company Limited, entered into a general line of credit agreement with Rabitabank Open Joint Stock Company ("Rabitabank") for an amount of up to US\$320k (CAD\$416k), for industrial and production purposes. The credit agreement was drawn down in one tranche and as at April 6, 2017 was fully drawn down. Rabitabank may 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 in the event of the REDPSA being rescinded.

The credit agreement bears interest at a rate of 11% per annum which is paid monthly. The loan is guaranteed by the Company and has been granted for a one-year period. 25% of the principal amount should be paid on quarterly basis.

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

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

- On April 12, 2017, Zenith Aran Oil Company Limited entered into a second general line of credit agreement with Rabitabank for an amount of up to US\$200k (CAD\$260k). The credit agreement bears interest at a rate of 10% per annum which is paid monthly. The credit line has been granted for a one-year period and the principal amount has to be repaid at the end of the period. The credit agreement is guaranteed by the Company.
- On July 14, 2017, Zenith closed a non-brokered private placement issuing 3,533,333 common shares at a price of CAD\$0.123956 per unit for aggregate gross proceeds of CAD\$438k (approximately £265k). The Company also paid aggregate finder's' fees of CAD\$22k (approximately £13k).

- On August 2, 2017, Zenith closed a non-brokered private placement issuing 2,666,667 Common Shares at a price of CAD\$0.1230606 per unit for aggregate gross proceeds of CAD\$328k (approximately £200k). The Company also paid aggregate finder's' fees of CAD\$16k (approximately £10k).

The proceeds of the Private Placement funded the Company's acquisition of oil production equipment and provide general working capital. The materials procured included a blowout preventer (BOP), drill pipe to be used as a work string, tubing, as well as an oilfield doghouse, lighting equipment and a generator system to allow a workover rig to operate without the need for nearby infrastructure. The procurement of this equipment enabled the Company's personnel to work more efficiently in remote field locations.

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

The proceeds of this Private Placement funded the Company's acquisition of oil production equipment and provide general working capital.

- On September 11, 2017, Zenith closed a non-brokered private placement issuing 3,600,000 common shares at a price of CAD\$0.11 per share for aggregate gross proceeds of CAD\$404k (approximately £252k). The Company also paid aggregate finder's' fees of CAD\$20k (£13k).
- On September 27, 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 (£60k).
- On September 28, 2017, the Company announced that a Director of the Company had, in accordance with TSX Venture Exchange rules, swapped part of his salary for the first two quarters of the 2018 financial year for the equivalent of CAD\$2.5K per month, for a total of CAD\$15k (approximately £9k). As a result, the Director received 111,131 common shares in the capital of the Company at an average price of approximately CAD\$0.14 per share for the period April 1, 2017 until September 30, 2017.
- On October 12, 2017, an investor in the Company exercised warrants to acquire 2,049,775 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$307k (£186k).
- On October 16, 2017, a Director of the Company, Mr. Andrea Cattaneo, purchased 500,000 common shares of no-par value in the capital of the Company at an average price of CAD\$0.15591 per common share (approximately £0.09415), and a total cost of CAD\$78k (£47k).
- On October 19, 2017, an investor in the Company exercised warrants to acquire 1,257,875 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$189k (£114k).
- On October 23, 2017, an investor in the Company exercised warrants to acquire 1,306,050 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.20 per share, and the total consideration received was CAD\$261k (£160k).
- On November 2, 2017, an investor in the Company exercised warrants to acquire 500,000 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$75k (£44k).

- On November 8, 2017, an investor in the Company exercised warrants to acquire 1,612,142 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.20 per share, and the total consideration received was CAD\$322k (£195k).
- On November 22, 2017, an investor in the Company exercised warrants to acquire 3,150,000 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$473k (£284k).
- On November 23, 2017, a Director of the Company exercised stock options to acquire 2,000,000 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.10 per share, and the total consideration received was CAD\$200k (£118k).
- On December 11, 2017, an investor in the Company exercised warrants to acquire 400,000 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.20 per share, and the total consideration received was CAD\$80k (£47k).
- On December 15, 2017, the Company announced that a Director of the Company had exercised stock options to acquire 1,000,000 new common shares of no-par value in the capital of the Company. The exercise price of the warrant was CAD\$0.15 per share, and the total consideration received was CAD\$150k (£87k).
- On December 18, 2017, the Company announced that a Director of the Company had exercised stock options to acquire 500,000 new common shares of no par value in the capital of the Company at an exercise price of CAD\$0.10 per stock option (approximately £0.06) at a total cost of CAD\$50,000 (£30k).
- The Company also announced that the Chief Financial Officer of the Company had exercised stock options to acquire a total of 1,150,000 new common shares of no-par value in the capital of the Company. 400,000 of the new common shares had an exercise price of CAD\$0.10 per new share (approximately £0.0583). The remaining 750,000 new common shares had an exercise price of CAD\$0.15 (approximately £0.0874). The total consideration for the Chief Financial Officer's exercise of stock options was CAD\$152,000 (approximately £91k).

In addition, the Company also announced on December 18, 2017 that an investor in the Company had exercised warrants to acquire 100,000 new common shares of no-par value in the capital of the Company. The exercise price per warrant was CAD\$0.20 per share, and the total consideration received was CAD\$20k (£12k).

- On January 10, 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 of no par value in the capital of the Company at a price of CAD\$0.125 (approximately £0.0742) per New Common Share with Canadian investors. The proceeds of the Private Placement will be used to purchase equipment for the development of the Company's oil production operations in Azerbaijan. The Company also paid finder's fees for £3k (approximately CAD\$5k).
- On January 24, 2018, the Company completed a placing in the UK (the "**Placing**") to raise gross proceeds of £678k (approximately CAD\$1,158k) by issuing 9,000,000 common shares of no par value in the capital of the Company at a price of £0.0742 (approximately CAD\$0.1287) per New Common Share. The Company also paid finder's fees for £34k (approximately CAD\$58k) and under the terms of the Placing, Daniel Stewart & Company Plc were issued 180,000 warrants in the Company, priced at £0.0925, with an expiry date of two years from Admission.

- On January 24, 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**").

CORPORATE AND ADMINISTRATIVE:

- The Company continues to improve its accounting and administrative practices.
- During April 2017, 2,750,000 share options were granted to certain Zenith officers, directors, employees and consultants. Each option entitles the holder to acquire one share at a price of CAD\$0.15 for the period ending April 2022. 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 \$0.15, volatility of 100% and a monthly risk-free rate of 0.53%.
- On July 29, 2017, the Company established an oilfield services subsidiary company, Zena Drilling Limited ("**Zena**"), incorporated in the Ras Al Khaimah Free Trade Zone ("**RAKFTZ**"), in the 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 Mr Andrea Cattaneo as pro bono trustee for the Company. Due to the process of incorporation in RAKFTZ, this was the most efficient method of establishment in fact the UAE is not a signatory to The Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents and the process of transferring legal ownership to Zenith is elongated.
- On November 29, 2017, Zenith granted additional Options to certain of its Directors and employees to acquire a total of 2,000,000 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 \$0.175 per common share. The expiry date of the Options is the date falling five years from the date of grant, being November 29, 2022.
- On November 2, 2017, Zenith was a founding party in a newly incorporated Italian company named 'Leonardo Energy Consulting S.r.l.'. The Company holds a 48 percent interest in the entity. The primary purpose of this subsidiary is the identification of business development opportunities in Central Asia and in the Middle East.

ITALY

During the year ended March 31, 2018, the Company sold 16,909 mcf of natural gas from its Italian properties as compared 25,124 mcf of natural gas in the 2017 similar period a decrease of 23%. The predominant reason for the decrease is a change in classification from gas to electricity from the Torrente Cigno concession. Prior to October 1, 2015, the Company sold its 45% share of this gas to the previous electricity producer and included such sales in oil and gas revenues. Following the Company's acquisition of co-generation equipment and facilities on October 1, 2015, the Company became an electricity producer and now classifies its 45% share of Torrente Cigno gas production as sales volumes for electricity.

During the year ended March 31, 2018, the Company sold 1,589 bbls of condensate from its Italian properties as compared to 692 bbls of condensate in the 2017 similar period, with an increase of 129%.

During the year ended March 31, 2018, the Company sold 7,975 MWh of electricity from its Italian properties as compared to 9,636 MWh sold in the 2017 similar period, with a decrease of 17%.

AZERBAIJAN

During the financial year ended March 31, 2018 the Company produced 94,383 bbls of oil and sold 81,745 bbls of oil from its assets in Azerbaijan. There is no exact comparative data for the year ended March 31, 2017 because the effective handover data, and the consequent beginning of operations was August 11, 2016.

It should be noted that production from a number of the Company's wells in Azerbaijan was suspended during Q3 as a result of field rehabilitation operations, specifically the installation of electrical submersible pumps and well interventions. Daily production from the field was also affected as a result of the Company receiving faulty chemical to treat its oil production from an international chemical supplier. The Company is now seeking to have the faulty chemical replaced and has ordered new chemical supplies to avoid similar problems being incurred in future.

At the end of March 2018, there were 104 bbls of unsold oil production in Azerbaijan held in inventory which were sold in subsequent months.

On August 21, 2017 the Company announced that it had signed a contract for the procurement of oil production materials with Kerui Petroleum, a leading Chinese manufacturer of oilfield equipment.

The total value of the procurement contract between Kerui Petroleum and Zenith is US\$1,706k (approximately £1,325k; CAD\$ 2,146k). The terms of payment have been defined in accordance with INCOTERMS 2010 and will take place within 1 year of the contract's effective date. Zenith will pay 15 percent of the total contract value in advance as deposit.

The procurement of this new equipment will enhance Zenith's operational capabilities, enable the Company's personnel to work in remote field locations, and replenish Zenith's stock of oil production materials.

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 sq. kilometres field area.

The procurement of these materials evidences Zenith's preference towards employing its own equipment and resources across its operational activities. This ensures lower costs, direct accountability, and comprehensive oversight of the Company's operations. The Company's stock of oilfield equipment will also avoid the risk of Zenith's operations being affected by third-party delays in supplying equipment that the Company's systematic field rehabilitation activities require on an immediate basis.

April 1, 2018 to March 31, 2019

OPERATIONAL:

- During the three months and the financial year ended March 31, 2019, the Company produced 20,835 and 85,524 bbls of oil from its assets in Azerbaijan, as compared to 27,146 and 97,471 bbls of oil produced in the 2018 similar period.
- During the three months and the financial year ended March 31, 2019, the Company sold 17,320 and 75,913 bbls of oil from its assets in Azerbaijan, as compared to 20,079 and 81,745 bbls of oil sold in the 2018 similar period.
- During the three months and the financial year ended March 31, 2019, the Company sold 3,275 and 10,868 mcf of natural gas from its Italian assets, as compared to 3,710 and 16,909 mcf of natural gas in the 2018 similar period.
- During the three months and the financial year ended March 31, 2019, the Company sold nil and

628 bbls of condensate from its Italian assets, as compared to 105 and 715 bbls of condensate in the 2018 similar period.

- During the three months and the financial year ended March 31, 2019, the Company sold 2,752 and 9,433 MWh of electricity from its Italian electricity production assets, as compared to 760 and 7,975MWh for the corresponding period of 2018.
- On June 25, 2018, the Company's oilfield service subsidiary, Zena Drilling Limited, ("**Zena**"), signed a revised commitment letter (the "**Revised Commitment Letter**") for the operating lease of a Genesis BQ500 onshore drilling rig ("**BQ500**") with Olieum Services WLL ("**Olieum**"), an integrated oilfield services and equipment joint venture based in Bahrain. The Revised Commitment Letter superseded the letter signed on November 1, 2017, and it includes more favourable terms for the Company in a number of areas.

The BQ500 is a 2,000hp automated hydraulic drilling rig to be built by Robotics.

- On July 16, 2018, the Company announced that the due diligence report of the Proposed Acquisition's financial statements of the entity in Indonesia uncovered certain discrepancies. Management visited Indonesia during July 2018 to undertake further pricing negotiations with the ultimate vendor of the Proposed Acquisition based on the findings of the due diligence report. However, the ultimate vendor refused to renegotiate the total consideration in reflection of the aforementioned discrepancies identified in the due diligence report.

Zenith's Board of Directors therefore decided not to proceed with the completion of the Proposed Acquisition due to the vendor's refusal to renegotiate the total consideration. As aforementioned, the accounting due diligence process evidenced negative discrepancies largely exceeding 35% of the book values declared in the Proposed Acquisition's financial statements dated February 28, 2018.

In addition, the vendor and Zenith maintained different positions regarding the return of the deposit advanced by Mr. Andrea Cattaneo, Chief Executive Officer & President of the Company, in good faith and support of the Proposed Acquisition. Zenith and Mr. Andrea Cattaneo consider the retention of the deposit by the vendor to be contrary to the mutually agreed terms and the parties' intentions.

- As announced on August 13, 2018, the Company has completed two comprehensive geological studies which have offered a clear overview of the potential drilling opportunities located within the Company's Azerbaijan asset. Specifically, the study performed in relation to the Muradkhanli and Jafarli fields identified a new, previously unexplored, Mesozoic carbonate prospect running across the two fields beginning from the south-western flank of the Muradkhanli oilfield. In addition, the study also provided a modern re-evaluation of the Eocene age reservoir levels comprised of sandstones, mainly limestones and volcanic facies.
- On September 5, 2018, the fully owned subsidiary Zena Drilling Limited signed a purchase agreement for a BD-260 drilling rig assembled by B Robotics W S.r.l., for a total consideration of €2,250,200. The agreement supersedes the six-month rental agreement Zena had signed with Robotics for the BD-260 drilling rig dated June 6, 2018. In addition, Robotics confirmed it would provide its highly experienced drilling personnel for a minimum of six months as part of the aforementioned agreement. In addition, the Company announced that it was formalising a tender process in Azerbaijan for the leasing of a 180-ton truck-mounted workover and drilling rig for a period of four months.
- On October 10, 2018, ARC Ratings, SA. assigned the Company a medium to long-term issuer credit rating of "B+" with Positive Outlook.
- On October 15, 2018, the Company announced that it was preparing to commence drilling operations, having finalised a programme to deepen well C-37 in the Jafarli field. This has been based on a series of in-depth geological investigations, including analysis of 2D and 3D seismic

lines, which have evidenced a highly prospective, unexploited structure comprised of Upper Cretaceous carbonates formations.

- On November 2, 2018, the Company began a comprehensive reservoir engineering study to achieve the optimisation of production from active and shut-in production wells across the Muradkhanli, Jafarli and Zardab oilfields in Azerbaijan.

The findings of the reservoir study will complement the two comprehensive geological studies previously completed by the Company, announced on August 13, 2018, whose scope was focused on the selection of infill drilling locations across its field area in preparation for the beginning of drilling activities in Azerbaijan.

- On January 23, 2019, the Company announced that its oilfield service company subsidiary, Zena Drilling Limited, had purchased drilling equipment from B Robotics W S.r.l., ("**Robotics**") for a total amount of approximately EURO 722k.

FINANCIAL:

- The Company generated revenues from oil and natural gas of CAD\$6,208k (2018 – CAD\$5,985k) and from electricity CAD\$ 691k (2018 – CAD\$599k) in the year ended March 31, 2019, representing an increase of 31% in revenues over the corresponding period in 2018.
- On April 18, 2018, the Company announced the extension of the maturity date of the Series A Bond (the "**Bond Extension**"). The Bond Extension extends the maturity date for the Series A Bond from May 4, 2018, by six months to November 4, 2018. For the duration of the Bond Extension the interest rate of the Series A Bond has been increased to fifteen per cent per annum (15% p.a.). No further material terms will be amended in the Series A Bond or in any other document related to the 2015 Private Placement.
- Furthermore, in connection with the work undertaken on the Bond Extension, Optiva Securities Limited, at that time the Company's joint broker, will be paid a fee consisting of (i) £10,125 in cash (CAD\$18,141 at an exchange rate of 1.79167); and (ii) 93,750 warrants. The warrants entitle the holder to acquire one common share per warrant in the capital of Zenith at an exercise price of £0.12 (approximately CAD\$0.215) until the expiration date in May 2021.
- On May 2, 2018, the Company fully repaid the loan to acquire the Italian co-generation plant from a third party of which €401k (CAD\$637k) of the purchase price was in the form of a loan from the seller.
- On May 4, 2018, Mr. A. Cattaneo swapped part of his salary for the 2018 financial year for common shares in Zenith Energy Ltd. As a result, the Company issued Mr Andrea Cattaneo 1,123,068 common shares in the capital of the Company at an average price of CAD\$0.165 (approximately £0.094) for the period from April 1, 2017, until March 31, 2018. The amount of the Salary Sacrifice Shares was calculated based on Mr Cattaneo's salary as at April 1, 2017.
- On May 24, 2018, the Company signed a two-year non-convertible loan facility, for a total amount of up to US\$2,000,000.

The loan 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.

- On June 21, 2018, the Company raised gross proceeds amounting to £2,166,898 through the successful Placing, Subscription and Primary Bid Offer.

As a result of the Placing, Subscription and Primary Bid Offer the Company issued a total of 54,172,451 new common shares, (the "**New Common Shares**").

The Company also paid finder's fees for CAD\$187k and issued 1,280,000 warrants, that could be exercised at a price of CAD\$0.07 per warrant that expire three years after the granting date.

- On August 30, 2018, Zenith Aran entered into a general line of credit agreement with Rabitabank up to EUR 70k (CAD\$106k). This Credit Agreement bears interest at a rate of 10% per annum. The loan was granted for a three month-period and the principal amount of the loan will be paid at the end of the period. The loan is guaranteed by the Company. The interest is payable on a monthly basis and the principal amount will be paid by November 30, 2018. In December 2018 the bank made a prolongation of the principal amount payment for one month, which was repaid in January 2019.
- On September 5, 2018, the Company announced that it had entered into a US\$1,500,000 unsecured convertible loan facility (in this paragraph the "**Facility**") with a term of 18 months starting from August 30, 2018. Zenith shall pay interest on the outstanding amount of the Facility at the rate of 0% per annum. The Facility includes an initial immediate advance of US\$1,300,000 and a further advance of US\$200,000, to be provided at a later time and only at the discretion of the Lenders. Under the terms of the Facility the Company issued the lenders 6,977,988 warrants to subscribe for the equivalent number of common shares of no par value in the share capital of the Company at a price of £0.0505 per Common Share on subscription at any time from December 30, 2018, to February 28, 2020, subject to the articles of the Company and the terms and conditions of the Facility.
- On November 7, 2018, the Company announced that it had received approval for admission to trading of its entire common share capital on the Merkur Market of the Oslo Børs (the "**Merkur Market**"). The Merkur Market is a multilateral trading facility owned and operated by the Oslo Børs. In addition, in order to satisfy the Merkur Market admission requirements the Company completed a private placement with Norwegian investors (the "**Private Placement**"). The Private Placement successfully raised gross proceeds of NOK 7,274k (approximately £668k or CAD\$1,142k) through the placement of 20,782,429 common shares of no-par value (the "Placement Shares") at a subscription price of NOK 0.35 per share (approximately £0.032 or CAD\$0.055 per Placement Share). No Insider/Person Discharging Managerial Responsibility subscribed for Placement Shares. Following issuance of the Placement Shares, the Company will have a total of 237,102, 587 Common Shares in issue. 237,102,587 Common Shares will be admitted to trading on the Merkur Market and listed on the TSX Venture Exchange in Canada. The Company announced that an application for the Placement Shares to be listed on the standard segment of the UK Official List and to be admitted to trading to the Main Market of the London Stock Exchange will be made within 12 months of the issue of the Placement Shares, and that the number of Common Shares listed on the standard segment of the UK Official List and to be admitted to trading to the Main Market of the London Stock Exchange remained unchanged at 216,320,158.
- On November 12, 2018, the Company announced that it had successfully completed a private placement on the Merkur Market of the Oslo Børs with Norwegian investors raising gross proceeds of NOK 1 million (approximately £92k or CAD\$15k) through the placement of 2,857,143 common shares of no par value (the "**Placement Shares**") at a subscription price of NOK 0.35 per Placement Share (approximately £0.032 or CAD\$0.055).

Following this placement the Company had a total of 239,959,730 common shares in issue and admitted to trading on the TSX Venture Exchange and Oslo Bors. The total number of common shares listed on the standard segment of the UK Official List and admitted to trading on the Main Market of the London Stock Exchange is 216,320,158.

- On January 7, 2019, the Company announced:
 - The successful renegotiation of the terms of the unsecured Convertible Loan Facility announced on September 5, 2018 for an aggregate amount of US\$1,500k.
 - Zenith announced that it had agreed with the consortium of lenders that conversion of the Convertible Loan Facility would not take place before March 1, 2019, and that the total outstanding liability in relation to this facility would stand at US\$1,050k (approximately £825k; CAD\$1.4 million; NOK 9 million) by January 14, 2019.
 - The non-convertible loan agreement for the total amount of £230k, signed on April 3, 2018, was repaid in full on December 19, 2018.
 - The Company entered into a new unsecured convertible loan facility for an aggregate total amount of up to £1 million with a consortium of lenders (the "**Lenders**"). The convertible loan facility has a term of 24 months and the Company shall pay interest on the outstanding amount of the convertible loan facility at the rate of 8% per annum (the "**Interest Rate**"). This facility is repayable on January 15, 2021.
 - With certain limitations, the Convertible Loan Notes ("**CLNs**") will be convertible into Common Shares of the Company at any time after the expiry of a 120 day lock up period from the date of issue of the CLNs, January 15, 2019, as required under applicable Canadian securities laws.
- On January 11, 2019, the Company announced that it had issued and listed EURO 3,120k unsecured corporate EMTN EUROPEAN MEDIUM-TERM NOTES at par value (the "**Notes**") on the Third Market (MTF) of the Vienna Stock Exchange.

The Notes bear interest at a rate of 8 per cent per annum, payable semi-annually, and are listed on the Third Market (MTF) of the Vienna Stock Exchange ("**Wiener Borse AG**") as "ZENITH ENERGY LTD 8% NOTES - 2021" The International Securities Identification Number ("**ISIN**") of the Notes is AT0000A23S79. This issuance is part of an approval to list up to EURO 10 million in several tranches and with the same ISIN.

The Notes are governed by Austrian law and, since the Notes are not convertible into equity of Zenith, the issuance of the Notes is not subject to the approval of the TSX Venture Exchange in Canada.

The Company is planning further issuances of the Notes during the first the course of 2019. Respective announcements in relation to each issuance will be made as required.

- On February 8, 2019 the Company announced the completion of 2 offerings, one in Canada, (the "**Canadian Financing**"), and the other in the United Kingdom, (the "**UK Financing**"), with a consortium of private and institutional investors to raise a total of £607k (approximately CAD\$1,036k).

The Company intends to use the aggregate proceeds of the Canadian Financing and the UK Financing to increase its continued investment in its Azerbaijan field operations and for general working capital.

Canadian Financing

Zenith issued a total of 10,364,640 common shares of no-par value in the capital of the Company ("**Common Shares**") at a price of CAD\$0.05 in connection with the Canadian Financing to raise gross proceeds of CAD\$519k (approximately £304k).

Each subscription for a Canadian Financing Common Share has attached a share purchase warrant with a duration of twelve months and an exercise price of CAD\$0.10.

UK Financing

Zenith issued a total of 10,102,694 Common Shares of no-par value in the capital of the Company at a price of £0.03 in connection with the UK Financing (the "UK Financing Common Shares") to raise gross proceeds of £303k (approximately CAD\$517k).

- On March 11, 2019 the Company announced that it had successfully renegotiated the US\$1,500,000 convertible loan facility announced on September 5, 2018.

The Company agreed with the consortium of lenders (the "**Lenders**") that the terms of this facility shall be amended to include the possibility of optional redemptions (the "**Optional Redemption**") to be made by the Company in lieu of conversion of this facility by the Lenders for set redemption amounts (the "**Redemption Amounts**") amortised across the duration of the convertible loan facility.

In addition, provided prior notification is given by the Company to the Lenders regarding its intention to either pay the Optional Redemption or confirm that the applicable Redemption Amounts may be converted, conversion of the Redemption Amounts may only be effected by the Lenders at a fixed conversion price of £0.0505 (approximately CAD\$0.088; NOK 0.57) (the "**Fixed Conversion Price**").

Furthermore, the Company and the Lenders agreed to extend the repayment date of the convertible loan facility to May 31, 2020.

- On March 25, 2019 the Company announced that it issued unsecured notes (the "**Notes**") for a total amount of £90k (approximately CAD\$158k) with 900,000 warrants attached. Each Warrant will entitle the holder to acquire one common share of no-par value ("Common Share") in the capital of Zenith, at a strike price of CAD\$0.10 (approximately £0.056) per Common Share, for a period of 12 months following the closing date.

Unless permitted under applicable Canadian securities legislation, holders must not trade the Notes, or the Warrants underlying the Notes, in Canada before the date that is four months and a day after the issue date of February 15, 2019. The formalisation of the process was subject to approval by the TSX Venture Exchange.

The maturity date of the Notes is July 31, 2019, and they carry an interest of 15 percent per annum, payable upon the maturity of July 31, 2019, computed on the basis of a 360-day year composed of twelve 30-day months.

CORPORATE AND ADMINISTRATIVE:

- The Company continues to improve its accounting and administrative practices.
- In accordance with the Company's Stock Option Plan on April 5, 2018, the Board of Directors resolved to grant its directors, certain employees and consultants a total of 10,500,000 stock options (the "**Options**"). A total of 9,500,000 Options have been granted to directors and persons discharging managerial responsibility ("**PDMRs**"). Further details of the Options awarded to directors and PDMRs are outlined below. The exercise price of the Options is equivalent to the Company's TSXV closing price of March 26, 2018, being CAD\$0.12 (approximately £0.067). The Options are fully vested and expire five years from the date of granting.
- On October 2, 2018, the Company's Chief Executive Officer & President, Mr. Andrea Cattaneo advised the Company that he had swapped his salary for the first two quarters of the 2019 financial year in exchange for common shares in the capital of Zenith ("**Salary Sacrifice Shares**"). As a result, on October 1, 2018, the Company issued Mr. Cattaneo 2,225,941 Salary Sacrifice Shares at an average price of CAD\$0.108 for the period from April 1, 2018, to June 30, 2018, and at an average price of CAD\$0.069 for the period from July 1, 2018, to September 30, 2018.

The amount of Salary Sacrifice Shares was calculated on the basis of Mr. Cattaneo's salary as at October 1, 2018.

OPERATIONAL UPDATE

ITALY

The Company's share of estimated total proved plus probable natural gas net reserves were assessed at 16,280 Mmscf and condensate net reserves were assessed at 255 Mbbls as of March 31, 2019.

AZERBAIJAN

The Company's share of estimated total proved plus probable oil net reserves were assessed at 30,564 MSTB as of March 31, 2019.

OTHER ACTIVITIES

In addition to the activities discussed above, the Company is examining a number of opportunities for value-accretive expansion with the potential acquisition of additional oil and gas producing assets in established oil production regions.

- On March 30, 2017, the Company acquired a Swiss company, Altasol SA. Altasol SA does not hold any assets and was purchased with the intention of developing an oil trading subsidiary of Zenith Energy Ltd.
- On November 2, 2017, Zenith was a founding party in a newly incorporated Italian company named 'Leonardo Energy Consulting S.r.l.'. The Company holds a 48 percent interest in the entity. The primary purpose of the company is the identification of business development opportunities in Central Asia and the Middle East.
- On March 28, 2018, the Company announced that it had entered into a binding exclusivity and an option to purchase agreement (the "**Agreement**") for the possible acquisition of an oil production asset located in Indonesia (the "**Proposed Acquisition**"). The due diligence of the Proposed Acquisition's financial statements of the entity in Indonesia uncovered certain discrepancies. Management visited Indonesia during July 2018 to undertake further pricing negotiations with the ultimate vendor of the Proposed Acquisition, based on the findings of the due diligence report. However, the ultimate vendor decided not to accept the Company's proposal. Zenith's Board of Directors therefore agreed not to proceed with the completion of the Proposed Acquisition due to the vendor's refusal to renegotiate the total consideration.
- On November 28, 2018, the Company finalised the transfer of the legal ownership of the oilfield services subsidiary company, Zena Drilling Limited ("**Zena**"), incorporated in the Ras Al Khaimah Free Trade Zone ("**RAKFTZ**"), in the United Arab Emirates ("**UAE**"). Zena was incorporated on July 29, 2017, by Mr. Andrea Cattaneo as probono trustee of the Company.

PRINCIPAL ASSETS OF THE COMPANY

Azerbaijan

In October 2015, the Republic of Azerbaijan issued a Presidential Decree which authorised the State Oil Company of the Azerbaijan Republic ("**SOCAR**") to negotiate a Rehabilitation, Exploration, Development and Production Sharing Agreement ("**REDPSA**") with Zenith pursuant to which Zenith would receive the rights and obligations to an 80% participating interest in current and future

production from three producing onshore oil fields named Muradkhanly, Jafarli and Zardab, known as the Muradkhanly, covering 642.4 sq. kilometres.

The Azerbaijan Assets have generated revenues for the Company since the completion of the transfer to Aran Oil.

The capital assets which transferred to Aran Oil included 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 term of the REDPSA is 25 years from the date of SOCAR's approval of the contractor's development program. A draft Rehabilitation and Production Programme was submitted to SOCAR on March 16, 2017 and approved on October 3, 2017. The term of each of the Azerbaijan Assets may be extended by an additional five years at SOCAR's discretion.

The valuations of the assets and of the liabilities have been based on the net present value of future cash flows included in the Competent Persons Report prepared on behalf of the Company by Chapman Petroleum Engineering Ltd. as of August 31, 2016.

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%. A new Competent Persons Report is issued every year for the period ended 31 March and it becomes public in the following June. The latest report available has been published on 28 June 2019.

Decommissioning provisions

The fair value of decommissioning obligation 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 August 12, 2016, the day immediately following the Effective 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 \$1,790,000 increase in the decommissioning obligation associated with the acquired assets.

DEFERRED CONSIDERATION PAYABLE

a. Compensatory oil

The Company has an obligation to deliver, 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 45,000 tons (approximately 315,000 barrels) of "compensatory" crude oil to SOCAR. As at 31 March 2019 approximately 26,000 tons have been delivered.

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

b. Capital Costs

At the time of the formal finalisation of the transaction, the production in Azerbaijan was about 275 barrels per day of oil, although the acquired fields have produced much larger quantities previously (Source: SOCAR). Gas is also produced, but in low quantities and is used on site.

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

The Company has undertaken numerous workovers and other operational activities between the effective date of the REDPSA in August 2016 and the date of this document, 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 Muradkhanly field
February 2017	<p>Division of the field rehabilitation activities between two teams: ‘Team A’ and ‘Team B’.</p> <ul style="list-style-type: none"> • 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	<ol style="list-style-type: none"> 1. Successfully resolved obstructions in Well M-195, enabling to reach the top of the production liner section at 3,014 meters. 2. Modernization work of its A-80 rig was fully completed. 3. Installation of a new ESP in wells M-70 and M-48 in the Muradkhanly field and well C-34 in the Jafarli field
April 2017	<ol style="list-style-type: none"> 1. Pump replacements in wells C-31 and C-34 in Jafarli field and wells M-67 and M-70 in the Muradkhanly 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 Muradkhanly 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 side-track operations at well M-195.
July 2017	<ol style="list-style-type: none"> 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 Muradkhanly field, achieving a flow rate of 50 bopd.
August 2017	<ol style="list-style-type: none"> 1. Signed a contract for the procurement of oil production materials with Kerui petroleum, a leading Chinese manufacturer of oilfield equipment, for a value

	<p>of the procurement contract of US\$1,705,608 (approximately £1,325,000; CAD\$2,146,000), by which:</p> <ul style="list-style-type: none"> • 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. <p>2. Successful installation of the custom-built Schlumberger ESP in well M-45 in the Muradkhanly field. Following the installation, the well achieved a production rate of 49 bopd.</p>
September 2017	<p>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.</p> <p>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.</p>
October 2017	<p>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.</p> <p>2. Experienced difficulties in its workover of the Z-21 well, which initially flowed at a rate below 5 bopd.</p>
December 2017	<p>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 company specialized in oilfield leak-sealing technology with an established presence in Azerbaijan</p> <p>2. Completed the civil works on the roads to well Z-21 and at the well location.</p>
January 2018	<p>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).</p>
February 2018	<p>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 meters. The well will subsequently be put on production.</p> <p>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 that it would have to mill out 63 meters of tubing inside the</p>

	<p>liner and then clean out an additional 298 meters of the liner to a total depth of 3,944 meters to complete the workover.</p> <p>3. The Company's 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 will be supplemented by an A-100 truck-mounted workover rig ordered in January 2018.</p> <p>4. Successfully installed seven electrical submersible pumps. 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 of electrical submersible pumps.</p>
June 2018	<p>On June 25, 2018, the Company's oilfield service subsidiary, Zena Drilling Limited, ("Zena"), signed a revised commitment letter (the "Revised Commitment Letter") for the operating lease of a Genesis BQ500 onshore drilling rig ("BQ500") with Olieum Services WLL ("Olieum"), an integrated oilfield services and equipment joint venture based in Bahrain. The Revised Commitment Letter superseded the letter signed on November 1, 2017, and it includes more favourable terms for the Company in a number of areas.</p> <p>The BQ500 is a 2,000hp automated hydraulic drilling rig built by Robotics.</p>
August 2018	<p>On August 13, 2018, the Company completed two comprehensive geological studies to optimise the selection of potential drilling locations and workover opportunities across the Muradkhanly, Jafarli and Zardab oilfields. The studies have provided a significantly enhanced understanding of the hydrocarbon production of the Company's operations in Azerbaijan which will have a direct influence in shaping the Company's operational activities going forward.</p>
September 2018	<p>On September 5, 2018, the fully owned subsidiary Zena signed a purchase agreement for the acquisition of a BD-260 drilling rig assembled by B Robotics W S.r.l. ("Robotics"), for a total consideration of €2,250,200. The agreement supersedes the six-month rental agreement Zena had signed with Robotics for the BD-260 drilling rig dated June 6, 2018. In addition, Robotics confirmed it would provide its highly experienced drilling personnel for a minimum of 6 months as part of the aforementioned agreement. In addition, the Company announced that it was formalising a tender process in Azerbaijan for the leasing of a 180-ton truck-mounted workover and drilling rig for a period of four months.</p>
October 2018	<p>On October 15, 2018, the Company announced that it was preparing to commence drilling operations, having finalised a programme to deepen well C-37 in the Jafarli field. This has been based on a series of in-depth geological investigations, including analysis of 2D and 3D seismic lines, which have evidenced a highly prospective, unexploited structure comprised of Upper Cretaceous carbonates formations.</p>
November 2018	<p>On November 2, 2018, the Company announced that it had begun a comprehensive reservoir engineering study to achieve the optimization of production from active and shut-in production wells across the Muradkhanly, Jafarli and Zardab oilfields in Azerbaijan.</p> <p>The findings of the reservoir study will complement the two comprehensive geological studies previously completed by the Company, announced on August 13, 2018, whose scope was focused on the selection of infill drilling locations</p>

	<p>across its field area in preparation for the beginning of drilling activities in Azerbaijan.</p> <p>The primary goal of the reservoir study will be the achievement of a material improvement in Zenith's understanding of its reservoir base in order to perform well interventions, including sidetracks and perforations, that might unlock significant reserves in historically highly productive wells. The study will also result in the creation of a fully digitalised database that will incorporate all existing printed reservoir data.</p>
January 2019	<p>On January 23, 2019, the Company announced that its oilfield service company subsidiary, Zena, purchased drilling equipment and accessories from Robotics for a total amount of approximately EURO 722,000.</p>
February 2019	<p>Preparation activities for well deepening operations in well C-37 of the Jafarli Field were completed successfully. The Company defined an agreement with a third-party service provider to begin civil works at the C-37 well location and expects mobilisation of the necessary equipment to take place in due course.</p> <p>Zenith's operational team has performed cleanout operations in well C-26 with the target depth of 3,920 metres (production casing shoe) using the Company's A-80 truck-mounted workover rig to determine the well's suitability for deepening operations. As announced on January 7, 2019, well C-26, an adjacent well to C-37 in the Jafarli Field, intersects the Middle Eocene and Upper Cretaceous formations of the same unexploited structure identified as the target zone for well deepening operations in well C-37. During the cleanout it was discovered that well C-26 has production casing damage at a depth of 1,630 metres rendering the well unsuitable for well deepening operations.</p> <p>The Company's operational team mobilised the A-80 workover rig to a second adjacent well to C-37, C-30, where it is performing similar well tests to determine the integrity of the production casing and thereby ascertain whether well C-30 might be suitable for well deepening activities.</p> <p>The Company received confirmation from Robotics that shipment of the BD-260 drilling rig, purchased by Zenith's oilfield service company subsidiary, Zena Drilling Limited, is in progress.</p> <p>In addition, as announced on January 23, 2019, the drilling equipment purchased from Robotics for a total of EUR 720,000 was transported in the same shipment.</p>
March 2019	<p>The Company's oilfield service subsidiary, Zena, begun mobilisation of the BD-260 drilling rig to well C-37 in the Jafarli Field.</p>

Zenith has recently acquired a modern drilling rig capable of drilling down up to 4,500m to carry out the fifteen-year drilling programme. The Company plans to start its drilling programme by deepening two existing wells in the Jafarli Field and drilling one new well in the Muradkhanli Filed by the close of 2019.

The Company intends to drill three to four wells during the course of 2020.

Zenith intends to acquire an additional 2,000 hp drilling rig by the end of 2020, to ensure that the aim of drilling nine wells during 2021 and up to 10 wells per year up to 2035 can be achieved. In total, 147 development wells are expected to be drilled, of these, 58 will be horizontal wells in the Middle Eocene formation.

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 is projected to expand and modernize the surface facilities in anticipation of field production reaching a rate of 2,900 STB/d by 2021 and a peak rate of about 14,800. STB/d by 2034 in the proved plus probable case. It is anticipated that upgrades to the facilities and gathering system will take place as rates increase.

Italy

In Italy, the Company owns various working interests in 13 onshore exploration and production properties, and two gas concessions currently shut in. These two gas concessions (Canaldente and Torrente Vulgano) were assigned to Canoe Italia S.r.l. from the Ministry of Economic Development in 2011; 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 (collectively, “**MOG**”) in June 2013.

The concessions have various expiration dates.

The production and exploration properties comprise:

- 6 operated onshore gas production concessions:
- Masseria Grottavecchia (20% working interest)
- San Teodoro (100% working interest)
- Torrente Cigno (45% working interest)
- Misano Adriatico (100% working interest)
- Sant’Andrea (40% working interest)
- Masseria Petrilli (50% working interest)
- 3 non-operated onshore gas production concessions:
- Masseria Acquasalsa (8.8% working interest)
- Lucera (13.6% working interest)
- San Mauro (18% working interest)
- 1 operated exploration permit:
- Montalbano (57.15% working interest)
- and 3 exploration applications:
- Serra dei Gatti (100% working interest)
- Villa Carbone (50% working interest)
- Colle dei Nidi (25% working interest)

Torrente Cigno

Description The Company 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 May 2019, production at Torrente Cigno (from one well) was approximately 462 Mscf/d. (13089 stmc/g)

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

Masseria Grottavecchia

Description The Company 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 July 28, 2016.

San Teodoro

Description The Company 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 December 1, 2016.

Misano Adriatico

Description The Company 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 May 2019, production at Misano Adriatico (from one well) was approximately 35 Mscf/d. (989 stmc/g).

Expiry date This concession is scheduled to expire in 2020, for which a 10-year extension was requested on June 14, 2018.

Sant'Andrea

Description The Company 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 Company 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 On June 14, 2019, a request to renounce the Concession was presented to the Ministry of Economic Development

Masseria Acquasalsa

Description The Company 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 On June 2018 a request to renounce the Concession was presented to the Ministry of Economic Development

Lucera

Description The Company 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 Company 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.

This concession is not currently producing.

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

DECOMMISSIONING OBLIGATION

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

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

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

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the Statement of Financial Position date. Provision is made for the estimated cost at the Statement of Financial Position date, using a discounted cash flow methodology and a risk-free rate of return.

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 (\$):

	2019	2018
	CAD \$'000	CAD \$'000
Balance – beginning of year	7,980	7,980
Accretion	363	399
Foreign currency translation	(414)	761
Balance – end of year	9,089	9,140

The provision has been made by estimating the decommissioning cost at current prices using existing technology.

The following significant weighted average assumptions were used to estimate the decommissioning obligation:

	2019	2018
Undiscounted cash flows – uninflated	CAD \$8 million	CAD \$8 million
Undiscounted cash flows - inflated	CAD \$8 million	CAD \$8 million
Risk free rate	3.4%	3.4%
Inflation rate	1.4%	1.4%
Expected timing of cash flows	13.5 years	14.5 years

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

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reference is made to the Company's Statement of Reserves Data and Other Oil & Gas Information dated effective March 31, 2019, the Report on Reserves Data by Qualified Reserves Evaluator dated April 1, 2019, prepared by Chapman Petroleum Engineering Ltd., independent petroleum reservoir engineers and the Report of Management and Directors dated June 12, 2019, all of which were prepared pursuant to NI 51-101 and filed on SEDAR on June 28, 2019. These documents are available on the SEDAR website at www.sedar.com and are incorporated by reference herein.

All of the Company's oil and gas reserves as at March 31, 2019 are attributable to the Muradkhanly, Jafarli and Zardab fields in Azerbaijan and to the producing and non-producing gas fields in Italy.

The following tables summarize the Company's reserves at March 31, 2019.

All evaluations of future revenue are after the deduction of future income tax expenses, unless otherwise noted in the tables, royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and

other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Chapman Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Chapman Report. The recovery and reserves estimate on the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

All monetary values presented in the following table, from page 34 to page 37, are expressed in terms of US\$ dollars.

**SUMMARY OF OIL AND GAS RESERVES
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

AZERBAIJAN	Company Reserves ⁽¹⁾							
	Light and Medium Oil		Heavy Oil		Natural Gas ⁽⁹⁾		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
Reserves Category								
PROVED								
Developed Producing ⁽²⁾⁽⁶⁾	465	465	0	0	0	0	0	0
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁸⁾	3,483	3,483	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	3,948	3,948	0	0	0	0	0	0
TOTAL PROBABLE⁽³⁾	26,617	26,617	0	0	0	0	0	0
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	30,564	30,564	0	0	0	0	0	0

ITALY	Company Reserves ⁽¹⁾							
	Light and Medium Oil		Heavy Oil		Natural Gas ⁽⁹⁾		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
Reserves Category								
PROVED								
Developed Producing ⁽²⁾⁽⁶⁾	0	0	0	0	1,064	1,064	13	13
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	230	230	0	0
Undeveloped ⁽²⁾⁽⁸⁾	0	0	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	0	0	0	0	1,294	1,294	13	13
TOTAL PROBABLE⁽³⁾	0	0	0	0	14,989	14,989	242	242
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	0	0	0	0	16,282	16,282	255	255

**SUMMARY OF NET PRESENT VALUES
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

AZERBAIJAN	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
Reserves Category	0%/yr MUS\$	5%/yr. MUS\$	10%/yr. M US\$	15%/yr. M US\$	20%/yr. M US\$	0%/yr M US\$	5%/yr. M US\$	10%/yr. M US\$	15%/yr. M US\$	20%/yr. M US\$
PROVED										
Developed Producing ⁽²⁾⁽⁶⁾	7,718	6,244	5,104	4,272	3,664	7,718	6,244	5,104	4,272	3,664
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁸⁾	120,535	72,807	44,565	27,122	15,976	120,535	72,807	44,565	27,122	15,976
TOTAL PROVED⁽²⁾	128,252	79,051	49,669	31,394	19,640	128,252	79,051	49,669	31,394	19,640
TOTAL PROBABLE⁽³⁾	1,542,094	767,837	422,493	252,971	162,210	1,542,094	767,837	422,493	252,971	162,210
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	1,670,346	846,888	472,162	284,365	181,850	1,670,346	846,888	472,162	284,365	181,850

ITALY	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
Reserves Category	0%/yr M US\$	5%/yr. M US\$	10%/yr. M US\$	15%/yr. M US\$	20%/yr. M US\$	0%/yr M US\$	5%/yr. M US\$	10%/yr. M US\$	15%/yr. M US\$	20%/yr. M US\$
PROVED										
Developed Producing ⁽²⁾⁽⁶⁾	2,921	2,532	2,216	1,960	1,754	2,921	2,532	2,216	1,960	1,754
Developed Non-Producing ⁽²⁾⁽⁷⁾	827	636	509	420	355	827	636	509	420	355
Undeveloped ⁽²⁾⁽⁸⁾	0	0	0	0	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	3,748	3,168	2,725	2,381	2,109	3,748	3,168	2,725	2,381	2,109
TOTAL PROBABLE⁽³⁾	67,684	24,250	12,421	7,693	5,274	67,684	24,250	12,421	7,693	5,274
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	71,432	27,418	15,145	10,073	7,383	71,432	27,418	15,145	10,073	7,383

Table 1
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2019

Forecast Prices & Costs

Combined Properties - Azerbaijan and Italy
Zenith Energy Ltd.

Description	Net To Appraised Interest											
	Reserves						Cumulative Cash Flow (BIT) - M\$					
	Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbbls		Discounted at:					
	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year	
PROVED												
Proved Developed Producing												
Azerbaijan	465	465	0	0	0	0	7,718	6,244	5,104	4,272	3,664	
Italy	0	0	1,064	1,064	13	13	2,921	2,532	2,216	1,960	1,754	
Total Proved Developed Producing	465	465	1,064	1,064	13	13	10,639	8,777	7,319	6,233	5,418	
Proved Developed Non-Producing												
Italy	0	0	230	230	0	0	827	636	509	420	355	
Total Proved Developed Non-Producing	0	0	230	230	0	0	827	636	509	420	355	
Total Proved Developed	465	465	1,294	1,294	13	13	11,466	9,412	7,828	6,653	5,773	
Proved Undeveloped												
Azerbaijan	3,483	3,483	0	0	0	0	120,535	72,807	44,565	27,122	15,976	
Total Proved Undeveloped	3,483	3,483	0	0	0	0	120,535	72,807	44,565	27,122	15,976	
Total Proved	3,948	3,948	1,294	1,294	13	13	132,000	82,219	52,393	33,775	21,749	
PROBABLE												
Probable Developed Producing												
Azerbaijan	Incr.	15	15	0	0	0	0	8,944	3,803	1,778	914	517
Italy	Incr.	0	0	1,515	1,515	25	25	4,807	2,915	1,853	1,232	851
Total Probable Developed Producing	15	15	1,515	1,515	25	25	13,751	6,718	3,631	2,146	1,368	
Probable Developed Non-Producing												
Azerbaijan	0	0	0	0	0	0	0	0	0	0	0	
Italy	0	0	59	59	0	0	241	138	89	61	45	
Total Probable Developed Non-Producing	0	0	59	59	0	0	241	138	89	61	45	
Probable Undeveloped												
Azerbaijan	26,601	26,601	0	0	0	0	1,533,150	764,034	420,716	252,057	161,683	
Italy	0	0	13,413	13,413	216	216	62,636	21,195	10,479	6,400	4,379	
Total Probable Undeveloped	26,601	26,601	13,413	13,413	216	216	1,595,785	785,229	431,195	258,457	166,072	
Total Probable	28,617	28,617	14,989	14,989	242	242	1,609,778	792,085	434,914	260,664	167,484	
PROVED PLUS PROBABLE												
Azerbaijan	30,564	30,564	0	0	0	0	1,670,346	846,888	472,162	284,365	181,850	
Italy	0	0	16,280	16,280	255	255	71,432	27,418	15,145	10,073	7,383	
Total Proved Plus Probable	30,564	30,564	16,282	16,282	255	255	1,741,778	874,305	487,308	294,438	189,233	

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.

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

	Revenue (M US\$)	Royalties (M US\$)	Operating Costs (M US\$)	Developm ent Costs (M US\$)	Abandonm ent and Reclamatio n Costs (M US\$)	Future Net Revenue Before Income Taxes (M US\$)	Future Income Taxes (M US\$)	Future Net Revenue After Income Taxes (M US\$)
AZERBAIJAN								
Total Proved ⁽²⁾	311,773	0	58,057	125,464	0	128,252	0	128,252
Total Proved Plus Probable ⁽²⁾⁽³⁾	1,831,236	0	336,487	704,403	0	790,346	0	790,346
ITALY								
Total Proved ⁽²⁾	7,787	0	3,876	11	152	3,748	0	3,748
Total Proved Plus Probable ⁽²⁾⁽³⁾	131,621	0	58,392	1,541	256	71,432	0	71,432

**FUTURE NET REVENUE BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

Reserve Category	Product Type	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M US\$)
AZERBAIJAN		
Total Proved ⁽²⁾	Light and Medium Oil (including solution gas and other by-products)	49,669
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
Total Proved Plus Probable ⁽²⁾⁽³⁾	Light and Medium Oil (including solution gas and other by-products)	472,162
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
ITALY		
Total Proved ⁽²⁾	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	2,725
Total Proved Plus Probable ⁽²⁾⁽³⁾	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	15,145

**OIL AND GAS RESERVES AND NET PRESENT VALUES BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

AZERBAIJAN	Reserves						Net	Unit Values
	Oil		Gas ⁽⁹⁾		NGL		Present	@ 10%/yr
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl	Value (BIT) 10% M\$	
Light and Medium Oil								
Proved								
Developed Producing	465	465	0	0	0	0	5,104	10.98
Developed Non-Producing	0	0	0	0	0	0	0	N/A
Undeveloped	3,483	3,483	0	0	0	0	44,565	12.79
Total Proved	3,948	3,948	0	0	0	0	49,669	12.58
Probable	26,617	26,617	0	0	0	0	422,493	15.87
Proved Plus Probable	30,564	30,564	0	0	0	0	472,162	15.45

ITALY	Reserves						Net	Unit Values
	Oil		Gas ⁽⁹⁾		NGL		Present	@ 10%/yr
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl	Value (BIT) 10% M\$	
Assoc & Non-Assoc Gas								
Proved								
Developed Producing	0	0	1,064	1,064	13	13	2,216	2.08
Developed Non-Producing	0	0	230	230	0	0	509	2.21
Undeveloped	0	0	0	0	0	0	0	N/A
Total Proved	0	0	1,294	1,294	13	13	2,725	2.11
Probable	0	0	14,987	14,987	242	242	12,421	0.83
Proved Plus Probable	0	0	16,280	16,280	255	255	15,145	0.93

Notes:

- "Gross Reserves" are the Company's working interest (operating or non-operating) share before deducting of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.
- "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.
- "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.
- "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.
- "Undeveloped" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (for example, 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.
- Includes associated, non-associated and solution gas where applicable.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the various levels of governments, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the operations of Zenith in a manner materially different than they would affect other oil and gas issuers of similar size. All current legislation is a matter of public record and Zenith is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements applicable to Zenith's oil and gas activities.

The company operates three oil fields in Azerbaijan and also operates several producing natural gas and condensate fields in Italy. Both crude oil and natural gas are transported by pipeline to collection centers from which the hydrocarbons are transferred to purchasing companies. The condensate produced in Italy is transported by tanker trucks to purchasing companies' terminals.

In Italy, the Company has signed contracts with several purchasers of natural gas, electricity and condensate.

Zenith's product is represented by crude oil, gas, electricity and condensate production.

PRICING AND MARKETING - OIL AND NATURAL GAS

In general, the market determines the price of oil. The price depends in part on oil type and quality, price of competing fuels, distance to market, the value of refined products, supply/demand balance and other contractual terms.

In Azerbaijan, crude oil is sold through an agreement with SOCARMO whereby the Company deposits the crude oil into a pipeline and SOCARMO arrange for bi-monthly shipments of oil by sea tankers.

Zenith currently operates all the assets in which the Company has an interest. As a result, Zenith does not depend on other operators, other than its own contractors, for the operations of those assets.

The Brent price of crude oil (commonly considered the global benchmark price) starting in late 2014 experienced a sustained decline that rivalled some of the most dramatic oil price declines to date. When oil prices first started to fall, the Organization of Petroleum Exporting Countries ("**OPEC**") members had the opportunity to cut country production to support prices. However, members rejected that idea during their regularly scheduled meeting in November 2014, leaving OPEC's official crude production target unchanged at 30 MMbbl/day. In light of the news, the market responded with an immediate 10 percent decline in the price of WTI crude. The price drop put severe economic stress on oil producers around the world and has called into question the sustainability of alternative forms of energy production. There is growing concern that further steep declines in the price of oil may threaten the economic and political stability of certain oil-producing countries, but there is also hope that lower oil prices will add much needed strength to the global economy.

Should prices fall below the fiscal breakeven cost, oil-exporting countries will have to make up the shortfall by drawing on cash reserves or reducing expenditures. The collapse in oil prices may place certain producing countries under financial pressure and also potentially threaten the stability of their governments.

In Azerbaijan, the oil that is produced is traded as “Urals”, a well-known, internationally traded blend of oil. In general, the price of Urals is closely tied to the price of Brent crude, trading around \$1.50 per barrel less than Brent.

In Italy, the gas and condensate selling price is determined by a formula that currently uses the Platts posted prices for petroleum products as a reference point. This method of calculation is used for each individual contract and a contract is signed for each concession.

The gas selling price in Italy is based on the European gas price and electricity is sold, by a trader, on the Italian market at the current price of the day.

ROYALTIES, TAXES AND INCENTIVES

Azerbaijan

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 (“**PSAs**”) (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”.

In Azerbaijan, a tax on profits of between 25% and 32% is typically payable.

Italy

In Italy, for onshore permits, the state royalty for both oil and gas is a maximum of 10%, with a provision that no royalties will be paid on yearly production less than 125,000 bbls of oil and 700 MMcf of gas, per field (or approximately 340 bbls/d and 1.9 MMcf/d). For offshore exploration permits, the state royalty on oil production is 4% with a provision that no royalties are paid on the first 300,000 bbls of oil production per year, per field. This represents a royalty-free production on the first 822 bbls of oil per day, per field. Offshore gas production is subject to a 7% royalty, but the first 1,750 MMcf per year, per field, or approximately 4.8 MMcf per day are also royalty-free (*Art.19 of Italian Legislative Decree 25 November 1996, n. 625*). In Italy, the corporate tax is a maximum of 32% and there are no restrictions on repatriation of profits (*Decree of the President of the Republic n. 917/1986*).

LAND TENURE

Azerbaijan

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 will have different obligations in respect of each area.

Pursuant to the terms of the REDPSA, within 150 days of the Effective Date, 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 by no later than two years following SOCAR’s approval of the programme. The programme will include plans to workover a total of 44 existing wells in Azerbaijan which are currently inactive or produce at low rates and it is estimated that 10 wells will be worked over in 2017, 11 wells in 2018, 15 wells in 2019 and eight wells in 2020.

The development and production period for the Contract Rehabilitation Area is 25 years from the date of SOCAR's approval of the rehabilitation and production programme, that was received in July 2017. A possible additional five years extension may be approved by SOCAR.

Italy

In Italy a permit for the exploration for oil and gas may be issued for the exploration of an area not exceeding 75,000 hectares. Applicants may obtain more than one permit to the extent that an aggregate permitted zone does not exceed 1,000,000 hectares.

A permit is granted for a period of six years and under certain conditions may be extended for two further periods of three years each. Upon the expiration of a permit's initial period, the permit area has to be reduced by 25% and, upon the expiration of the first renewed period, by a further 25%. Should the permit area be less than 30,000 hectares, these reductions do not apply.

A permit may be extended beyond twelve years if further time is required to complete the work obligations (and the delays have not been due to inactivity, carelessness or incapacity of the entity granted the permit). Such further extension is limited to one period with a term of one year. In case of expiration, waiver or loss of the permit, the holder will be entitled to apply for a new permit over the same zone only four years after the termination of the original permit.

IMPACT OF ENVIRONMENTAL PROTECTION REGULATIONS

The Company is subject to significant environmental and other regulations in respect of its operational activities in all jurisdictions and seeks to conduct its operations in an environmentally responsible manner and to maintain compliance with relevant regulations.

All elements of the oil and natural gas industry are associated with environmental risks and hazards that are subject to various environmental regulations pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation typically addresses, amongst other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Legislation also typically 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 may result in the imposition of fines and penalties, some of which may be material. Environmental legislation has been evolving in a manner that is 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 is 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 adversely affect the Company's financial condition, results of operations or prospects.

Given the evolving nature of climate change action and regulation, it is not possible to predict the nature of future legislation with respect to climate change or the impact on the Company, its operations and financial condition at this time.

Compliance with such legislation may require significant expenditures and a failure to comply may result in the issuance of "clean-up" orders or the imposition of fines and penalties, some of which may be material. It is possible that the costs of complying with environmental regulations in the future will have a material adverse effect on the Company's financial condition or results of operations. The Corporation may incur liabilities that could be material or require the Company to

cease production on properties if environmental damage occurs. See “*Risk Factors – Risks Relating to the Company and its Operations – Environmental Risks*”.

Azerbaijan

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 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).

Italy

A Legislative Decree setting forth amendments and additions to Legislative Decree No. 152 of April 3, 2006, which contained regulations governing environmental issues, pursuant to Article 12 of Law No. 69 of June 18, 2009 was published on August 11, 2010 in Issue No. 186 of the Official Gazette of the Italian Republic. These amendments included significant changes to Part II of Legislative Decree No. 152/2006, which dealt with the Environmental Impact Assessment procedure and the Integrated Environmental Authorization procedure respectively, as well as air quality protection regulations.

Part II of Legislative Decree 152/06 regarded the EIA (Environmental Impact Assessment) procedure. This amendment included all legislation relating to the procedures for requesting and release of the Integrated Environmental Authorization (AIA, LD 59/05 and subsequent amendments and additions). This has led to some changes in the existing text, including some variations of timing approval for the EIA. Great importance was given to monitoring, even after successful authorization. This amendment could prove quite negative, even with the introduction of additional mitigation conditions, as the governing authorities could order suspension of work or authorized activities, pending further determinations.

SPECIALIZED SKILLS AND KNOWLEDGE

Azerbaijan

Since the acquisition of the largest onshore field in Azerbaijan, the Company has established a team of local professionals specialized in crude oil production enhancement in mature fields.

Italy

Since having been assigned two shut-in properties in Italy, the Company has established a team of local professionals specialized in natural gas production and environmental protection. With the acquisition of additional gas properties in Italy, the Company has recently expanded and enhanced its team of professionals to oversee this larger portfolio of properties.

COMPETITIVE CONDITIONS

Azerbaijan

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:

- (a) domestic wholesale and retail sales of oil, oil products and gas;
- (b) services relating to the transportation of oil and natural gas through pipelines; and
- (c) 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.

Italy

The demand for natural gas in Italy is relatively constant; this situation allows the existence of a large spectrum of various sized operators to trade in normal conditions. Zenith will compete with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Zenith's competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. Zenith'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. Zenith believes its

competitive position is equivalent to that of other oil and gas companies of similar size and at a similar stage of development.

CYCLES

During the last 50 years, demand for energy has been influenced by economic factors, with oil and gas prices varying markedly during this time.

PERSONNEL

As at May 31, 2019 the Company and its subsidiaries had 207 full time employees based in its offices in London in the UK, Baku in Azerbaijan and Genoa in Italy.

The daily operations and maintenance of producing fields in Italy are managed, on behalf of Canoe 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.

ECONOMIC DEPENDENCE

The Company does not have risks relating the economical dependence to selling contracts, because:

- In Azerbaijan the oil is sold on the international market, by a trading Company, at the international price, and
- In Italy the gas selling contracts provide that the gas will be sold until depleting of the reserves. Electricity is sold directly on the market

RISK FACTORS

The Company'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 Company. 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.

RISKS RELATING TO THE COMPANY'S FOREIGN 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 industry in various countries is not as developed as the oil and gas industry in Canada. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in Canada. The availability of technical expertise, specific equipment and supplies is more limited in various countries than in Canada. Such factors may subject oil and gas operations in other countries to economic and operating risks not experienced in Canada.

Risks Relating to the Company'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 AIF 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.

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.

However, there remains a need for substantial investment in many sectors of Azerbaijan's economy and there are as in which 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.

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).

Italy

That are no specific risks in Italy, due to the stability of the Government and Economy.

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 Company 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 Company. 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 Risks

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 Risks

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 signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol and are thereby required to establish legally binding targets to reduce nationwide 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 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

Oil and natural gas development involves risk that, even with a combination of experience, knowledge and evaluation, the Company may not be able to overcome. The long-term commercial success of the Company 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 Company 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 Company'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 Company 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 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. 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.

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 therefrom 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.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions have worsened, causing a loss of confidence in the broader US and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater

volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various governmental actions, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. The recovery from the recession has been slow in various jurisdictions and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and result in high volatility in stock markets and therefore attract a level of risk with investing in the Company.

Prices, Markets and Marketing

Brent oil prices have declined since 2015 and 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 Company'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 Company's reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company'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 Company.

These factors include economic conditions in 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 Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company'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 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, in Swiss Franc in Switzerland, and 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.

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.

Conflicts 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 BCBCA.

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 Dispositions

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 may 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, Licenses 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.

Cybersecurity risk

Although we have established and continue to enhance security controls intended to protect our IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyberattacks.

A significant breach of our IT systems could: result in theft of funds; cause disruptions in our operations; lead to the loss, destruction or inappropriate use of sensitive data; or result in theft of our, our customers' or our suppliers' intellectual property or confidential information. The occurrence of any of the foregoing could adversely affect our operations and/or reputation and could lead to claims against us that could have a material adverse effect on our profitability.

RISKS RELATING TO THE 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 LSE 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 UK 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 offer 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 BCBCA, 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 Company's 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; in addition, investors may not be able to easily move shares for trading between such markets

Common Shares are listed and traded on the TSXV and the LSE. As shares are traded on both markets, price and volume levels for Common Shares could 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. 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. Even if an active trading market develops, 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 and will depend on, among other things, the Company's results of operations, financial condition and solvency and distributable reserves tests imposed by corporate law and such other factors that the Board 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 the Company's entities is subject to changes in tax regulation or practices in territories in which Company 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 Company entities are resident for tax purposes may have a material adverse effect on the financial position of the Company, reducing net returns to its 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 Company 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 Company.

Tax Risks Related to Argentinian Operations

The Company is exempt from taxes on production from the Alberto and Don Ernesto fields. Instead it pays only royalties. In the future, 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 Company.

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 PSAs (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 Company.

DIVIDENDS OR DISTRIBUTIONS

Zenith has not declared or paid any cash dividends or distributions to shareholders in the past three years. The future payment of dividends or distributions will be dependent upon the financial condition of the Company and other factors which the Board may consider appropriate in the circumstances.

DESCRIPTION OF SHARE CAPITAL

Zenith is authorised to issue an unlimited number of Common Shares, of which 101,628,366 were issued at no par value and fully paid during the year ended March 31, 2019 (2018 – 43,221,468). All Common Shares have the right to vote and the right to receive dividends. The Directors of the Company may by resolution fix the rights, privileges, restrictions and conditions of the preferred shares of each series.

The securities are 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.

Following the issue of the new Ordinary Shares, as of March 31, 2019, the Company had 260,427,064 common shares in issue and admitted to trading on the TSX Venture Exchange and Merkur Market of the Oslo Bors, as of March 31, 2019.

As of the same date, Zenith had 226,422,852 common shares in issue and admitted to trading on the Main Market of the London Stock Exchange.

The above figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. A further announcement will be made closer to Admission in relation to the Total Voting Rights of the Company's common shares admitted to trading on the Main Market of the London Stock Exchange.

Zenith is authorized to issue an unlimited number of preferred shares, issuable in series, of which none have been issued as of the date of this Annual Information Form.

Common Shares

The holders of Common Shares are entitled to receive notice of, to attend and vote at any meetings of the Shareholders, to receive such dividends declared by Zenith and to receive the remaining property of Zenith on dissolution after creditors of Zenith and holders of the preferred shares outstanding at the time have been satisfied.

Preferred Shares

Zenith is authorized to issue an unlimited number of preferred shares issuable in series, each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of Zenith, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares and may also be given such other preferences over the

Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of each series.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSXV under the symbol, “ZEE”, in the LSE under the symbol “ZEN” and in the Merkur Market of the Oslo Bors under the symbol “ZENA-ME”.

The following table sets out the price range for, and trading volume of, the Common Shares as reported by the Exchange for each month, from the date of the last AIF:

		TSXV (ZEE)			LSE (ZEN)			
		Canadian Dollars			British Pound			
		High	Low	Volume	High	Low	Volume	
2018	April	\$ 0.145	\$ 0.105	811,500	£0.0750	£0.0620	12,605,508	
	May	\$ 0.130	\$ 0.115	298,200	£0.0730	£0.0635	17,606,539	
	June	\$ 0.100	\$ 0.070	2,116,243	£0.0630	£0.0388	23,447,462	
	July	\$ 0.085	\$ 0.065	504,350	£0.0430	£0.0363	19,003,857	
	August	\$ 0.065	\$ 0.050	611,050	£0.0400	£0.0375	9,037,030	
	September	\$ 0.060	\$ 0.055	328,500	£0.0392	£0.0335	18,440,725	
	October	\$ 0.065	\$ 0.050	563,800	£0.0405	£0.0325	23,485,309	
	November	\$ 0.065	\$ 0.050	28,000	£0.0365	£0.0255	22,025,454	
	December	\$ 0.050	\$ 0.040	743,800	£0.0280	£0.0255	8,550,882	
	2019	January	\$ 0.110	\$ 0.050	205,000	£0.0380	£0.0263	11,776,488
		February	\$ 0.060	\$ 0.050	241,805	£0.0350	£0.0285	9,971,053
		March	\$ 0.060	\$ 0.045	785,900	£0.0310	£0.0265	19,137,366
April		\$ 0.055	\$ 0.045	731,900	£0.0320	£0.0258	51,973,792	
May		\$ 0.060	\$ 0.045	606,400	£0.0365	£0.0268	86,669,279	

PRIOR SALES

The following table summarizes each class of securities of the Company’s outstanding as of March 31, 2019, that were issued in the most recently completed financial year, the price at which the securities were issued, the number and description of the securities issued and the dates such securities were issued.

Issued	Number of common shares	Amount CAD \$'000
Balance – April 1, 2017	115,577,230	17,229
Exercise of stock options	1,000,000	-
Exercise of warrants	1,019,250	153
Balance – June 30, 2017	117,596,480	17,382
Non-brokered unit private placement	3,533,333	438
Finder’s fee	-	(22)
Non-brokered unit private placement	2,666,667	328
Finder’s fee	-	(16)
Non-brokered unit private placement	666,666	82
Finder’s fee	-	(4)
Non-brokered unit private placement	3,600,000	404

Finder's fee	-	(20)
Exercise of stock option	1,000,000	100
Settlement of debt	111,131	17
Balance – September 30, 2017	129,174,277	18,689
Exercise of warrants	2,049,775	307
Exercise of warrants	1,257,875	189
Exercise of warrants	1,306,050	261
Exercise of warrants	500,000	75
Exercise of warrants	1,612,142	322
Exercise of warrants	3,150,000	473
Exercise of stock option	2,000,000	200
Exercise of warrants	400,000	80
Exercise of stock option	1,000,000	150
Exercise of stock option	1,650,000	202
Exercise of warrants	100,000	20
Balance – December 31, 2017	144,200,119	20,968
Non-brokered unit private placement	4,000,000	500
Non-brokered unit private placement	9,000,000	1,158
Finder's fee	-	(58)
Settlement of debt	1,598,579	224
Balance – April 1, 2018	158,798,698	22,792
Settlement of debt (i)	1,123,068	185
Non-brokered unit private placement (oo)	54,172,451	3,694
Finder's fee	-	(187)
Balance – June 30, 2018	214,094,217	26,484
Finder's fee	-	(5)
Balance – September 31, 2018	214,094,217	26,479
Settlement of debt (iii)	2,225,941	186
Non-brokered unit private placement (iv)	20,782,429	1,141
Non-brokered unit private placement (v)	2,857,143	157
Finder's fee	-	(107)
Balance – December 31, 2018	239,959,730	27,856
Non-brokered unit private placement (vi)	10,364,640	517
Non-brokered unit private placement (vi)	10,102,694	519
Finder's fee	-	(26)
Balance – 31 March 2019	260,427,064	28,866

- i. On May 4, 2018, Mr. Cattaneo swapped part of his salary for the 2018 financial year in exchange for common shares in Zenith. As a result the Company issued Mr. Andrea Cattaneo 1,123,068 common shares in the capital of the Company at an average price of CAD\$0.165 (approximately £0.094) for the period from April 1, 2017, until March 31, 2018, for an amount of CAD\$185k. The amount of the Salary Sacrifice Shares was calculated based on Mr. Cattaneo's salary as at April 1, 2017.
- ii. On June 21, 2018, the Company raised gross proceeds totaling, in aggregate, £2,167k (CAD\$3,694k). As a result of the Placing, Subscription the Company issued a total of 54,172,451 common shares of no par value in the capital of the Company (“new common shares”).

The Company also paid finder's fees for CAD\$192k, of which CAD\$5k were recognized in the Q2 of the FY 2019, and issued 1,280,000 warrants, that could be exercised at a price of CAD\$0.07 for a duration of three years.

- iii. On October 2, 2018, Mr. Andrea Cattaneo swapped his salary for the first two quarters of the 2019 financial year in exchange for common shares in the capital of Zenith ("**Salary Sacrifice Shares**"). As a result, on October 1, 2018, the Company issued Mr. Cattaneo 2,225,941 Salary Sacrifice Shares at an average price of CAD\$0.108 for the period from April 1, 2018, to June 30, 2018, and at an average price of CAD\$0.069 for the period from July 1, 2018, to September 30, 2018. The amount of Salary Sacrifice Shares was calculated on the basis of Mr. Cattaneo's salary as at October 1, 2018.
- iv. On November 7, 2018, the Company received approval for admission to trading of its entire common share capital on the Merkur Market of the Oslo Bør. In order to satisfy the Merkur Market admission requirements the Company completed a private placement with Norwegian investors (in this paragraph, the "**Private Placement**"). The Private Placement successfully raised gross proceeds of NOK 7,274k (approximately £668k or CAD\$1,142k) through the placement of 20,782,429 common shares of no-par value (in this paragraph, the "**Placement Shares**") at a subscription price of NOK 0.35 per share (approximately £0.032 or CAD\$0.055 per Placement Share).
- v. On November 12, 2018, the Company completed a private placement on the Merkur Market of the Oslo Børs with Norwegian investors raising gross proceeds of NOK 1 million (approximately £92k or CAD\$157k) through the placement of 2,857,143 common shares of no par value (in this paragraph, the "**Placement Shares**") at a subscription price of NOK 0.35 per Placement Share (approximately £0.032 or CAD\$0.055).
- vi. On February 8, 2019 the Company announced the completing of 2 offerings, one in Canada, (in this paragraph, the "**Canadian Financing**"), and the other in the United Kingdom, (in this paragraph, the "**UK Financing**"), with a consortium of private and institutional investors to raise a total of £607k (approximately CAD\$1,036k). The Company paid related finder's fee for CAD\$26k.

The Company used the aggregate proceeds of the Canadian Financing and the UK Financing to increase its continued investment in its Azerbaijan field operations and for general working capital.

Canadian Financing

Zenith issued a total of 10,364,640 common shares of no-par value in the capital of the Company (the "**Canadian Financing Common Shares**") at a price of CAD\$0.05 in connection with the Canadian Financing to raise gross proceeds of CAD\$519k (approximately £304k).

Each subscription for a Canadian Financing Common Share has attached a share purchase warrant with a duration of twelve months and an exercise price of CAD\$0.10.

UK Financing

Zenith issued a total of 10,102,694 Common Shares of no-par value in the capital of the Company at a price of £0.03 in connection with the UK Financing to raise gross proceeds of £303k (approximately CAD\$517k).

12. Warrants and options

	Number of options	Number of warrants	Weighted average exercise price	Amount CAD\$'000
Balance – April 1, 2017	5,000,000	56,995,908	0.21	1,877
Options issued	2,750,000	-	0.15	200
Warrants exercised	-	(1,019,250)	0.15	(153)
Expired	-	(7,533,833)	0.25	(220)
Balance – June 30, 2017	7,750,000	48,442,825	0.20	1,704
Options issued	2,000,000	-	0.17	305
Warrant issued	-	180,000	0.07	12
Options exercised	(3,900,000)	-	0.10	(226)
Options exercised	(1,750,000)	-	0.12	(98)
Warrants exercised	-	(10,375,842)	0.25	(53)
Warrants expired	-	(2,349,320)	0.15	(76)
Warrants expired	-	(8,870,019)	0.25	(693)
Balance – April 1, 2018	4,100,000	27,027,644	0.19	875
Options issued	10,500,000	-	0.12	927
Warrants issued	-	1,280,000	0.07	43
Warrants expired	-	(1,807,500)	0.25	(192)
Warrants expired	-	(8,628,813)	0.15	-
Balance – June 30, 2018	14,600,000	17,871,331	0.19	1,653
Warrants issued	-	6,977,988	0.05	59
Warrants expired	-	(1,350,000)	0.25	(46)
Options expired	(1,000,000)	-	0.15	(119)
Options expired	(1,500,000)	-	0.17	(193)
Options expired	(1,000,000)	-	0.12	(88)
Warrants expired	-	(4,214,125)	0.25	(107)
Warrants expired	-	(732,920)	0.20	-
Balance – December 31, 2018	11,100,000	18,552,274	0.15	1,159
Warrants issued	-	11,358,390	0.10	65
Warrants expired	-	(10,114,286)	0.18	(77)
Balance – March 31, 2019	11,100,000	19,796,378	0.12	1,147

Type	Grant Date	Number of options	Exercise price per unit CAD\$	Expiry Date
Stock options	November 2016	1,100,000	0.10	November 2021
Stock options	May 2017	1,000,000	0.15	May 2022
Stock options	November 2017	2,000,000	0.18	November 2022
	TOTAL OPTIONS	4,100,000		
Stock options	November 2016	1,100,000	0.10	November 2021
Stock options	November 2017	500,000	0.18	November 2022
Stock options	April 2018	9,500,000	0.12	April 2023
	TOTAL OPTIONS	11,100,000		

Options

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

As at March 31, 2019, the Company had 11,100,000 stock options outstanding (relating to 11,100,000 shares) and exercisable at a weighted average exercise price shown on the table above per share with a weighted average life remaining of 3.73 years.

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

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

Granting of options

On April 3, 2018, the Board of Directors resolved to grant its directors, certain employees and consultants a total of 10,500,000 stock options (in this paragraph, the "Options"), in accordance with the Company's Stock Option Plan. The exercise price of the Options was equivalent to the Company's TSXV closing price of March 26, 2018, being CAD\$0.12 (approximately £0.067). The Options are fully vested and have an expiry date of five years from the date of granting.

Expiry of options

Some employees who had been granted share options left the Company in previous quarters and, as stipulated in the stock option agreements, these options expired upon the elapsing of three months from the date of leaving. During the quarter ending December 31, 2018, the Company updated their holdings for the 3,500,000 expired stock options.

Type	Grant Date	Number of Warrants	Price per unit CAD\$	Expiry Date
Warrants	Apr 2015	1,417,500	0.25	April 2018
Warrants	May 2015	390,000	0.25	May 2018
Warrants	September 2015	1,350,000	0.25	September 2018
Warrants	November 2015	4,214,125	0.25	November 2018
Warrants	April 2016	8,128,813	0.15	April 2018
Warrants	June 2016	500,000	0.20	June 2018
Warrants	November 2016	732,920	0.20	November 2018
Warrants	January 2017	1,114,286	0.11	January 2019
Warrants	January 2017	9,000,000	0.24	January 2019
Warrants	January 2018	180,000	0.17	January 2020
	TOTAL WARRANTS	27,027,644		
Warrants	January-18	180,000	0.16	January-20
Warrants	April-18	93,750	0.40	May-21
Warrants	June-18	1,280,000	0.07	June-21
Warrants	Septeber-18	6,977,988	0.05	February-20

Warrants	February-19	10,364,640	0.10	February-20
Warrants	February 19	900,000	0.10	February 20
TOTAL WARRANTS		19,796,378		

As at March 31, 2019, the Company had 19,796,378 warrants outstanding (relating to 19,796,378 shares) and exercisable at a weighted average exercise price of CAD\$0.08 per share with a weighted average life remaining of 1.44 year.

LOAN PAYABLE

Loans	2019	2018
	CAD \$'000	CAD \$'000
Loan payable - current	3,776	237
Loan payable – non-current	3,417	4,949
Total	7,193	5,186

	2019	2018
Loans – current	CAD \$'000	CAD \$'000
As at 1 April	237	973
Transfer from non-current	3,747	(367)
Repayments	(208)	(369)
As at 31 March	3,776	237

	2019	2018
Loans – non current	CAD \$'000	CAD \$'000
As at 1 April	4,949	4,527
Loan receipt	2,109	133
Transfer to current	(3,747)	367
Foreign exchange	106	(78)
As at 31 March	3,417	4,949

a) USD loan payable

As at March 31, 2019, the Company was indebted to a third-party lender for a USD\$1,485k (CAD\$1,982) (March 31, 2018 - USD\$1,485k (CAD\$1,914k)) loan payable, bearing fixed interest at 10% per annum.

The President, CEO and Director of the Company, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Company and the final payment of approximately USD\$1,485k. The final payment of approximately USD\$1,485k is repayable on July 31, 2019.

As at March 31, 2019, CAD\$Nil (March 31, 2018 – CAD\$1,914k) of principal is classified as a non-current liability and CAD\$733k (March 31, 2018 – CAD\$538k) of accrued interest is included in trade and other payables.

b) Euro bank debt

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

As at March 31, 2019, the principal balance of the loan was €98k (CAD\$147k) (March 31, 2018 - €117k (CAD\$186k)) of which €47k (CAD\$70k) is classified as a current liability and €52k (CAD\$77k) is classified as long-term.

c) Euro bank debt

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

As at March 31, 2019, the principal balance of the loan was €20k (CAD\$31k) (March 31, 2018 - €80k (CAD\$127k)) of which CAD\$31k is classified as a current liability and CAD\$nil is classified as long-term.

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

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

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

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

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

As of March 31, 2019, the outstanding principal amount was US\$282K (CAD\$376k) (March 31, 2018 - USD\$280k (CAD\$360k)) and it was classified as a non-current liability.

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

On April 12, 2017, Zenith Aran entered into a general line of credit agreement with Rabitabank up to US\$200k (CAD\$272k). This Credit Agreement bears interest at a rate of 10% per annum. The loan was granted for one-year period and the principal amount of the loan will be paid at the end of the period. The amount of interest is repayable monthly. The loan is guaranteed by the Company. In March 2018, the repayment of the principal amount (US\$200k) was extended by 15 months until July 12, 2019. The interest is payable on a monthly basis and the principal amount will be paid in five quarterly installments of US\$40k.

As of March 31, 2019, the amount of US\$187k (CAD\$249k) (March 31, 2018 - USD\$200k (CAD\$255)) was classified as a current liability.

f) Swiss loan CHF 837,500

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

As at March 31, 2019, the principal balance of the loan was CHF687.5k (CAD\$922k) of which CAD\$67k was classified as a current liability and CAD\$855k was classified as non-current liability.

g) Swiss loan CHF 1,000,000

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

As at March 31, 2019, the principal balance of the loan was CHF1,000k (CAD\$1,341k) (March 31, 2018 - CHF1,000k (CAD\$1,350)) and is classified as a current liability (March 31, 2018 – non-current liability).

h) Convertible loan USD 1,500,000

On September 5, 2018, the Company entered into a US\$1,500,000 unsecured convertible loan facility with a term of 18 months starting from August 30, 2018. Zenith shall pay interest on the outstanding amount of the convertible loans at the rate of 0% per annum. This facility includes an initial immediate advance of US\$1,300,000 and a further advance of US\$200,000, to be provided at a later time and only at the discretion of the Lenders. Under the terms of this facility the Company issued the lenders 6,977,988 share purchase warrants to subscribe for the equivalent number of common shares of no par value in the share capital of the Company at a price of £0.0505 per Common Share on subscription at any time from December 30, 2018 to February 28, 2020 subject to the articles of the Company and the terms and conditions of the convertible loans.

i) Convertible loan GBP 1,000,000

On January 7, 2019, the Company entered into a new unsecured convertible loan facility for an aggregate total amount of up to £1 million with a consortium of lenders. This facility has a term of 24 months and the Company shall pay interest on the outstanding amount of this facility at the rate of 8% per annum. This facility is repayable on January 15, 2021. With certain limitations, the Convertible Loan Notes (in this paragraph, the "CLNs") will be convertible into Common Shares of the Company at any time after the expiry of a 120 day lock up period from the date of issue of the CLNs, January 15, 2019, as required under applicable Canadian securities laws.

j) Overdraft

The Company has an overdrawn balance in one bank account of CAD\$ 36k (March 31, 2018 – CAD\$ nil). The overdraft is repayable on demand.

k) Swiss Franc notes

On July 7, 2015, the Company amended the terms of the convertible notes whereby the conversion price was reduced from \$0.215 per share to \$0.125 per share and the rate of interest was reduced from 9% to 5%. The amended conversion price was based on the July 7, 2015 closing market price of the Common Shares. The effect of the amendments was not a substantial modification resulting in the de-recognition of the original liability and the recognition of a new liability. The reduction of the interest rate has been accounted for as a modification of the effective interest rate and

amortized cost of the debt component and the reduction of the conversion price has been accounted for as a modification of the derivative liability component of the convertible notes for which the fair value was estimated to be \$231,000 on the date of modification.

On August 28, 2015, CHF80,000 (\$111,000) principal amount of convertible notes were converted into 882,640 Common Shares resulting in the revaluation of the derivative liability component at its fair value of \$23,000 and the recognition of a \$13,000 gain on conversion of convertible notes in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2016.

In June 2016, the Company issued 2,730,000 Common Shares on the conversion of CHF225,000 (\$300,000) principal amount of convertible notes.

On November 28, 2016, the Company formalised the previously reached agreement for the amendments of the terms of its 5% convertible notes. The proposed amendments to the notes included an extension of two years to the maturity date from January 11, 2017 to January 11, 2019, a reduction to the conversion price from \$0.125 per Common Share to \$0.11 per Common Shares and a reduction to the interest rate payable by the Company from 5% to 1% for the remainder of the term.

On January 25, 2017, the Company issued 3,700,000 Common Shares on the conversion of CHF311,000 (\$407,000) principal amount of convertible notes.

On March 21, 2017, the Company completed a further conversion of convertible notes denominated in CHF (Swiss Franc), issuing an amount of 2,170,000 Common Shares of Zenith with an aggregate value of CDN\$239,000. As at March 31, 2019, there was CHF75,000 of accrued interest owing.

DIRECTORS AND OFFICERS

The following list sets forth the name, residence, position with Zenith, time served as a director (if applicable) and the principal occupation during the last five years of each director and officer of Zenith. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed. The Board presently consists of six directors.

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The Board is ultimately responsible for the effectiveness of the Company's system of internal controls. Its key strategy has been to establish financial reporting procedures that provide the Board with a reasonable basis to make judgements as to the financial position and prospects of the Company.

Executive directors and non-executive directors have been appointed by the Board to assist with the implementation of this strategy and report progress to the Board.

JOSE RAMON LOPEZ-PORTILLO, OXFORD, ENGLAND (CHAIRMAN AND NON-EXECUTIVE DIRECTOR)

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

He owns and controls 48,000 Common Shares of the Company in direct ownership.

ANDREA CATTANEO DELLA VOLTA CATTANEO ADORNO, LONDON, ENGLAND (DIRECTOR, PRESIDENT AND CEO)

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

Mr. Cattaneo is directly beneficially interested in a total of 22,307,911 Common Shares in the capital of the Company, and he is indirectly interested in a total of 1,250,000 Common Shares.

LUIGI REGIS MILANO, GENOVA, ITALY (DIRECTOR)

Mr. Regis Milano was appointed as Director of the Company on 24 September 2008 and served as Chief Financial Officer from 28 November 2012 until 7 March 2016. He is also currently Managing Director of the Company's Italian subsidiary, Canoe Italia S.r.l., since 2013.

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). He controls 8,662,963 Common Shares of the Company in indirect ownership.

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

DARIO EZIO SODERO, CALGARY, CANADA (NON-EXECUTIVE DIRECTOR)

President of Planaval Resources Ltd., a private consulting company. He served as President of CYGAM Energy Inc., a TSX listed oil and natural gas exploration and production company, from February 2007 to April 2011. He also served as Director of CYGAM Energy Inc. from October 2005 to September 25, 2012. Senior Vice-President and Director of Rockbridge Resources Inc., TSX listed oil and natural gas production company from January 2011 to present. Dr. Sodero serves as Chairman of the Corporation's Audit Committee.

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

He controls 77,500 Common Shares of the Company in indirect ownership.

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

ERIK STURE LARRE, OSLO, NORWAY (NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE)

Previously Director and Chairman of the Audit Committee of Sparbank 1 Nord Norge, Norway, he is an entrepreneur with business activities in many countries around the world.

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

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

SERGEY BOROVSKIY (NON-EXECUTIVE DIRECTOR – APPOINTED ON 24 JULY 2017)

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

Sergey is CEO of Sanju Environmental Protection (Hong Kong) Limited, overseeing the international projects of controlling shareholder Sanju Group (sanju.cn), a company specialized in energy purification and environmental protection technologies listed on the Shenzhen Stock Exchange. He is CEO and Chairman of General Transactions Inc., an oil & gas consulting, engineering, trading, seismic research and exploration services company. Sergey also serves as Chairman of the Board of Directors at Petro Chemical Solutions and South China Heavy Industries Group.

Sergey studied in both China and Russia and holds a degree in economics. 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.

He is Chairman of the Corporation's Corporate Governance Committee.

He does not control, directly or indirectly, any shares of the Company.

Senior Management

Luca Benedetto (*Chief Financial Officer*)

Luca Benedetto is an Italian national, trained in Italy as a registered accountant with further education in IFRS accounting and consolidation at IPSOA Milan. He has more than twenty-five years of accounting, auditing and financial administration experience. Mr. Benedetto began his professional career as an accountant and computer programmer responsible for financial software development and worked for the Italian division of IBM as an internal auditor and accountant as

well as providing staff training in these aforementioned fields. He also served for seven years as a financial and administrative officer in a well-established Italian company specialising in the construction of fuel and water storage tanks.

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

He does not control, directly or indirectly, any shares of the Company.

Share Ownership by directors and officers

As of the date hereof, the directors and officers of the Company, as a group, own or control, directly or indirectly 36.680,442 Common Shares representing approximately 11.74% of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors and officers of the Company individually.

Board Committees

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

a) Audit Committee

The Audit Committee comprises Jose Ramon Lopez-Portillo, Dario Sodero and Erik Larre and is chaired by Dario Sodero. The Audit Committee meets at least 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 has 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 gives due consideration to laws and regulations and the requirements of the Listing Rules. The Company has an Audit Committee Charter.

b) Remuneration Committee

The Remuneration Committee comprises Jose Ramon Lopez-Portillo, Dario Sodero and Erik Larre and is chaired by Jose Ramon Lopez-Portillo. 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 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.

c) Corporate Governance Committee

The Corporate Governance Committee comprises Sergey Borovskiy, Dario Sodero and Jose Ramon Lopez-Portillo and will be chaired by Sergey Borovskiy. It meets not less than once a year and at such other times as required. The Corporate Governance Committee ensures 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 also monitors 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.

d) the Listing Rules and such other regulations to which the Company is subject from time to time.

Assessments

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

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

Corporate Cease Trade Orders

To the knowledge of management, none of the directors or officers, is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, including the Company, that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of management, no director or executive officer or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (i) is, as the date of this AIF, or has been within the past 10 years, a director or executive officer of any company, including the Company, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management, none of the Company's directors or executive officers, nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, have been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

CREDIT RATINGS

On October 10, 2018, ARC Ratings, SA. ("ARC Ratings"), a European credit rating agency with a 25-year history, registered with the European Securities & Markets Authority ("ESMA"), assigned the Company a medium to long-term issuer credit rating of "B+" with Positive Outlook.

The rating facilitates the possible securing of debt financing to support Zenith's expansion. This would add another option to our funding strategy and one which prevents equity dilution.

LEGAL PROCEEDINGS

Management of the Company is not aware of any existing or contemplated legal proceedings to which Zenith or its subsidiaries is or was a party to, or that any of the Company's property is or was the subject of, during the most recently completed financial year, that were or are material to the Company.

CONFLICTS OF INTERESTS

There are potential conflicts of interest to which the directors and officers of Zenith will be subject in connection with the operations of Zenith. In particular, certain directors and officers of Zenith are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of Zenith or with entities which may, provide financing to, or make equity investments in, competitors of Zenith – See *"Directors and Officers"*. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein or as previously disclosed by the Company, the Company is not aware of any material interest, direct or indirect, of any director or executive officer of the Company, any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding securities or an associate or affiliate of any of the foregoing, in any transaction within the three most recently completed financial years or the during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

Independent auditor

PKF Littlejohn LLP
1 Westferry Circus, Canary Wharf
London, E14 4HD, United Kingdom

Depository and Registrar

Computershare Investor Services Plc
Bristol, BS99 6ZZ, United Kingdom

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1, Canada

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 Company which

- (i) are, or may be, material to the Company; or
- (ii) contain obligations or entitlements which are, or may be, material to the Company as at the date of this Document.

1. 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.

2. 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.

3. 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.

4. 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 Company'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 Company 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 Company, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Company. The final payment of approximately USD\$1,485k is repayable on 30 April 2018.

The President, CEO and Director of the Company, has provided a personal guarantee to the lender in respect of the repayment of the USD Loan by the Company 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 March 31, 2019, CAD\$1,982k (March 31, 2018 – CAD\$1,914k) of principal is classified as a non-current liability and CAD\$733k (March 31, 2018 – CAD\$538k) of accrued interest is included in trades and other payables.

5. 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 March 31, 2019 the principal balance of the loan was €98k (CAD\$147k) of which CAD\$70k is classified as a current liability and CAD\$77k is classified as long-term.

6. 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 March 31, 2018 the principal balance of the loan was €20k (CAD\$31k) of which CAD\$31k is classified as a current liability.

7. USD \$320,000 General Line of Credit Agreement

On 5 April 2017, the Company's wholly owned subsidiary, Zenith Aran, entered into a general line of credit agreement with 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 Company. 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 July 31, 2017 US\$20k (CAD\$21k) was repaid and the balance of US\$60k (CAD\$63k) was agreed to be repaid on September 1, 2017.

In March 2018, the repayment of the principal amount (USD\$280k) was extended by one year until 6 April 2019.

On July 31, 2018, US\$40k (CAD\$52k) was repaid. A subsequent credit committee decision taken in September 2018 amended the payment terms of the loan. Zenith Aran Oil Company Limited would pay interest on a monthly basis and the principal total amount of US\$40k was paid on September 30, 2018. Based on credit committee decision taken on 18th of April 2019 the payment of principal amount US\$280K was postponed for one year until 6th of April 2020.

As of March 31, 2019, the outstanding principal amount is USD\$282k (CAD\$376k) and it was classified as a non-current liability.

8. 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 Company.

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 instalments of USD\$40k.

As of March 31, 2019, the amount of US\$187k (CAD\$249k) was classified as a current liability.

9. Swiss loan CHF 837,500

On 30 March 2017 the Company 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 March 31, 2019, the principal balance of the loan was CHF687.5k (CAD\$922k) of which CAD\$67k was classified as a current liability and CAD\$855k was classified as non-current liability.

10. Swiss loan CHF 1,000,000

On 30 March 2017 the Company 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 March 31, 2019, the principal balance of the loan was CHF1,000k (CAD\$1,341k) and is classified as a current liability.

11. Convertible loan USD 1,500,000

On September 5, 2018, the Company entered into a US\$1,500,000 unsecured convertible loan facility with a term of 18 months starting from August 30, 2018. Zenith shall pay interest on the outstanding amount of the convertible loans at the rate of 0% per annum. This facility includes an initial immediate advance of US\$1,300,000 and a further advance of US\$200,000, to be provided at a later time and only at the discretion of the Lenders. Under the terms of the unsecured convertible loan facility the Company issued the lenders 6,977,988 share purchase warrants to subscribe for the equivalent number of common shares of no par value in the share capital of the Company at a price of £0.0505 per Common Share on subscription at any time from December 30, 2018 to February 28, 2020 subject to the articles of the Company and the terms and conditions of the convertible loans.

12. Convertible loan GBP 1,000,000

On January 7, 2019, the Company entered into a new unsecured convertible loan facility for an aggregate total amount of up to £1 million with a consortium of lenders. This facility has a term of 24 months and the Company shall pay interest on the outstanding amount of this facility at the rate of 8% per annum. This facility is repayable on January 15, 2021. With certain limitations, the Convertible Loan Notes ("CLNs") will be convertible into Common Shares of the Company at any time after the expiry of a 120 day lock up period from the date of issue of the CLNs, January 15, 2019, as required under applicable Canadian securities laws.

13. Mini Notes

On March 25, 2019 the Company announced that it issued unsecured notes (in this heading, the "Notes") for a total amount of £90k (CAD\$153k) with 900,000 share purchase warrants attached. Each Warrant will entitle the holder to acquire one common share of no-par value (in this heading, one "Common Share") in the capital of Zenith, at a strike price of CAD\$0.10 (approximately £0.056) per Common Share, for a period of 12 months following the closing date.

Unless permitted under applicable Canadian securities legislation, holders must not trade the Notes, or the Warrants underlying the Notes, in Canada before the date that is four months and a day after the issue date of February 15, 2019. The formalisation of the process was subject to approval by the TSX Venture Exchange.

The maturity date of the Notes is July 31, 2019, and they carry an interest of 15% per annum, payable upon the maturity of July 31, 2019, computed on the basis of a 360-day year composed of twelve 30-day months.

14. Loan Notes

During the year the Company, as announced in September 2018 and January 2019, issued Loan Notes to finance its development activities in Azerbaijan for a total amount of CAD\$4,759k, with the duration of 2 years. The maturity date of the Notes is 20 December 2021, and they carry an interest charge of 8% per annum, payable upon the maturity of 20 December 2021.

At the year ended March 31, 2019, CAD\$4,759 is classified as a non-current liability.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by us during, or related to, the Company's most recently completed financial year other than Chapman Petroleum Engineering Ltd, independent engineering evaluators engaged by the Company and PKF Littlejohn LLP, auditors of the Company. None of the designated professionals of Chapman Petroleum Engineering Ltd has any registered or beneficial interests, direct or indirect, in any securities or other property of Zenith.

PKF Littlejohn LLP has advised that they conducted their audit in accordance with International Standards on Auditing (ISAs).

ADDITIONAL INFORMATION

Additional information relating to Zenith is available on SEDAR at www.sedar.com. Additional financial information is provided in the Company's comparative consolidated financial statements for its financial year ended March 31, 2019, together with the accompanying report of the auditor and management's discussion & analysis filed on SEDAR.

**ZENITH ENERGY LTD.
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION
(Form 51-101F1)**

Part 1 – Date of Statement

This statement of reserves data and other oil and gas information is dated June 14, 2019.

The effective date is March 31, 2019.

The preparation date is June 12, 2019.

Part 2 – Disclosure of Reserves Data

The following is a summary of the oil and natural gas reserves and the value of future net revenue of Zenith Energy Ltd. (the "**Company**") as evaluated by Chapman Petroleum Engineering Ltd. ("**Chapman**") as at March 31, 2019, and dated June 12, 2019 (the "**Chapman Report**"). Chapman is an independent qualified reserves evaluator and auditor.

All evaluations of future revenue are after the deduction of future income tax expenses, unless otherwise noted in the tables, royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Chapman Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Chapman Report. The recovery and reserves estimates on the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

All monetary values presented in this document are expressed in terms of US dollars.

SUMMARY OF OIL AND GAS RESERVES BASED ON FORECAST PRICES AND COSTS AS AT MARCH 31, 2019

AZERBAIJAN	Company Reserves ⁽¹⁾							
	Light and Medium Oil		Heavy Oil		Natural Gas ⁽⁹⁾		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
Reserves Category								
PROVED								
Developed Producing ⁽²⁾⁽⁶⁾	465	465	0	0	0	0	0	0
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁸⁾	3,483	3,483	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	3,948	3,948	0	0	0	0	0	0
TOTAL PROBABLE⁽³⁾	26,617	26,617	0	0	0	0	0	0
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	30,564	30,564	0	0	0	0	0	0

ITALY	Company Reserves ⁽¹⁾							
	Light and Medium Oil		Heavy Oil		Natural Gas ⁽⁹⁾		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
Reserves Category								
PROVED								
Developed Producing ⁽²⁾⁽⁶⁾	0	0	0	0	1,064	1,064	13	13
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	230	230	0	0
Undeveloped ⁽²⁾⁽⁸⁾	0	0	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	0	0	0	0	1,294	1,294	13	13
TOTAL PROBABLE⁽³⁾	0	0	0	0	14,987	14,987	242	242
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	0	0	0	0	16,280	16,280	255	255

**SUMMARY OF NET PRESENT VALUES
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

AZERBAIJAN	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
Reserves Category	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.
	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$
PROVED										
Developed Producing ⁽²⁾⁽⁶⁾	7,718	6,244	5,104	4,272	3,664	7,718	6,244	5,104	4,272	3,664
Developed Non-Producing ⁽²⁾⁽⁷⁾	0	0	0	0	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁸⁾	120,535	72,807	44,565	27,122	15,976	120,535	72,807	44,565	27,122	15,976
TOTAL PROVED⁽²⁾	128,252	79,051	49,669	31,394	19,640	128,252	79,051	49,669	31,394	19,640
TOTAL PROBABLE⁽³⁾	1,542,094	767,837	422,493	252,971	162,210	1,542,094	767,837	422,493	252,971	162,210
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	1,670,346	846,888	472,162	284,365	181,850	1,670,346	846,888	472,162	284,365	181,850

ITALY	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
Reserves Category	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.
	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$	M US\$
PROVED										
Developed Producing ⁽²⁾⁽⁶⁾	2,921	2,532	2,216	1,960	1,754	2,921	2,532	2,216	1,960	1,754
Developed Non-Producing ⁽²⁾⁽⁷⁾	827	636	509	420	355	827	636	509	420	355
Undeveloped ⁽²⁾⁽⁸⁾	0	0	0	0	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	3,748	3,168	2,725	2,381	2,109	3,748	3,168	2,725	2,381	2,109
TOTAL PROBABLE⁽³⁾	67,684	24,250	12,421	7,693	5,274	67,684	24,250	12,421	7,693	5,274
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	71,432	27,418	15,145	10,073	7,383	71,432	27,418	15,145	10,073	7,383

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

	Revenue (M US\$)	Royalties (M US\$)	Operating Costs (M US\$)	Developme nt Costs (M US\$)	Abandonme nt and Reclamation Costs (M US\$)	Future Net Revenue Before Income Taxes (M US\$)	Income Taxes (M US\$)	Future Net Revenue After Income Taxes (M US\$)
AZERBAIJAN								
Total Proved ⁽²⁾	311,773	0	58,057	125,464	0	128,252	0	128,252
Total Proved Plus Probable ⁽²⁾⁽³⁾	1,831,236	0	336,487	704,403	0	790,346	0	790,346
ITALY								
Total Proved ⁽²⁾	7,787	0	3,876	11	152	3,748	0	3,748
Total Proved Plus Probable ⁽²⁾⁽³⁾	131,621	0	58,392	1,541	256	71,432	0	71,432

**FUTURE NET REVENUE BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

Reserve Category	Product Type	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M US\$)
AZERBAIJAN		
Total Proved ⁽²⁾	Light and Medium Oil (including solution gas and other by-products)	49,669
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
Total Proved Plus Probable ⁽²⁾⁽³⁾	Light and Medium Oil (including solution gas and other by-products)	472,162
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
ITALY		
Total Proved ⁽²⁾	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	2,725
Total Proved Plus Probable ⁽²⁾⁽³⁾	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	15,145

**OIL AND GAS RESERVES AND NET PRESENT VALUES BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT MARCH 31, 2019**

AZERBAIJAN	Reserves						Net Present Value (BIT) 10% M US\$	Unit Values @ 10%/yr \$
	Oil		Gas ⁽⁹⁾		NGL			
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl		
Product Type by Reserve Category								
Light and Medium Oil Proved								
Developed Producing	465	465	0	0	0	0	5,104	10.98
Developed Non-Producing	0	0	0	0	0	0	0	N/A
Undeveloped	3,483	3,483	0	0	0	0	44,565	12.79
Total Proved	3,948	3,948	0	0	0	0	49,669	12.58
Probable	26,617	26,617	0	0	0	0	422,493	15.87
Proved Plus Probable	30,564	30,564	0	0	0	0	472,162	15.45
ITALY								
Product Type by Reserve Category	Reserves						Net Present Value (BIT) 10% M US\$	Unit Values @ 10%/yr \$
	Oil		Gas ⁽⁹⁾		NGL			
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl		
Assoc & Non-Assoc Gas Proved								
Developed Producing	0	0	1,064	1,064	13	13	2,216	2.08
Developed Non-Producing	0	0	230	230	0	0	509	2.21
Undeveloped	0	0	0	0	0	0	0	N/A
Total Proved	0	0	1,294	1,294	13	13	2,725	2.11
Probable	0	0	14,987	14,987	242	242	12,421	0.83
Proved Plus Probable	0	0	16,280	16,280	255	255	15,145	0.93

Notes:

- 1 "Gross Reserves" are the Company's working interest (operating or non-operating) share before deducting of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.
- 2 "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.
- 3 "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.
- 4 "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.
- 5 "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.
- 6 "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.
- 7 "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.
- 8 "Undeveloped" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (for example, 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.
- 9 Includes associated, non-associated and solution gas where applicable.

Part 3 - Pricing Assumptions

The following tables detail the benchmark reference prices for the regions in which the Company operated, as at March 31, 2019, reflected in the reserves data disclosed above under “Part 2 – Disclosure of Reserves Data”. The forecast price assumptions assume the continuance of current laws and regulations and take into account inflation with respect to future operating and capital costs. There will be adjustments to field prices from the benchmarks below:

AZERBAIJAN

CRUDE OIL HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES April 1, 2019

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	64.92	71.64	N/A
2019 3 months	54.93	63.88	N/A
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)			
	63.15	70.72	N/A
FORECAST PRICES			
2019	60.00	67.80	66.65
2020	61.00	68.93	67.78
2021	64.05	72.38	71.22
2022	67.25	76.00	74.84
2023	70.62	79.80	78.64
2024	74.15	83.78	82.63
2025	75.63	85.46	84.31
2026	77.14	87.17	86.02
2027	78.68	88.91	87.76
2028	80.26	90.69	89.54
2029	81.86	92.51	91.35
2030	83.50	94.36	93.20
2031	85.17	96.24	95.09
2032	86.87	98.17	97.01
2033	88.61	100.13	98.98
2034	90.38	102.13	100.98

Escalated at 2% per year 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

ITALY
International Price - Crude Oil & Natural Gas
HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES
April 1, 2019

Date	Brent Spot	Torrente Cigno	Europe Gas	Torrente Cigno	Misano Adriatico	Lucera	San Mauro
	(ICE)[1] \$US/STB	Condensate [2] \$US/STB	Gas[3] \$US/Mcf	Gas[5] \$US/Mcf	Gas[4] \$US/Mcf	Gas[4] \$US/Mcf	Gas[4] \$US/Mcf
HISTORICAL PRICES							
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
2018	71.64	62.99	7.65	5.22	N/A	N/A	N/A
2019	3 months 63.88	64.77	6.15	5.59	N/A	N/A	N/A
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)							
	70.72	N/A	N/A	N/A	N/A	N/A	N/A
FORECAST PRICE							
2019	67.80	64.57	6.00	4.39	6.17	6.86	6.55
2020	68.93	65.70	6.00	4.45	6.17	6.86	6.55
2021	72.38	69.15	6.10	4.51	6.28	6.98	6.66
2022	76.00	72.77	6.20	4.58	6.38	7.09	6.76
2023	79.80	76.57	6.30	4.64	6.48	7.21	6.87
2024	83.78	80.55	6.40	4.70	6.59	7.32	6.98
2025	85.46	82.23	6.50	4.77	6.69	7.43	7.09
2026	87.17	83.94	6.60	4.84	6.79	7.55	7.20
2027	88.91	85.68	6.70	4.90	6.89	7.66	7.31
2028	90.69	87.46	6.80	4.97	7.00	7.78	7.42
2029	92.51	89.28	6.90	5.04	7.10	7.89	7.53
2030	94.36	91.13	7.00	5.11	7.20	8.01	7.64
2031	96.24	93.01	7.10	5.18	7.30	8.12	7.74
2032	98.17	94.94	7.20	5.25	7.40	8.23	7.85
2033	100.13	96.90	7.30	5.33	7.51	8.34	7.96
2034	102.13	98.90	7.40	5.40	7.61	8.46	8.07

Constant thereafter

- Notes: [1] The Brent Spot price is estimated based on historic data.
Torrente Cigno Condensate price forecast is based on Chapman price forecast plus difference of actually received in T.C. in 2018/04-2019/03.
[2] Europe gas price forecast comes from Word Bank Forecast (Annual prices and Price Forecasts)
Italy gas price forecast is based on actually received field price compare to European gas price in 2018/04 - 2019/03.
[4] Torrente Cigno price reflects the net price from electrical generation revenue escalated 1.014% per year (after consideration of electricity from the other owner).

The Company's weighted average prices received this fiscal year are: 6.50\$/Mscf for natural gas and 47.69\$/STB.

Part 4 – Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the changes in the Company's gross reserves as at March 31, 2019 against such reserves as at March 31, 2018 based on the forecast price and cost assumptions:

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT MARCH 31, 2019

AZERBAIJAN	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (MMscf)	Probable (MMscf)	Proved Plus
			Probable (Mbbbl)			Probable (Mbbbl)			Probable (MMscf)
At Mar 31, 2018	3,887	27,847	31,735	0	0	0	0	0	0
Production(Sales)	(69)	0	(69)	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Discoveries	110	129	239	0	0	0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0
Economic Factors	0	(1,011)	(1,011)	0	0	0	0	0	0
Technical Revisions	20	(349)	(329)	0	0	0	0	0	0
At Mar 31, 2019	3,948	26,617	30,564	0	0	0	0	0	0
ITALY	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (MMscf)	Probable (MMscf)	Proved Plus
			Probable (Mbbbl)			Probable (Mbbbl)			Probable (MMscf)
At Mar 31, 2018	0	0	0	0	0	0	1,416	14,984	16,400
Production(Sales)	0	0	0	0	0	0	(145)	0	(145)
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	23	3	26
Technical Revisions	0	0	0	0	0	0	0	0	0
At Mar 31, 2019	0	0	0	0	0	0	1,294	14,987	16,280

Note: Columns may not add precisely due to accumulative rounding of values.

Table 1
Summary of Company Reserves and Economics
Before Income Tax
April 1, 2019

Forecast Prices & Costs

Combined Properties - Azerbaijan and Italy
Zenith Energy Ltd.

Description	Net To Appraised Interest											
	Reserves						Cumulative Cash Flow (BIT) - M\$					
	Light and Medium Oil MSTB		Conventional Natural gas MMscf		NGL Mbbbls		Discounted at:					
	Gross	Net	Gross	Net	Gross	Net	Undisc.	5%/year	10%/year	15%/year	20%/year	
PROVED												
Proved Developed Producing												
Azerbaijan	465	465	0	0	0	0	7,718	6,244	5,104	4,272	3,664	
Italy	0	0	1,064	1,064	13	13	2,921	2,532	2,216	1,960	1,754	
Total Proved Developed Producing	465	465	1,064	1,064	13	13	10,639	8,777	7,319	6,233	5,418	
Proved Developed Non-Producing												
Italy	0	0	230	230	0	0	827	636	509	420	355	
Total Proved Developed Non-Producing	0	0	230	230	0	0	827	636	509	420	355	
Total Proved Developed	465	465	1,294	1,294	13	13	11,466	9,412	7,828	6,653	5,773	
Proved Undeveloped												
Azerbaijan	3,483	3,483	0	0	0	0	120,535	72,807	44,565	27,122	15,976	
Total Proved Undeveloped	3,483	3,483	0	0	0	0	120,535	72,807	44,565	27,122	15,976	
Total Proved	3,948	3,948	1,294	1,294	13	13	132,000	82,219	52,393	33,775	21,749	
PROBABLE												
Probable Developed Producing												
Azerbaijan	Incr.	15	15	0	0	0	0	8,944	3,803	1,778	914	517
Italy	Incr.	0	0	1,515	1,515	25	25	4,807	2,916	1,853	1,232	851
Total Probable Developed Producing		15	15	1,515	1,515	25	25	13,751	6,718	3,631	2,146	1,368
Probable Developed Non-Producing												
Azerbaijan		0	0	0	0	0	0	0	0	0	0	0
Italy		0	0	59	59	0	0	241	138	89	61	45
Total Probable Developed Non-Producing		0	0	59	59	0	0	241	138	89	61	45
Probable Undeveloped												
Azerbaijan		26,601	26,601	0	0	0	0	1,533,150	764,034	420,716	252,057	161,683
Italy		0	0	13,413	13,413	216	216	62,636	21,195	10,479	6,400	4,379
Total Probable Undeveloped		26,601	26,601	13,413	13,413	216	216	1,595,786	785,229	431,195	258,457	166,072
Total Probable		26,617	26,617	14,989	14,989	242	242	1,609,778	792,065	434,914	260,664	167,484
PROVED PLUS PROBABLE												
Azerbaijan		30,564	30,564	0	0	0	0	1,670,346	846,888	472,162	284,365	181,850
Italy		0	0	16,280	16,280	255	255	71,432	27,418	15,145	10,073	7,383
Total Proved Plus Probable		30,564	30,564	16,282	16,282	255	255	1,741,778	874,305	487,308	294,438	189,233

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.

Part 5 – Additional Information Relating to Reserves Data

Undeveloped Reserves

PROVED

The following tables set forth the volumes of proved undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time, and the subsequent discussions generally describe the basis on which the Company attributes proved undeveloped reserves and its plans for developing those undeveloped reserves:

AZERBAIJAN	Light and Medium	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
	Oil (Mbbbl)			
Aggregate prior to 2017	3,526	0	0	0
2017	152	0	0	0
2018	0	0	0	0
2019	0	0	0	0

The proved undeveloped reserves in Azerbaijan are in poorly drained areas of known and mapped producing oil pools. Development of these reserves will begin in 2019 and continue until the pools are fully developed in 2029.

ITALY

The Company had no proved undeveloped reserves in Italy as at March 31, 2019 or in prior years.

PROBABLE

The following tables set forth the volumes of probable undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time and the subsequent discussions generally describe the basis on which the Company attributes probable undeveloped reserves and its plans for developing those undeveloped reserves:

AZERBAIJAN	Light and Medium	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
	Oil (Mbbbl)			
Aggregate prior to 2017	28,214	0	0	0
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0

The Company's probable undeveloped oil reserves in Azerbaijan are in known pools on a producing accumulation but are in areas some distance from successful producers and can not be considered to be proved. Development of these reserves will begin in 2019 and continue until the pools are fully developed in 2035.

ITALY	Light and Medium	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas
	Oil (Mbbbl)			Liquids (Mbbbl)
Aggregate prior to 2017	0	0	13,413	220
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0

The Company's probable undeveloped non-associated gas reserves in Italy are located in the Torrente Cigno Concession. These reserves will be developed by a horizontal well, offsetting a producing well, scheduled to be drilled in early 2020.

Significant Factors or Uncertainties

The estimation of reserves requires significant judgment and decisions based on available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Company's estimates are based on current production forecast, prices and economic conditions. All of the Company's reserves are evaluated by Chapman Petroleum Engineering Ltd., an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Based on new information, reserves estimates are reviewed and revised, either upward or downward, as warranted. Although every reasonable effort has been made by the Company to ensure that reserves estimate is accurate, revisions may arise as new information becomes available. As new geological, production and economic data is incorporated into the process of estimating reserves the accuracy of the reserve estimate improves.

Information under FORM 51-101F1 - STATEMENT OF RESERVES DATA - AND OTHER OIL AND GAS INFORMATION, Item 5.2

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% of all capital costs. Contributions to the abandonment fund can be recovered as operating costs.

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

	2019 CAD \$'000	2018 CAD \$'000
Balance – beginning of year	9,140	7,980
Accretion	363	399
Foreign currency translation	(414)	761
Balance – end of year	9,089	9,140

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

	2019	2018
Undiscounted cash flows – uninflated	CAD \$8 million	CAD \$8 million
Undiscounted cash flows - inflated	CAD \$8 million	CAD \$8 million
Risk free rate	3.4%	3.4%
Inflation rate	1.4%	1.4%
Expected timing of cash flows	13.5 years	14.5 years

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

There is no unusually high expected development costs or operating costs, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.

Future Development Costs

The following tables show the development costs anticipated in the next five years, which have been deducted in the estimation of the future net revenues of the proved and probable reserves.

AZERBAIJAN	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (M US\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (M US\$)
2019	1,000	4,000
2020	23,460	39,780
2021	26,842	50,980
2022	27,379	57,305
2023	23,272	58,451
Total for five years	101,953	210,516
Remainder	53,877	669,988
Total for all years	155,830	880,504

ITALY	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (M US\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (M US\$)
2019	11	11
2020	0	1,530
2011	0	0
2022	0	0
2023	0	0
Total for five years	11	1,541
Remainder	0	0
Total for all years	11	1,541

The Company has been successful in raising its required capital through equity financings and plans to continue to do so for the development costs specified above. The effect of the costs of the expected funding would have no impact on the revenues or reserves currently being reported.

Reserves

The estimate of the Zenith Energy Ltd.'s reserves are based on a Competent Person Report ("CPR"), who prepared a reserve and economic evaluation of our Oil&Gas properties, for an effective date of 31st March 2019.

This evaluation has been carried out in accordance with standards set out in Canadian oil and gas Evaluation Handbook ("COGEH"), compliant with the 51-101 standards and the professional practice standard under their permit to Practice with APEGA. In addition, the report has been prepared and/or supervised by a "Qualified Reserves Evaluator" as per accompanying CPR documentation.

Basis of report

Sources of the data used in the preparation of CPR reports are as follows:

Azerbaijan

1. 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;
2. 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 Comp.my has provided cost and revenue data from its own records since the handover of the field;
3. Well data is accessed from SOCAR's well files;
4. Operating costs are based on revenue and expense statements provided by the Company and a detailed long-term budget prepared by the Company;
5. 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;
6. Timing of Development Plans and Capital estimates have been determined by discussions with the Company together with our experience and judgment.

Italy

1. Ownership and Burdens have been derived from the Company's land records and other information from the Company as required for clarification;
2. Production data is acquired directly from the Company or the operator of the property;
3. Well data is accessed from the Company's well files;
4. 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;
5. 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.

Levels of certainty for reported reserves

The qualitative certainty levels contained in the definitions 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.

Vertical development drilling- Muradkhanly and Jafarli

Additional drilling locations have been identified in the Muradkhanly 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 hydrocarbons 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 – Muradkhanly Middle Eocene

The Middle Eocene system in the Muradkhanly Field has significant oil production from a faulted structural trap and in the Southeast Muradkhanly 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. The Middle Eocene is a predominantly elastic 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 are 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 tones 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 Muradkhanly field may well be due to 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. Chapman Engineering believes 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

Zenith Energy Ltd. has recently acquired a modern drilling rig capable of drilling to 4,500 m to carry out the fifteen-year drilling programme. The Company plans to start its drilling programme by deepening two existing wells (C-37 and C-30) into the Lower Eocene and Upper Cretaceous intervals, and drilling one new well in the 2019.

The Company believes that it will be able to drill from 3 to 4 wells in 2020.

Zenith provides to acquire one additional drilling rig at the end of 2020, in order to match the CPR provisions that at the proved plus probable level, provide nine wells are projected to be drilled in 2021 and up to 10 per year to the year 2035. In total, 147 development wells are expected to be drilled, of these, 58 will be horizontal wells in the Mid Eocene.

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 is projected, to expand and modernize the surface facilities in anticipation of field production reaching a rate of 2,900 STB/d by 2021 and a peak rate of about 14,800. STB/d by 2034 in the proved plus probable case. It is anticipated that upgrades to the facilities and gathering system will take place 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 the CPR report, it is predicted that 68,286 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 CPR report.

Proved developed producing light and medium oil reserves of 805 MSTB have been estimated for 32 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 6,290 MSTB have been estimated for 34 locations Which are between or directly offset productive wells, including two wells deepening.

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 step out 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 61,191 MSTB are forecast to be recovered during the 25-year contract period.

Probable additional developed producing oil reserves of 139 MSTB have been estimated for the same 32 wells as for proved developed producing, based on a best estimate decline curve analysis of the wells' production history.

Probable additional undeveloped oil reserves of 18,509 MSTB have been estimated for the productions, accumulations in the Muradkhanly and Jafarli fields for 89 undrilled locations directly offsetting existing production including incremental reserves from the 34 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 step out locations. Reserves have been assigned based on average recoveries from the existing wells for each respective accumulation.

Probable undeveloped reserves of 42,543 MSTB have been estimated for the large extensive Mid Eocene accumulation on-lapping the volcanic structure in the Muradkhanly 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 Muradkhanly field has a structural feature and several existing wells, five of which have produced from the Maykop sand. 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. The workovers conducted at the Zardab field have been unsuccessful, and no reserves are assigned to this field at this time.

Production

The Muradkhanly field produces medium gravity oil from, fractured and weathered Cretaceous vulcanite and from Eocene carbonates with interbedded sand. The wells in the Muradkhanly field have produced about 16,880 MSTB of 27° API gravity crude oil since 1971. The Jafarli oil wells located twelve kilometres to the south of Muradkhanly have a cumulative production of over 3,355 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 Muradkhanly and Jafarli fields is approximately 234 STB/d from 32 active wells.

According to the CPR, production for the Total Proved case is predicted to reach a peak rate of 1,980 STB/d in 2023 before declining until the end of commercial production in 2038. Similarly, for the Proved Plus Probable case, production is expected to reach a peak rate of 14,800 STB/d in 2034 and decline until the end of the contract in 2042.

Company point of view

Zenith Energy Ltd. has recently acquired a modern drilling rig capable of drilling to 4,500 m to carry out the fifteen-year drilling programme. The Company plans to start its drilling programme by deepening two existing wells (C-37 and C-30, see attached presentation) into the Lower Eocene and Upper Cretaceous intervals, and drilling one new well in the 2019.

The Company believes that it will be able to drill from three to four wells in 2020.

Zenith provides to acquire one additional drilling rig at the end of 2020, in order to match the CPR provisions that at the proved plus probable level, provide nine wells are projected to be drilled in 2021 and up to 10 per year to the year 2035. In total, 147 development wells are expected to be drilled, of these, 58 will be horizontal wells in the Mid Eocene.

During the last year the Company invested funds, in addition to the purchase of equipment, to develop the study of the geological composition as stated before in this document, also in order to decide the locations for the deepening.

The procurement of funding sources

We are aware that investing funds directly in the drilling activities of the service company, allows the Company to obtain an immediate result and we believe that our strategy will permit us a lower budget, but more profitable activity. This will inevitably be conditioned by the purchase, repair and refurbishment, transport, on-site assembly and preparation by our own staff which will result, on

one hand, in the lengthening of times for starting operations, but on the other hand will produce the advantage of a constant and continuous drilling program.

The funding of our drilling activities, in order to monetize our assets, could be done by:

- Equity
- Issuance of third-party debt (Notes)
- Local cash flow
- Schedule of payments

A “future-proof” strategy

Faced with the uncertainties of a potential supply crunch and the energy transition, Zenith Energy Ltd decided to follow some strategic principles laid out below, that will sustain its business, “future-proofing” it regardless of short-term volatility.

- The Company continue to manage and develop primarily the assets with a much lower break-even price whatever actual oil prices are, helped by the fact that the costs in Azerbaijan are paid in Manat, the high devaluated local currency, and cash inflows are in USD Dollars from the oil sales.
- When the oil price rises, we will continue our programme of cost reduction, standardization, and collaboration to make sure inefficiencies do not creep back in.
- Supporting a good level of free cash flow will be critical for us, oil and gas operators. Capital flows to companies that deliver positive returns in any type of commodity price environment.
- Refocus investment and efforts on asset maintenance. As oil prices rise, other operators may be tempted to push their equipment harder to produce more. But given the age of many assets, oil and gas companies need to ensure adequate funds are available to keep supply infrastructure in good repair.

As rising levels of activity put stress on production equipment, unplanned outages will harm the industry. Thus, proper maintenances are planned for the majority of activities going ahead.

- The industry’s talent profile is changing. Traditional disciplines such as subsurface and surface engineering are still important, but they must be balanced against new demand for expertise in digital operations. As companies build their capabilities in software engineering and data science for example, senior executives in talent management will need to figure out the right weighting of technical (engineers) versus technological (data scientists and software engineers) staff and how the sector can attract the latter.

Part 6 – Other Oil and Gas Information

Oil and Gas Properties and Wells

The following table sets forth the number of wells in which the Company held a working interest as at March 31, 2019:

	Oil		Natural Gas	
	Gross⁽¹⁾	Net⁽¹⁾	Gross⁽¹⁾	Net⁽¹⁾
AZERBAIJAN				
Producing	32	25.6	0	0
Non-producing	0	0	0	0
ITALY				
Producing	0	0	2	1.45
Non-producing	0	0	3	0.45

All of the Company's producing oil wells are located onshore in two oil fields, Muradkhanli and Jafarli in the Kura Region of Azerbaijan. Five non-producing wells are in the Zardab field in the same area.

All of the Company's gas wells are located onshore in four concessions of Italy: Lucera, Misano Adriatico, San Mauro, and Torrente Cigno. Misano and Torrente Cigno concessions have one producing well. Lucera concession had some problems with gas treatment plant and the production is temporarily suspended. Production in Lucera is expected to resume in 2020, and in San Mauro is expected to resume in 2019. There is an additional horizontal location in Torrente Cigno concession, which is expected to be drilled in 2020.

Properties with No Attributed Reserves

The Company holds five additional concessions in Italy to which no reserves have been assigned. There are no current plans for any capital expenditures on these properties. The Company also has interests in two exploration permits and two exploration applications in Italy to which no reserves have been assigned.

Forward Contracts

Currently, the Company has no forward contracts.

Tax Horizon

The Company is not expected to become taxable under the proved or the proved plus probable cash flows forecast in this report.

The existing income tax pools in Italy are expected to exceed any tax that may become payable.

In Azerbaijan, income tax is incorporated in the terms of the REDPSA; the Company will have no further income tax liability.

Costs Incurred

The following tables summarize the capital expenditures made by the Company on oil and natural gas properties for the year ended March 31, 2019.

AZERBAIJAN

Property Acquisition Costs (M US\$)		Exploration Costs (M US\$)	Development Costs (M US\$)
Proved Properties	Unproved Properties		
0	0	0	250

ITALY

Property Acquisition Costs (M US\$)		Exploration Costs (M US\$)	Development Costs (M US\$)
Proved Properties	Unproved Properties		
0	0	0	0

Exploration and Development Activities

The following tables set forth the number of exploratory and development wells which the Company completed during its 2019 financial year:

AZERBAIJAN

	Exploratory Wells		Development Wells	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0

ITALY

	Exploratory Wells		Development Wells	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0

[1] Total number of wells in which the Company has a working interest.

[2] Total number of wells in which the Company has a working interest multiplied by the Company working interest in each well.

Production Estimates

The following table sets forth the volume of production estimated by Chapman for 2019 (9 months):

TOTAL PROVED RESERVES

AREA	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Azerbaijan	32	0	0	0
Italy	0	0	129	2
Total for all areas	32	0	129	2

TOTAL PROVED PLUS PROBABLE RESERVES

AREA	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Azerbaijan	32	0	0	0
Italy	0	0	130	2
Total for all areas	32	0	130	2

These values are gross to Company's working interest before the deduction of royalties payable to others.

Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Company for each quarter of its most recently completed financial year:

	Three Months Ended June 30, 2018	Three Months Ended September 30, 2018	Three Months Ended December 31, 2018	Three Months Ended March 31, 2019
Average Daily Production				
Light and Medium Oil (Bbl/d)	266	243	222	234
Natural Gas (Mscf/d)	15	29	39	37
Average Daily Sales				
Light and Medium Oil (Bbl/d)	266	243	222	234
Natural Gas (Mscf/d)	15	29	39	37
Average Net Prices Received				
Light and Medium Oil (\$/Bbl)	52.98	81.80	48.46	47.60
Natural Gas (\$/boe)	5.60	4.83	8.28	3.82
Royalties				
Light and Medium Oil (\$/Bbl)	-	-	-	-
Natural Gas (\$/boe)	-	-	-	-
Production Costs				
Light and Medium Oil (\$/Bbl)	19.26	30.34	20.29	19.22
Natural Gas (\$/boe)	2.63	10.40	5.40	2.99
Netback Received				
Light and Medium Oil (\$/Bbl)	33.72	51.46	28.17	28.38
Natural Gas (\$/boe)	2.97	-5.57	2.88	0.83

ABBREVIATIONS AND CONVERSION

In this document, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mscf	thousand standard cubic feet
Bbls	barrels	MMscf	million standard cubic feet
Mbbls	thousand barrels	Mscf/d	thousand standard cubic feet per
day			
MMbbls	million barrels	MMscf/d	million standard cubic feet per day
MSTB	1,000 stock tank barrels	MMBTU	million British Thermal Units
Bbls/d	barrels per day	Bscf	billion standard cubic feet
NGLs	natural gas liquids	GJ	gigajoule
STB	stock tank barrels of oil		
STB/d	stock tank barrels of oil per day		
Other			
AECO	Niska Gas Storage's natural gas storage facility located at Suffield, Alberta.		
BIT	Before Income Tax		
AIT	After Income Tax		
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mscf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mscf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.		
BOE/d	barrel of oil equivalent per day		
m ³	cubic metres		
\$M	thousands of dollars		
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade		

APPENDIX B
Form 51-101F2

Chapman Petroleum Engineering Ltd.

1122 - 4th Street S.W., Suite 700, Calgary, Alberta T2R 1M1 • Phone: [403] 266-4141 • Fax: [403] 266-4259 • www.chapeng.ab.ca

June 12, 2019

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: Reserve and Economic Evaluation – Zenith Energy Ltd.
Azerbaijan and Italy – March 31, 2019

In accordance with your authorization we have prepared a reserve and economic evaluation of oil and gas properties located in Azerbaijan and Italy, owned by Zenith Energy Ltd. (the "Company") for an effective date of March 31, 2019 (April 1, 2019).

This evaluation has been carried out in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook ("COGEH"), compliant with the NI 51-101 standards and the professional practice standard under our Permit to Practice with APEGA. The report has been prepared and/or supervised by a "Qualified Reserves Evaluator" 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

[Original Signed By:]

Roger D. Sakatch

Roger D. Sakatch, P.Eng.,
Senior Associate

cgm/ml/6575
attachments

<p align="center">PERMIT TO PRACTICE CHAPMAN PETROLEUM ENGINEERING LTD. [Original Signed By:] Signature <u>C.W. Chapman</u> Date <u>June 14, 2019</u> PERMIT NUMBER: P 4201 The Association of Professional Engineers and Geoscientists of Alberta</p>
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REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Zenith Energy Ltd. (the “**Company**”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, and includes, if disclosed in the statement required by Item 1 of section 2.1 of NI 51-101, other information such as contingent resources data or prospective resources data.

An independent qualified reserves evaluator has evaluated the Company’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Board of Directors of the Company has

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation and, in the event of a proposal to change the independent qualified reserves evaluator, to inquire whether there had been disputes between the previous independent qualified reserves evaluator and management; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

[Original Signed by:]

ANDREA CATTANEO - President and Chief Executive Officer
(signature / name and title of chief executive officer)

LUCA BENEDETTO – Chief Financial Officer
(signature / name and title of an officer other than the chief executive officer)

ERIK LARRE - Director

(signature/name of a director)

DARIO SODERO - Director -
(signature/name of a director)

Dated the 14th day of June 2019

APPENDIX D

Definitions Used for Contingent Resource Categories

The following definitions form the basis of the classification of reserves and values presented in the Chapman Petroleum Engineering Ltd. report. They have been prepared by the Standing Committee on Reserves Definitions of the Petroleum Society of the CIM incorporated in the Society of Petroleum Evaluation Engineers Canadian Oil and Gas Evaluation Handbook (“**COGE Handbook**”) and specified by National Instrument 51-101 (“**NI 51-101**”).

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recovered from known accumulations, from a given date forward, 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; and
- a remaining reserve life of 50 years.

Reserves are classified according to the degree of certainty associated with the estimates.

1. Proved Reserves

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.

2. Probable 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 + probable reserves.

3. Possible 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 + probable + possible reserves. Possible reserves have not been considered in the Chapman Petroleum Engineering Ltd. Report.

Other criteria that must also be met for categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

4. Developed Reserves

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.

5. Developed Producing Reserves

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.

6. Developed Non-Producing Reserves

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.

7. Undeveloped Reserves

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 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 what will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

8. Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions in Section 5.4.1 Reserves Categories above are applicable to individual reserves entities, which refer to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities should target the following levels of certainty under a specific set of economic conditions:

- a) There is a 90% probability that at least the estimated proved reserves will be recovered.
- b) There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.
- c) There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a 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 COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgment as to what are reasonable estimates.

- 9. Pipeline Gas Reserves** are gas reserves remaining after deducting surface losses due to process shrinkage and raw gas used as lease fuel.

10. **Remaining Recoverable Reserves** are the total remaining recoverable reserves associated with the acreage in which the Company has an interest.
11. **Company Gross Reserves** are the Company's working interest share of the remaining reserves, before deduction of any royalties.
12. **Company Net Reserves** are the gross remaining reserves of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interest owned by others.
13. **Net Production Revenue** is income derived from the sale of net reserves of oil, pipeline gas, and gas by-products, less all capital and operating costs.
14. **Fair Market Value** is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.
15. **Barrels of Oil Equivalent (BOE) Reserves** - BOE are the sum of the oil reserves, plus the gas reserves divided by a factor of 6, plus the natural gas liquid reserves, all expressed in barrels or thousands of barrels.