

Appendix 4D - Half-Year Report

Company Details

Name of Entity:	ZENITH ENERGY LIMITED
ABN:	ACN 615 682 203
Reporting period:	Half-year ended 31 December 2017
Previous corresponding period:	Half-year ended 31 December 2016

Results for announcement to the market

	Half-Year ended		Up/(Down) A\$'000	Movement %
	31 December 2017 A\$'000	31 December 2016 A\$'000		
Total revenue from continuing operations	33,788	15,508	18,280	118%
Net Profit from continuing operations after tax	7,385	1,726	5,659	328%
Net Profit for the period attributable to members	7,385	1,726	5,659	328%

Commentary

The directors' report accompanying this half-year report contains a review of operations and commentary on the results for the period ended 31 December 2017.

Net tangible assets per share

	31 December 2017	30 June 2017
Net tangible assets per share (cents)	44.36	36.77

Dividends

There is no proposal to pay dividends for the half-year ended 31 December 2017.

ZENITH ENERGY LIMITED

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ZENITH ENERGY LIMITED
(ACN 615 682 203)

AND ITS CONTROLLED ENTITIES

31 December 2017
HALF YEAR FINANCIAL REPORT



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DIRECTORS' REPORT

Directors' report

Your directors present their report on the consolidated entity (referred to herein as the Group or the Consolidated Group) consisting of Zenith Energy Limited (Zenith Energy or Zenith) and its controlled entities for the half-year ended 31 December 2017.

Directors

The following persons were directors of Zenith Energy during or since the end of the financial year up to the date of this report, unless otherwise stated:

William Douglas Walker	Executive Chairman
Gavin Great	Executive Director (Resigned on 24 January 2018)
Hamish Moffat	Managing Director
Darren Smith	Non-Executive Director
Stephanie Unwin	Non-Executive Director (Appointed on 11 September 2017)

Dividends Paid or Recommended

No dividends have been paid or declared by the Group since the end of the previous financial period.

No dividend is recommended in respect of the current financial period.

Review of operations

Financial Performance

Results:

The consolidated Group net profit after tax for the half-year ended 31 December 2017 was \$7.422 million, compared to net profit after tax of \$1.726 million for the half-year ended 31 December 2016.

This represented a 330% increase on the results reported for the half-year ended 31 December 2016. This improvement was mainly due to significant higher Engineering, Procurement and Construction (EPC) Contract delivery during the half-year, and incremental earnings from recently delivered projects, as well as continuing scrutiny around operating costs. December 2016 results also included a \$1.64 million expense related to the cancellation of the Solea-AG Joint Venture, which impacted that period's results.

Financial position:

Progress towards completion of the Group's contracted power stations at Mt Morgans and Dalgara resulted in significant capital expenditure in half-year ended 31 December 2017 with net cash expenditure of \$16.613 million (30 June 2017: \$9.518 million). Capital expenditure in half-year ended 31 December 2017 includes a net increase in capital work in progress of \$17.303 million mainly related to the new stations under construction, including the 62MW Station for Newmont Mining Corporation's Tanami Gold Mine.

Operational Performance

The Group continued to add new projects under its Build, Own, Operate ("BOO") model, as well as securing extensions on three contracts during the first half of the year. A summary of key projects awarded or commissioned between July and December 2017 appears below:

DIRECTORS' REPORT

Operational Performance (continued)

In July 2017, Zenith commenced the production of power for a new diesel fired power station at Northern Star Resource's Kundana Gold Project.

Also in July 2017, Zenith completed the commissioning and commenced the production of power for Northern Star Resource's Jundee Gold Project on a BOO basis.

In October 2017, Zenith signed a Power Purchase Agreement (PPA) with Dacian Gold Limited (Dacian) to Build Own and Operate (BOO) a 17MW power station at Dacian's Mt Morgans Gold Project in WA. The eight-year contract will begin in March 2018 and includes an option for Dacian to extend for a further three years.

Also in October 2017, Zenith completed the commissioning and commenced the production of power on a 6.5MW diesel-fired power station at Pantoro Resources' Halls Creek Mine in WA. It follows the transition of a two-year power supply agreement with Zenith into a five-year BOO contract.

On 1 December 2017, Zenith was named preferred bidder by Newmont Mining Corporation to BOO a 62MW power station for its Tanami Gold Mine in the Northern Territory. The agreement includes an initial 10-year term with Newmont having the option to extend for a further 10-year term.

On 8 December 2017, Zenith signed a Power Purchase Agreement with Gascoyne Resources to BOO a 15MW gas fired power station at the Dalgara Gold Project in WA. Supply will begin in Q2 2018 for an initial six-year term with an option to extend for a further four years.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2017 has been received and can be found on page 4 of the financial report.

Rounding of Amounts

The Company is a company of the kind referenced to in ASIC Instrument 2016/91, dated 1 April 2016, and in accordance with that Instrument amount in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Subsequent Events

On 25 January, Mr Gavin Great resigned as a director of operations and as executive director of the Company.

On 13 February 2018, Zenith executed a PPA with Newmont Mining Corporation (Newmont) to BOO a 62MW power station for its Tanami Gold Mine in the Northern Territory.

No other matter or circumstance has arisen since 31 December 2017, that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial periods.

Signed in accordance with a resolution of the Board of Directors.



Mr William (Doug) Walker
Executive Chairman

Dated: 26 February 2018

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF ZENITH ENERGY LIMITED

As lead auditor for the review of Zenith Energy Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Zenith Energy Limited and the entities it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue	4(a)	33,649	15,199
Other income	4(b)	139	309
Total Income		33,788	15,508
Cost of sales		14,707	6,473
Employee expenses	5(b)	3,995	2,175
Insurance expenses		391	273
Occupancy expenses		155	171
Other expenses	5(c)	1,658	870
Total Expenses		20,906	9,962
		12,882	5,546
Finance costs	5(a)	650	599
Depreciation and amortisation expense		2,087	865
Loss on Cancellation of JV		-	1,638
Profit before income tax		10,145	2,444
Income tax expense	6	2,760	718
Profit for the period after income tax		7,385	1,726
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations, net of tax		-	-
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income for the period		7,385	1,726
Earnings per share			
Basic earnings per share (cents)		7.54	4.02
Diluted earnings per share (cents)		7.54	4.02

These consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Current assets			
Cash and cash equivalents		11,542	19,291
Trade and other receivables	7	5,551	3,781
Inventories	8	705	649
Current tax asset		1,659	1,384
Other assets		1,163	1,502
Total current assets		20,620	26,607
Non-current assets			
Property, plant and equipment	9	57,987	39,426
Deferred tax assets		955	772
Intangible assets		11	11
Other receivables	7	1,952	1,878
Other assets		947	469
Total non-current assets		61,852	42,556
Total assets		82,472	69,163
Liabilities			
Current liabilities			
Trade and other payables	10	7,044	3,393
Borrowings		7,171	16,334
Current tax liabilities		2,140	96
Deferred revenue		1,056	1,120
Provisions		1,291	1,150
Total current liabilities		18,702	22,093
Non-current liabilities			
Borrowings		17,876	8,174
Deferred revenue		2,121	2,602
Provisions		285	246
Total non-current liabilities		20,282	11,022
Total liabilities		38,984	33,115
Net assets		43,488	36,048
Equity			
Contributed equity		26,109	26,109
Share based payment reserve		23	5
Retained earnings		17,319	9,934
Total equity		43,451	36,048

These consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	SHARE BASED PAYMENT RESERVE \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2016		120	7,034	-	7,154
Total comprehensive income for the period					
Profit for the period		-	1,726	-	1,726
Total comprehensive income for the period		-	1,726	-	1,726
Transactions with owners, recorded directly in equity					
Issue of ordinary shares, net of transaction costs and tax		2,099	-	-	2,099
Dividends paid		-	(223)	-	(223)
Total transactions with owners		2,099	(223)	-	1,876
Balance as at 31 December 2016		2,219	8,537	-	10,756
Balance at 1 July 2017		26,109	9,934	5	36,048
Total comprehensive income for the period					
Profit for the period		-	7,385	-	7,385
Total comprehensive income for the period		-	7,385	-	7,385
Transactions with owners in their capacity as owners					
Share based payment expense	13	-	-	18	18
Total transactions with owners		-	-	18	18
Balance as at 31 December 2017		26,109	17,319	23	43,451

These consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash Flows from Operating Activities		
Receipts from customers	33,368	18,816
Payments to suppliers and employees	(23,271)	(14,439)
Interest received	6	4
Borrowing costs	(650)	(599)
Income tax	(1,173)	(399)
Net cash provided by operating activities	8,279	3,383
Cash Flows from Investing Activities		
Payments of property, plant and equipment	(16,613)	(3,555)
Proceeds on sale of property, plant and equipment	9	2
Net cash used in investing activities	(16,604)	(3,553)
Cash Flows from Financing Activities		
Dividends	-	223
Proceeds from borrowings	647	1,189
Repayment of borrowings	(109)	(1,248)
Net cash provided by financing activities	538	164
Net decrease in cash held	(7,786)	(6)
Cash and cash equivalents at beginning of the period	19,291	2,519
Cash and cash equivalents at end of the period	11,505	2,513

During the half year, the consolidated entity acquired plant and equipment and power generation assets with a fair value of \$1.5 million (half-year ended 31 December 2016: \$6.67 million) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

These consolidated financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 1: Reporting Entity

Zenith Energy Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The company is a for-profit entity and the address of the company's registered office is Level 1, 160 Stirling Highway, Nedlands WA 6009.

These consolidated financial statements for the half year ended 31 December 2017 represent those of Zenith Energy Limited ('the Company' or 'the Parent') and Controlled Entities (collectively, 'the consolidated Group' or 'the Group').

The financial statements were authorised for issue by the Company's Directors on 26 February 2018.

Note 2: Basis of Preparation and Accounting Policies

Statement of Compliance

This general purpose condensed financial report for the half year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the AASB.

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Certain comparatives have been reclassified to conform with current period presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 2: Basis of Preparation and Accounting Policies (continued)

Capital Restructure

The company was incorporated on 2 November 2016 to act as an Australian Securities Exchange ('ASX') listed holding company and acquired Zenith Pacific Pty Ltd. The acquisition of Zenith Pacific Pty Ltd by the company (the Capital Restructure) was not considered to be a business combination and does not result in any change of economic substance. Accordingly, following the Capital Restructure on 2 November 2016, the consolidated financial statements of the Company represent a continuation of the operations of Zenith Pacific Pty Ltd and controlled entities.

The Company and Zenith Pacific Pty Ltd and controlled entities, together form the Group. As such, the financial statements for the half year ended 31 December 2017 represent the consolidated financial statement of the Group. The comparative amounts shown at 31 December 2016 relate to the consolidated financial statement of Zenith Pacific Pty Ltd and controlled entities.

New Accounting Standards and Interpretations

The accounting policies adopted and methods of computations used are consistent with most recent annual financial report. From 1 July 2017, the Group has adopted all the standards and interpretations effective as at 1 July 2017. Adoption of these standards and interpretations did not have a material impact on the Group. The Group has not elected to early adopt any new standards or amendments.

New standards and interpretations not yet effective

New and amended Standards and Interpretations which have been issued but are not yet effective have been identified as those which may impact the entity in the period of initial application. Whilst these new and amended Standards and Interpretations are available for early adoption at 31 December 2017, they have not been applied in preparing this financial report.

Note 3: Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of revenue stream, as the diversification of the Group's operations inherently have notably different performance assessment criteria. Operating segments are therefore determined on the same basis.

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 3: Operating Segments (continued)

	MOM		BOO		OTHERS		CONSOLIDATED	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	17,219	4,799	16,430	10,400	-	-	33,649	15,199
Intersegment sales	-	-	-	-	-	-	-	-
Interest revenue	-	4	-	-	80	22	80	26
Total segment revenue	17,219	4,803	16,430	10,400	80	22	33,729	15,225
Other income	7	224	51	59	-	-	58	283
Intersegment elimination	-	-	-	-	-	-	-	-
Total group revenue	17,225	5,027	16,482	10,458	80	22	33,787	15,508
Segment EBITDA before unusual items	5,121	1,359	9,861	4,187	(2,101)	-	12,882	5,546
- Depreciation and amortisation expense	417	66	1,671	799	-	-	2,087	865
- Finance costs	5	93	645	505	-	-	650	599
- Loss on Cancellation of JV	-	1,638	-	-	-	-	-	1,638
Profit/(loss) before income tax	4,699	(439)	7,545	2,883	(2,101)	-	10,145	2,444
Income tax Expense							(2,760)	(718)
Profit after income tax							7,385	1,726

	MOM		BOO		OTHERS		CONSOLIDATED	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2017	2017	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Segment assets	30,198	8,422	45,144	40,334	7,130	20,407	82,472	69,163
Total consolidated assets	30,198	8,422	45,144	40,334	7,130	20,407	82,472	69,163

Segment liabilities	8,554	3,915	30,186	28,549	243	651	38,984	33,115
Total consolidated liabilities	8,554	3,915	30,186	28,549	243	651	38,984	33,115

Segment assets include

Deferred tax assets	350	250	(115)	21	721	501	955	772
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 4: Revenue and Other Income

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
(a) Revenue		
– Supply charges	7,879	6,182
– Project revenue	18,124	1,348
– Sales revenue	7,646	7,669
	33,649	15,199
(b) Other income:		
– Profit on disposal of assets	7	-
– Other revenue	132	309
	139	309

Note 5: Profit for the period

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Profit before income tax from continuing operations includes the following specific expenses:		
(a) Finance cost		
Interest expense on financial liabilities not at fair value through profit or loss:		
– Related parties	-	-
– Unrelated parties	650	599
Total finance cost	650	599
(b) Employee benefits expense:		
– Contributions to defined contribution plans	722	506
– Wages and salaries	2,950	1,346
– Employment related taxes and insurances	323	324
Total employee benefits expense	3,995	2,175
(c) Other expenses		
– Net foreign Exchange losses	51	87
– Loss on disposal of assets	-	22
– Others	1,607	761
Total other expense	1,658	870

Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

- Project revenue includes revenue from Engineering, Procurement and Construction (EPC) contracts delivered during the period.
- In 2015, Zenith Pacific Pty Ltd formed a joint venture ("JV") entity with Solea AG, a German Photo-Voltaic ("PV") provider. In November 2016, Zenith Pacific Pty Ltd dissolved the JV due to incompatibility of business models. The amount written off (\$1.638 million) includes formation costs, legal fees and a settlement amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 6: Income tax expense

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000

The components of tax expense comprise:

Current tax	3,034	1,120
Deferred tax movements	(183)	(382)
Under-provision in respect of prior years	(91)	(20)
Total income tax expense in statement of profit or loss	2,760	718

Note 7: Trade and Other Receivables

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000

CURRENT

Trade receivables	5,254	3,781
Other receivables	297	-
Total current trade and other receivables	5,551	3,781

NON-CURRENT

Related party receivables	1,952	1,878
Total non-current trade and other receivables	1,952	1,878
Total current and non-current trade and other receivables	7,503	5,659

Trade receivables are generally due for settlement in 30 days and therefore are all classified as current. Due to the short term nature of the current receivables, the carrying amount is assumed to be the same as their fair value.

Note 8: Inventories

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000

CURRENT

At cost:		
Work in progress	387	1,058
Finished goods	318	151
Total inventories	705	1,209

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 9: Property, Plant and Equipment

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the period.

	PLANT AND EQUIPMENT		POWER GENERATION		CAPITAL WORK IN PROGRESS		TOTAL	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2017	2017	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of period	838	907	36,912	22,886	1,676	973	39,426	24,766
Additions	53	102	2,035	14,962	5,246	899	7,334	15,963
Disposals	(4)	(39)	-	-	-	-	(4)	(39)
Transfers	-	-	898	973	(898)	(973)	-	-
Transfers from inventory	-	-	-	-	12,955	777	12,955	777
Depreciation expense	(62)	(132)	(1,662)	(1,909)	-	-	(1,724)	(2,041)
Balance at end of period	825	838	38,183	36,912	18,979	1,676	57,987	39,426

Note 10: Trade and Other Payables

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000

CURRENT

Unsecured liabilities:

Trade payables	5,705	1,492
Sundry payables	265	1,395
Accrued expenses and wages	1,074	506
Total current trade and other payables	7,044	3,393

Note 11: Dividends

The directors have not recommended payment of a dividend in respect of half-year ended 31 December 2017. In the half-year ended 31 December 2016, Dividends/distributions of \$0.223 million were paid prior to the common control transaction and Initial Public Offering.

Note 12: Related Party Disclosures

Key Management Personnel

On 11 September 2017, the company appointed Ms Stephanie Unwin as an Independent Non-Executive Director. In accordance with the appointment terms, Ms Stephanie Unwin receives a fixed director fee of \$42,000 per annum and subject to approval, is eligible for and will be issued performance rights, as detailed in note 13.

Refer to note 13 for details on Share-based payment transactions with Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 13: Share-based Payments

Recognised share-based payment transactions - Performance Rights

Zenith Energy Limited has issued Performance Rights to its Non-Executive Directors. These Performance Rights are issued under the company's incentive option and performance right plan and are issued as part of their appointment remuneration package. The Performance Rights have no performance milestones attached, however contain a 12-month service condition.

Details of the Performance Rights issued are tabled below:

NAME	NUMBER ISSUED	GRANT DATE	EXERCISE PRICE	SERVICE CONDITION END DATE	SHARE PRICE ON GRANT DATE (\$)	TOTAL FAIR VALUE (\$)
Mr Darren Smith	42000	30 Mar 2017	Nil	29 Mar 2018	\$0.50*	\$21,000
Ms Stephanie Unwin	42000#	11 Sep 2017	Nil	10 Sep 2018	\$0.58	\$24,360

**The fair value on grant date is by reference to the Company's initial public offering price (IPO), being \$0.50/share.*

Subject to shareholder approval.

On vesting, each performance right automatically converts into one ordinary share of the Company. The rights vest on achievement of the attached service condition.

The total expense arising from share-based payment transactions recognised during the period in relation to the Performance Rights issued was \$17,994 (half year ended 31 December 2016:\$nil).

Note 14: Commitments and contingencies

Capital expenditure commitments

As at 31 December 2017, there was \$6.56 million in outstanding purchase orders for the power stations under construction.

Contingent Liabilities and Contingent Assets

As at 31 December 2017, the Group had no material contingent liabilities or contingent assets.

Note 16: Events after the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

- On 24 January 2018, Mr Gavin Great resigned as director of operations and as executive director of the Company.
- On 14 February 2018, Zenith Energy Limited advised the ASX that it has executed a Power Purchase Agreement with Newmont Mining to Build, Own and Operate a 62MW power station at its Tanami Gold Mine for an initial period of 10 years with Newmont Mining having option to extend it for further 10 years.

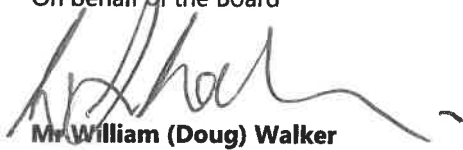
DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of Zenith Energy Limited, I state that:

In the opinion of the Directors:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and
 - b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr William (Doug) Walker
Executive Chairman

Perth, Western Australia
Dated: 26 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Zenith Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Zenith Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

The image shows a handwritten signature in blue ink. Above the signature, the letters 'BDO' are written in a simple, blocky font. The signature itself is cursive and appears to read 'Neil Smith'.

Neil Smith

Director

Perth, 26 February 2018