ZENITH ENERGY

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 2018
Previous corresponding period:	Half-year ended 31 December 2017

Results for announcement to the market

	Half Year ended			
	31 December 2018	**31 December 2017**	**Up/(Down)**	**Movement**
	A$'000	**A$'000**	**A$'000**	**%**
Total revenue from continuing operations	22,658	33,649	(10,991)	-33%
Net Profit from continuing operations after tax	2,566	7,385	(4,819)	-65%
Net Profit for the period attributable to members	2,566	7,385	(4,819)	-65%

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 2018.

Net tangible assets per share

	31 December 2018	**31 December 2017**
Net tangible assets per share (cents)	**47.74**	**45.45**

Dividends

There is no proposal to pay dividends for the half year ended 31 December 2018.

ZENITH ENERGY LIMITED

(ACN 615 682 203)

AND ITS CONTROLLED ENTITIES

31 December 2018

HALF YEAR FINANCIAL REPORT

ZENITH ENERGY

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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 and its controlled entities for the half-year ended 31 December 2018.

Directors

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

William Douglas Walker	Executive Chairman
Hamish Moffat	Managing Director
Darren Smith	Non-Executive Director
Stephanie Unwin	Non-Executive Director (Resigned 7 February 2019)

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

- **69% growth in BOO (Build, Own and Operate) MW under control over PCP (Prior Corresponding Period)**
- **53% growth in BOO revenue over PCP**
- **123% growth in BOO EBITDA over PCP**
- **19% growth in total MW under management from 359MW to 428MW over PCP**
- **Group NPAT down by $4.8m over PCP due to refocus on growing BOO operations**

Results:

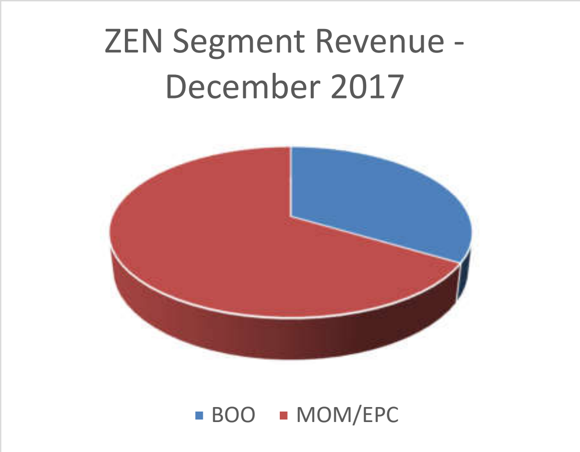
The consolidated Group result for the period reflected material growth in the key measure of BOO MW under control compared to the PCP. The consolidated Group net profit after tax for the half-year ended 31 December 2018 was $2.566 million, compared to $7.385 million for the half-year ended 31 December 2017, with the decrease attributed to two large EPC contracts delivered in the PCP, whereas the Group has since focused on transitioning its portfolio away from MOM/EPC (Manage, Operate and Maintain/Engineer, Procure and Construct) contracts to focus on long-tenure BOO contracts.

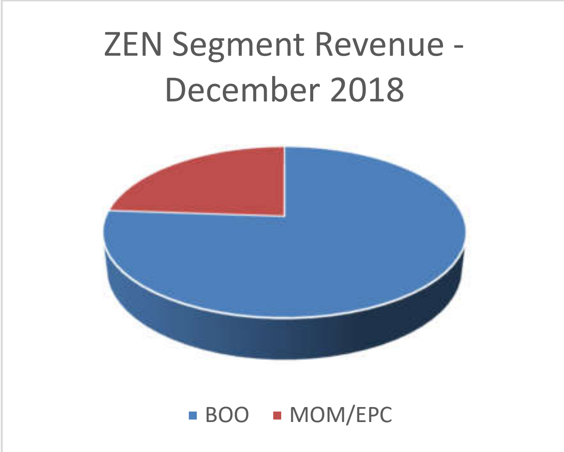
During the half-year the Group received full period contribution from its Dacian Gold and Gascoyne Resources projects, completed at the end of FY2018.

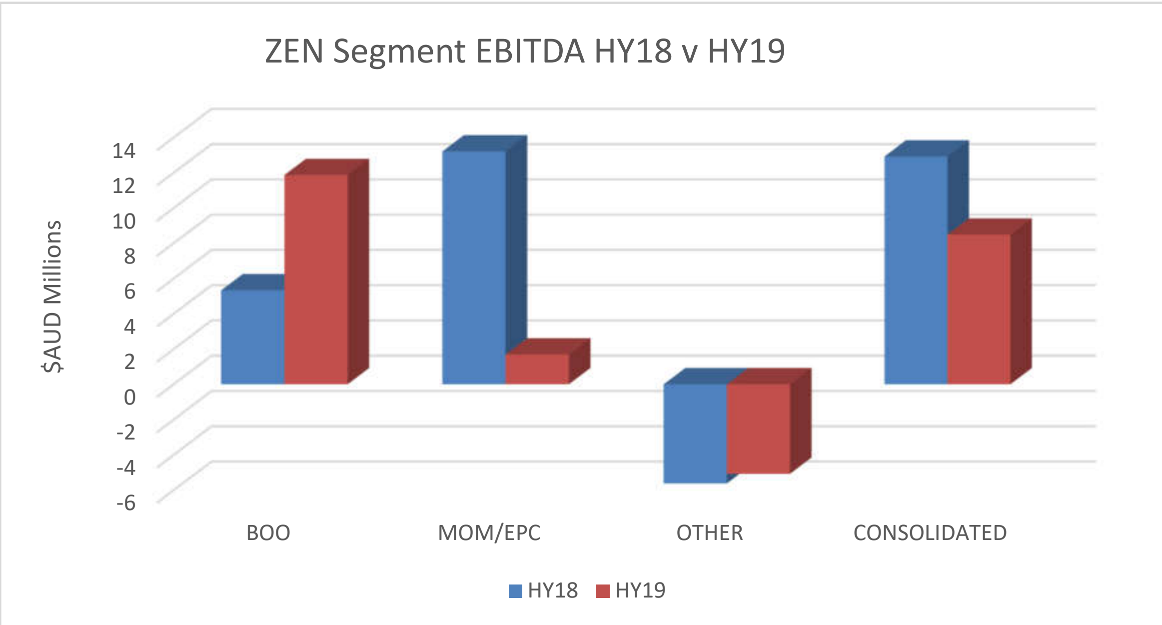
Zenith's BOO projects typically take six to twelve months to construct, commission, and commence producing revenues and contribution to Group earnings. The BOO segment delivered an increase to revenue of 53% on 31 December 2017, and an increase of segment EBITDA of 123% over the PCP (segment revenue chart comparison below).

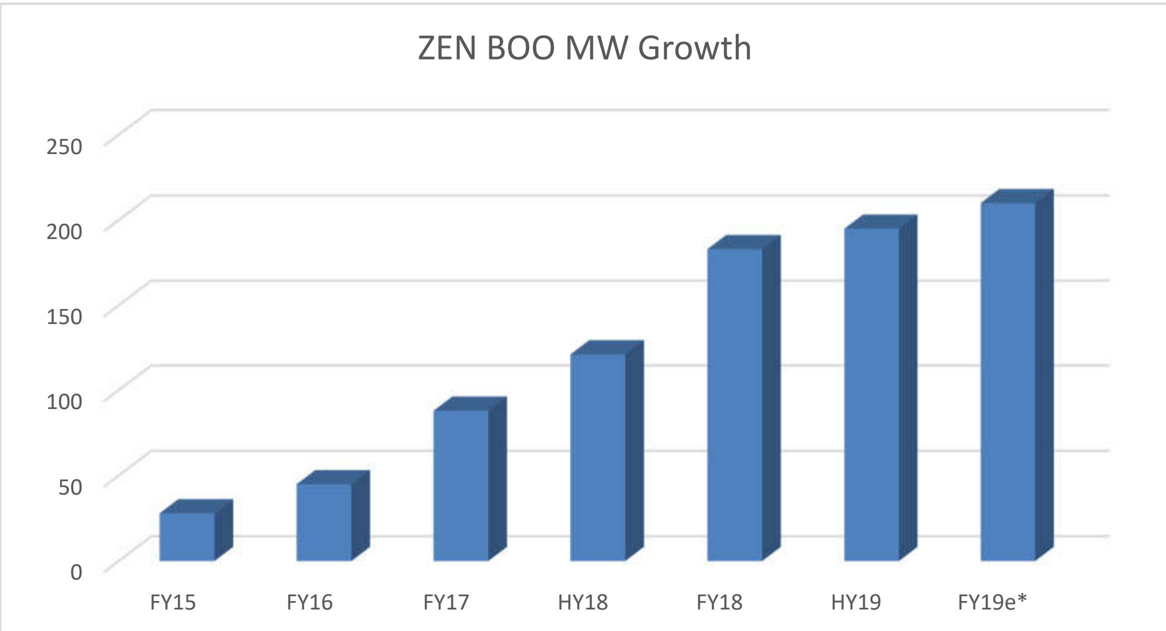
DIRECTORS' REPORT

Financial Performance (continued)









**FY19e includes 14.5MW Kirkalocka executed 12 February 2019*

DIRECTORS' REPORT

Financial Performance (continued)

This focused investment activity within the BOO segment has also seen material uplifts in the areas of;

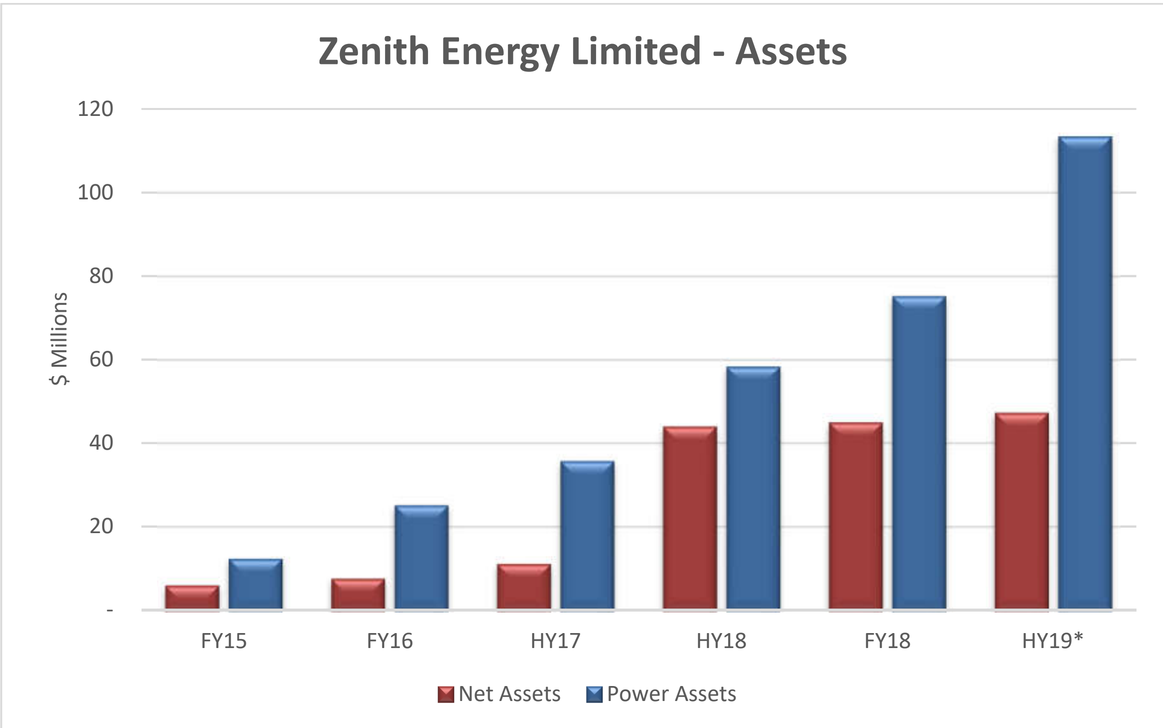
- PP&E – Increased from $75.944 million in FY2018 to $114.212 million in HY2019
- Inventory – Increased from $2.686 million in FY2018 to $11.888 million in HY2019

The Group's guidance for its 2019 full year performance remains on track within the forecast range of $19.000 million to $21.000 million EBITDA.

Financial position:

Progress towards completion of the Group's contracted power stations for Newmont's Tanami project resulted in significant capital expenditure in half-year ended 31 December 2018 with net investment expenditure of $41.157 million (30 June 2018: $16.604 million). Capital expenditure in half-year ended 31 December 2018 includes a net increase in capital work in progress of $40.689 million (30 June 2018: $38.650 million) mainly related to the new 62MW Power Station for Newmont Mining Corporation's Tanami Gold Mine, as well as deposits and purchases of long lead items for current projects, including; Barrow Island, Nova Solar, and the Jundee uplift.

The Group has increased its Power Station Assets to $113.036 million for the half year ended 31 December 2018 (30 June 2018: $74.838 million). This equates to a 51% increase in power station assets over the past six months, as can be seen in the chart below.

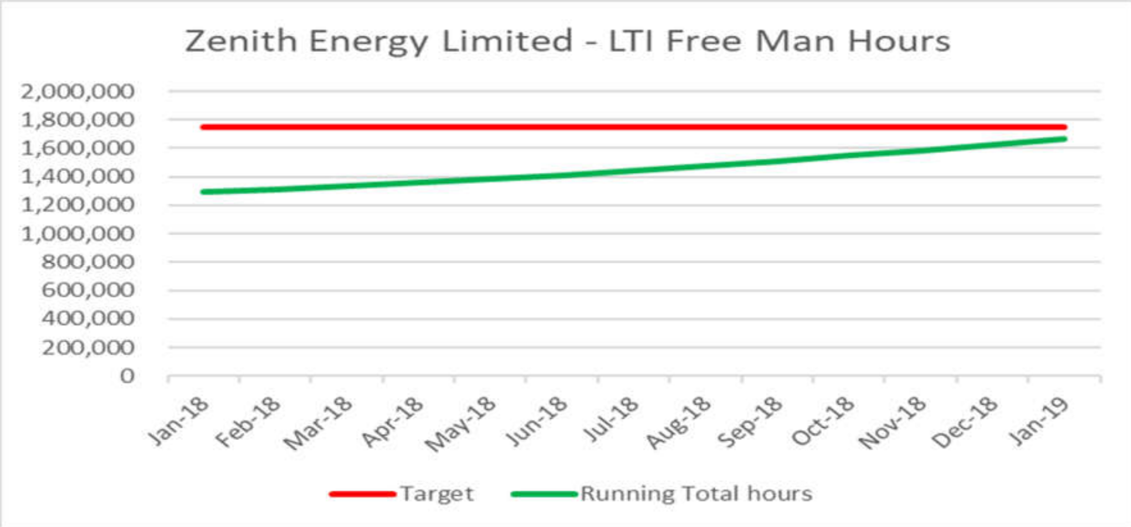


**including Power Station Capital Work in Progress*

In August 2018, Zenith announced a successful $40.000 million subordinated amortising fixed rate note issue (the "Notes") with FIIG Securities Limited ("FIIG" Offer). The 7-year tenor of the notes issue has allowed the Group to flexibly align debt for the Newmont Tanami project more closely with the duration of the original PPA period (10 years). The Offer was very well received, with demand exceeding the original $40.000 million target, and closed with strong support from both institutional and sophisticated investors.

Operational Performance

The Group reached a 1.500 million working hour Lost Time Injury (LTI) free milestone on 30 August 2018. This equates to over nine years of operation without any significant or lost-time injury, a colossal achievement, and a credit to the Group's dedicated employees and contractors. In the half-year to 31 December 2018, more than 83,000 hours were worked at the Tanami site alone. The Group is working towards a new target of 1.750 million working hours by the end of this financial year.



The Group has continued to add new projects under its BOO model, announcing on 1 August 2018, that its wholly-owned subsidiary, Zenith Pacific (BWI) Pty Ltd, had executed a power generation services contract with Chevron Australia to supply electricity and build, own, operate, maintain and upgrade equipment for a nameplate rated 20MW power station at the WA Oil Operations on Barrow Island. At practical completion, this new 10-year PPA moves from the original MOM/BOO hybrid to a full BOO contract.

Zenith announced an amendment to the PPA with Independence Group NL to build a solar photovoltaic (Solar PV) facility at the Nova Operation in October 2018. The Solar PV facility will complement the existing Nova Diesel Power Station designed, owned, and operated by Zenith. The Solar PV will include new state-of-the-art PV modules, single axis tracking, inverters, communications and control system technology. The installation will take total generating capacity to 26MW at Nova.

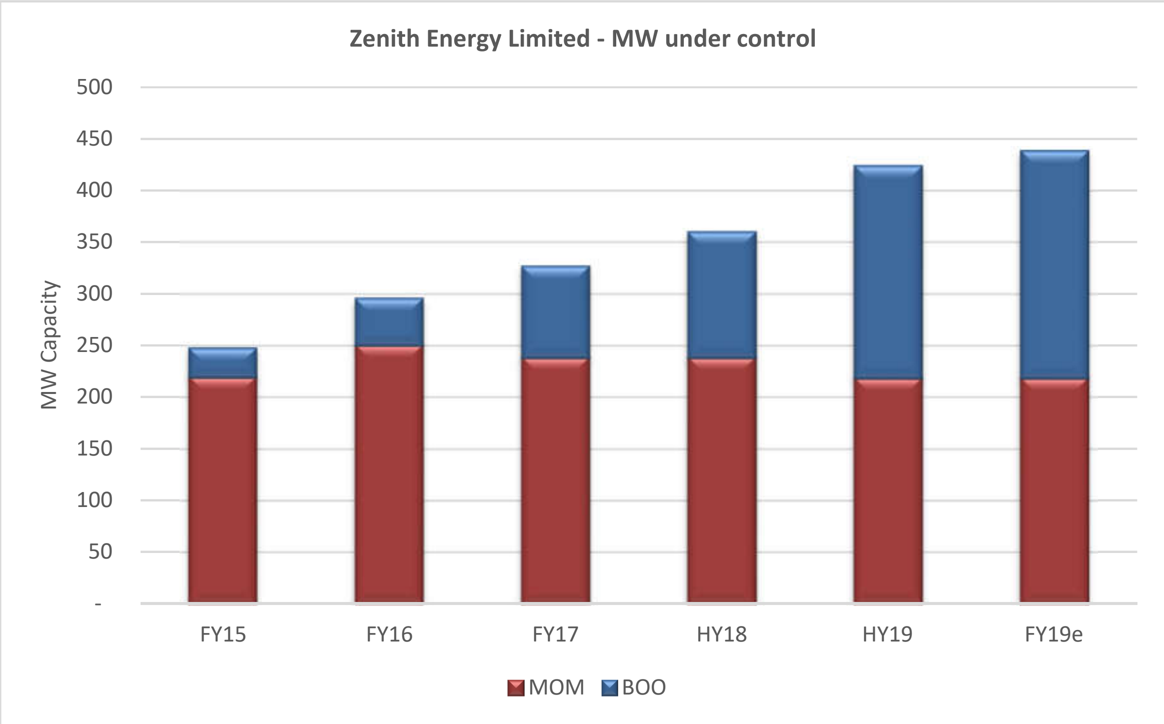
The hybrid power station will incorporate high efficiency diesel fuelled generators and solar PV generation, providing the Nova Operation with highly efficient, cost effective and environmentally responsible power generation into the future. The integrated Solar PV facility is expected to have a supply commencement date from Q1 FY20 with an initial supply period of six years and an option for IGO to extend for a further two years, aligned with the existing PPA.

Completion of the integrated Solar PV facility is expected within Q1 FY20 and will positively impact Zenith's FY20 earnings.

In November 2018, the Group also announced an uplift to its Power Station at Northern Star Resources' Jundee Project of 6MW. The power station will comprise an upgrade to the existing Jundee Power Station with the installation of an additional 6MW of gas generator technology, taking total BOO generating capacity at the site to 24MW (38MW total under control).

The Group ended the reporting period with a total of 428MW under control, with 195MW of that being BOO. For the PCP, the Group had 359MW under control, with 121MW being BOO (as shown in the chart below).

Operational Performance (continued)



Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2018 has been received and can be found on page 7 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 7 February 2019, Ms Stephanie Unwin resigned as a Non-Executive Director of Zenith Energy Limited to take up a new position with Horizon Power.

- On 12 February 2018, Zenith Energy Limited advised the ASX that it had executed a Power Purchase Agreement with Kirkalocka Gold SPV Pty Ltd (wholly owned by Adaman Resources) to Build, Own and Operate a 14.5MW power station at its Kirkalocka Gold Mine for an initial period of 10 years.

- On 21 February, Zenith Energy Limited advised the ASX it had reached practical completion on diesel at the Power Station for Newmont Mining Corporation's Tanami Gold Mine.

Other than the above events, the Directors are not aware of any significant events subsequent to the end of the reporting period.

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

Mr William (Doug) Walker
Executive Chairman

Dated: 25 February 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2018, 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, 25 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue	4(a)	22,658	33,649
Other income	4(b)	252	139
Total Income		**22,910**	**33,788**
Cost of sales		9,936	14,707
Employee expenses	5(b)	2,219	3,995
Insurance expenses		387	391
Occupancy expenses		256	155
Other expenses	5(c)	1,624	1,658
Total Expenses		**14,422**	**20,906**
		8,488	**12,882**
Finance costs	5(a)	1,742	650
Depreciation and amortisation expense		2,801	2,087
Loss on disposal of assets		2	-
Profit before income tax		**3,943**	**10,145**
Income tax expense	6	1,377	2,760
Profit for the period after income tax		**2,566**	**7,385**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		-	-
Other comprehensive income/(loss) for the period		-	**-**
Total comprehensive income for the period		**2,566**	**7,385**
Earnings per share			
Basic earnings per share (cents)		2.62	7.54
Diluted earnings per share (cents)		**2.62**	**7.54**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	30 Jun 2018 $'000
Current assets			
Cash and cash equivalents		814	1,994
Trade and other receivables	7	10,281	11,161
Inventories	8	11,888	2,686
Current tax asset		19	755
Contract Assets		895	-
Other assets		1,565	1,128
Total current assets		**25,462**	**17,724**
Non-current assets			
Property, plant and equipment	9	114,212	75,944
Deferred tax assets		920	836
Intangible assets		13	11
Other assets		2,427	1,903
Total non-current assets		**117,572**	**78,694**
Total assets		**143,034**	**96,418**
Liabilities			
Current liabilities			
Trade and other payables	10	9,944	7,674
Borrowings	11	17,422	7,405
Current tax liabilities		-	1,578
Contract Liability		731	812
Provisions		1,698	1,398
Total current liabilities		**29,795**	**18,867**
Non-current liabilities			
Borrowings	11	63,889	30,729
Contract Liability		2,384	2,105
Provisions		168	161
Total non-current liabilities		**66,441**	**32,995**
Total liabilities		**96,236**	**51,862**
Net assets		**46,798**	**44,556**
Equity			
Contributed equity		26,109	26,109
Share based payment reserve		82	40
Retained earnings		20,607	18,407
Total equity		**46,798**	**44,556**

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 2018

	Notes	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	SHARE BASED PAYMENT RESERVE $'000	TOTAL EQUITY $'000
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		-	-	18	18
Total transactions with owners		**-**	**-**	**18**	**18**
Balance as at 31 December 2017		**26,109**	**17,319**	**23**	**43,451**
Balance at 1 July 2018 as originally presented		26,109	18,407	40	44,556
Change in accounting policy	2	-	(366)	-	(366)
Restated balance at 1 July 2018		**26,109**	**18,041**	**40**	**44,190**
Total comprehensive income for the period					
Profit for the period		-	2,566	-	2,566
Total comprehensive income for the period		**-**	**2,566**	**-**	**2,566**
Transactions with owners, in their capacity as owners					
Share based payment expense	14	-	-	42	42
Total transactions with owners		**-**	**-**	**42**	**42**
Balance as at 31 December 2018		**26,109**	**20,607**	**82**	**46,798**

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 2018

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash Flows from Operating Activities		
Receipts from customers	25,286	33,368
Payments to suppliers and employees	(17,356)	(23,271)
Interest received	72	6
Borrowing costs	(1,742)	(650)
Income tax	(1,260)	(1,173)
Net cash provided by / (used in) operating activities	**5,000**	**8,279**
Cash Flows from Investing Activities		
Payments of property, plant and equipment	(48,622)	(16,613)
Proceeds on sale of property, plant and equipment	3	9
Net cash provided by / (used in) investing activities	**(48,619)**	**(16,604)**
Cash Flows from Financing Activities		
Proceeds from borrowings	44,624	647
Repayment of borrowings	(2,185)	(109)
Net cash provided by / (used by) financing activities	**42,439**	**538**
Net decrease in cash held	(1,180)	(7,786)
Cash and cash equivalents at beginning of the period	1,994	19,291
Cash and cash equivalents at end of the period	**814**	**11,505**

During the half year, the consolidated entity did not acquire plant and equipment and power generation assets (half-year ended 31 December 2017: $1.5 million) by means of finance leases.

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

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 24 Brennan Way, Belmont 6104.
These consolidated financial statements for the half year ended 31 December 2018 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 25 February 2019.

Note 2: Basis of Preparation and Accounting Policies

Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Zenith Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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.

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

(a) New and amended standards adopted by Zenith Energy Limited

The Group has applied the following standards for the first time for their interim reporting period commencing 1 July 2018.

•AASB 9 Financial Instruments ("AASB 9"), and
•AASB 15 Revenue from Contracts with Customers ("AASB 15").

The Group had to change its accounting policy and make certain adjustments following the adoption of AASB 15. This is disclosed in note 2(c).

The Group had to change its accounting policy following the adoption of AASB 9, however adoption did not give rise to any material transitional or reporting date, 31 December 2018 adjustments. This is disclosed in note 2(d).

(b) Impact of standards issued but not yet applied by the entity

AASB 16 Leases is effective for the reporting period commencing 1 July 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group is still in the process of fully assessing the impact on the Group's financial results and position when it is first adopted for the year ending 30 June 2020.

(c) AASB 15

The Group has adopted AASB 15 with a date of initial application of 1 July 2018. The Group has applied AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118 Revenue. As a result of adoption of AASB 15, the Group has changed its accounting policy for revenue recognition as detailed below:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

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

Sale of electricity supply

Revenue from the sale of electricity is recognised and measured in the accounting period in which the goods and/or services are provided based on the amount of the expected transaction price allocated to each performance obligation.

The performance obligation is the supply of energy over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer consumes, based on the units of energy delivered. This is the point at which revenue is recognised.

Any revenue received from a customer, for which the goods and/or services are yet to be provided are recognised as deferred revenue (contract liability).

Operation and Maintenance service fee

Revenue is recognized at the amount which the Group has a right to invoice. The services are usually billed and paid for on a monthly basis. The performance obligation is the supply of operational and maintenance services over the contractual term which represents a series of distinct goods or contracted services that are substantially the same with the same pattern of transfer such that they would be recognised over time.

Sale of constructed goods

Sale of constructed goods include revenue from contracts to design, build and install assets related to power stations . The construction of each asset is taken to be one performance obligation satisfied over time as work is performed on assets that are controlled by the customer and have no alternative use to Zenith Energy Limited.

Revenue is recognised on the measured input on each construction process. If work performed exceeds payments received from customers, a contract asset is recognised as customers are generally invoiced at completion of construction.

Deferred Revenue - Financing components

The group has contracts where the period between the provision of the promised services to the customer and payment by the customer exceeds one year. This affects the estimate of transaction price as it will be adjusted for the effects of time value of money.

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

Impact of Adoption of AASB 15

The Group's revenue consists mainly of revenues from sale of electricity supply and sale of constructed goods. The Group undertook a detailed review of its revenue contracts on transition date and the following areas have been identified as being impacted by the adoption of the new standard:

(i)Sale of constructed goods

Sale of constructed goods revenue includes revenue from contracts to engineer, procure and construct (EPC) assets. The construction of the respective assets is generally assessed to be one performance obligation.

As the work is performed on an asset that is controlled by the customer, the performance obligation is fulfilled over time and as such revenue is recognised over time.

On transition date, 1 July 2018, the Group did not have any material sale of constructed good contracts in progress and as a result, no transition adjustments were recognised.

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

(ii) Deferred revenue (Contract liability)

The Group from time to time enters into contracts where the period between the transfer of the promised goods and/or services to the customer and payment by the customer exceeds one year.

This affects the estimate of transaction price, as it will be adjusted for the effects of time value of money as the timing of payment provides the Group with a significant benefit of financing the transfer of goods/services to the customer. The difference between the transaction price and the cash selling price of the goods by considering the interest rate that would apply for the arrangement, is recognised as a finance expense over time.

On transition date, 1 July 2018, the Group recognised a contract liability balance of $2,917,000 relating to two contracts where the client had chosen to make prepayments against their relevant PPA. Transitional adjustments have been recognised in Retained Earnings at 1 July 2018, without adjustment to the comparatives.

The impacts on the opening Retained Earnings balance is tabled below.

	As orginally presented 1 July 2018	**AASB 15**	**Reported balance 1 July 2018**
	$'000	$'000	$'000
Assets			
Deferred tax assets	836	(157)	679
Liabilities			
Contract Liability	2,917	523	3,440
Equity			
Retained Earnings	18,407	(366)	18,041

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

(d) AASB 9

The Group has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Group has changed its accounting policy for financial instruments as detailed below.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

•Financial assets at amortised cost
•Financial assets at fair value through profit or loss (FVTPL)
•Debt instruments at fair value through other comprehensive income (FVTOCI)
•Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

For KMP loan receivables, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Impact of the adoption of AASB 9

The Group has determined that the application of AASB 9's requirements at transition 1 July 2018 did not result in a material adjustment.

Note 3: Operating Segments Reporting

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.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Note 3: Operating Segments Reporting (continued)

Types of products and services by segment

Built, Own and Operate (BOO)

As communicated by the Group in market announcements and the 30 June 2018 annual report, Zenith Energy Limited has revised its segment reporting methodology to provide more relevant information where revenue from BOO sources are further differentiated from Manage, Operate, Maintain (MOM) and EPC sources. The BOO segment Revenue contains; fixed capacity charges, energy charges, and, on hybrid MOM/BOO sites, it contains contracted revenues that are derived from Zenith's servicing and operation of our client's assets. The BOO segment does not contain EPC or 'Project' revenues (even when on a BOO site), part sales, or other adhoc revenues.

This revision to the segment reporting methodology has been updated for the comparative financial information, 31 December 2017, and is in accordance with the accounting standard AASB 8 Operating Segments.

BOO products and services are provided in Australia.

Manage, Operate and Maintain (MOM) & EPC (Engineer, Procure and Construct)

Where the revenue is produced by operating a client’s assets under a Manage, Operate, Maintain agreement. Under MOM, supply, project and sales revenues are recognised.

MOM products and services are provided in Australia and Papua New Guinea.

When the revenue is produced through design, engineering, procurement or construction services. Under EPC, supply, project and sales revenues are recognised. EPC products and services are provided in Australia and Papua New Guinea.

Note 3: Operating Segments (continued)

FINANCIAL PERFORMANCE ANALYSIS	OTHER		BOO		MOM/EPC		CONSOLIDATED	
	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
External sales	-	-	17,244	11,296	5,414	22,353	22,658	33,649
Intersegment sales	-	-	-	-	-	-	-	-
Interest revenue	151	80	-	-	-	-	151	80
Total segment revenue	**151**	**80**	**17,244**	**11,296**	**5,414**	**22,353**	**22,808**	**33,729**
Other income	101	7	-	89	-	-	101	96
Intersegment elimination	-	-	-	-	-	-	-	-
Total group revenue	**252**	**87**	**17,244**	**11,385**	**5,414**	**22,353**	**22,910**	**33,825**
Segment EBITDA before unusual items	**(5,075)**	**(5,621)**	**11,869**	**5,331**	**1,694**	**13,209**	**8,488**	**12,919**
- Depreciation and amortisation expense	130	417	2,671	1,671	-	-	**2,801**	**2,087**
- Loss on disposal of assets	2	-	-	-	-	-	**2**	**-**
- Finance costs	326	-	1,416	645	-	5	**1,742**	**650**
Profit/(loss) before income tax	**(5,532)**	**(6,038)**	**7,783**	**3,015**	**1,693**	**13,204**	**3,943**	**10,182**
Income tax Expense							**(1,377)**	**(2,760)**
Profit after income tax							**2,566**	**7,422**

FINANCIAL POSITION ANALYSIS	OTHER		BOO		MOM/EPC		CONSOLIDATED	
	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000
Segment assets	7,316	10,134	134,221	83,032	1,497	3,252	143,034	96,418
Total consolidated assets	**7,316**	**10,134**	**134,221**	**83,032**	**1,497**	**3,252**	**143,034**	**96,418**
Segment liabilities	5,267	4,459	90,747	46,712	221	691	96,236	51,862
Total consolidated liabilities	**5,266**	**4,459**	**90,747**	**46,712**	**221**	**691**	**96,236**	**51,862**
Segment assets include								
Deferred tax assets/(liabilities)	**899**	**342**	**21**	**(132)**	**-**	**626**	**920**	**836**

As communicated by the Group in market announcements and the 30 June 2018 annual report, Zenith Energy Limited has revised its segment reporting methodology to provide more relevant information where revenue from BOO sources are further differentiated from Manage, Operate, Maintain (MOM) and EPC sources, as well as Other (overheads and other items unable to be allocated). The BOO segment does not contain EPC or 'Project' revenues (even when on a BOO site), part sales, or other adhoc revenues.
This revision to the segment reporting methodology has been updated for the comparative financial information, 31 December 2017, and is in accordance with the accounting standard AASB 8 Operating Segments.

Note 4: Revenue and Other Income

	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Revenue:		
– BOO revenue	17,244	11,296
– MOM/EPC Revenue	5,414	22,353
	22,658	**33,649**
(b) Other income:		
– Interest revenue	151	7
– Other	101	132
	252	**139**

Disaggregation of revenue as of 31 December 2018:

Disaggregation of Revenue	MOM/EPC 31 Dec 2018 $'000	BOO 31 Dec 2018 $'000	OTHER 31 Dec 2018 $'000	CONSOLIDATED 31 Dec 2018 $'000
Revenue by nature				
Sale of electricity supply	-	17,244	-	17,244
Operation and Maintenance service fee	4,519	-	-	4,519
Sale of Constructed goods	895	-	-	895
Total revenue	5,414	17,244	-	22,658
Timing of revenue recognition			-	-
Point in time	-	-	-	-
Over Time	5,414	17,244	-	22,658

Note 5: Profit for the period

	31 Dec 2018 $'000	31 Dec 2017 $'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:		
– Unrelated parties	1,742	650
Total finance cost	**1,742**	**650**
(b) Employee benefits expense:		
– Contributions to defined contribution plans	110	722
– Wages and salaries	1,632	2,950
– Employment related taxes and insurances	477	323
Total employee benefits expense	**2,219**	**3,995**
(c) Other expenses		
– Net foreign Exchange losses	142	51
– Others	1,482	1,607
Total other expense	**1,624**	**1,658**

Note 5: Profit for the period (continued)

Significant Revenue and Expenses

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

The BOO segment Revenue contains; fixed capacity charges, energy charges, and, on hybrid MOM/BOO sites, it contains contracted revenues that are derived from Zenith's servicing and operation of client's assets. The BOO segment does not contain EPC or 'Project' revenues (even when on a BOO site), part sales, or other adhoc revenues.

'The ZPPL/MOM and Other sales revenue contains; contracted MOM revenues for MOM-only sites, EPC revenue, maintenance revenues, parts sales revenues and any other revenues relating to Zenith's normal operations which are not classed above in BOO.

Note 6: Income tax expense

	31 Dec 2018 $'000	31 Dec 2017 $'000
The components of tax expense comprise:		
Current tax	1,055	3,034
Deferred tax movements	85	(183)
Under-provision in respect of prior years	237	(91)
Total income tax expense in statement of profit or loss	**1,377**	**2,760**

Note 7: Trade and Other Receivables

	31 Dec 2018 $'000	30 Jun 2018 $'000
CURRENT		
Trade and other receivables	8,263	9,221
Provision for impairment	-	-
Related party receivables	2,018	1,940
Total current trade and other receivables	**10,281**	**11,161**

Note 8: Inventories

	31 Dec 2018 $'000	30 Jun 2018 $'000
CURRENT		
At cost:		
Work in progress	177	1,709
Finished goods	11,711	977
Total inventories	**11,888**	**2,686**

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 ASSETS		CAPITAL WORK IN PROGRESS		TOTAL	
	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000	31 Dec 2018 $'000	30 Jun 2018 $'000
Balance at beginning of period	1,106	838	57,958	36,912	16,880	1,676	75,944	39,426
Additions	168	427	215	1,306	40,689	38,650	41,072	40,383
Disposals	(3)	(9)	-	(48)	-	-	(3)	(57)
Transfers	-	-	-	23,446	-	(23,446)	-	-
Transfers from inventory	-	-	-	-	-	-	-	-
Depreciation expense	(95)	(150)	(2,706)	(3,658)	-	-	(2,801)	(3,808)
Balance at end of period	**1,176**	**1,106**	**55,467**	**57,958**	**57,569**	**16,880**	**114,212**	**75,944**

Note 10: Trade and Other Payables

	31 Dec 2018 $'000	30 Jun 2018 $'000
CURRENT		
Unsecured liabilities:		
Trade payables	7,341	4,619
Sundry payables	1,561	356
Accrued expenses and wages	1,042	2,699
Total current trade and other payables	**9,944**	**7,674**

Note 11: Borrowings

	31 Dec 2018 $'000	30 Jun 2018 $'000
CURRENT		
Secured borrowings:		
Lease liabilities	2,216	1,563
CBA Senior Debt	11,085	5,355
FIIG Bond	3,392	-
Unsecured borrowings:	-	-
Premium funding	729	487
Total current borrowings	**17,422**	**7,405**
NON-CURRENT		
Secured borrowings:		
Lease labilities	7,481	8,907
CBA Senior Debt	21,185	21,822
FIIG Bond	35,223	-
Total non-current borrowings	**63,889**	**30,729**

Note 11: Borrowings (continued)

The Group's bond with FIIG Limited settled on 12 August 2018. The facility is subordinated to the Group's senior financiers, interest-only until May 2019, aligned to the expected commencement of the Tanami PPA. The key terms of the bond are: $40.000 million facility, 7 year tenor, and an interest rate of 7.55%. There are pre-determined minimum penalty repayment options built into the facility from year two.

Note 12: Dividends

The directors have not recommended payment of a dividend in respect of half-year ended 31 December 2018.

Note 13: Related Party Disclosures

Key Management Personnel

Refer to note 14 for details on Share-based payment transactions with Key Management Personnel.

Note 14: 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	29 Nov 2018	Nil	28 Mar 2019	$0.71	$29,820
Ms Stephanie Unwin	42000	29 Nov 2018	Nil	11 Sep 2018	$0.71	$29,820
Ms Stephanie Unwin*	42000	29 Nov 2018	Nil	11 Sep 2019	$0.71	$29,820

*These future-vesting Performance Rights were cancelled on 12 February 2019, as Ms Unwin has resigned from the Board

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 $42,113 (half year ended 31 December 2017: $17,994).

Note 15: Commitments and contingencies

Capital expenditure commitments

As at 31 December 2018, there was $6.08 million in outstanding purchase orders for the power stations under construction.

Contingent Liabilities and Contingent Assets

As at 31 December 2018, 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 7 February 2019, Ms Stephanie Unwin resigned as a Non-Executive Director of Zenith Energy Limited.

- On 12 February 2018, Zenith Energy Limited advised the ASX that it had executed a Power Purchase Agreement with Kirkalocka Gold SPV Pty Ltd (wholly owned by Adaman Resources Pty Ltd) to Build, Own and Operate a 14.5MW power station at its Kirkalocka Gold Mine for an initial period of 10 years.

- On 21 February, Zenith Energy Limited advised the ASX it had reached practical completion on diesel at the Power Station for Newmont Mining Corporation's Tanami Gold Mine.

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 2018 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: 25 February 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2018, 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 2018 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 2018 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

BDO

Neil Smith

Director

Perth, 25 February 2019