Zenith Energy Limited

Annual Report 2019

ACN 615 682 203

ZENITH ENERGY

At Zenith we specialise in designing leading off-grid power generation and service models. Our customised models include Build, Own, Operate (BOO) and Manage, Operate, Maintain (MOM). We also provide Engineering, Procurement and Construction (EPC) services.

Our Company integrates a complete range of thermal and sustainable fuel sources, together with innovative technologies, to deliver cost-effective and reliable solutions for clients. These clients principally operate within the resources and energy sectors in remote areas of Australia and Asia-Pacific.

We have a team of some 106 employees and two facilities – our Head Office in Perth, Western Australia and a regional office in Cairns, Queensland to support operations in northern Australia and the Asia-Pacific region.

Our vision is to be the leading Independent Power Producer specialising in reliable, sustainable and innovative solutions.

Power Solutions. No Boundaries.

ABOUT THIS REPORT

This report is intended to provide Zenith's stakeholders with information about our Company for the financial year ended 30 June 2019 (FY19).

Our Corporate Governance Statement, which is also available on our website at www.zenithenergyltd.com, discloses the extent to which our Company has complied with the Australian Securities Exchange Corporate Governance Council's 'Corporate Governance Principles & Recommendations – 3rd edition'.

FY19 ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on 29 November 2019, 9.00am (AWST) at the Hay Room, BDO Offices, 38 Station Street, Subiaco WA 6008, Australia.

Our shareholders and other stakeholders are invited to attend.

Nova Power Station (Independence Group)

Corporate Directory

ZENITH ENERGY LIMITED (ZENITH)
ACN: 615 682 203

BOARD OF DIRECTORS

Executive Chairman	Doug Walker
Managing Director	Hamish Moffat
Non-Executive Director *(Resigned as Co-Company Secretary and appointed as Non-Executive Director 11 March 2019)*	Peter Torre
Non-Executive Director *(Appointed 02 April 2019)*	David Riekie
Non-Executive Director *(Appointed prior to IPO in April 2017 and resigned 05 April 2019)*	Darren Smith
Non-Executive Director *(Resigned 07 February 2019)*	Stephanie Unwin
Company Secretary	Rebecca Stringer-Krein

REGISTERED & HEAD OFFICE

24 Brennan Way
Belmont WA 6104
Australia

REGISTERED POST BOX

PO Box 58
Belmont WA 6984
Australia

Telephone:
+61 (0)8 9416 2000

Email: investors@zenithenergyltd.com
www.zenithenergyltd.com

AUSTRALIAN SECURITIES EXCHANGE (ASX)

Listing date: 9 May 2017
ASX Code: ZEN

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: +61 (0)8 6382 4600

SOLICITORS

Steinpreis Paganin
16 Milligan St
Perth WA 6000
Telephone: +61 (0)8 9321 4000

BANKERS

Commonwealth Bank of Australia
225 St Georges Tce
Perth 6000
Telephone: 13 22 21

SHARE REGISTRY

Link Market Services Ltd
QV1 Building
Level 12, 250 St George's Tce
Perth WA 6000
Telephone: +61 1300 554 474

Dead Bullock Soak Power Station, Tanami (Newmont Goldcorp)

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Power Solutions. No Boundaries.

Dead Bullock Soak Power Station, Tanami (Newmont Goldcorp)

Chairman's Report

Dear Shareholders,

I am delighted to report on another outstanding year for Zenith Energy Limited. Your Company continues to grow as it consistently out-performs on the delivery of its strategy.

What is most pleasing for me as Chairman is to see the dedication and focus of the Board, the executive management team and all our staff, based in our offices and in the field. Their commitment has been rewarded with exceptional performance at all levels and is reflected in both our safety record and our ability to successfully execute our projects and deliver reliable energy to our clients in some of the most remote corners of Australia.

For many of us in the Company, the highlight of the year was the successful completion and commissioning of our new gas-fired facility at Newmont GoldCorp's Tanami Gold Project. This project encapsulates all that Zenith is striving to achieve for its clients and is a tangible demonstration of our capacity to deliver bespoke energy infrastructure and operations to the most remote and hostile locations.

The 62-megawatt Tanami project is a new build, gas/diesel fired system interconnected by a 66kV transmission network in a challenging brownfield environment. The project deploys state-of-the-art technology and was delivered ahead of schedule, on budget, and has had a flawless start-up that has exceeded all expectations. It is a project that required first class engineering, systems integration, both with existing power systems and with the stakeholder contractors who were involved in delivering gas, and other infrastructure services to the site.

The Board congratulates CEO Hamish Moffat, COO Graham Cooper and everyone at Zenith Energy including our contractor partners, who contributed to the success of this project.

We have a further five projects that our team will bring to conclusion by the end of calendar 2019 as we continue to grow our asset base. Of course, the Company has had other successes through the year and these are reflected in the financial results that I am also pleased to present to you in this Annual Report.

After more than two years as a listed entity, Zenith Energy continues to evolve and mature as an organisation. Our strategy of increasing our build, own, operate (BOO) model for our power infrastructure facilities gives us greater returns on our investment while meeting the needs of those clients who wish to utilise their balance sheets to invest in their production activities, their core business.

"For many of us the highlight of the year was the successful completion and comissioning of our new gas-fired facility at Newmont Goldcorp's Tanami Gold Project."

DOUG WALKER, ZENITH EXECUTIVE CHAIRMAN

Doug Walker, Wayne McFaull (Newmont Goldcorp) and Hamish Moffat.
Official opening of Tanami Power Project (Granites and Dead Bullock Soak Power Stations), May 2019

Our Board has also evolved. During the year Non-Executive Director Stephanie Unwin stepped down to take up an opportunity as Chief Executive Officer of Horizon Power, and Darren Smith also stepped down to pursue other personal and business commitments. Both Stephanie and Darren made outstanding contributions to Zenith Energy, and as sad as I am to see them depart, it is also exciting to see them take on new challenges.

The Board has been proactive in planning for succession and as such we achieved a seamless transition with the appointment of Peter Torre and David Riekie as Non-Executive Directors. Peter has acted as co-Company Secretary for Zenith Energy since 2017. He is a chartered accountant with many years of experience in corporate governance that is of great value to the Board.

David has acquired CEO, Board and Corporate Advisory experience over a 30-year career that includes resources, industrial and the renewable and conventional energy sectors. I welcome both Peter and David to the Board.

I share the view with my fellow Directors that none of these achievements in the year matter if we don't deliver our project and workplace activities safely. The Board is pleased that our record of operating without anyone in the Zenith team missing work through a lost time injury (LTI) has extended to 1.75 million hours worked over ten years. We realise we cannot be complacent about the safety of the people in our care and we continually ask ourselves what more we should be doing to ensure Zenith Energy is the safest place it can be.

Granites Power Station, Tanami (Newmont Goldcorp)

"From the initial tendering and contract negotiations through to the final completion of the project the Zenith team has been a pleasure to work with.

The design provides Newmont with a flexible, robust power solution to handle the increasingly complex load profile of the site. The project was constructed on a very tight schedule with an exceptional safety record. Well done Zenith."

NEWMONT GOLDCORP PROJECT MANAGER, WAYNE MCFAULL

"The delivery of the high-profile Tanami project has opened a pipeline of new opportunities for Zenith Energy."

DOUG WALKER, ZENITH EXECUTIVE CHAIRMAN

Success breeds success, and the delivery of the high-profile Tanami project has opened a pipeline of new opportunities for Zenith Energy. We are building a reputation as a supplier of energy infrastructure that has the flexibility and knowhow to create and deliver efficient, innovative energy solutions anywhere, any time.

I hope you are as proud of your Company's achievements over the past 12 months as I am.

I would like to sincerely thank Hamish Moffat and the team for continuing to deliver, and win, in a highly competitive market that is also full of opportunities.

On behalf of the Board I also thank you, our shareholders, for your support of Zenith Energy and I look forward to reporting our continued growth and success to you again next year.

Sincerely,

Doug Walker
EXECUTIVE CHAIRMAN

Vision, Mission & Strategy

Our vision to become the leading independent energy provider specialising in reliable, sustainable and innovative solutions is underpinned by: our Zenith Way; operational excellence; and growth of our business.

VISION	**To be the leading Independent Power Producer specialising in reliable, sustainable and innovative solutions**		
MISSION	**Power Solutions. No Boundaries.**		
EXECUTION	**The Zenith Way**	**Operational Excellence**	**Business Growth**
	Through SPARK, our corporate Values, we define the Zenith Way that guides how we will build and develop our people, systems and processes.	We will embrace the latest technologies to drive operational excellence.	We will leverage our core business and adjust to changes in the energy landscape to grow our business for the future.

Key areas of strategic focus include developing our people and enhancing our systems and processes and utilising leading technologies to ensure the most efficient outcomes for clients. We will also continue to invest in the growth of our core business, while remaining alert to opportunities presented by the changing energy landscape.


ENITH PACIFIC

At a Glance

What We Do

- Specialise in tailored, reliable and cost-effective power solutions utilising gas, diesel, solar, hydro and hybrid generation
- Support clients within resources and energy sectors operating in remote locations
- In-house engineering capabilities, unique intellectual property and expertise in providing hybrid power solutions
- Tier 1 clients with 13 contracts in place and a robust pipeline of opportunities
- Own infrastructure with high barriers to entry and long-term contracts
- Strategically located offices in Perth, Western Australia and Cairns, Queensland delivering solutions within Australia and the Asia-Pacific region
- Total power generation capacity (as at 30 June 2019) in excess of 417MW under control and expanding rapidly.

Key Data as at 30 June 2019

A$ MILLION (unless indicated otherwise)	FY19	FY18	VARIANCE %
Revenue	55.04	51.43	7
Cost of Sales	23.72	22.88	4
EBITDA	20.73	18.22	14
EBIT	13.52	16.02	-16
Net Profit Before Tax	8.64	12.21	-29
NPAT	5.81	8.47	-31
EBITDA Margin (%)	38%	35%	3
EPS (cents)	5.80	8.65	-33
Property, Plant and Equipment	148.15	75.94	95
Generation Capacity (MW)	417	420	-1
Share Price (A$)	0.52	0.94	-45
Shares on Issue (millions)	137.80	98.0	41

REVENUE UP
7%
ON FY18

EBITDA UP
14%
ON FY18

FY19 Overview

Achieved 10 years, 1,750,000 hours Lost Time Injury free (2009 - 2019)
Full completion and commissioning of 62MW power station at Newmont Goldcorp’s Tanami operation
Executed an amendment to the Power Purchase Agreement (PPA) with Independence Group to incorporate a solar PV facility at its Nova Operation
Strong financial performance – revenue of $55.04m up 7% on FY18, EBITDA of $20.73m up 14% on FY18 and NPAT of $5.81m down 31% on FY18
Awarded PPA to build, own and operate a 14.4MW power station at Adaman Resources’ Kirkalocka Gold Project
Executed an amendment to the PPA with Northern Star Resources to build, own and operate an expanded 25.2MW BOO power station at its Jundee Operation
Executed a power generation services contract to supply electricity and build, own, operate, maintain and upgrade equipment for Chevron’s WA Oil Operations on Barrow Island
Robust balance sheet – increased corporate debt funding to $80m, successful completion of $25m placement to sophisticated and institutional investors
Executed a PPA with Silver Lake Resources for an 18.3MW power station at its Daisy Milano Gold Project
Appointed David Riekie Non-Executive Director and Peter Torre Non-Executive Director

Dead Bullock Soak Power Station, Tanami (Newmont Goldcorp)

"Our values of Safety, Performance, Accountability, Reliability and Knowledge (SPARK) underpin every aspect of our operations and inform every decision we make. The result of this approach is evident in the strength of our project delivery and financial performance during FY19, all while maintaining our Lost Time Injury Frequency Rate of zero."

HAMISH MOFFAT, ZENITH MANAGING DIRECTOR

Post-FY19 Events

Completed 6MW BOO Power Plant Expansion at Northern Star Resources' Jundee Gold Mine, increasing the existing BOO capacity from 19.2MW to 25.2MW

Confirmed MOM contract with Incitec Pivot's Phosphate Hill Project was completed on 17 August 2019

Issued a total of 8,241,381 fully paid ordinary shares to sophisticated and professional investors at $0.58 per Share, to raise $4,780,001 (before costs)

Mt Morgans Power Station (Dacian Gold)

Note from the Managing Director

Dear Shareholders,

In looking back at Zenith Energy's achievements over the past 12 months, I feel fortunate and proud to lead a team with such great capability and commitment to delivering exceptional results to our clients and shareholders.

We are now clearly seen as a market leader in providing reliable, cost-effective remote power solutions in Australia and beyond, which is a tribute to the professionalism and dedication of our people.

We have achieved this by being focused on excellence in all areas of our business. We work in often difficult, remote and hazardous conditions, which means we need to be forever vigilant about keeping our people, and those who work alongside us, safe at all times. Whilst we can never take safety for granted, we were very pleased to recently record 1.75 million consecutive manhours with no Lost Time Injury to our people. This is equivalent to ten years business operation without a serious injury. Such a record shows us what is possible when we have safety as a core value that inspires us to keep getting better.

Another noteworthy milestone was 10-year service awards for nine of our employees in April. The loyalty and dedication of our team is something we value very highly.

This commitment to excellence is underpinned by our values of Safety, Performance, Accountability, Reliability and Knowledge (SPARK). These principles inform every decision we make and are epitomised in the commissioning and full completion of our 62MW power station at Newmont Goldcorp's Tanami Gold Mine.

This project was the largest Zenith Energy had ever undertaken and was delivered ahead of schedule within very tight capital constraints.

We are also excited about our work with Independence Group NL at its Nova Project. Zenith Energy will build, own and operate a 26 MW hybrid diesel/solar PV power station commercially funded at the site, the first fully-integrated commercial facility of its kind in Australia. The future of energy is constantly changing, and we are striving to be at the forefront of innovation when it comes to cost effective, environmentally sustainable power solutions.

"Since listing on the ASX, we've converted more than 219MW of near-term pipeline opportunities and have set a goal to convert a significant portion of our current 400MW+ pipeline to contracted capacity."

HAMISH MOFFAT, ZENITH MANAGING DIRECTOR

Granites Power Station, Tanami (Newmont Goldcorp)

LOOKING AHEAD

Since our last Annual Report, we have continued to deliver on our Five-Year Strategy, and we estimate that we are tracking about 18-24 months ahead of schedule. Looking ahead, we have set ourselves the goal of converting a material portion of our 400MW+ pipeline to contracted capacity, while continuing to explore opportunities in renewables, micro-grids and storage.

Our balance sheet, strengthened by the tremendous support shown by our new and existing shareholders during the year, will enable us to continue building on our success and consolidate our position as one of Australia's leading Independent Power Producers.

On behalf of the Management Team I sincerely thank you for your support, and look forward to further shared success in the future.

Sincerely,

Hamish Moffat
MANAGING DIRECTOR

Board of Directors

Our Board has extensive professional, financial and corporate governance expertise, together with technical knowledge of the power generation, mining and oil and gas industries. Members of the Board are well respected in these sectors and play an active role in our company's strategic planning and day-to-day operations.

William (Doug) Walker

EXECUTIVE CHAIRMAN

Mr Walker is a 36-year veteran of the power generation industry. He has designed and built more than 60 remote power stations across Australasia, initially through his own company, StateWest Power and later through Zenith Pacific Pty Ltd, which he co-founded in 2006. StateWest power was subsequently acquired by Wesfarmers Energy.

Mr Walker is recognised in the industry for his innovative thinking, both in finding effective solutions to difficult power generation problems and for creating the now widely-recognised Build, Own and Operate (BOO) approach to the establishment of remote area power plants.

During the three years prior to the end of FY19, Mr Walker was not a Director of any other listed entities.

Mr Walker was appointed a Director of Zenith Energy Limited on 2 November 2016 and Executive Chairman on 22 March 2017.

Dead Bullock Soak, Tanami (Newmont Goldcorp)

Hamish Moffat

MANAGING DIRECTOR

Mr Moffat has extensive experience in the downstream oil industry gained primarily in building markets in numerous sectors across Asia, Europe and the US. Mr Moffat was the Chief Executive Officer of a private commercial services company, which he sold into a major public services conglomerate in the second half of 2015. Previously he was the Chief Executive Officer of a privately held oil distribution company, which holds exclusive distribution rights to a major international brand and has performed roles as Segment Director and Marketing Director for one of the world's largest oil companies.

During the three years prior to the end of FY19, Mr Moffat was not a Director of any other listed entities.

Mr Moffat was appointed a Director of Zenith Energy Limited on 2 November 2016 and Managing Director on 22 March 2017.

Peter Torre

NON-EXECUTIVE DIRECTOR

Mr Torre has 20 years of corporate advisory experience. He holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and a Member of the Australian Institute of Company Directors.

Mr Torre is currently the Company Secretary for several ASX listed companies. He was a partner of an internationally affiliated firm of chartered accountants, working within its corporate services division for over nine years where he also held the position of Chairman of the National Corporate Services Committee.

Mr Torre was appointed Joint Company Secretary of Zenith Energy Limited on 22 February 2017 and has now resigned as Co-Company Secretary and has been appointed as Non-Executive Director on 11 March 2019 .

David Riekie

NON-EXECUTIVE DIRECTOR

David brings more than 30 years' corporate and professional experience to Zenith, across corporate advisory, finance and ASX compliance in the energy, resources and industrial sectors. Over his career, David has served as Chairman and held executive and non-executive board roles for public and private companies, including audit, remuneration and nomination committee responsibilities. David appointed Non-Executive Director of Zenith Energy Limited on 2 April 2019.

Rebecca Stringer-Krein

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Ms Stringer-Krein joined Zenith Pacific Pty Ltd as Chief Financial Officer and Company Secretary in August 2016. She has held Chief Financial Officer roles previously in the engineering, commercial services and facilities management sectors and has extensive experience in large Australian companies, both listed and private.

Ms Stringer-Krein has a strong interest in corporate governance and has often been engaged in positions related to organisational transformation, as well as preparing companies for mergers, acquisition and ASX listing.

Ms Stringer-Krein was appointed Chief Financial Officer and Company Secretary of Zenith Energy Limited on 2 November 2016.

Board of Directors

Darren Smith

NON-EXECUTIVE DIRECTOR

Mr Smith is a Strategy and Management Consultant with experience at PwC, GEM Consulting and Arthur D Little.

He was the National Lead Partner for PwC's Capital Project Services, where he created and led a national team focused on capital project value optimisation, cost and schedule risk analytics and project delivery across a range of infrastructure project types and industries in Australia and South East Asia. Prior to his consulting career, he held senior industry roles, including Corporate Engineering Manager for a major technology development company, where he was responsible for technology development and licensing activities around one of Australia's largest research and development budgets.

Mr Smith has a Degree in Mechanical Engineering from Melbourne University, has completed an Executive Development Program at Harvard University and holds a number of patents in combustion technology and emissions controls.

Mr Smith was appointed Non-Executive Director of Zenith Energy Limited on 30 March 2017 and resigned on 5 April 2019.

Stephanie Unwin

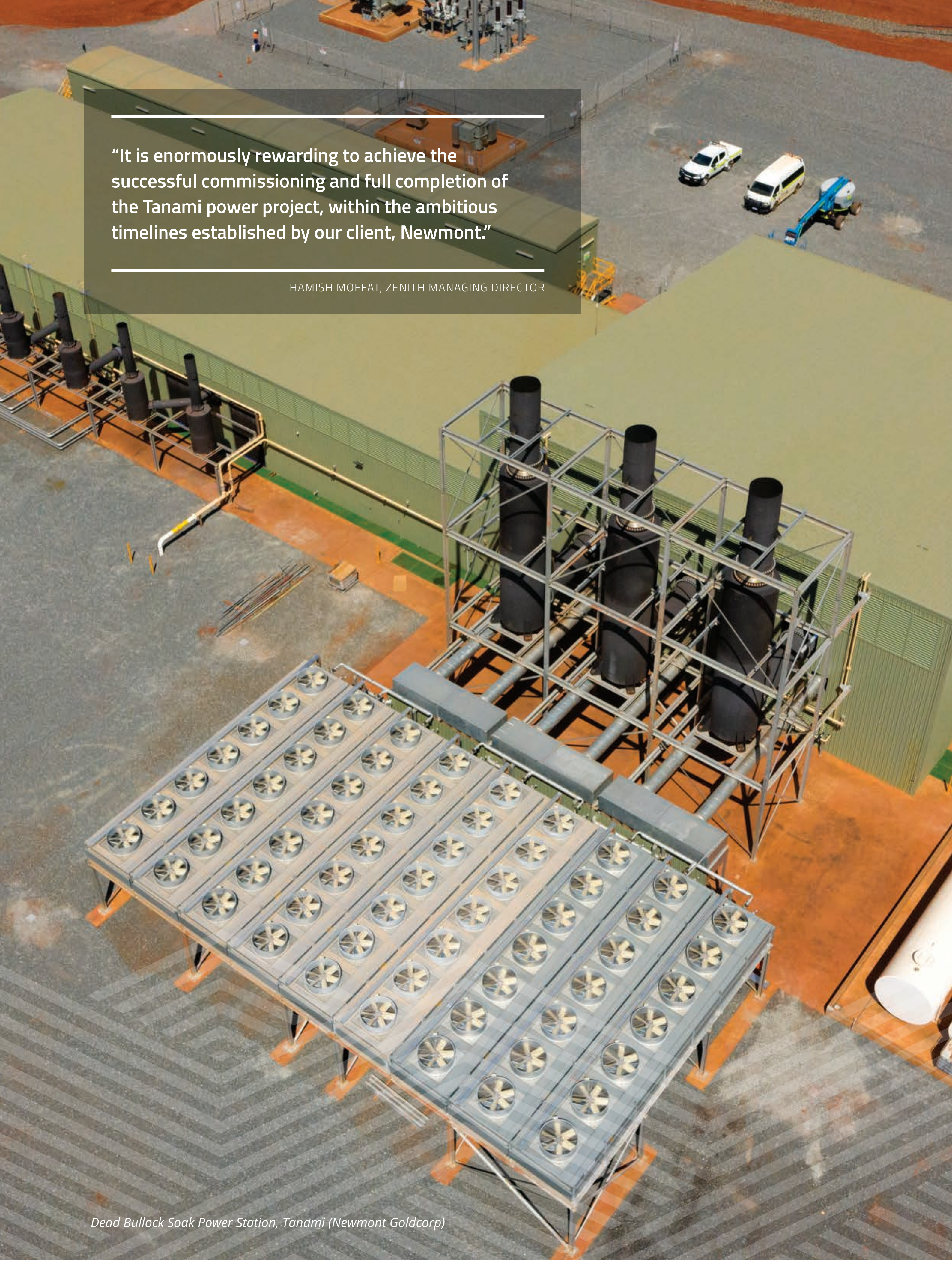
NON-EXECUTIVE DIRECTOR

Ms Unwin is an experienced company Director with more than 15 years of Board engagements across both ASX and TSX listed companies.

Ms Unwin is currently CEO for Horizon Power and in April 2018 was appointed as a Board Member for the Australian Renewable Energy Agency (ARENA). Prior to this, Ms Unwin was Chief Executive Officer of Phylogica, a biotech and medical devices company in Western Australia and has previously served on the Boards of Integra Mining Limited and Alacer Gold Corp.

In her previous role as Executive General Manager Retail of Synergy, Western Australia's leading energy provider, Ms Unwin oversaw the Retail business unit through the development of new energy solutions, providing her with invaluable experience as a strategist coupled with a deep knowledge of the energy landscape in Australia.

Ms Unwin was appointed Non-Executive Director of Zenith Energy Limited on 11 September 2017 and resigned on 7 February 2019.



> "It is enormously rewarding to achieve the successful commissioning and full completion of the Tanami power project, within the ambitious timelines established by our client, Newmont."
>
> HAMISH MOFFAT, ZENITH MANAGING DIRECTOR

Dead Bullock Soak Power Station, Tanami (Newmont Goldcorp)

Financial Performance

STRONG BALANCE SHEET GROWTH

A$ MILLION (unless indicated otherwise)	2019	2018	2017	2016
Cash	7.29	1.99	19.29	2.52
Receivables	8.36	11.16	3.78	4.70
Inventories	6.96	2.69	0.65	1.21
Current Tax Asset	0.99	0.76	1.38	0.43
Non-Current Tax Asset	0.13	0.84	0.77	0.32
Property, Plant & Equipment	148.15	75.94	39.43	24.77
Intangibles	0.01	0.01	0.01	0.01
Other Assets	7.50	3.03	3.85	0.61
TOTAL ASSETS	**179.39**	**96.42**	**69.16**	**34.56**
Current Liabilities[4]	8.70	9.88	5.36	3.62
Current Debt[3]	20.63	7.41	16.63	3.73
Current Tax	0.00	1.58	0.10	-
Non-Current Debt	75.42	30.73	8.17	16.81
Other	2.26	2.26	2.86	3.24
TOTAL LIABILITIES	**107.01**	**51.86**	**33.12**	**27.41**
NET ASSETS	**72.38**	**44.56**	**36.05**	**7.15**
NET TANGIBLE ASSETS	**72.37**	**44.55**	**36.03**	**7.14**

[1] Zenith listed on ASX on 9 May 2017
[2] Inventory is predominantly generation assets. ~$5m in inventory was converted to power generating assets in H2 2019.
[3] At 30 June 2017, Zenith was in the process of converting a $16m Trade Advance facility to a long term Equipment Finance facility, this was finalised after balance date
[4] Excluding Debt

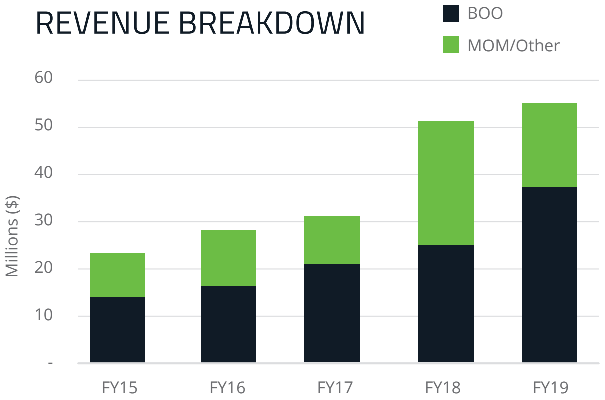
Granites Power Station, Tanami (Newmont Goldcorp)

OUTPERFORMING FORECASTS

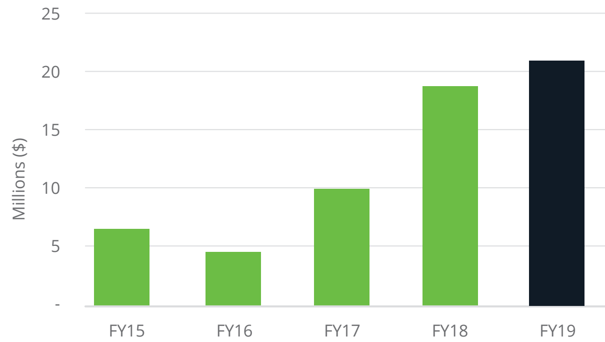
FY19 earnings demonstrate successful delivery of innovative remote power stations

REVENUE	EBITDA	PROPERTY, PLANT & EQUIPMENT
55.04m **+7%**	$20.73m **+14%**	$148.15m **+95%**

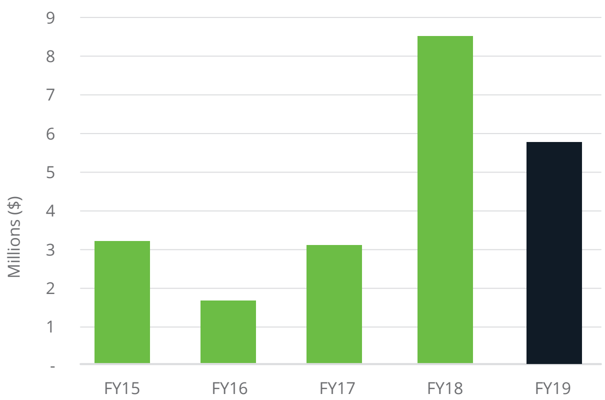
REVENUE BREAKDOWN



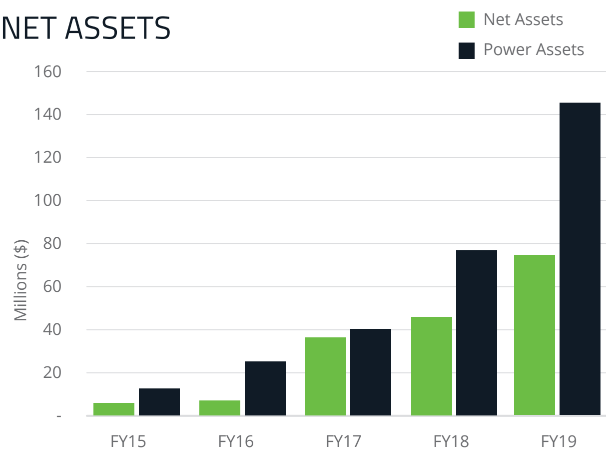
EBITDA



NPAT



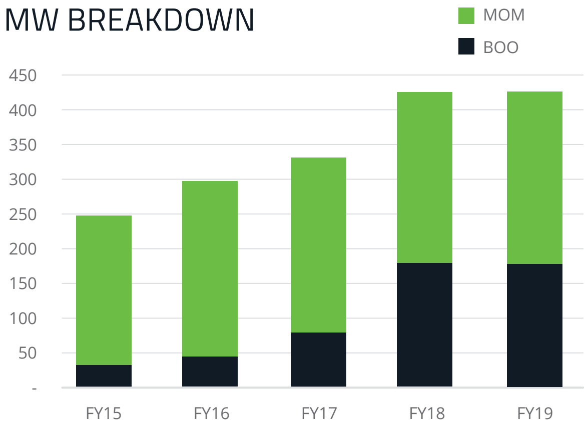
NET ASSETS



STRONG GROWTH IN BOO

BOO revenue grew strongly to $38.08m reflecting the Company’s successful portfolio transition to annuity-based income streams

MW BREAKDOWN



Company Overview

Our Background

Our Company was founded in 2006 by Executive Chairman Doug Walker with former Executive Director, Gavin Great. Prior to establishing Zenith, Doug was the founding Director and key executive of StateWest Power Pty Ltd (StateWest). StateWest was one of Australia's largest privately owned energy companies, which was subsequently sold to Wesfarmers Energy.

Our first major contract was signed in 2008 with Chevron for their Barrow Island facilities. This contract was on a BOO and MOM basis. The power was provided via hybrid gas turbine and reciprocating generators. Since that time Zenith has continued to secure quality long-term contracts.

TIER 1 CLIENTS WITHIN AUSTRALIA AND SOUTH EAST ASIA

2019	Kirkalocka BOO 14.5MW	Daisy Milano BOO 18.3MW		
2018	Newmont Goldcorp BOO 62MW	Barrow Island BOO 20MW	Nova Nickel BOO 19MW Diesel 6MW PV	
2017	Halls Creek BOO 6MW	Dacian Gold BOO 17MW	Gascoyne Resources BOO 15MW	Kundana BOO 14MW
2016	Jundee BOO / MOM 37MW			
2015	Nova Nickel BOO 19MW Diesel 6MW PV	Phosphate Hill MOM 40MW		
2014	Ok Tedi MOM 142MW	Plutonic BOO / MOM 32MW		
2012	Daisy Milano BOO 12MW			
2008	Barrow Island BOO / MOM 20MW			
2006	Zenith Pacific founded			

Services

At Zenith, we provide customised power solutions for clients' individual power generation needs. We understand that every project is unique and as a result, consult closely with our clients to gain a detailed understanding of their requirements.

The Company does not build power stations based on standard, off-the-shelf solutions.

Our flexible approach means we are not constrained by fuel type and will integrate both thermal (diesel and gas) and renewable (solar, wind, geothermal) fuel sources to provide clients with an optimal solution. We are unrivalled in the industry in our technical knowledge and capability to provide this.

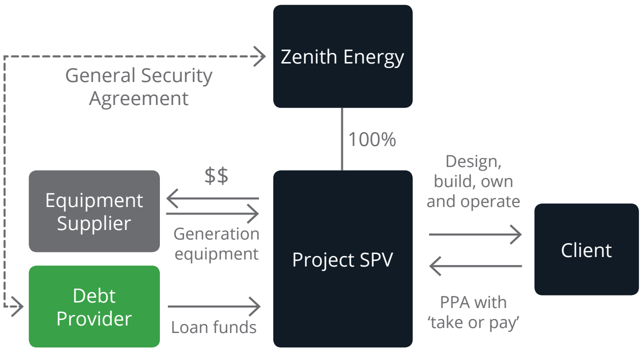
It is our team's extensive expertise and experience in designing power generation solutions that enables it to specifically create control systems to support the integration of different fuel sources.

We offer two service models; BOO and MOM.

Our range of fuel source options includes: thermal (diesel or gas); renewables; or hybrid systems (diesel/gas or thermal/renewables).

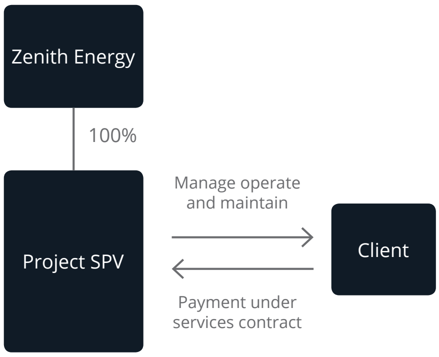
Operating Models

BUILD OWN OPERATE (BOO)

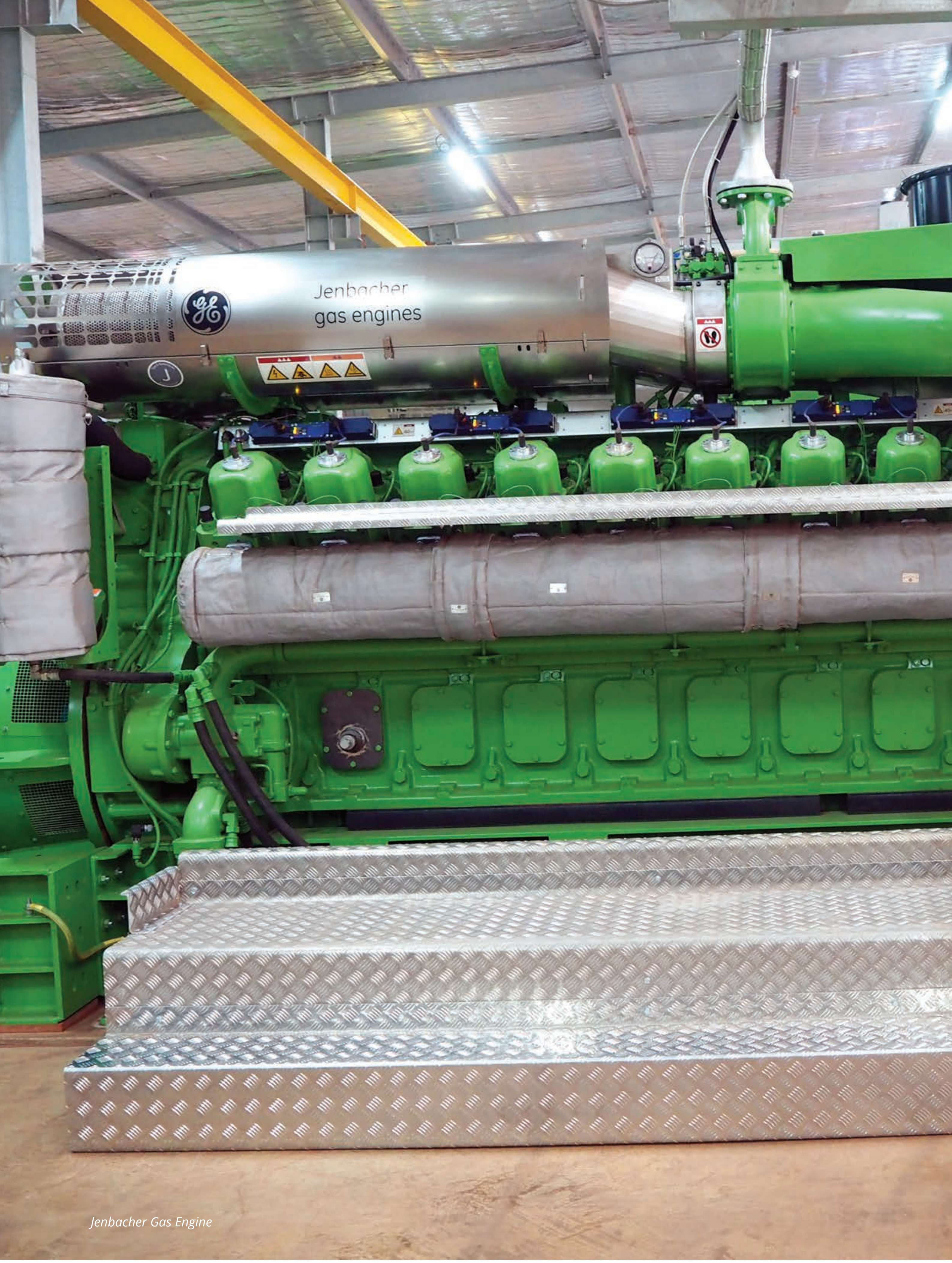


- **Owns** or **finance leases** the power generation facilities
- Receives a capacity charge on a "take or pay" basis and an energy charge calculated on actual power usage

MANAGE OPERATE MAINTAIN (MOM)



- MOM power generation facilities that are owned by the client
- Fees received for operating and maintaining the client's power generation facilities



Jenbacher Gas Engine

Contracts

At 30 June 2019 we had 13 operational contracts representing more than 400MW of generation capacity under control and a robust pipeline of remote power generation opportunities.

BOO CONTRACTS	MOM CONTRACTS
Barrow Island	Barrow Island
Plutonic	Plutonic
Daisy Milano	Ok Tedi
Jundee Stage 1 & 2	Phosphate Hill
Nova	Jundee
Kundana	
Halls Creek	
Mt Morgans	
Dalgaranga	
Kirkalocka	

Project Overviews

Nova Power Station (Independence Group)

PROJECT:
Barrow Island

CLIENT:
Chevron

CAPACITY: 20MW

CURRENT CONTRACT TERM: 2018 - 2028

OVERVIEW: Chevron's Barrow Island oil field project is located around 60km off the northwest coast of Western Australia, about 88km north of Onslow in the Carnarvon Basin. It is the largest oil field discovered in Western Australia. Zenith has been contracted with Chevron on Barrow Island since 2008.

PROJECT:
Daisy Milano

CLIENT:
Silver Lake Resources

CAPACITY: 12MW

CURRENT CONTRACT TERM: 2019 - 2023

OVERVIEW: The Daisy Milano Gold Mine is located 50km southeast of Kalgoorlie at Mount Monger Station, Western Australia.

CLIENT:
Kirkalocka

CLIENT:
Adaman Resources

CAPACITY: 14.5MW

CURRENT CONTRACT TERM:
2020 - 2030

OVERVIEW: The Kirkalocka gold project is located approximately 590km northeast of Perth and is an open pit mine that is planned to commence production in December 2019.

PROJECT:
Dalgaranga

CLIENT:
Gascoyne Resources

CAPACITY: 15MW

CURRENT CONTRACT TERM:
2018 - 2024

OVERVIEW: The Dalgaranga project is located approximately 70km northwest of Mount Magnet in the Murchison gold mining region of Western Australia.

PROJECT:
Halls Creek

CLIENT:
Pantoro

CAPACITY: 6MW

CURRENT CONTRACT TERM:
2017 - 2022

OVERVIEW: Pantoro's Halls Creek Project (Nicolsons Gold Mine) is a surface and underground mine located approximately 35km southwest of Halls Creek in the remote Kimberley region of Western Australia.

Nova Power Station (Independence Group)

PROJECT: Jundee

CLIENT: Northern Star Resources

CAPACITY: 37MW

CURRENT CONTRACT TERM: 2016 - 2026

OVERVIEW: Northern Star Resources' Jundee mine is an underground mining operation located in the Northern Goldfields region of Western Australia approximately 45km northeast of Wiluna and approximately 520km north of Kalgoorlie.

PROJECT: Phosphate Hill

CLIENT: Incitec Pivot Limited (IPL)

CAPACITY: 40MW

CURRENT CONTRACT TERM: 2015 - Aug 2019

OVERVIEW: IPL's Phosphate Hill site is located approximately 1,000km from Townsville in far-north Queensland where it operates a phosphate mine and ore processing facility.

PROJECT: Kundana

CLIENT: Northern Star Resources

CAPACITY: 14MW

CURRENT CONTRACT TERM: 2016 - 2019

OVERVIEW: Northern Star Resources' East Kundana Joint Venture is an operational underground gold mining project located in the Eastern Goldfields of Western Australia, 25km northwest of Kalgoorlie.

PROJECT: Plutonic

CLIENT: Superior Gold Inc.

CAPACITY: 32MW

CURRENT CONTRACT TERM: 2014 - 2021

OVERVIEW: Billabong Gold's Plutonic Gold Mine is 800km northeast of Perth. It is one of the largest gold mines in Western Australia in terms of cumulative production, with both open-pit and underground production.

PROJECT: Mt Morgans

CLIENT: Dacian Gold

CAPACITY: 17MW

CURRENT CONTRACT TERM: 2018 - 2026

OVERVIEW: Dacian Gold's Mt Morgans Gold Project is located 20km west of Laverton, being approximately 750km northeast of Perth in Western Australia.

PROJECT: Ok Tedi

CLIENT: Ok Tedi Mining

CAPACITY: 142MW

CURRENT CONTRACT TERM: 2014 - 2020

OVERVIEW: Ok Tedi is a state-owned company that operates an open-pit copper, gold and silver mine located in the Star Mountains of Western Province, Papua New Guinea.

PROJECT: Nova

CLIENT: Independence Group

CAPACITY: 19MW Diesel 6MV PV

CURRENT CONTRACT TERM: 2016 - 2026

OVERVIEW: Independence Group's Nova Nickel Operation is located in the Fraser Range, approximately 160km east-northeast of Norseman, 360km southeast of Kalgoorlie and 380km from the port of Esperance in Western Australia.

PROJECT: Tanami

CLIENT: Newmont Goldcorp

CAPACITY: 62MW

CURRENT CONTRACT TERM: 2019 - 2028

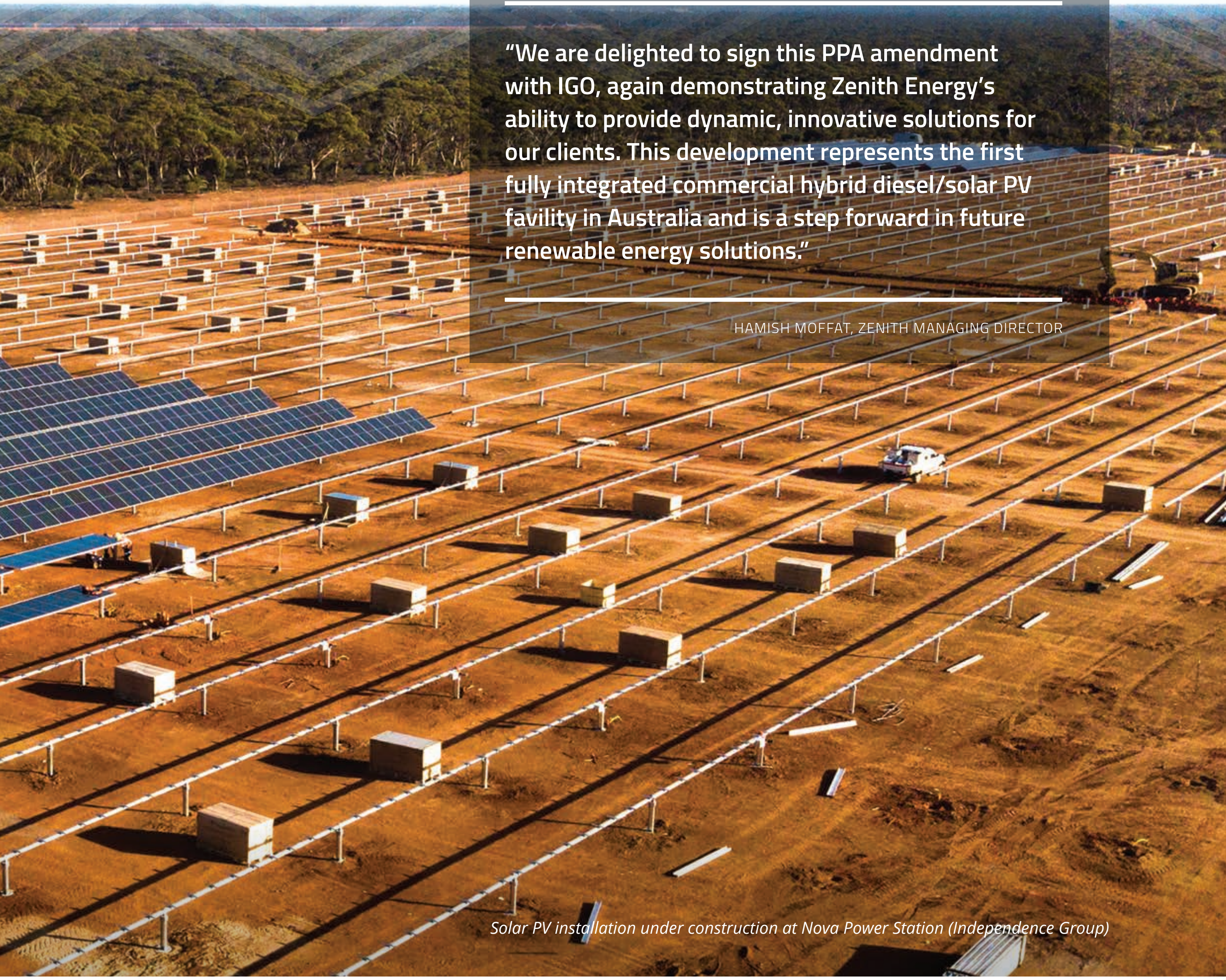
OVERVIEW: Newmont's Tanami gold mine is an underground mine located 540km northwest of Alice Springs in the remote Tanami Desert, Northern Territory.

Contract Terms

AVERAGE LENGTH OF POWER PURCHASE AGREEMENTS
7.7 YEARS

AVERAGE AGE OF POWER STATIONS
1.8 YEARS

AVERAGE TIME LEFT ON POWER PURCHASE AGREEMENTS TO RUN
5.7 YEARS



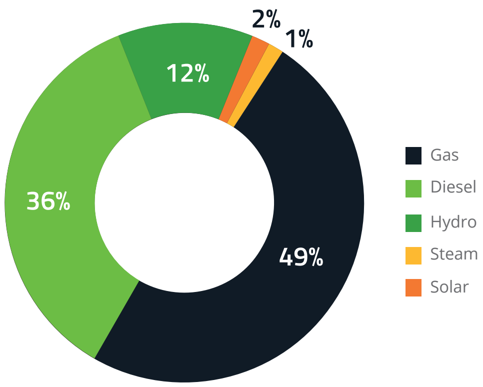
“We are delighted to sign this PPA amendment with IGO, again demonstrating Zenith Energy’s ability to provide dynamic, innovative solutions for our clients. This development represents the first fully integrated commercial hybrid diesel/solar PV favility in Australia and is a step forward in future renewable energy solutions.”

HAMISH MOFFAT, ZENITH MANAGING DIRECTOR

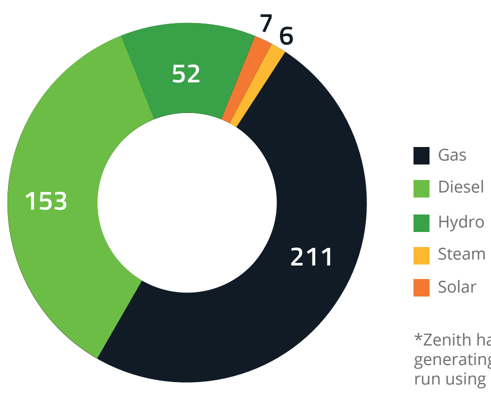
Solar PV installation under construction at Nova Power Station (Independence Group)

Fuel Type

TOTAL CONTRACTED CAPACITY BREAKDOWN



FUEL TYPE MW BREAKDOWN



*Zenith has 26MW of dual fuel generating capacity, which are run using 90% gas.

Our Values, Our People

Our values set out the key principles and expected behaviours that govern Zenith's strategic direction, business practices and decision making.

Safety
for people and the environment

A commitment to protecting the safety, health and well-being of our team, our contractors, our customers and the environment in which we operate

Performance
delivering sustainable energy solutions

Dedicated to providing safe, reliable and sustainable solutions with real benefits to our customers and our shareholders

Accountability
taking ownership

Valuing the ability of our people and organisation to work diligently and honour our commitments, responsibly and with integrity

Reliability
consistency in the supply of energy

Inspiring confidence in our business model and products and further enhancing our reputation in the market

Knowledge
innovative solutions and people

A commitment to continuous technical development and innovation of our products, services and our team

At Zenith we offer exciting opportunities for our employees. We engage people who share our values and are committed to making a meaningful contribution to our Company and Client's operations.

Mt Morgans Power Station

We are committed to developing our workforce and rewarding outstanding performance. During the year we have: implemented a formal performance appraisal and individual learning plan process; updated and aligned employment contracts to relevant industry awards; and introduced defined career paths, supported by further training programs to enhance capabilities and employee career opportunities.

Zenith continued to promote health and wellbeing within the workplace and entered a number of team-based community fundraising events. Employees were also provided with the opportunity to participate in a range of activities and options to support their ongoing health.

Our SPARK values have contributed to a further strengthening of our corporate culture, positively impacting all areas of our business.

Safety
for people and the environment

Safety

Act Safe – Work Safe – Home Safe – Think Safe

Our strong safety culture is embraced by all our employees, as demonstrated by the achievement of 1,750,000 hours Lost Time Injury (LTI) free during FY19. This outstanding milestone equates to ten years LTI free.

We have implemented the industry leading Incident, Cause, Analysis Method (ICAM) incident investigation methodology during the year. This method seeks to identify the root cause of an incident and remedy both process and human behaviour contributing factors. Employees across our organisation are now trained to undertake the ICAM incident analysis and reporting approach.

Our Company is committed to continuous improvement and minimising the workplace risks for our employees and those who work with us. During FY19, we completed workshops across the organisation to identify enterprise risks and their control actions. This included a successful review and training session covering catastrophic risk review and controls at our Barrow Island facility.

Performance
delivering sustainable energy solutions

Performance

We continued to invest heavily in researching cleaner, smarter technologies that generate more reliable power solutions. At Zenith, we take pride in ensuring we lead the industry in its adoption and integration.

During the year, we commenced construction and integration of a single axis 6MW of solar PV into our 20MW diesel station, at Independence Group's Nova Nickel Project. This will materially reduce diesel fuel consumption and costs of the power station.

Accountability
taking ownership

Accountability

We continued our training partnership with the Original Equipment Manufacturer's (OEM's) of our generators – Jenbacher and Wartsila. The training further enhances the knowledge and capabilities of our service and maintenance teams, ensuring our assets are working at their optimum capacity. Additional training is also planned for the coming year.

Our Company is committed to supporting all aspects of our employee's health and wellbeing. During the year, we implemented an Employee Assistance Program (EAP). The provides all employees and their immediate families with access to confidential and professional support to help resolve personal or workplace issues.

Reliability
consistency in the supply of energy

Reliability

Technology plays a vital role in maintaining connectivity with our remote power stations. We have invested in cloud-based technologies enabling staff to more easily share important information in a timely manner. This was implemented across all sites during the year.

Additionally our Central Control Hub, located in our Belmont Head Office, provides the capability for our Facility Management Team to view and monitor the performance of all stations in real time.

Knowledge
innovative solutions and people

Knowledge

Our annual Safety and Sense forums provide practical and relevant information for our employees across a range of topics that support their daily job function, together with their health and wellbeing. Presentations in FY19 included: a presentation by a guest clinical psychologist regarding mental health and wellbeing; building resilience; and communicating with impact.

Employees across our organisation have also attended numerous specialised training sessions and information forums as we continue our focus on employee development.

Health, Safety & Environment

At Zenith, we continue to maintain our focus on a zero hazards safety culture. Safety remains a key value and is a vital part of all that we do. Our commitment also encompasses the health and wellbeing of our employees and ensures our activities are not harmful to the environment and the communities in which we work.

Throughout the year we continued to maintain our exemplary safety record. We were able to celebrate two significant safety milestones, including 1.5 million and 1.75 million hours worked lost time injury (LTI) free. This equates to working over ten years without an LTI.

In addition to having no LTIs, we did not incur any Restricted Work Injuries (RWIs) or Medical Treatment Injuries (MTIs) throughout the year.

This enviable record was achieved by our focus on safety performance at our office base, power station operations and the construction projects we completed through the year. At the same time we increased our personnel numbers and therefore, our risk exposure.

As an example, we completed the Tanami construction project in April this year. This was the largest project Zenith has yet undertaken with over 135,000 man hours worked to completion without significant incident.

We continued with health and safety themes during the year, holding several Safety Forums, where we reviewed our safety performance and milestones, issues such as risk management, cognition factors and what normal should look like for Zenith. We also engaged a psychologist to discuss mental health and suicide awareness in these forums.

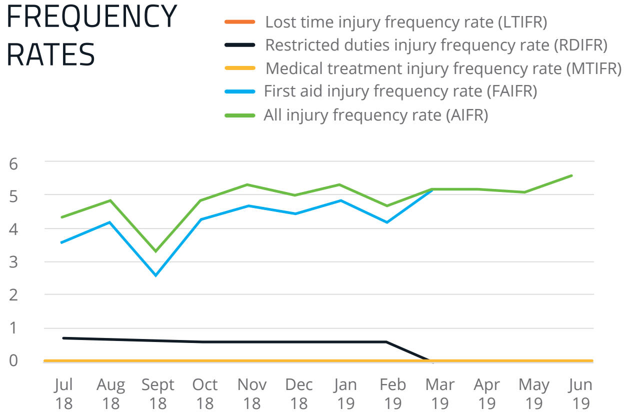
Work commenced in the year to develop our Enterprise Risk framework and management. Risk workshops were held with our Finance, Operations and Asset & Maintenance departments to create initial registers based around their self-generated enterprise risk scenarios. In addition, a draft Enterprise Risk Management Plan was written for Board review. Further work is planned to develop our risk profile in the next financial year.

We also continued the work to further develop and improve our Health and Safety Management system and other operational processes. Our aim is to have our system in place to undertake a certification audit to ISO 45001 (Occupational Health and Safety Management Systems) prior to the end of the 2019 calendar year. Our longer-term plan is to seek accreditation to ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems).

We recently took the opportunity to train the majority of our line managers and supervisors in Incident Causation Analysis Methodology (ICAM) to enhance their skills in incident investigation and root cause determination. This training assists us to have more people trained to identify a better understanding of why things happen and to prevent future re-occurrences.

LOST TIME INJURY MAN HOURS

INJURY FREQUENCY RATES



Our environmental performance during the year was also encouraging. We had no reportable environmental incidents occur at any of our operating or construction sites in the year.

We introduced Chemalert, a chemical and substance management package, enabling the business to track our site based inventories and to provide information on the products we use within our operations.

Dead Bullock Soak Power Station, Tanami (Newmont Goldcorp)

Investment Highlights

Strong financial metrics
Board and management team with industry-leading experience and capabilities
All existing contracts are fully funded with excess capacity for growth
Offices in Perth and Cairns delivering solutions across Australia and Asia-Pacific
Expanded client base with 11 BOO projects currently under contract
Strong growth profile with robust portfolio of opportunities

Jenbacher Gas Engine

Our Competitive Advantage

- Multi-fuel and multi-technology solutions
- Expertise in renewable and thermal hybrid generation
- In-house engineering capabilities and system integration intellectual property
- Proven track-record of consistently delivering reliability and quality of supply
- Efficiency at a cost-effective price
- Active/real-time monitoring system
- Excellent safety record
- High employee retention
- Management team has extensive knowledge and experience in the remote power industry

Nova Power Station (Independence Group)

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for the Year ended 30 June 2019

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Directors' Report

Your Directors present their report on the consolidated entity (referred to herein as the Group) consisting of Zenith Energy Limited and its controlled entities for the financial year ended 30 June 2019.

General Information:

Directors

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

- *William Douglas Walker – Executive Chairman*
- *Hamish Moffat – Managing Director*
- *Peter Torre – Independent Non-executive Director (appointed 11 March 2019)*
- *David Riekie – Independent Non-executive Director (appointed 2 April 2019)*
- *Stephanie Unwin – Independent Non-executive Director (resigned 7 February 2019)*
- *Darren Smith – Independent Non-executive Director (resigned 5 April 2019)*

Particulars of each Directors' experience and qualifications are set out on page 43-44 of this report.

Dividends Paid or Recommended

No dividends were declared or paid during the financial year ended 30 June 2019. The Directors have not recommended the payment of a dividend in respect to the year ended 30 June 2019.

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- *The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company.*

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- *All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and*
- *The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.*

During the year, BDO (Nth QLD) Pty Ltd, a related party of the Group's auditors, BDO Audit (WA) Pty Ltd provided services in relation to taxation services.

The following fees for non-audit services were paid/payable during the year ended 30 June 2019:

Services	Amount
Taxation services	$76,340

Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 30 June 2019 as required under section 307C of the Corporation Act 2001 has been received and can be found on page 62 of the Financial Report.

Rounding

The parent entity is a Company of the kind specified in the ASIC Corporation Legislative Instrument 2016/191. In accordance with this class order, amounts contained in the Financial Report have been rounded to the nearest thousand dollars ($’000), unless specifically stated otherwise.

Environmental Regulations

The Group is not subject to any significant environmental regulations under either Commonwealth or State legislations. The Board is not aware of any breach of environmental requirements as they apply to the Group.

Options

At the date of this report, there are no unissued ordinary shares of Zenith Energy Limited under option.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

There were no options issued to Directors and executives as remuneration, refer to the remuneration report for details of other transactions.

During the year ended 30 June 2019, there were no ordinary shares of Zenith Energy Limited issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Information relating to Directors and company secretary

William (Doug) Walker

Executive Chairman

Mr Walker is a 36-year veteran of the power generation industry. He has designed and built more than 60 remote power stations across Australasia, initially through his own company, StateWest Power, and later through Zenith Pacific Pty Ltd, which he co-founded in 2006. StateWest power was subsequently acquired by Wesfarmers Energy.

Mr Walker is recognised in the industry for his innovative thinking, both in finding effective solutions to difficult power generation problems and for creating the now widely-recognised Build, Own and Operate (“BOO”) approach to the establishment of remote area power plants.

During the three years prior to the end of the year, Mr Walker was not a Director of any other listed entities.

Mr Walker was appointed a Director of Zenith Energy Limited on 2 November 2016, and Executive Chairman on 22 March 2017.

Hamish Moffat

Managing Director

Mr Moffat has extensive experience in the downstream oil industry gained primarily in building markets in numerous sectors across Asia, Europe and the US. Mr Moffat was most recently the Chief Executive Officer of a private commercial services company which he sold into a major public services conglomerate in the second half of 2015. Previously he was the Chief Executive Officer of a privately held oil distribution company which holds exclusive distribution rights to a major international brand and has performed roles as Segment Director and Marketing Director for one of the world’s largest oil companies.

During the three years prior to the end of the year, Mr Moffat was not a Director of any other listed entities.

Mr Moffat was appointed a Director of Zenith Energy Limited on 2 November 2016 and Managing Director on 22 March 2017.

Darren Smith

Independent Non-executive Director

Mr Smith is a strategy and management consultant with experience at PwC, GEM Consulting and Arthur D Little.

Mr Smith was appointed Non-executive Director on 30 March 2017 and resigned on 5 April 2019.

Stephanie Unwin

Independent Non-executive Director

Ms Unwin is an experienced company Director with more than fifteen years of Board engagements across both ASX and TSX listed companies.

Ms Unwin was appointed Non-executive Director on 11 September 2017 and resigned on 7 February 2019.

David Riekie

Independent Non-executive Director, Remuneration & Nomination Committee (Chair), Audit & Risk Committee (Member)

David brings more than thirty years' corporate and professional experience to Zenith, across corporate advisory, finance and ASX compliance in the energy, resources and industrial sectors. Over his career, David has served as chairman and held executive and Non-executive board roles for public and private companies, including audit, remuneration and nomination committee responsibilities. David currently holds Non-executive positions on the boards of Paladin Energy Ltd & Gold Tiger Resources (Australia) Ltd.

Mr Riekie was appointed Non-executive Director on 2 April 2019.

Peter Torre

Independent Non-executive Director, Audit & Risk Committee (Chair), Remuneration & Nomination Committee (Member)

Peter has over twenty years of corporate advisory experience. He holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and a Member of the Australian Institute of Company Directors.

Peter is currently the Company Secretary for several ASX listed companies. He was a partner of an internationally affiliated firm of chartered accountants, working within its corporate services division for over nine years where he also held the position of Chairman of the National Corporate Services Committee. Peter currently holds Non-executive positions on the boards of VEEM Ltd, Mineral Commodities Ltd & Volt Power Group Ltd.

Mr Torre resigned as Joint Company Secretary and was appointed Non-executive Director on 11 March 2019.

Rebecca Stringer-Krein

Chief Financial Officer and Company Secretary

Ms Stringer-Krein joined Zenith Pacific Pty Ltd as Chief Financial Officer and Company Secretary in August 2016. She has held Chief Financial Officer roles previously in the engineering, commercial services and facilities management sectors, and has extensive experience in large Australian companies, both listed and private.

Ms Stringer-Krein has a strong interest in corporate governance and has often been engaged in positions related to organisational transformation, as well as preparing companies for mergers, acquisition, and ASX listing.

Ms Stringer-Krein was appointed Chief Financial Officer and Company Secretary of Zenith Energy on 2 November 2016.

Interest in the shares, options and performance rights of the company and related bodies corporate

At the date of this report, the interests of the Directors (including related nominees) in the shares, options and performance rights of Zenith Energy Limited were:

DIRECTOR	ORDINARY SHARES	PERFORMANCE RIGHTS
William (Doug) Walker	25,267,586	-
Hamish Moffat	4,047,784	-
Darren Smith[1]	42,000	42,000
Stephanie Unwin[2]	-	42,000
David Riekie[3]	57,500	42,000
Peter Torre[4]	36,000	42,000

1. *Mr D Smith resigned as Director on 5 April 2019. On 26 July 2019, 42,000 of his performance rights converted to fully paid ordinary shares.*
2. *Ms Unwin resigned as Director on 7 February 2019.*
3. *Mr D Riekie is entitled to 42,000 Performance Rights relating to his FY2019 service (included in the table above), subject to shareholder approval at the Company's 2019 annual general meeting.*
4. *Mr P Torre is entitled to 42,000 Performance Rights relating to his FY2019 service (included in the table above), subject to shareholder approval at the Company's 2019 annual general meeting.*

Meetings of Directors

During the financial year, twelve meetings of Directors (including committees of Directors) were held. The number of meetings attended by each of the Directors were as follows:

DIRECTOR	FULL BOARD MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	ELIGIBLE TO ATTEND	MEETINGS ATTENDED	ELIGIBLE TO ATTEND	MEETINGS ATTENDED	ELIGIBLE TO ATTEND	MEETINGS ATTENDED
William (Doug) Walker	12	12	-	-	-	-
Hamish Moffat	12	12	-	-	-	-
Darren Smith	9	9	1	1	1	1
Stephanie Unwin	6	6	1	1	1	1
David Riekie	3	3	-	-	-	-
Peter Torre	4	4	-	-	-	-

In addition to the scheduled Board and Committee meetings, Directors regularly communicate by telephone, email and other electronic means, and where by necessary, circular resolutions are executed to effect decisions.

Principal Activities

The principal activities of the Group during the financial year was to build, own, operate and maintain remote power plants for the resources industry. There were no significant changes in the nature of the Group's principal activities during the financial year.

Our Business Model and Objectives

Zenith Energy Limited ("Zenith") operates two separate streams of material revenues. The first, the Build, Own, Operate ("BOO") model, involves building power stations on its client sites (generally remote mine sites), and then selling electricity through a Power Purchase Agreement ("PPA") on a 5-10 year (on average) term. BOO Contracts and PPA's form the basis of Zenith's Special Purpose Vehicle ("SPV") companies, which are wholly owned by Zenith Pacific Pty Ltd, which is in turn wholly owned by Zenith Energy Limited. The second revenue stream is the Manage, Operate, Maintain ("MOM") model, which is run through Zenith Pacific Pty Ltd as an operating entity. This model involves Zenith managing, operating and maintaining its clients' assets on their sites, without the purchase of the power station assets by Zenith. While Zenith also occasionally undertakes contracts for its clients on an Engineering, Procurement and Construction ("EPC") basis, the Company's focus is on continuing to build its BOO portfolio.

Operating Results

The consolidated profit of the Group amounted to $5.814 million after providing for income tax. This represented a 31% decrease on the Net Profit After Tax (NPAT) results reported for the year ended 30 June 2018. The decrease was largely attributable to higher depreciation due to full year contributions from Mt Morgans and Dalgaranga, in addition to higher finance charges from the FIIG note facility which completed in August 2018. The increases in depreciation charges and finance costs were partly offset by increased revenue and continuing scrutiny around operating costs resulting in a higher EBITDA (increase of 14% on FY2018). Further discussion on the Group's operations is provided below.

Review of Operations

At 30 June 2019, Zenith had twelve operational contracts representing 420MW of generation capacity under control, and a robust pipeline of remote power generation opportunities. The Group had 88MW of contracted BOO in May 2017 at IPO, and has added 95MW since that time, more than doubling the BOO contracted capacity.

For the whole of the 2018-2019 financial year, the following contracts were operational:

Build, Own, Operate (BOO)	Manage, Operate, Maintain (MOM)
Barrow Island	Barrow Island[1]
Plutonic	Plutonic[2]
Daisy Milano	Ok Tedi
Jundee Stage 1 & 2	Jundee[2]
Nova	Phosphate Hill
Kundana	
Halls Creek	
Mt Morgans	
Dalgaranga	

1. *Barrow Island has been a hybrid BOO/MOM contract since 2008. Subsequent to FY2018 year-end, Zenith has converted this contract to a full BOO on a 10-year term. Completion of the new BOO power station is expected within FY2020.*
2. *Jundee and Plutonic are BOO/MOM hybrid sites, where Zenith has built, owns and operates its own assets, as well as managing, operating and maintaining our client's assets on the same site.*

The Tanami Power Station completed commissioning on 29 April 2019.

2018-2019 financial year highlights:

- *Strong financial performance – revenue of $55.04m up 7% on FY2018, EBITDA of $20.73m up 14% on FY2018*
- *Full completion and commissioning of 62MW power station at Newmont Mining Corporation's Tanami operation*
- *Awarded PPA to build, own and operate a 14.4MW power station at Adaman Resources' Kirkalocka Gold Project*
- *Executed a PPA with Silver Lake Resources for an 18.3MW power station at its Daisy Milano Gold Project*
- *Executed an amendment to the PPA with Independence Group to incorporate a solar PV facility at its Nova Operation with construction having commenced in April 2019*
- *Executed an amendment to the PPA with Northern Star Resources to build, own and operate an expanded 25MW power station at its Jundee Operation (increase of 6MW from 19.2MW)*
- *Executed a power generation services contract to supply electricity and build, own, operate, maintain and upgrade equipment for Chevron's WA Oil Operations on Barrow Island. This is the second PPA with Chevron and converts the contract from a MOM/BOO hybrid to full BOO*
- *Appointment of David Riekie as an Independent Non-executive Director, effective 2 April 2019*
- *Appointment of Peter Torre as an Independent Non-executive Director, effective 11 March 2019*
- *Successfully increased corporate debt funding to $120m*
- *Successful completion of $25m (before costs) placement to sophisticated and institutional investors.*

Financial Position

The net assets of the Group have increased from $44.56 million at 30 June 2018 to $72.39 million at 30 June 2019. This increase is largely due to the following factors:

- *Continued profitable performance of the Group;*
- *Full year contribution from Mt Morgans and Dalgaranga Power Stations;*
- *Completion of the Tanami Power Station in Q4 FY2019; and*
- *Placement of $25M (before costs) which was completed on 27 June 2019.*

The Group's financial position has been strengthened during the year, which has enabled the Group to increase its power generating assets by $72.31M (increase of 95% on FY2018). The Company will continue to strengthen its balance sheet in order to sustain growth in generating assets and to maintain sufficient working capital with the application of its capital management policy.

Significant Changes in State of Affairs

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the Group during the financial year.

Changes in controlled entities:

There were no significant changes in the controlled entities during the financial year.

Outlook

Zenith's strategy is to become the leading independent power producer specialising in reliable, sustainable and innovative solutions.

Current areas of strategic focus of the group include the following:

- *Continuing to work with top tier resource companies to assist them with the provision of power, while they focus on resource extraction;*
- *Continuing development of the group's people and enhancing systems and processes, utilising leading technologies to ensure the most efficient outcomes for clients; and*
- *Continuing to focus on the contract possibilities related to Zenith's extensive expertise in hybrid generation, in the hybrid/renewables market.*

To further improve the Group's profit and maximise shareholder wealth, the following projects are intended for implementation in the near future:

- *Completion of the Kirkalocka Power Station in Western Australia, with revenues commencing in Q2 FY20;*
- *Construction of the contracted hybrid Diesel/Solar plant at the Nova Nickel Mine; and*
- *Completion of the new Chevron Power Station at Barrow Island.*

These developments, together with the current strategy of rigorous cost management and strong counterparty relationships are expected to assist in the achievement of the Group's long-term goals and development of new business opportunities.

Risk Factors

There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of Zenith Energy Limited and the value of its Shares. Some of these risks may be mitigated by Zenith Energy Limited's internal controls, the Directors and management.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of Zenith Energy Limited and the market price of the Shares. The following is not intended to be an exhaustive list of the risk factors to which the Group is exposed.

Specific Risks

Operating Risks

Zenith Energy Limited is, and will continue to be, exposed to a range of operational risks relating to current and future operations. These include equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, flood, fire, major cyclone, earthquake, lightning strike, terrorist attack or other disaster.

Contractual Relationships with Key Customers

Zenith Energy Limited's ability to conduct its business and generate income is derived from Power Purchase Agreements (PPA) with its customers. Any termination of one or more PPAs may affect the Group's financial performance.

Additional Capital and Financing

Zenith Energy Limited, through its interest in each of its generation projects, has significant borrowings. The Group’s debt facilities include common financial and non-financial covenants which could limit the Group’s future financial flexibility. In addition, the Group’s ability to expand its operations is dependent on the raising of additional capital either through debt or equity at the appropriate time.

Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of Zenith Energy Limited depends substantially on its senior management and Directors.

Failing to Convert Pipeline Opportunities into Binding Contracts

The success of Zenith Energy Limited’s growth strategy, particularly in the commercial market for its hybrid and micro-grid offers, is highly dependent upon securing customers and converting trial or pipeline customers into ongoing, revenue producing customer relationships. For new green field and existing brown field projects, prospective clients often engage expert teams to research the latest technology for incorporation into their power delivery plans. The importance of educating customers as to the benefits of Zenith Energy Limited’s products therefore becomes paramount.

Competitive Threat

The Group’s earnings and market share could come under threat from aggressive domestic and overseas market competitors. Competition may be based on factors including price, service, product differentiation and quality, production capability, innovation, growth, capital accessibility and turnaround times. The Group’s success is built on the key features of its offering, being innovation, strong long-term client relationships, quality, reliability and durability.

Construction Risk

New power generation plants under construction are exposed to risks associated with the project not being completed on time, on budget, or in accordance with specifications. Increased costs and/or timing delays may delay or reduce the expected cash flows on a project and consequently impact the Group’s operating and financial performance.

Reliance on Business Systems

Power production consists of a diverse collection of operations and sequences, which is complex to control. Over the last thirty years Zenith Energy Limited’s key management has developed control and monitoring systems which are used to gather information to create the cost control file for every job.

There is a risk that any key business systems, particularly the Group’s unique control and monitoring systems, may be adversely affected by a number of factors, including an inability to operate, lack of support to maintain the system, damage, equipment faults, power failure, communication system failure, computer viruses, misuse by employees or contractors, external malicious interventions such as hacking, fire, natural disasters or weather interventions. Any failure of key business systems may materially affect the Group’s operations and profitability.

Supply Chain

Any disruption or external market condition limiting the supply or increasing the cost of components, consumables or raw materials to the Group could have a material adverse impact on Zenith Energy Limited’s profitability. The Group relies on the procurement of components, consumables and raw materials used in operation from its existing extensive network of local and international suppliers.

Intellectual Property

Zenith Energy Limited’s ability to fully leverage its expertise and innovation depends upon its ability to use and protect its intellectual property and any improvements to it. Such intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or unlawfully infringed, or Zenith Energy Limited may incur substantial cost in asserting or defending its intellectual property rights.

Failing to Match Production to Demand

Zenith Energy Limited’s objectives are dependent on its ability to meet commercial demand for its products and services.

This is particularly true in relation to Zenith Energy Limited’s hybrid & micro-grid offers, where the Company is seeking to establish footholds in a relatively immature market. There is a risk that Zenith Energy Limited will not be able to increase its power production capacity quickly enough, while maintaining appropriate quality standards, to meet incoming demand.

Insurance Risk

Zenith Energy Limited currently insures its operations in accordance with industry practice. However, in certain circumstances, Zenith Energy Limited's insurance may not be of a nature or level to provide adequate liability cover.

General Risks

Commodity Risk

Zenith Energy Limited endeavours to maintain a balanced portfolio of customers by resource (i.e. gold, nickel, lithium, phosphate, oil, bauxite, iron ore) and commodity type across a select group of tier one and upper mid-tier resources and energy clients in a diverse range of geographies. Despite employing this diversification strategy, Zenith Energy Limited cannot provide any assurance that there will not be an adverse impact on their performance as a consequence of a downturn in one or more commodities or geographies.

Market Risk

Share market conditions may affect the value of Zenith Energy Limited's securities regardless of Zenith's operating performance. Share market conditions are affected by many factors such as:

- *general economic outlook;*
- *introduction of tax reform or other new legislation;*
- *interest rates and inflation rates;*
- *changes in investor sentiment toward particular market sectors;*
- *the demand for, and supply of, capital; and*
- *terrorism or other hostilities.*

The resources market can be particularly sensitive to world economic conditions.

Exchange Rate Risk

Currently, all of the Group's revenues and the majority of costs are in Australian dollars. However, the mix of currencies in which Zenith Energy Limited pays its costs and earns its revenues may change over time. If that mix changes, there may be a greater impact on profitability in Australian dollar terms. Zenith Energy Limited's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which the Group transacts may adversely affect its financial performance and position. The Group has developed a global supply chain for components incorporated into both the Group's operations and projects. This global supply chain will act as a natural exchange rate hedge which will provide some or limited security for the Group against fluctuations in the Australian dollar.

Dilution of Shareholdings

In future, Zenith Energy Limited may issue Shares to new investors in order to finance the Group's operations or growth strategy. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period, as a result of any new issue of Shares, an investor's proportional beneficial ownership in the underlying assets of the Company may be diluted.

Events after the Reporting Period

- *On 19 July 2019, Zenith Energy Limited advised the ASX it had completed its 6MW BOO Power Plant Expansion at Northern Star Resources' Jundee Gold Mine. This uplifted increased the existing 19.2MW BOO capacity at Jundee to 25.2MW.*
- *On 26 July 2019, Zenith Energy Limited advised the ASX that it issued a total of 3,275,240 fully paid ordinary shares to Zenith Energy Limited Directors and Management at $0.58 per Share, to raise $1,899,639 (before costs) as part of Zenith Energy's Limited Share Placement. This issue was approved at the General Meeting held 25 June 2019.*
- *On 26 July 2019, 42,000 performance rights previously awarded to former Non-executive Director Mr Darren Smith, converted to fully paid ordinary shares.*
- *On 29 July 2019, Zenith Energy Limited advised the ASX that the term of its Manage Operate and Maintain (MOM) contract with Incitec Pivot's Phosphate Hill Project, is scheduled to come to completion on 17 August 2019.*
- *On 2 August 2019, Zenith Energy Limited advised the ASX that it issued a total of 8,241,381 fully paid ordinary shares under the Share Purchase Plan Shortfall Placement to sophisticated and professional investors at $0.58 per Share, to raise $4,780,001 (before costs).*

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

Remuneration Report

The Directors present the Zenith Energy Limited's 2019 remuneration report, outlining key aspects of the Group's remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel ("KMP") covered in this report

(b) Remuneration policy and link to performance

(c) Elements of remuneration

(d) Link between remuneration and performance

(e) Remuneration expenses for executive KMP

(f) Contractual arrangements for executive KMP

(g) Non-executive Director arrangements

(h) Other statutory information

(a) KMP covered in this report

Doug Walker	Executive Chairman
Gavin Great	Executive Director (Resigned 24 January 2018)
Hamish Moffat	Managing Director
Darren Smith	Independent Non-executive Director (Resigned 5 April 2019)
Stephanie Unwin	Independent Non-executive Director (Resigned 7 February 2019)
David Riekie	Independent Non-executive Director (Appointed 2 April 2019)
Peter Torre	Independent Non-executive Director (Appointed 11 March 2019)
Graham Cooper	Chief Operating Officer ("COO")
Rebecca Stringer-Krein	Chief Financial Officer ("CFO") and Company Secretary

(b) Remuneration policy and link to performance

The remuneration policy of Zenith Energy Limited has been designed, with the assistance of external consultants, Mercer Australia, to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Zenith Energy Limited believed the remuneration policy to be appropriate and effective in its ability to attract and retain KMP to run and manage the Group, as well as create goal congruence between Directors, Executives and Shareholders. The Board will continue to monitor the adequacy of this policy as the Company further develops.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is based on the following:

- *The measures within the remuneration policy are developed by the Remuneration and Nomination Committee based on recommendation and advice from external consultants.*
- *All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.*
- *Performance incentives are only paid once predetermined key performance indicators ("KPIs") have been met.*
- *Incentives paid in the form of shares, options or performance rights are intended to align the interests of the Directors and company with those of the shareholders.*
- *The Remuneration and Nomination Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.*

The performance of KMP is measured against criteria agreed annually with each executive and has been based predominantly on the forecast growth of the Group's profits, growth in the Group's financial position and non-financial considerations. All incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and equity arrangements, and can recommend changes to the Remuneration and Nomination Committee's recommendations. Any change must be justified by reference to measurable performance criteria.

The policy is designed to attract and retain the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's monthly ordinary time earnings. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee will recommend payments to the Non-executive Directors and review their remuneration annually, based on market practice, duties and accountability. These recommendations will then be taken to the Board for approval. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Company's annual general meeting.

In addition, the Board's remuneration policy prohibits Directors and KMP from using Zenith Energy Limited shares as collateral in any external financial transaction, including margin loan arrangements.

Performance-based remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards. KPI's are set in relation to both ongoing organisational objectives (e.g. no lost time injuries), as well as goal-setting for a particular financial year, for example, one-off projects. For more information on KPI targets, refer to (c) Elements of remuneration in the Remuneration Report below.

Performance in relation to KPIs is assessed annually, with incentives being awarded depending on the number and weighting of KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

(c) Elements of remuneration

Fixed remuneration

Executive KMP are paid a total fixed remuneration ("TFR") amount consisting of salary plus 9.5% superannuation. The annual salaries for the year ended 30 June 2019 are tabled below. The actual salary amounts paid for the year ended 30 June 2019 are contained in section (e) Remuneration expenses for executive KMP in the Remuneration Report below.

KMP NAME	POSITION	TFR[1]	
		UP TO SEPTEMBER 1 2018	FROM SEPTEMBER 1 2018[2]
WD Walker	Executive Chairman	546,000	546,000
H Moffat	Managing Director	464,000	595,000
G Cooper	Chief Operating Officer	382,000	390,000
R Stringer-Krein	Chief Financial Officer & Company Secretary	329,000	390,000

1. *TFR is composed of salary plus 9.5% superannuation.*
2. *TFR from 1 September 2018 is a stepped increase to bring KMP remuneration below the median of the market to a position in line with the assessment against the benchmark remuneration rates for each respective employee.*

Short-term incentives ("STIs") and Long-term incentives ("LTIs")

Incentive options and performance rights plan

Part of the remuneration paid to Non-executive Directors is in the form of performance rights issued on an annual basis under the Company's 'Incentive options and performance rights plan'. The purpose of the plan is to assist in the reward, retention and motivation of Eligible Participants, link the reward of Eligible Participants to performance and the creation of Shareholder value, align the interests of Eligible Participants more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to receive shares, provide Eligible Participants with the opportunity to share in any future growth in value of the Company, and provide greater incentive for Eligible Participants to focus on the Company's shorter and longer term goals.

Under this plan, the Company has issued performance rights to its Non-executive Directors' subject to a vesting condition of twelve months' service as a Non-executive Director from grant date. Details of performance rights issued under the incentive options and performance rights plan is contained in section (h) Other statutory information – (2) Details of share-based compensation. The performance rights cannot be exercised until the vesting condition is satisfied or is waived in accordance with the plan (at the sole discretion of the Board). If there is a change of control of the Company during the twelve months service period, unvested performance rights automatically vest on a pro rata basis reflecting the proportion of the twelve months that has passed since grant date. The performance rights have a nil exercise price and on vesting, will automatically convert into one ordinary share of the Company.

Executive incentive plan

The Company’s executive incentive plan consists of two components, a short-term incentive (“STI”) (cash based) and a long-term incentive (“LTI”) (share plan). The STI is a performance-based cash incentive based on KPIs, and the LTI is a long-term share-based payment arrangement subject to vesting over a three-year service period to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. Further details on each component are detailed below.

Cash Based Short-term Incentives

As part of the remuneration policy, the Group has structured reward incentives for results and continued commitment to the Group through the provision of various cash based reward schemes, specifically the incorporation of short-term cash based incentives based on the achievement of forecast normalised earnings before interest, tax, depreciation and amortisation (“EBITDA”) targets, growth in the Group’s financial position and other KPIs (both financial and non-financial). All incentive payments will be triggered for consideration where the Group and respective KMP returns results that met the respective targets set at the commencement of each financial year. These conditions provide KMP with a performance target which focuses on driving profit growth utilising existing Group resources in a sustainable manner. Details of the KPI metrics are contained in section KPI Metrics STI and LTI plans – FY2019.

Share plan Long-term incentives

The Company has an incentive share plan in place. The purpose of the plan is to assist in the reward, retention and motivation of Eligible Participants, link the reward of Eligible Participants to performance and the creation of Shareholder value, align the interests of Eligible Participants more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to receive Shares, provide Eligible Participants with the opportunity to share in any future growth in value of the Company, and provide greater incentive for Eligible Participants to focus on the Company's shorter and longer term goals. The share plan is subject to vesting over a 3-year service period, which commences on the 1 July, following the year of LTI achievement. Details of the KPI metrics are contained in section KPI Metrics STI and LTI plans – FY2019.

Additional details on executive incentive plan

As detailed above, the initial hurdle for the incentive schemes is performance against forecast normalised EBITDA, followed by achievement against other set KPIs. KMP have the opportunity to earn 110% of their TFR against the respective targets. KMP are designated into two bands – Executive - Upper, and Executive - Lower. Upper Executive KMP have the opportunity to earn a maximum of 44% of their TFR under the LTI plan and a maximum of 56% under the STI plan, while Lower Executive KMP have the opportunity to earn a maximum of 49% of their TFR under the LTI plan and a maximum of 51% under STI plan.

STIs will be paid in cash while LTIs are issued net of withholding tax in shares in the Company over a three-year vesting period. The exception to this would be if KMP LTIs contravene take-over/creep rules. The number of shares to be issued under the LTI share plan is determined based on the LTI award value, net of withholding at the market price of the Company’s shares at each vesting date. LTI share plan incentives yet to vest will be forfeited on cessation of employment with the Company. The Board retains the discretion to require these LTIs to be paid in cash, subject to vesting conditions (service condition) remaining the same (3 years from year-end date). For the year ended 30 June 2019, STI amounts totalling $0.93 million have been accrued for but not paid and represent the maximum amount that could be payable under the Company’s remuneration plan however, the Remuneration Committee has not yet completed its deliberation on the actual amounts to be paid.

For the year ended 30 June 2019, the FY2018 LTI award was paid in cash to facilitate the participation of the KMP in the Company’s $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI will be subject to a deed which results in the relevant shares being placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a proportional basis, and are subject to forfeiture and buy-back if the relevant employee leaves the Company prior to those dates. This process effectively facilitates the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMP’s, subject to the 3-year escrow period.

KPI Metrics STI and LTI plans – FY2019

Target	**Metric**	**KPI Weighting**
Financial Objectives	EBITDA	30%
	Balance sheet growth	15%
	Revenue	10%
	Cost Management (expense management)	10%
	Successful post-IPO Capital Raise	5%
	Transition of Portfolio from MOM to BOO	10%
	Earnings per share	5%
Non-Financial	Safety	5%
	Environment	5%
	Individual	5%

For FY2018, based on the performance of the KMPs against the set performance metrics, the Remuneration and Nomination Committee awarded 100% of the maximum STI and LTI amounts as set out in the table in section (e) Remuneration expenses for KMP. For FY2019, the Remuneration and Nomination Committee has not yet completed its deliberation on the actual amounts to be awarded under the STI and LTI plans.

(d) Link between remuneration and performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. A STI and LTI plan have been created to achieve this aim, the STI being a performance-based cash incentive based on KPIs, and the LTI being a long-term share-based payment arrangement subject to vesting over a three-year period to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Statutory performance indicators

The following table shows key statutory performance indicators of the Group over the last five financial years.

	2019	**2018**	**2017**	**2016**	**2015**
Profit for the year after tax ($'000)	5,814	8,473	3,123	1,603	3,186
Basic earnings per share (cents)[2]	5.80	8.65	5.88	3.93	7.81
Closing share price	$0.52	$0.95	$0.50	N/A[1]	N/A[1]

1. *No closing share price available, as the Company was only listed on the Australian Securities Exchange on 5 May 2017.*
2. *The number of ordinary shares used in the basic earnings per share calculation pre FY2017 has been adjusted for the share split which occurred in FY2017 in relation to the Company's initial public offering (1:480).*

(e) Remuneration expenses for KMP

Details of the nature and amount of each major element of remuneration of KMP for the year ended 30 June 2019 and 30 June 2018 are as follows:

KMP	YEAR	FIXED REMUNERATION					VARIABLE REMUNERATION			TOTAL	PERFORMANCE RELATED (%)
		FIXED REMUNERATION (CASH SALARY)	NON-MONETARY BENEFITS[4]	LONG SERVICE LEAVE	POST-EMPLOYMENT BENEFITS (SUPERANNUATION)	OTHER	SHORT TERM CASH BASED INCENTIVE[5]	RIGHTS TO DEFERRED SHARES[6]	LTI SHARES[7]		
Non-executive Directors											
D Riekie[8]	2019	10,500	-	-	998	-	-	7,364	-	18,862	39%
	2018	-	-	-	-	-	-	-	-	-	0%
P Torre[9]	2019	10,500	-	-	-	-	-	9,263	-	19,763	47%
	2018	-	-	-	-	-	-	-	-	-	0%
D Smith[1]	2019	31,500	-	-	-	-	-	29,820	-	61,320	49%
	2018	42,000	-	-	-	-	-	15,591	-	57,591	27%
Ms Stephanie Unwin[2]	2019[2]	28,000	-	-	2,600	-	-	10,332	-	40,932	25%
	2018	35,000	-	-	3,325	-	-	19,488	-	57,813	34%
Executive Directors											
WD Walker	2019	498,052	-	9,425	47,315	-	252,252	-	305,760	1,112,804	50%
	2018	429,453	-	26,327	40,798	-	240,240	-	61,215	798,033	38%
G Great[3]	2019	-	-	-	-	-	-	-	-	-	0%
	2018	228,100	-	3,759	29,290	248,291	-	-	-	509,440	0%
H Moffat	2019	521,543	57,001	11,507	49,546	-	274,890	-	259,840	1,174,327	46%
	2018	380,553	53,136	8,680	36,153	-	204,160	-	55,475	738,156	35%

KMP	YEAR	FIXED REMUNERATION					VARIABLE REMUNERATION				
		FIXED REMUNER-ATION (CASH SALARY)	NON-MONE-TARY BENEFITS[4]	LONG SERVICE LEAVE	POST-EMPLOY-MENT BENEFITS (SUPERAN-NUATION)	OTHER	SHORT TERM CASH BASED INCENTIVE[5]	RIGHTS TO DEFERRED SHARES[6]	LTI SHARES[7]	TOTAL	PERFORMANCE RELATED (%)
Other											
G Cooper (COO)	2019	354,844	114,002	8,101	33,710	-	200,655	-	194,820	906,132	44%
	2018	348,858	106,273	6,197	33,141	-	187,180	-	48,705	730,355	32%
R Stringer-Krein (CFO & Company Secretary)	2019	345,945	-	7,844	32,865	-	200,655	-	167,790	755,099	49%
	2018	257,122	-	572	24,427	-	161,210	-	33,260	476,590	41%
Total	**2019**	**1,800,884**	**171,003**	**36,876**	**167,034**	**-**	**928,452**	**56,779**	**928,210**	**4,089,239**	**47%**
	2018	**1,721,086**	**159,409**	**45,535**	**167,134**	**248,291**	**792,790**	**35,079**	**198,655**	**3,367,979**	**30%**

1. *Mr D Smith resigned as Director on 5 April 2019. The FY2019 amount references nine months Directors' fees.*
2. *Ms Stephanie Unwin resigned as Director on 7 February 2019. The FY2018 amount references eight months Directors' fees.*
3. *Mr G Great resigned as Director on 24 January 2018. Other benefits include termination benefits paid to Mr G Great, inclusive of annual and long service leave entitlements paid.*
4. *Non-monetary benefits during FY2018 and FY2019 relate to interest, in full, which would have been charged at an arm's length basis over the life of the loans granted during FY2017. Refer to (h) Other statutory information – (6) Other transactions with KMP in the Remuneration Report for further details.*
5. *FY2018 short term cash-based incentive includes short-term cash incentives relating to FY2018 performance that were paid in FY2019. FY2019 short term cash-based incentives have been accrued for but not paid and represent the maximum amount that could be payable under the Company's remuneration plan; however, the Remuneration and Nomination Committee has not yet completed its deliberation on the actual amounts to be paid.*
6. *Right to deferred shares (performance rights) are expensed over the respective vesting period. Refer to (h) Other statutory information – (2) Details of share-based compensation in the Remuneration Report and Note 26 for further details. LTI shares are expensed equally over a three-year vesting period, commencing on 1 July following the financial year in which the performance and award amount is determined. Details on the LTI shares is disclosed under (h) Other statutory information – 2. Details of share-based compensation in the Remuneration Report and Note 26. For the year ended 30 June 2019, the FY2018 LTI award was paid in cash to facilitate the participation of the KMP in the Company's $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI will be subject to a Deed which results in the relevant shares being placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a proportional basis, and are subject to forfeiture and buy back if the relevant employee leaves the Company prior to those dates. This process effectively facilitates the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMP's, subject to the 3-year escrow period.*
7. *Refer to (h) Other statutory information – (2) Details of share-based compensation in the Remuneration Report and Note 26. Should the Board not have exercised their discretion, an expense of $309,403 would have been recognised as the LTI award for the year ended 30 June 2019.*
8. *Mr D Riekie was appointed Director on 2 April 2019. The FY2019 amount references three months Directors' fees.*
9. *Mr P Torre was appointed Director on 11 March 2019. The FY2019 amount references three months Directors' fees.*

(f) Contractual arrangements with executive KMP

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group.

KMP	TITLE	TYPE OF EMPLOYMENT	CONTRACT DURATION	TERMINATION (REDUNDANCY) PAYMENTS	TOTAL FIXED REMUNERATION[1]
					$
WD Walker	Executive Chairman	Full-time salaried employee	No fixed date (3 month notice period)	26 weeks' pay on base salary	546,000
H Moffat	Managing Director	Full-time salaried employee	No fixed date (3 month notice period)	10 weeks' pay on base salary	595,000
G Cooper	Chief Operating Officer	Full-time salaried employee	No fixed date (3 month notice period)	26 weeks' pay on base salary	390,000
R Stringer-Krein	Chief Financial Officer & Company Secretary	Full-time salaried employee	No fixed date (3 month notice period)	8 weeks' pay on base salary	390,000

1. *The fixed remuneration detailed above reflects the most recent pay arrangements with the respective KMP (from 1 September 2018).*

(g) Non-executive Director arrangements

The total annual remuneration paid to Non-executive Directors may not exceed the limit in the Company's Constitution (currently $500,000) and may be varied by ordinary resolution of the Shareholders in a general meeting. The remuneration of the Non-executive Directors is fixed, rather than variable.

Non-executive Directors were not paid additional remuneration for participation in the Company's sub Committees. From 1 July 2019, an additional fee for Committee Chair of $10,000 per annum was introduced, as well as a $5,000 per annum fee related to Committee membership.

All Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

(h) Other statutory information

1. Relative proportion of fixed versus variable remuneration expense

KMP NAME	YEAR	FIXED REMUNERATION	AT RISK – STI[1]	AT RISK – LTI[2]
D Riekie [6]	2019	61%	39%	0%
	2018	N/A	N/A	N/A
P Torre [7]	2019	53%	47%	0%
	2018	N/A	N/A	N/A
D Smith [4]	2019	51%	49%	0%
	2018	73%	27%	0%
S Unwin [5]	2019	75%	25%	0%
	2018	N/A	N/A	N/A
WD Walker	2019	50%	23%	27%
	2018	62%	30%	8%
G Great [3]	2019	N/A	N/A	N/A
	2018	100%	0%	0%
H Moffat	2019	54%	23%	23%
	2018	65%	28%	7%
G Cooper	2019	56%	22%	22%
	2018	68%	26%	6%
R Stringer-Krein	2019	51%	27%	22%
	2018	59%	34%	7%

1. *STI remuneration includes cash-based short-term incentives and performance rights issued under the company's incentive options and performance rights plan.*
2. *LTI remuneration includes equalisation pay and LTI share plan.*
3. *Mr G Great resigned as Director on 24 January 2018. Fixed remuneration for Mr G Great includes other benefits.*
4. *Mr D Smith resigned as Non-executive Director on 5 April 2019.*
5. *Ms S Unwin resigned as Non-executive Director on 7 February 2019.*
6. *Mr D Riekie was appointed as Non-executive Director on 2 April 2019.*
7. *Mr P Torre was appointed as Non-executive Director on 11 March 2019.*

2. Details of share-based compensation

Performance Rights

Zenith Energy Limited has issued performance rights to its Non-executive Directors upon approval of its shareholders. 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. Performance rights granted under the plan carry no dividend or voting rights. The terms and conditions of these performance rights affecting remuneration in the current or a future reporting period are tabled below.

KMP	Number issued	Issue date	Exercise price	Vesting date	Share price on grant date	Fair value per performance right[3]	Total fair value ($)	% vested
D Smith	42,000	30 Mar 2017	Nil	29 Mar 2018	$0.50	$0.50[1]	21,000	100%
D Smith	42,000	30 Mar 2018	Nil	29 Mar 2019	$0.71	$0.71	29,820	100%
S Unwin	42,000	11 Sep 2017	Nil	10 Sep 2018	$0.71	$0.71	29,820	100%
S Unwin	42,000	11 Sep 2018	Nil	10 Sep 2019	$0.71	$0.71	29,820	-[4]
D Riekie	42,000[2]	22 Mar 2019	Nil	21 Mar 2020	$0.64	$0.64	26,880	-
P Torre	42,000[2]	07 Mar 2019	Nil	06 Mar 2020	$0.70	$0.70	29,400	-

1. *The fair value on grate date is by reference to the Company's initial public offering price ("IPO"), being $0.50/share.*
2. *Subject to shareholder approval at the Company's 2019 Annual General Meeting.*
3. *The fair value at grant date is in accordance with AASB 2 Share-based Payments.*
4. *Performance rights issued were forfeited on resignation date, 7 February 2019.*

Details of Performance Rights provided as part of remuneration to KMP are shown below. The vesting conditions are set out in section (c) Elements of remuneration in the Remuneration Report. Further information on the Performance Rights is set out in Note 26 to the financial statements.

Rights to deferred shares (Performance Rights)

The table below shows how many deferred shares (performance rights) were granted, vested and forfeited during the year.

KMP	GRANT YEAR	BALANCE AT START OF YEAR	GRANTED DURING YEAR	RIGHTS TO DEFERRED SHARES				BALANCE AT END OF YEAR		MAXIMUM VALUE YET TO VEST[1]
				VESTED		FORFEITED		VESTED	UNVESTED	
		NUMBER	NUMBER	NUMBER	%	NUMBER	%	NUMBER	NUMBER	$
D Smith	2019	42,000	42,000	84,000	100%	-	-	84,000	-	-
	2018	-	42,000	-	-	-	-	-	42,000	15,378
S Unwin	2019	42,000	42,000	42,000	50%	42,000	50%	42,000	-	-
	2018	-	42,000	-	-	-	-	-	42,000	4,872
D Riekie	2019	-	42,000[2]	-	-	-	-	-	42,000	19,516
P Torre	2019	-	42,000[2]	-	-	-	-	-	42,000	20,137

1. *The maximum value of the deferred shares (performance rights) yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.*
2. *Subject to shareholder approval at the Company's 2019 Annual General Meeting.*

Executive Incentive Plan - Share plan

Under the Company's LTI Plan, the value of the LTI less applicable tax is used to purchase shares on market. In June 2019, the LTI value for FY2018 less tax was paid to KMP, and Mr Walker, Mr Moffat and Ms Stringer-Krein used the net funds to participate in the Placement. Details relating to FY2018, and to the maximum of the FY2019 LTI share plan awards are tabled below. The final 2019 LTI performance achievement is yet to be determined by the Remuneration and Nomination Committee.

KMP	AWARD YEAR	LTI SHARE PLAN AWARD	CHANGES DURING CURRENT YEAR				MAXIMUM YET TO VEST[1]
			VESTED[1]		FORFEITED		
		VALUE ($)	VALUE ($)	%	VALUE ($)	%	VALUE ($)
WD Walker	2019[3]	-	-	-	-	-	-
	2018	305,760	305,760	100%[2]	-	-	-
H Moffat	2019[3]	-	-	-	-	-	-
	2018	259,840	259,840	100%[2]	-	-	-
G Cooper	2019[3]	-	-	-	-	-	-
	2018	194,820	194,820	100%[2]	-	-	-
R Stringer-Krein	2019[3]	-	-	-	-	-	-
	2018	167,790	167,790	100%[2]	-	-	-
Total	2019[3]	-	-	-	-	-	-
	2018	928,210	928,210	100%	-	-	-

1. *LTI shares are expensed equally over a three-year vesting period, commencing on 1 July following the financial year in which the performance and award amount is determined. Details on the LTI shares is disclosed under (c) Elements of remuneration in the Remuneration Report and Note 26.*
2. *For the year ended 30 June 2019, the Board permitted the FY2018 LTI award to be paid in cash to facilitate the participation of the KMP in the Company's $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI will be subject to a Deed which results in the relevant shares being placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a proportional basis, and are subject to forfeiture and buy back if the relevant employee leaves the Company prior to those dates. This process effectively facilitates the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMP's, subject to the 3-year escrow period.*
3. *For the year ended 30 June 2019, the LTI award is yet to be determined by the Remuneration and Nomination Committee. As and when this has been determined, no shares purchased under that LTI Plan will occur until the subsequent financial year.*

3. Engagement of Remuneration Consultants

Independent external advice is sought from remuneration consultants as required. Full benchmarking was conducted in 2017 prior to IPO, and complete Executive and Non-executive Remuneration benchmarking was conducted September 2018 by Mercer Australia.

4. Voting of Shareholders at last year's annual general meeting

The FY2018 remuneration report received a positive shareholder support at the Company's FY2018 Annual General Meeting with a vote of 56.69% in its favour. Following the 43.31% vote against the FY2018 remuneration report, Zenith Energy Limited Directors engaged with stakeholders and experts to address concerns. Resulting from these concerns, the newly appointed Board is currently reviewing the overall remuneration structure for its KMP's including the STI and LTI rewards to ensure the structure is commensurate with the positions held and best market practice.

5. Equity instruments held by KMP

KMP Shareholdings

The number of ordinary shares in Zenith Energy Limited held by each KMP of the Group during the financial year is as follows:

KMP	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR	RECEIVED ON VESTING OF RIGHTS TO DEFERRED SHARES	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
D Riekie[3]	40,000	-	-	17,500	57,500
P Torre[4]	-	-	-	36,000	36,000
D Smith[1]	-	-	-	-	-
S Unwin[2]	-	-	-	-	-
WD Walker	23,440,000	-	-	-	23,440,000
H Moffat	3,400,000	-	-	-	3,400,000
G Cooper	4,800,000	-	-	-	4,800,000
R Stringer-Krein	114,000	-	-	-	114,000
Total	31,821,000	-	-	53,500	31,874,500

1. *Mr D Smith resigned as Non-executive Director on 5 April 2019.*
2. *Ms S Unwin resigned as Non-executive Director on 7 February 2019.*
3. *Mr D Riekie was appointed as Non-executive Director on 2 April 2019.*
4. *Mr P Torre was appointed as Non-executive Director on 11 March 2019.*

KMP Performance Right Holdings

The number of performance rights in Zenith Energy Limited held by each KMP of the Group during the financial year is as follows:

KMP	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
D Smith[1]	84,000	-	-	84,000
S Unwin[2]	42,000	42,000	(42,000)	42,000
D Riekie[3]	-	42,000	-	42,000
P Torre[4]	-	42,000	-	42,000
Total	126,000	126,000	(42,000)	210,000

1. *Mr D Smith resigned as Non-executive Director on 5 April 2019.*
2. *Ms S Unwin resigned as Non-executive Director on 7 February 2019.*
3. *Mr D Riekie was appointed as Non-executive Director on 2 April 2019.*
4. *Mr P Torre was appointed as Non-executive Director on 11 March 2019.*

6. Other transactions with KMP

KMP Loans

Details of loans made to Directors and other KMP of Zenith Energy Limited are set out below.

KMP	BALANCE AT THE START OF THE YEAR $	LOANS ISSUED DURING THE YEAR $	INTEREST NOT CHARGED $	BALANCE AT THE END OF THE YEAR $	HIGHEST INDEBTEDNESS DURING THE YEAR $
H Moffat	699,700	-	57,001	699,700	699,700
G Cooper	1,399,400	-	114,002	1,399,400	1,399,400

Loan balances above are at face value.

Following completion of the common control transaction, on 7 November 2016 loans were provided to Mr H Moffat and Mr G Cooper to fund the issue of 2,400,000 and 4,800,000 ordinary shares respectively in Zenith Energy Limited. The loans are interest free and repayment is due 1 July 2020.

The shares issued are under a disposal restriction until the loans are fully repaid.

The amounts shown for interest not charged in the table above represents the amount of interest that would have been charged on an arm's length basis over the life of the loan.

Interest not charged has been disclosed as a non-monetary remuneration benefit received in the details of the remuneration table in (e) Remuneration expenses for executive KMP in the Remuneration Report.

No write-downs or allowances for doubtful debts loan receivables have been recognised in relation to any loans made to KMP.

KMP Transactions

- *The Company previously leased its Cairns office premises from Pacific Synergy Pty Ltd ATF for Pacific Synergy Unit Trust (Pacific Synergy), an entity controlled by Mr W Walker and Mr G Great. The lease was on standard tenancy terms, with $138,000 (ex GST) per annum in rent. The tenancy ended on 5 July 2019.*
- *The Company leases an apartment in West Perth for the benefit of its travelling employees. This lease is on standard tenancy terms through a third-party property manager, with $28,679 (ex GST) per annum in rent and a one-year term (lease term expires June 2020). The property is owned by an associate of Executive Chairman Mr W Walker.*
- *The Company leases a warehouse facility on Catalano Rd in Canning Vale from Enertech Pty Ltd ATF for Baywest Property Trust, an entity controlled by Mr W Walker. The lease is on standard tenancy terms, with $54,000 (ex GST) per annum in rent and no fixed term.*
- *For the year ended 30 June 2019, the Board permitted the FY2018 LTI award to be paid in cash to facilitate the participation of the KMP in the Company's $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI will be subject to a Deed which results in the relevant shares being placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a proportional basis, and are subject to forfeiture and buy back if the relevant employee leaves the Company prior to those dates. This process effectively facilitates the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMP's, subject to the 3-year escrow period.*

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of audited remuneration report

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

....

Mr William (Doug) Walker, Executive Chairman

Dated: 27 September 2019

Auditor's Independence Declaration

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

As lead auditor of Zenith Energy Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 27 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue from contracts with customers	5	55,037	51,429
Other income	5	160	384
Total Income		**55,197**	**51,813**
Cost of sales	6	23,715	22,882
Employee expenses	6	5,671	7,255
Insurance expenses		977	830
Occupancy expenses		562	566
Foreign exchange losses		278	104
Other expenses		3,268	1,960
Total Expenses		**34,471**	**33,597**
		20,726	18,216
Finance costs	6	3,950	2,153
Depreciation and amortisation expense	13	7,208	3,808
Loss on disposal of assets		924	42
Profit before income tax		**8,644**	**12,213**
Income tax expense	7	2,830	3,740
Profit for the year after income tax		**5,814**	**8,473**
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 year		**-**	**-**
Total comprehensive income attributable to members of Zenith Energy Limited		**5,814**	**8,473**
Earnings per share for the year attributable to the members of Zenith Energy Limited	20		
Basic earnings per share (cents)		5.80	8.65
Diluted earnings per share (cents)		5.79	8.64

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

Consolidated Statement of Financial Position as at 30 June 2019

	Note	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	7,293	1,994
Trade and other receivables	9	8,363	11,161
Inventories	12	6,962	2,686
Current tax asset		991	755
Contract assets	10	1,610	-
Other assets	11	1,078	1,128
Total current assets		**26,297**	**17,724**
Non-current assets			
Property, plant and equipment	13	148,146	75,944
Deferred tax assets	7	129	836
Intangible assets		13	11
Other receivables	9	1,928	-
Other assets	11	2,882	1,903
Total non-current assets		**153,098**	**78,694**
Total assets		**179,395**	**96,418**
Liabilities			
Current liabilities			
Trade and other payables	14	6,339	7,674
Borrowings	16	20,626	7,405
Current tax liabilities		-	1,578
Contract liability	15	805	812
Provisions	17	1,560	1,398
Total current liabilities		**29,330**	**18,867**
Non-current liabilities			
Borrowings	16	75,420	30,729
Contract liability	15	1,971	2,105
Provisions	17	288	161
Total non-current liabilities		**77,679**	**32,995**
Total liabilities		**107,009**	**51,862**
Net assets		**72,386**	**44,556**
Equity			
Contributed equity	18	48,434	26,109
Share based payment reserve	19	97	40
Retained earnings	19	23,855	18,407
Total equity		**72,386**	**44,556**

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2019

	Note	Contributed equity	Retained earnings	Share based payment reserve	Total equity
		$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2017		26,109	9,934	5	36,048
Total comprehensive income for the year					
Profit for the year		-	8,473	-	8,473
Total comprehensive income for the year		**26,109**	**18,407**	**5**	**44,521**
Transactions with owners, in their capacity as owners					
Share based payment expense		-	-	35	35
Total transactions with owners		-	-	35	35
Balance as at 30 June 2018		**26,109**	**18,407**	**40**	**44,556**
Balance at 1 July 2018 as originally presented		26,109	18,407	40	44,556
Change in accounting policy	2	-	(366)	-	(366)
Restated balance as at 1 July 2018		**26,109**	**18,041**	**40**	**44,190**
Total comprehensive income for the year					
Profit for the year		-	5,814	-	5,814
Total comprehensive income for the year		**-**	**5,814**	**-**	**5,814**
Transactions with owners, in their capacity as owners					
Contribution of equity, net of transaction costs and tax	18	22,325	-	-	22,325
Share based payment expense	26	-	-	57	57
Total transactions with owners		-	-	57	22,382
Balance as at 30 June 2019		**48,434**	**23,855**	**97**	**72,386**

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

Consolidated Statement of Cash Flows for the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Receipts from customers (including GST)		59,616	52,381
Payments to suppliers and employees (including GST)		(41,156)	(41,656)
Interest received		73	14
Borrowing costs paid		(2,658)	(2,153)
Income taxes paid		(3,605)	(1,694)
Net cash provided by operating activities	25	**12,270**	**6,892**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(86,732)	(37,824)
Proceeds on sale of property, plant and equipment		-	9
Net cash used in investing activities		**(86,732)**	**(37,815)**
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of transaction costs)		21,994	-
Borrowing costs		(1,454)	-
Proceeds from borrowings		77,728	19,445
Repayment of borrowings		(18,507)	(5,819)
Net cash provided by financing activities		**79,761**	**13,626**
Net (decrease)/ increase in cash held		5,299	(17,297)
Cash and cash equivalents at beginning of financial year		1,994	19,291
Cash and cash equivalents at end of financial year	8	**7,293**	**1,994**

Non-cash financing and investing activities

During the year, the consolidated entity did not acquire property, plant and equipment and power generation assets by means of finance leases (30 June 2018: $2.87 million).

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

Notes to the Financial Statements

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 WA 6104.

These consolidated financial statements and notes 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 on 27 September 2019 by the Directors of the Company.

Note 2: Basis of Preparation

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

New Standards and Interpretations for Current Year

The Group has adopted all the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year. Any new, revised or amended Accounting Standards and Interpretations that are not mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group and have been applied for the first time for the annual reporting period commencing 1 July 2018:

AASB 9 Financial Instruments ("AASB 9"), and

AASB 15 Revenue from Contracts with Customers ("AASB 15").

The Group changed its accounting policy and made certain adjustments following the adoption of AASB 15. This is disclosed below.

The Group changed its accounting policy following the adoption of AASB 9, however adoption did not give rise to any material transitional or reporting date, 30 June 2019 adjustments. This is disclosed below.

Impact of Adopting AASB 15 on Current Period Financial Statements

The following tables summarise the impact of adopting AASB 15 as compared to AASB 118 and related interpretations that were in effect before the changes on the Group's consolidated financial statements for the year ended 30 June 2019.

Notes to the Financial Statements

Note 2: Basis of Preparation (continued)

(i) Consolidated statement of financial position (extracted)

For the year ended 30 June 2019	**Impact of changes in accounting policies**		
$'000s	**As reported**	**Adjustments**	**Balances without adoption of AASB 15**
Current Assets			
Contract assets	1,610	(1,610)	-
Inventory	6,962	430	7,392
Accrued revenue	-	1,043	1,043
Non-current Assets			
Capital WIP	31,300	43	31,343
Total Assets	**39,872**	**(94)**	**39,778**
Current Liabilities			
Contract liabilities	805	(805)	-
Deferred revenue	-	(744)	744
Non-current Liabilities			
Contract liabilities	1,971	(1,971)	-
Deferred revenue	-	1,971	1,971
Total liabilities	**2,776**	**(61)**	**2,715**
Net Assets	**37,096**	**(33)**	**37,063**

(ii) Consolidated statement of profit or loss and OCI (extracted)

For the year ended 30 June 2019	**Impact of changes in accounting policies**		
$'000s	**As reported**	**Adjustments**	**Balances without adoption of AASB 15**
Sales revenue	55,037	(506)	54,531
Cost of sales	23,715	(473)	23,242
Profit for the year before income tax	**31,322**	**(33)**	**31,289**

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.

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 (continued)

AASB 15 (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 originally 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

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*

Note 2: Basis of Preparation (continued)

AASB 9 (continued)

Classification and initial measurement of financial assets (continued)

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.

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 (ECL) 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 ECL's 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.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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.

Basis of Measurement

The 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.

Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Rounding of Amounts

The company is a company of the kind referred to in ASIC Instrument 2016/91, dated 1 April 2016 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Use of Critical Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2: Basis of Preparation (continued)

Use of Critical Accounting Judgements, Estimates and Assumptions (continued)

(i) Impairment of non-current assets

Property, plant and Equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses for indicators of impairment in reference to but not limited to the following factors:

- *Observable indication that the asset's value has declined significantly more than would be expected as a result of passage of time or normal use;*
- *Significant changes with adverse effect on the Group has taken place in the technological, economic or legal environment in which the Group operates;*
- *Carrying value of net assets of the entity is more than the market capitalisation of the Company;*
- *Evidence of obsolesces or physical damage of an asset; and*
- *Evidence from internal reporting that indicates that the economic performance of the asset is worse than expected.*

For the year ended 30 June 2019 no impairment indicators were identified by management which would require impairment testing to be undertaken.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and key management personnel by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes option valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled transactions would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity. Refer to note 3 for the Group's accounting policy in respect to share-based transactions.

(iii) Provision for impairment of receivables

The loss allowance for financial assets are based on the assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In addition, as at 30 June 2019, after review by the Board a specific trade receivable loss allowance of $263,000 was recognised in relation to Gascoyne Resources Limited. This receivable related to the Group's pre-administration receivable balance which is subject to a formal administration process.

(iv) Lease classification

The Group enters into various lease agreements as part of the Group's business strategy and operations.

The classification of whether a lease is to be accounted for as a finance or operating lease requires management's judgement in relation to determining whether the terms of the lease transfer substantially all risks and rewards incidental to ownership of the equipment. Refer to note 3 for the Group's accounting policy in respect to leases.

(v) Estimated useful life of property, plant and equipment

The Group estimates the useful life of property, plant and equipment based on the following factors:

- *Expected usage of the asset (in reference to assets expected capacity or physical output);*
- *Its expected physical wear and tear;*
- *Technical and commercial obsolesces arising from changes and improvements in production; and*
- *Any legal or similar limits on the use of the asset such as expiry dates of related leases.*

Refer to note 3 for the Group's accounting policy in respect to property, plant and equipment.

Recognition of restoration costs

The Group determines that no restoration costs are required across the Group's current purchase power agreements (PPA). The Group notes restoration costs have not been required in the past.

Note 2: Basis of Preparation (continued)

Determination of commissioning date

The Group assesses when an item of capital work in progress is deemed available for use, being when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group considers various factors when considering when the asset is deemed available for use, including when the asset can substantially operate as intended. This is specifically relevant where project commissioning may occur over various milestone dates.

When a capital work in progress asset is deemed to be available for use, it moves to the respective asset class of property, plant and equipment. It is also at this point that depreciation commences.

Note 3: Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed where necessary to align them with the policies adopted by the Group.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group’s interest in such entities is disposed of.

Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ($AUD) of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Australian dollars at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in Australian dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial Instruments

(i) Non-derivative financial assets

The Group has the following non-derivative financial assets; receivables and cash and cash equivalents.

Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 3: Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Restricted cash balances are reflected as non-current assets on the statement of financial position.

(ii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities; borrowings and trade and other payables.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (if applicable).

Cost encompasses all expenditures that are directly attributable to the acquisition or installation of an asset. The cost base for self-constructed groups of assets (for example power stations) includes the cost of materials and direct labour, as well as any other costs directly attributable to completion of an asset to working condition for its intended use, as well as capitalised borrowing costs. The cost base may (if applicable) also include costs for dismantling and/or removing items or restoring the site in which they were located. The Group notes that restoration costs have not been required in the past.

Gains/(losses) on disposal of property, plant or equipment are calculated by comparing the realised proceeds from disposal with its written down value, and are recognised in the statement of profit or loss and other comprehensive income in each reporting period.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Note 3: Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Depreciation

Depreciation is calculated on either a straight-line method or diminishing value method over the asset's estimated useful life.

The depreciation rates per asset class used in the calculation of depreciation is as follows:

	Depreciation Rate	
	Straight Line	**Diminishing Value**
Plant and Equipment	5 - 100%	5 - 40%
Power Generation Assets	2.5 - 10%	2.5 - 66.67%

Capital works in progress

Capital works in progress are projects of a capital nature, which usually relates to the construction of plant and equipment and power generation assets. Upon completion (when ready for use in the manner intended by management), capital works in progress are transferred to the relevant asset class. Capital works in progress are not depreciated.

Intangible Assets

Trademarks and licenses

Separately acquired trademarks and licenses are shown at historic cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses (where appropriate).

Leased Assets

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16).

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the using the average costs and for serialised items at actual cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the financial year in which they are incurred.

Note 3: Summary of Significant Accounting Policies (continued)

Impairment

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (“the cash-generating unit” (“CGU”)).

The Group’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in the statement of profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee Benefits

Short-term benefits

Short-term employee benefit obligations are those benefits expected to be settled within 12 months of the reporting date. They are recognised in current liabilities in respect of employees’ services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group’s net obligation in respect of long-term employee benefits are those not expected to be settled within 12 months of the reporting date and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Share-based payment transactions

The Group operates an employee share plan and a Director and employee incentive option and performance rights plan. The grant date fair value of equity instruments granted to Directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees and Directors become unconditionally entitled to the equity instrument. The amount recognised as an expense is

Note 3: Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Share-based payment transactions (continued)

adjusted to reflect the number of equity instruments for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that do not meet the related service and non-market performance conditions at the vesting date. For equity instruments with non-vesting conditions, the grant date fair value of the equity instruments is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. When the Company grants equity instruments to employees of subsidiaries, the fair value at grant date is recognised as a receivable from subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Revenue

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 recognised 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.

Other Income

Income from the provision of services, and from penalties received under customer/supplier contracts, is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and it can be reliably measured.

Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Note 3: Summary of Significant Accounting Policies (continued)

Lease Payments (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to

situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated Group. As a consequence, all members of the tax-consolidated Group are taxed as a single entity from that date. The head entity within the tax-consolidated Group is Zenith Energy Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the "separate taxpayer within Group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised by the company as amounts payable (receivable) to/(from) other entities in the tax-consolidated Group. Any difference between these amounts is recognised by the company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised.

Note 3: Summary of Significant Accounting Policies (continued)

Tax consolidation (continued)

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker (“CODM”). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company’s headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire non-current assets, other than deferred tax assets and financial assets.

New Standards and Interpretations Not Yet Adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 16: Leases

Applicable to annual reporting periods beginning on or after 1 January 2019.

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- *recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);*
- *depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;*
- *variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;*
- *by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and*
- *additional disclosure requirements.*

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

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 and it is not practicable to provide a reasonable financial estimate of the effect until the Group has completed a detailed review.

Note 4: Operating Segments

General Information

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.*

Types of products and services by segment

Build, Own, Operate (BOO) Revenue

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, 30 June 2018, 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) & Engineer, Procure and Construct (EPC)

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.

In 2018, Zenith delivered a large EPC contract for one of its major clients, this contract was non-recurring.

Other

Other includes corporate services (administration, finance, HR and IT functions) and other costs unable to be allocated.

Inter-segment pricing is determined on an arm's length basis.

Note 4: Operating Segments (continued)

Financial Performance Analysis	OTHERS		BOO		MOM/EPC		Consolidated	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
External sales	-	-	38,079	25,134	16,959	26,295	55,037	51,429
Intersegment sales	-	-	-	-	-	-	-	-
Interest revenue	61	228	-	-	-	8	61	236
Total segment revenue	**61**	**228**	**38,079**	**25,134**	**16,959**	**26,303**	**55,098**	**51,665**
Other income	-	-	99	148	-	-	99	148
Intersegment elimination	-	-	-	-	-	-	-	-
Total Group revenue	**61**	**228**	**38,178**	**25,282**	**16,959**	**26,303**	**55,197**	**51,813**
Segment EBITDA before unusual items	**(9,648)**	**(9,795)**	**26,157**	**12,679**	**4,218**	**15,331**	**20,726**	**18,216**
- Depreciation and amortisation expense	277	233	6,931	3,575	-	-	7,208	3,808
- (Gain)/Loss on disposal of assets	-	(3)	924	45	-	-	924	42
- Finance costs	-	612	3,950	1,541	-	-	3,950	2,153
Profit/(loss) before income tax	**(9,925)**	**(10,636)**	**14,353**	**7,518**	**4,218**	**15,331**	**8,644**	**12,213**
Income tax expense							**(2,830)**	**(3,740)**
Profit after income tax							**5,814**	**8,473**

Financial Position Analysis	OTHERS		BOO		MOM/EPC		Consolidated	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Segment assets	19,785	10,134	156,902	83,032	2,708	3,252	179,395	96,418
Total consolidated assets	**19,785**	**10,134**	**156,902**	**83,032**	**2,708**	**3,252**	**179,395**	**96,418**
Segment liabilities	6,835	4,459	100,055	46,712	119	691	107,009	51,862
Total consolidated liabilities	**6,835**	**4,459**	**100,055**	**46,712**	**119**	**691**	**107,009**	**51,862**
Segment assets include								
Deferred tax assets/(liabilities)	**108**	**342**	**21**	**(132)**	**-**	**626**	**129**	**836**

Note 4: Operating Segments (continued)

Geographic Analysis	Australia		Papua New Guinea		Consolidated	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

Revenue - External customers	49,603	32,826	5,594	18,603	**55,197**	**51,813**

The location of segment assets by geographic location of the assets is disclosed below:

Total Assets	177,718	96,010	1,677	408	**179,395**	**96,418**

Major Customers

Revenues from our 12 (30 June 2018:12) customers in the BOO segment represents approximately 69% (30 June 2018:49%) of the Groups' total revenues.

Note 5: Revenue and Other Income

	2019 $'000	2018 $'000
Revenue from contracts with customers		
Revenue:		
– BOO revenue	38,079	25,134
– MOM/EPC revenue	16,958	26,295
	55,037	51,429
Other income:		
– Interest revenue	61	236
– Other	99	148
	160	384
Total income	**55,197**	**51,813**

Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed price long term contracts relating to delivery of electricity charges and operations and maintenance contracts with customers.

	2019 $'000	2018 $'000
Aggregate amount of the transaction price allocated to long term contracts with customers that are partially or fully unsatisfied as at 30 June 2019		
Recognised in the next reporting period	37,203	-[1]
Recognised in 2020	34,048	-
Recognised between 2020 to 2030	199,813	-
	271,064	-

1. *As permitted under the transitional provisions in AASB 15, the transaction price allocated to the (partially) unsatisfied performance obligations as of 30 June 2018 is not disclosed.*

Note 5: Revenue and Other Income (continued)

Unsatisfied performance obligations (continued)

The amounts disclosed above does not include variable consideration.

All other contracts are for periods of one year or less or are billed based on time incurred or electricity meter readings. As permitted under AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Disaggregation of revenue as of 30 June 2019:

Disaggregation of Revenue	MOM/EPC	BOO	OTHERS	Consolidated
	30 Jun 2019 $'000	**30 Jun 2019 $'000**	**30 Jun 2019 $000**	**30 Jun 2019 $'000**
Revenue by Nature				
Sale of electricity supply	-	38,079	-	38,079
Operation and Maintenance service fee	11,958	-	-	11,958
Sale of Constructed goods	5,000	-	-	5,000
Total revenue	**16,959**	**38,079**	**-**	**55,037**
Timing of revenue recognition				
Point in time	-	-	-	-
Over Time	**16,959**	**38,079**	**-**	**55,037**

Disaggregation of revenue as of 30 June 2018:

Disaggregation of Revenue	MOM/EPC	BOO	OTHERS	Consolidated
	30 Jun 2018 $'000	**30 Jun 2018 $'000**	**30 Jun 2018 $000**	**30 Jun 2018 $'000**
Revenue by Nature				
Sale of electricity supply	-	25,134	-	25,134
Operation and Maintenance service fee	26,295	-	-	26,295
Sale of Constructed goods	-	-	-	-
Total revenue	**26,295**	**25,134**	**-**	**51,429**
Timing of revenue recognition				
Point in time	-	-	-	-
Over Time	**26,295**	**25,134**	**-**	**51,429**

Note 6: Profit for the Year

	2019 $'000	2018 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
Expenses		
Cost of sales	23,715	22,882
Finance cost: Interest expense on financial liabilities not at fair value through profit or loss:		
– Unrelated parties	3,950	2,153
Total finance cost	3,950	2,153
Employee benefits expense:		
– Wages and salaries	4,793	5,570
– Contributions to defined contributions plans [1]	239	1,047
– Employment related taxes and insurances	639	638
Total employee benefits expense	5,671	7,255
Other Expenses:		
– Credit loss allowance	263	-
– Others	3,005	3,460
Total other expenses	3,268	3,460
Rental expense on operating leases:		
– Minimum lease payments	562	566
Total rental expense on operating leases	562	566

1. *FY18 figure includes all operational staff that have since been reallocated to cost of sales in FY19*

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 MOM/EPC 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 7: Income tax expense

	2019	2018
	$'000	$'000
a) Recognised in the Statement of Profit or Loss		
Current tax expense	1,367	3,417
Deferred tax movements	1,221	(64)
Under provision in respect of prior years	242	387
	2,830	3,740
b) Numerical reconciliation of tax expense:		
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows: Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	2,593	3,664
Add tax effect of:		
- Non-deductible expenditure	(5)	(311)
- Under provision in respect of prior year	242	387
	2,830	3,740
The applicable weighted average effective tax rates are as follows:	33%	31%

The company and its wholly-owned Australian resident entities are part of a tax-consolidated Group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated Group is Zenith Energy Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax- consolidated Group using the "separate taxpayer within Group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised by the company as amounts payable (receivable) to/(from) other entities in the tax-consolidated Group.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

c) Deferred tax assets and liabilities

Deferred tax balances:	**2019**	**2018**
Assets:	**$'000**	**$'000**
Employee entitlements	561	474
Borrowing costs	24	(12)
Blackhole costs	591	485
Contract liability	160	-
Accrued expenses	35	-
Provisions	79	-
Unrealised foreign exchange losses	-	21
	1,450	968
Liabilities:		
Contract liability	-	(27)
Consumables	(994)	(105)
Property, plant and equipment	(327)	-
	(1,321)	(212)
Net deferred tax asset	**129**	**836**

Note 8: Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	7,293	1,994
	7,293	**1,994**

Balances as above

	2019 $'000	2018 $'000
Cash at bank and on hand	7,293	1,994
Balance as per statement of cash flows	7,293	1,994

The Group's exposure to interest rate risk, credit risk and foreign currency risk is discussed in note 27.

Note 9: Trade and Other Receivables

	2019 $'000	2018 $'000
CURRENT		
Trade and other receivables	8,626	9,221
Provision for loss allowance	(263)	-
	8,363	9,221
Other receivables		
Related party receivables	-	1,940
Total current trade and other receivables	**8,363**	**11,161**
NON-CURRENT		
Related party receivables[1]	1,928	-
Total non-current trade and other receivables	**1,928**	-
Total current and non-current trade and other receivables	**10,291**	**11,161**

1. *Loan Receivable is secured over shares held by KMP.*

Trade and other receivables are generally due for settlement in 30 days and therefore are all classified as current. The Group's loss allowance review and other accounting policies for trade and other receivables are outlined in note 2 - Use of Critical Accounting Judgements, Estimates and Assumptions (iii) and note 3, respectively.

Further information relating to related party receivables is set out in note 23.

Due to the short term nature of the current receivables, the carrying amount is assumed to be the same as their fair value.

Information about the loss allowance of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk and trade and other receivables past due but not impaired can be found in note 3 and note 27.

Note 10: Contract Assets

	2019 $'000	2018 $'000
CURRENT		
BOO	1,043	-
MOM/EPC	567	-
	1,610	-
Total contract assets	**1,610**	**-**

Contract assets include construction work in progress unbilled relating to EPC contracts $0.8m for Tanami and $0.2m for Ok Tedi and Jundee.

Note 11: Other Assets

	2019 $'000	2018 $'000
CURRENT		
Pre-paid expense & insurance	752	783
Deferred establishment costs	326	345
Total other current assets	**1,078**	**1,128**
NON-CURRENT		
Deferred establishment costs	1,682	1,353
Maintenance reserve fund [1]	1,200	550
Total other non-current assets	**2,882**	**1,903**

1. *Balance at bank as maintenance reserve fund under equipment finance lease arrangement. The Group's exposure to credit risk is discussed in note 27.*

Note 12: Inventories

	2019 $'000	2018 $'000
CURRENT		
At cost:		
Work in progress	-	1,709
Finished goods	6,962	977
	6,962	2,686
Total inventories	**6,962**	**2,686**

Inventories recognised as an expense during the year ended 30 June 2019 amounted to $1.620 million (30 June 2018: $0.270 million). There were no write downs of inventories during the year (30 June 2018: $nil).

Note 13: Property, Plant and Equipment

	2019 $'000	2018 $'000
Plant and Equipment		
At cost:	2,303	2,379
Accumulated depreciation	(1,305)	(1,273)
	998	1,106
Power Generation Assets		
At cost:	130,863	66,998
Accumulated depreciation	(15,015)	(9,040)
	115,848	57,958
Capital Works in Progress		
At cost:	31,300	16,880
Total Property, Plant and Equipment	**148,146**	**75,944**

a) Leased Assets

Plant and equipment and power generation assets includes the following amounts where the Group is a lessee under a finance lease or hire purchase agreement.

Total carrying amount	11,959	12,896

b) Assets pledged as security

The Group's Financiers have general security over the Group's assets apart from SPV's with leasing arrangements, as detailed above. Refer to note 16 for additional details.

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 current financial year:

	Plant and Equipment	Power Generation Assets	Capital Work in Progress	Total
	$'000	$'000	$'000	$'000
Group				
Balance at 1 July 2017	838	36,912	1,676	39,426
Additions	427	1,306	38,650	40,383
Disposals	(9)	(48)	-	(57)
Depreciation expense	(150)	(3,658)	-	(3,808)
Balance at 30 June 2018	**1,106**	**57,958**	**16,880**	**75,944**
Additions	356	86	79,899	80,340
Disposals	(283)	(322)	(326)	(931)
Transfers	-	65,153	(65,153)	-
Depreciation expense	(181)	(7,027)	-	(7,208)
Balance at 30 June 2019	**998**	**115,848**	**31,300**	**148,146**

Note 14: Trade and Other Payables

	2019 $'000	2018 $'000
CURRENT		
Unsecured liabilities:		
Trade payables	1,697	4,619
Sundry payables	747	356
Accrued expenses and wages	3,895	2,699
Total current trade and other payables	**6,339**	**7,674**

Trade and other payables represent liabilities for goods and services provided to the Group prior to year-end which are unpaid. These amounts are unsecured and have 30-60 day payment terms. These amounts are non-interest bearing.

The Group does not currently have any significant exposure to foreign currency and liquidity risk related to trade and other payables. Refer to note 27 for further information on the Group's financial risk management policy.

Note 15: Contract Liability

	2019 $'000	2018 $'000
CURRENT		
Contract Liability	805	812
NON-CURRENT		
Contract Liability	1,971	2,105
Total current and non-current contract liability	**2,776**	**2,917**

Contract liability consists of two contracts where the client has chosen to make prepayments against their relevant PPA. The amount is being unwound each month over the life of the contracts and is recognised as revenue in the financial period when the customer has received the goods and service under the PPA.

Note 16: Borrowings

	2019 $'000	2018 $'000
CURRENT		
Secured borrowings:		
Lease liabilities	1,559	1,563
CBA facility	14,246	5,355
FIIG Fixed Rate Bonds	4,589	-
Unsecured borrowings:		
Premium funding	232	487
Total current borrowings	**20,626**	**7,405**
NON-CURRENT		
Secured borrowings:		
Lease liabilities	7,415	8,907
CBA facility	35,080	21,822
FIIG Fixed Rate Bonds	32,925	-
Total secured non-current borrowings	**75,420**	**30,729**

Note 16: Borrowings (continued)

a) Lease liabilities

The hire purchase and finance lease liabilities are secured by the rights to the asset in the event of a default. The carrying value of the assets pledged as security is $11.959 million (30 June 2018: $12.896 million). Refer to note 13 for additional details.

Currently, hire purchase liabilities relates to a small number of company vehicles, all more than 12 months into their contract term.

b) Risk exposures

Details of the Group's exposure to risks on borrowings are set out on note 27.

c) Fair value

For the majority of borrowings, the fair values are not materially different to their carrying values, since the interest payable on these borrowings are either close to current market rates, or the borrowings are relatively short-term nature. Material differences are identified only for the following borrowings:

	2019 Carrying amount $'000	2019 Fair value $'000	2018 Carrying amount $'000	2018 Fair value $'000
CBA facility	49,326	44,418	27,177	24,390
FIIG Fixed Rate Bonds	38,800	31,389	-	-
Total	**88,126**	**75,807**	**27,177**	**24,390**

The fair value of non-current borrowing is based on discounted cash flows using a current borrowing rate.

d) Compliance with borrowing covenants

The Group has complied with the financial and non-financial covenants of its borrowing facilities during the 2019 and 2018 reporting years.

e) Unutilised borrowing facilities

Group borrowing facilities have unutilised amounts of $30.673 million (30 June 2018: $10.306 million). Refer to note 27 for additional details.

In August 2018 the FIIG note facility was completed to facilitate the construction and completion of the Tanami power station. CBA facilities were also extended during the year to fund ongoing and future project works.

Note 17: Provisions

	2019 $'000	2018 $'000
CURRENT		
Employee provisions	1,560	1,398
NON-CURRENT		
Employee provisions	288	161
Total provisions for employee benefits	**1,848**	**1,559**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. However, based on past experiences, the Group does not expect all employees to take the full amount of accrued leave or require payment with the next 12 months. The amount of leave that is not expected to be taken or paid within the next 12 months is $0.785 million (30 June 2018: $0.780 million).

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 18: Contributed Equity

	2019 Shares '000	2018 Shares '000	2019 $'000	2018 $'000
Ordinary shares	137,827	98,000	48,434	26,109
Total share capital	**137,827**	**98,000**	**48,434**	**26,109**

Details	**Number of shares '000**	**Total $'000**
Opening balance on 1 July 2017	98,000	26,109
Shares issued	-	-
Closing Balance 30 June 2018	**98,000**	**26,109**
Shares issued	39,827	23,100
Less: Transaction costs arising on share issues	-	(1,107)
Deferred tax credit recognised directly in equity	-	332
Closing Balance 30 June 2019	**137,827**	**48,434**

Ordinary shares

On the show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

Note 19: Retained Earnings and Other Reserves

Retained Earnings

Movements in retained earnings were as follows:

	2019 $'000	2018 $'000
Opening balance	18,407	9,934
Change in accounting policy (note 2)	(366)	-
Restated balance	18,041	9,934
Net profit for the year attributable to members	5,814	8,473
Dividends paid to members (note 21)	-	-
Closing balance	**23,855**	**18,407**

Other Reserves

	2019 $'000	2018 $'000
Share-based payment reserve		
Opening balance	40	5
Performance rights issued (note 26)	57	35
Closing balance	**97**	**40**

Nature and purpose of other reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of performance rights granted to employees and Directors.

Note 20: Earnings per Share

The following reflects the earnings and share data used in the calculations of basic and diluted earnings per share after tax attributable to member of the Company.

	2019 $'000	2018 $'000
Profit after tax from continuing operations	5,814	8,473
	5,814	8,473

	2019 Number	2018 Number
Weighted average number of shares	100,300,770	98,000,000
Effect of dilution[1]	126,000	42,000
Weighted average number of shares adjusted for effect of dilution	**100,426,770**	**98,042,000**

1. *Performance rights which have vested as at 30 June 2019 to the Group's Non-executive Director (refer to note 26).*

	2019 Cents	2018 Cents
Basic earnings per share	5.80	8.65
Diluted earnings per share	5.79	8.64

Note 21: Dividends

(a) Dividends paid or payable

The Directors have not recommended the payment of a dividend in respect to the year ended 30 June 2019 (30 June 2018: $nil).

(b) Dividends not recognised at year end

The Directors have determined to not declare a dividend for the financial year ended 30 June 2019 (30 June 2018: $nil).

(c) Franking Credits

	2019 $'000	2018 $'000
Franking credits available at the reporting date based on a tax rate of 30% (2018: 30%):	6,629	5,071
	6,629	5,071

The above available amounts are based on the balance of the franking account at year-end. Franking credits will arise from the payment of the current tax liabilities.

Note 22: Key Management Personnel Compensation

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel ("KMP") for the year ended 30 June 2019 and 30 June 2018.

The totals of remuneration to KMP of the company and the Group are as follows:

	2019	2018
	$	$
Short-term employment benefits[1]	2,900,339	2,921,576
Post-employment benefits	167,034	167,134
Other long-term benefits	36,876	45,535
Share-based payments	984,989	233,734
Total KMP compensation	**4,089,238**	**3,367,979**

1. For the year ended 30 June 2019, the Board permitted the FY2018 LTI award to be paid in cash to facilitate the participation of the KMP in the Company's $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI will be subject to a Deed which results in the relevant shares being placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a proportional basis, and are subject to forfeiture and buy back if the relevant employee leaves the Company prior to those dates. This process effectively facilitates the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMPs, subject to the 3-year escrow period.

These amounts include fees and benefits paid to the executive Chair and Non-executive Directors as well as all salary, paid leave benefits, termination benefits, performance-based and other benefits relating to interest free loans awarded to executive Directors and other KMP.

Post-employment benefits

These amounts are the current year's costs of providing for superannuation contributions made during the year and termination benefits.

Other long-term benefits

These amounts represent long service leave benefits accrued during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the performance rights on grant date. Refer to note 26 for additional details.

Note 23: Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

Entities exercising control over the Group:

- *The ultimate parent entity that exercises control over the Group is Zenith Energy Limited, which is incorporated in Australia. For interest in subsidiaries, refer to note 24.*

Key management personnel:

- *Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, are considered key management personnel.*
- *For details of disclosures relating to key management personnel, refer to note 22.*

Entities subject to significant influence by the Group:

- *An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. Zenith Energy Limited does not have any entities in which it exerts significant influence over.*

Other related parties:

- *Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control. Zenith Energy Limited does not have any entities in which it exerts joint control.*

Note 23: Related Party Transactions (continued)

Related Parties (continued)

(b) Transactions with related parties

- *The Company leases its Cairns office premises from Pacific Synergy Pty Ltd ATF for Pacific Synergy Unit Trust (Pacific Synergy), an entity controlled by Mr W Walker and Mr G Great. The lease is on standard tenancy terms, with $138,000 (ex GST) per annum in rent and no fixed term. The tenancy ended on 5 July 2019.*
- *The Company leases an apartment in West Perth for the benefit of its travelling employees. This lease is on standard tenancy terms through a third-party property manager, with $28,679 (ex GST) per annum in rent and a one-year term (lease term expires June 2020). The property is owned by an associate of Executive Chairman Mr W Walker.*
- *The Company leases a warehouse facility on Catalano Rd in Canning Vale from Enertech Pty Ltd ATF Baywest Property Trust, an entity controlled by Mr W Walker. The lease is on standard tenancy terms, with $54,000 (ex GST) per annum in rent and no fixed term.*

(c) Loans to/from related parties

Loans to key management personnel

	2019	2018
	$	**$**
Balance at beginning of the year	1,939,690	1,877,616
Fair value adjustment [1]	(171,003)	(159,409)
Interest income [2]	159,409	221,483
Balance at end of year	**1,928,096**	**1,939,690**

1. *The loans advanced are interest free and repayable on 1 July 2020. The difference between the fair value of the loans (discounted based on a market rate of 8.5%) and the face value of the loans has been recognised during the year as an employee benefit. Total face value of the loans is $2,099,100.*
2. *Interest income represents the unwinding of the loan to its face value from the date of issue to 30 June 2019.*

Terms and conditions

- *Following completion of the common control transaction, on 7 November 2016 loans were provided to Mr H Moffat and Mr G Cooper to fund the issue of 2,400,000 and 4,800,000 ordinary shares respectively in Zenith Energy Limited. The loans are interest free and repayment is due 1 July 2020.*
- *The shares issued are under disposal restriction until the loans are fully repaid.*

(d) Guarantees by related parties

As at 30 June 2019 no personal guarantees given by any related party on or behalf of the Group.

Note 24: Interests in Subsidiaries

Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2019 (%)	2018 (%)
Zenith Pacific Pty Ltd	Australia	100%	100%
Zenith Pacific (Kundana) Pty Ltd	Australia	100%	100%
Zenith Pacific (NOVA-PV) Pty Ltd	Australia	100%	100%
Zenith Pacific (JUN) Pty Ltd	Australia	100%	100%
Zenith Pacific (SLR) Pty Ltd	Australia	100%	100%
Zenith Pacific (SIR) Pty Ltd	Australia	100%	100%
Zenith Pacific (BWI) Pty Ltd	Australia	100%	100%
Zenith Pacific (NSR) Pty Ltd	Australia	100%	100%
Zenith Micro-Grid Pty Ltd	Australia	100%	100%
Zenith Pacific (HCM) Pty Ltd	Australia	100%	100%
Zenith Pacific (JPT) Pty Ltd	Australia	100%	100%
Zenith Pacific (DGA) Pty Ltd	Australia	100%	100%
Zenith Pacific (DBS-GTS) Pty Ltd	Australia	100%	100%
Zenith Pacific (KLK) Pty Ltd[1]	Australia	100%	0%
Zenith Pacific (KRW) Pty Ltd[1] (Dormant)	Australia	100%	0%

1. Entities were registered on the 18 December 2018.

Note 25: Cash Flow Information

	2019 $'000	2018 $'000
Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	5,814	8,473
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
– Depreciation and amortisation	7,208	3,808
– Non-cash movement in Directors' and KMP loans	(11)	(62)
– Non-cash movement in reserves & doubtful debts	125	-
– Loss on disposal of property, plant and equipment	924	42
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (Increase) in trade and term receivables	3,061	(5,440)
– (Increase) in other assets	(3,817)	(510)
– (Increase)/Decrease in inventories	-	(2,037)
– Increase/(Decrease) in trade payables and accruals	(1,367)	1,412
– Increase/(Decrease) in income taxes payable	(1,107)	2,047
– (Decrease)/Increase in contract liabilities	(141)	(1,004)
– (Decrease)/Increase in borrowings	1,292	-
– Increase in provisions	289	163
	12,270	6,892

Note 25: Cash Flow Information (continued)

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	2018	**Net cash flows**	**Acquisition**	**Foreign Exchange Movements**	**Fair value changes**	**Other changes**	**2019**
Balances	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	10,470	(1,496)	-	-	-	-	8,974
CBA facility	27,177	22,149	-	-	-	-	49,326
FIIG Fixed Rate Bonds	-	37,347	-	-	-	167	37,514
Premium funding	487	(255)	-	-	-	-	232
Total	**38,134**	**57,745**	**-**	**-**	**-**	**167**	**96,046**

			Non-cash changes				
	2017	**Net cash flows**	**Acquisition**	**Foreign Exchange Movements**	**Fair value changes**	**Other changes**	**2018**
Balances	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	13,276	(2,806)	-	-	-	-	10,470
CBA facility	11,232	15,945	-	-	-	-	27,177
Premium funding	-	487	-	-	-	-	487
Total	**24,508**	**13,626**	**-**	**-**	**-**	**-**	**38,134**

Note 26: 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.

Note 26: Share-based Payments (continued)

Recognised share-based payment transactions - Performance Rights (continued)

The terms and conditions of these performance rights affecting remuneration in the current or a future reporting year are table below.

KMP	Number issued	Grant date	Exercise price	Vesting date	Share price on grant date	Fair value per performance right	Total fair value ($)
P Torre	42,000[3]	07 Mar 2019	Nil	06 Mar 2020	$0.70	$0.70	29,400
D Riekie	42,000[3]	22 Mar 2019	Nil	21 Mar 2020	$0.64	$0.64	26,880

Former KMP	Number issued	Grant date	Exercise price	Vesting date	Share price on grant date	Fair value per performance right	Total fair value ($)
D Smith	42,000[2]	30 Mar 2017	Nil	29 Mar 2018	$0.50	$0.50[1]	21,000
D Smith	42,000[2]	30 Mar 2018	Nil	29 Mar 2019	$0.71	$0.71	29,820
S Unwin	42,000[2]	11 Sep 2017	Nil	10 Sep 2018	$0.71	$0.71	29,820
S Unwin	42,000[4]	11 Sep 2018	Nil	10 Sep 2019	$0.71	$0.71	29,820

1. *The fair value on grant date is by reference to the Company's initial public offering price ("IPO"), being $0.50/share.*
2. *All rights are vested at 30 June 2019.*
3. *Subject to shareholder approval at the company's 2019 Annual General Meeting.*
4. *Ms S Unwin resigned on 7 February 2019. All unvested rights have been forfeited following resignation.*

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 year in relation to the performance rights issued was $56,779 (30 June 2018: $35,079). This expense represents the total fair value of the rights issued apportioned over the vesting period. This amount has been included in Employee expenses in the statement of profit or loss.

Share based payment transaction – Long term incentives ("LTIs")

During the year ended 30 June 2019 and 2018, key management personnel were eligible for Performance-based incentives bonuses based on the satisfaction of the predetermined performance criteria, as disclosed in the Remuneration report. Under Zenith Energy Limited's remuneration policy, key management personnel are eligible between 51% - 56% of their total fixed remuneration (TFR), dependant on their Executive role, for the LTI plan.

The LTI vesting period commences on the 1 July, following the year of eligibility and is subject to a three-year service condition, which correlates to the recognition of the share-based payment expense. The LTI will be settled in shares of the company over a three-year vesting period, or paid in cash at the discretion of the Board, with the same three-year vesting period applied.

For the year ended 30 June 2019, the LTI award is yet to be determined by the Remuneration and Nomination Committee. As and when this has been determined, no shares purchased under that LTI Plan will occur until the subsequent financial year. Accordingly, no share-based payment expense has been recognised in respect of the current year LTI plan.

For the year ended 30 June 2019, the FY2018 LTI award ($0.92m) was paid in cash to facilitate the participation of the KMP in the Company's $25m Share Placement which was undertaken in June 2019. Each of Mr Doug Walker, Mr Hamish Moffat and Ms Rebecca Stringer-Krein used all of those incentive payments to subscribe for shares in the Company. In line with the remaining 2-year vesting condition on those LTI awards, the relevant shares to the value of the LTI have been placed in voluntary escrow until 30 June 2020 and 30 June 2021 on a one third basis respectively, and are subject to forfeiture if the relevant employee leaves the Company prior to those dates. This process effectively facilitated the same outcome as intended under the LTI Plan which provides for the Company to purchase shares on market and issue to the respective KMP's

Note 27: Financial Risk Management

The Group's principal financial instruments comprise cash and short-term deposits. In addition, the Group has trade receivables, trade payables and borrowings arising directly out of its operations. Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement depending upon the nature and materiality of the matter being dealt with.

The Board as a whole guide and monitors the business and affairs of Zenith Energy Limited. The Board has also constituted an Audit and Risk Management Committee, which oversees various aspects of the financial risks of the Group.

The totals for each category of financial instruments, measured in accordance with the accounting policies to these financial statements are as follows:

	2019	2018
	$'000	$'000
Financial assets		
Cash and cash equivalents	7,293	1,994
Trade and other receivables	8,363	9,221
Contract assets	1,610	-
Related party loan receivables	1,928	1,940
Maintenance reserve fund	1,200	550
	20,394	**13,705**
Financial liabilities		
Trade and other payables	6,339	7,674
Borrowings	96,046	38,134
	102,385	**45,808**

The carrying amounts of assets pledged as security against borrowings are reflected in note 13.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are market risk consisting of interest rate risk and foreign currency risk, credit risk and liquidity risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Market risk

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the assets and liabilities bearing variable interest rates. The Group does not engage in any hedging or derivative transactions to manage interest rate risk. Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2019, approximately 49% of Group debt is fixed rate (30 June 2018: 29%).

During 2018 and 2019, the Group's borrowings were denoted in Australian dollars.

The following table reflects the net debt position subject to variable interest rate risk, and sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the interest rate variable that management considers reasonably possible.

Note 27: Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(a) Market risk (continued)

Interest rate risk (continued)

30 June 2019

	Weighted average interest rate	Carrying value	Profit (before tax) + 2%	Equity (before tax) + 2%	Profit (before tax) -2%	Equity (before tax) -2%
		$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	0.33%	7,293	146	-	(146)	-
Financial liabilities						
CBA facility	4.18%	(49,326)	(987)	-	987	-

30 June 2018

	Weighted average interest rate	Carrying value	Profit (before tax) + 2%	Equity (before tax) + 2%	Profit (before tax) -2%	Equity (before tax) -2%
		$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	0.15%	1,994	40	-	(3)	-
Financial liabilities						
CBA facility	5.16%	(27,177)	(544)	-	544	-

Foreign currency risk

The Group is not currently exposed to significant foreign exchange risk arising from the foreign currency risk exposure. Majority of the Group's transactions are denoted in Australian dollars.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Trade receivables and contract assets

The Group has adopted the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract asset relates to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

Note 27: Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(b) Credit risk (continued)

Trade receivables and contract assets (continued)

The expected loss rates are based on the payment profiles of contracts and corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2019 was determined as follows for both trade receivables and contract assets. As at 1 July 2018 (transition date of AASB 9), the expected credit loss was calculated as nil. In addition, no contract asset balances were recognised as at 1 July 2018.

30 June 2019	**Current**	**More than 30 days past due**	**More than 60 days past due[1]**	**Total**
Expected loss rate	0%	0%	100%	
Gross carrying amount – trade receivables	8,363	-	263	8,626
Gross carrying amount – contract assets	1,610	-	-	1,610
Loss allowance	**-**	**-**	**263**	**263**

1. *Balance relates to amounts owing from Gascoyne Resources Limited prior to the appointment of the external administrator. As a result, the Group have recognised a loss allowance for the full balance, however a determination on any distribution from the formal administration process may be made in the future.*

Related party receivables

The Group's related party receivables to Directors/KMP are subject to collateral over ordinary shares in Zenith Energy limited held by each respective Director/KMP. These shares are held in escrow and have registered trading locks in place. As at 30 June 2019, the fair value of the ordinary shares exceeded the face value of the related receivables, and as a result the expected credit loss recognised on this balance is nil (30 June 2018:$nil).

The Group's credit risk on liquid funds is limited because the counterparties are with banks with a minimum credit rating of –AA, as assigned by reputable credit rating agencies. At reporting date, the Group's cash and cash equivalents were held with counterparties with credit ratings summarised below.

	2019 $'000	**2018 $'000**
Cash and cash equivalents		
-AA rated	7,293	1,994
	7,293	1,994

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- *preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;*
- *monitoring undrawn credit facilities;*
- *obtaining funding from a variety of sources;*
- *maintaining a reputable credit profile;*
- *managing credit risk related to financial assets;*
- *only investing surplus cash with major financial institutions; and*
- *comparing the maturity profile of financial liabilities with the realisation profile of financial assets.*

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 27: Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(c) Liquidity risk (continued)

	Within 1 year		1 - 5 years		Over 5 years		Total Carrying Value		Total Contractual Cash Flows	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	6,339	7,674	-	-	-	-	6,339	7,674	6,339	7,674
CBA Facility	14,246	5,355	35,080	21,822	-	-	49,326	27,177	56,273	27,177
FIIG Fixed Rate Bonds[1]	4,800	-	24,000	-	10,000	-	38,800	-	49,923	-
Premium funding	232	487	-	-	-	-	232	487	232	487
Lease liabilities	1,559	1,563	7,415	8,907	-	-	8,974	10,470	8,974	14,120
Total financial liabilities	**27,176**	**15,079**	**66,495**	**30,729**	**10,000**	**-**	**103,671**	**45,808**	**121,741**	**54,467**

1. Amount is gross of deferred establishment costs.

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

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

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, and in future could include distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio moves towards a consolidated overall gearing of ~50% debt funding, in line with market expectations. This will fluctuate between 50-70% when the Group is in the construction phase of new projects. The gearing ratios for the years ended 30 June 2019 and 30 June 2018 are as follows:

	2019	**2018**
	$'000	**$'000**
Total borrowings	96,046	38,134
Less cash and cash equivalents	7,293	1,994
Net debt	88,753	36,140
Total equity	72,386	44,556
Total capital	161,139	80,696
Gearing ratio	**55.1%**	**44.8%**

Note 28: Capital and Leasing Commitments

Capital expenditure commitments

Significant capital expenditure contracted at the end of the reporting period but not recognised as liabilities is as follows:

	2019 $'000	2018 $'000
Property, plant and equipment	-	-
Capital expenditure projects (Purchase orders raised but not received)	5,210	27,184
Total capital expenditure not recognised	**5,210**	**27,184**

Operating lease commitments

Non-cancellable operating lease rentals are payable

	2019 $'000	2018 $'000
Less than one year	318	338
Between one and five years	221	178
Later than five years	-	-
Total operating lease rentals	**539**	**516**

The 24 Brennan Way (Perth) property lease is a non-cancellable lease with a five-year (16 months remaining as at 30 June 2019 term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 3% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The 23 Brennan Way (Perth) property lease is a non-cancellable lease with a two-year term ending (16 months remaining as at 30 June 19), with rent payable six-monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by CPI factor. There are two twelve-month renewal options for the lease at the end of the initial two-year term.

Note 29: Contingent Liabilities and Contingent Assets

On 5 June 2019, Gascoyne Resources Limited ("GCY") advised the ASX that it had entered voluntary administration. Zenith Energy Limited provides energy to GCY at its Dalgaranga mine site under a PPA and recognises power station assets in relation to the PPA as at 30 June 2019.

Further to this, on 25 June 2019, Zenith Energy Limited advised ASX that the company had received purchase orders from the administrators, FTI Consulting for the period 1 July 2019 to 30 September 2019.

Subsequent to 30 September 2019, Zenith has a range of rights and options under the PPA. As at the date of this report, the Directors were not in a position to determine the likely outcome in relation to the available options under the PPA, and therefore it is not practical to estimate any reasonably expected costs which may be incurred at a future point in time.

In addition, Zenith Energy Limited has provided a loss allowance of $263,000 against trade receivables from GCY as at 30 June 2019. A determination on any distribution will be made in the future.

Note 30: Auditor's Remuneration

	2019 $'000	2018 $'000
Remuneration of the auditor for:		
- Auditing or reviewing the Financial Report	96,950	107,358
- Non audit services	76,340	70,224
	173,290	177,582

Note 31: Parent Entity Disclosures

	2019 $'000	2018 $'000
ASSETS		
Current assets	2,657	359
Non-current assets	35,976	20,708
TOTAL ASSETS	38,633	21,067
LIABILITIES		
Current liabilities	1,066	392
Non-current liabilities	30	11
TOTAL LIABILITIES	1,096	403
EQUITY		
Issued capital	48,314	25,989
Share based payment reserve	97	40
Retained earnings	(11,986)	(5,365)
TOTAL EQUITY	36,425	20,664
Statement of Profit or Loss and Other Comprehensive Income		
Total Loss	6,621	2,445
Total comprehensive loss	6,621	2,445

Commitments and contingent liabilities and assets

The parent entity has no contingent liabilities or assets and has not entered into any new contractual commitments to purchase property, plant or equipment at year-end (30 June 2018: $nil).

Note 32: 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.

i) On 19 July 2019, Zenith Energy Limited advised the ASX it had completed its 6MW BOO Power Plant Expansion at Northern Star Resources' Jundee Gold Mine. This uplifted increased the existing 19.2MW BOO capacity at Jundee to 25.2MW.

ii) On 26 July 2019, Zenith Energy Limited advised the ASX that it issued a total of 3,275,240 fully paid ordinary shares to Zenith Energy Limited Directors and Management at $0.58 per Share, to raise $1,899,639 (before costs) as part of Zenith Energy Limited's recent Placement. This issue was approved at the General Meeting held 25 June 2019.

iii) On 26 July 2019, 42,000 performance rights previously awarded to former Non-executive Director Mr Darren Smith, converted to fully paid ordinary shares.

iv) On 29 July 2019, Zenith Energy Limited advised the ASX that the term of its Manage Operate and Maintain (MOM) contract with Incitec Pivot's Phosphate Hill Project, was scheduled to come to completion on 17 August 2019.

v) On 2 August 2019, Zenith Energy Limited advised the ASX that it issued a total of 8,241,381 fully paid ordinary shares under the SPP Shortfall Placement to sophisticated and professional investors at $0.58 per Share, to raise $4,780,001 (before costs).

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

Note 33: Company Details

The registered office of the company is:

Zenith Energy Limited
24 Brennan Way
Belmont WA 6104

The principal place of business is:

24 Brennan Way
Belmont WA 6104

Directors' Declaration

The Directors of Zenith Energy Limited declare that, in their opinion:

1) the financial statements and notes, as set out on pages 63-103, are in accordance with the Corporations Act 2001 and:
   a) comply with Australian Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated Group;
2) in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3) the Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.
4) The remuneration disclosures set out in the Directors Report as part of the audited remuneration report comply with S300A of the Corporations Act 2001 for the year ended 30 June 2019.

Mr William (Doug) Walker

Executive Chairman

Dated: 27 September 2019

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the members of Zenith Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Zenith Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of property, plant and equipment

Key audit matter	*How the matter was addressed in our audit*
The Group's principle activity is to build, own, operate and maintain remote power plants for entities in the resources industry. As disclosed in Note 13, the carrying value of property, plant and equipment represents a significant asset of the Group. The Group's policy for accounting for property, plant and equipment and significant judgements applied are disclosed in Notes 2 and 3 of the financial report. The determination of the useful life of property, plant and equipment requires significant judgement. As a result, we considered it necessary to assess whether any facts or circumstances exist to suggest that property, plant and equipment may be impaired and/or that the assessment on expected useful life is appropriate. In addition, judgement is applied in determining the treatment of property, plant and equipment, in particular whether conditions for capitalisation are satisfied in accordance with the Australian Accounting Standards.	Our procedures included, but were not limited to: • Reconciling property, plant and equipment balances at 30 June 2019 to supporting fixed asset registers; • Performing a review of depreciation calculations of assets within property, plant and equipment; • Obtaining management's assessment of useful life and evaluating this assessment against expected factors such as physical wear and tear and expected usage of the asset; • Verifying, on a sample basis, property, plant and equipment capitalised during the year for compliance with the recognition and measurement criteria of the Australian Accounting Standards; • Reviewing and challenging management's assessment of whether any internal or external indicators of impairment existed as per AASB 136 *Impairment of Assets*; and • Assessing the adequacy of the related disclosures in Notes 2, 3 and 13 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 50 to 61 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Zenith Energy Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 27 September 2019

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 23 October 2019.

Twenty Largest Shareholders

Rank	Name	23 Oct 2019	%IC
1	ZANEA PTY LTD	22,440,000	15.93
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,364,700	15.16
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,614,170	13.92
4	ZERO NOMINEES PTY LTD	13,358,500	9.48
5	NATIONAL NOMINEES LIMITED	5,749,976	4.08
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,429,551	2.43
7	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	2,928,116	2.08
8	ZANEA PTY LTD	1,913,793	1.36
9	CITICORP NOMINEES PTY LIMITED	1,703,679	1.21
10	BRISPOT NOMINEES PTY LTD	1,239,658	0.88
11	BNP PARIBAS NOMINEES PTY LTD	1,225,000	0.87
12	CS FOURTH NOMINEES PTY LIMITED	1,017,129	0.72
13	MR HAMISH ROBERT MOFFAT & MRS SUSAN CASSANDRA MOFFAT	1,000,000	0.71
14	ENERTECH PTY LTD	913,793	0.65
15	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	886,191	0.63
16	NEWECONOMY COM AU NOMINEES PTY LIMITED	840,926	0.60
17	TT NICHOLLS PTY LTD	700,000	0.50
18	CS THIRD NOMINEES PTY LIMITED	677,631	0.48
19	PRECISION OPPORTUNITIES FUND LTD	642,585	0.46
20	UBS NOMINEES PTY LTD	632,649	0.45
	Total	**102,278,047**	**72.59**
	Balance of register	**38,611,971**	**27.41**
	Grand total	**140,890,018**	**100.00**

Holding distribution

	23 Oct 2019			
Range	**Securities**	**%**	**No. of holders**	**%**
100,001 and Over	117,340,989	83.29	95	6.83
10,001 to 100,000	20,542,487	14.58	573	41.22
5,001 to 10,000	1,822,381	1.29	217	15.61
1,001 to 5,000	1,076,391	0.76	347	24.96
1 to 1,000	107,770	0.08	158	11.37
Total	**140,890,018**	**100.00**	**1,390**	**100.00**
Unmarketable Parcels	38,388	0.03	86	6.19

Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 86.

Voting Rights
Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held. Performance Right holders have the right to attend meetings but have no voting rights until the rights convert to ordinary shares.

Substantial shareholders

The following shareholders are considered substantial shareholders:

Zanea Pty Ltd / Mr Doug Walker	2.90% of the issued ordinary shares
Mr William Walker	16.91% of the issued ordinary shares
Pendal MicroCap Opportunities Fund	7.85% of the issued ordinary shares
Moelis Australia Asset Mgt	7.23% of the issued ordinary shares
Ozgrowth	6.02% of the issued ordinary shares

Restricted securities

There are no restricted securities

Share buy backs

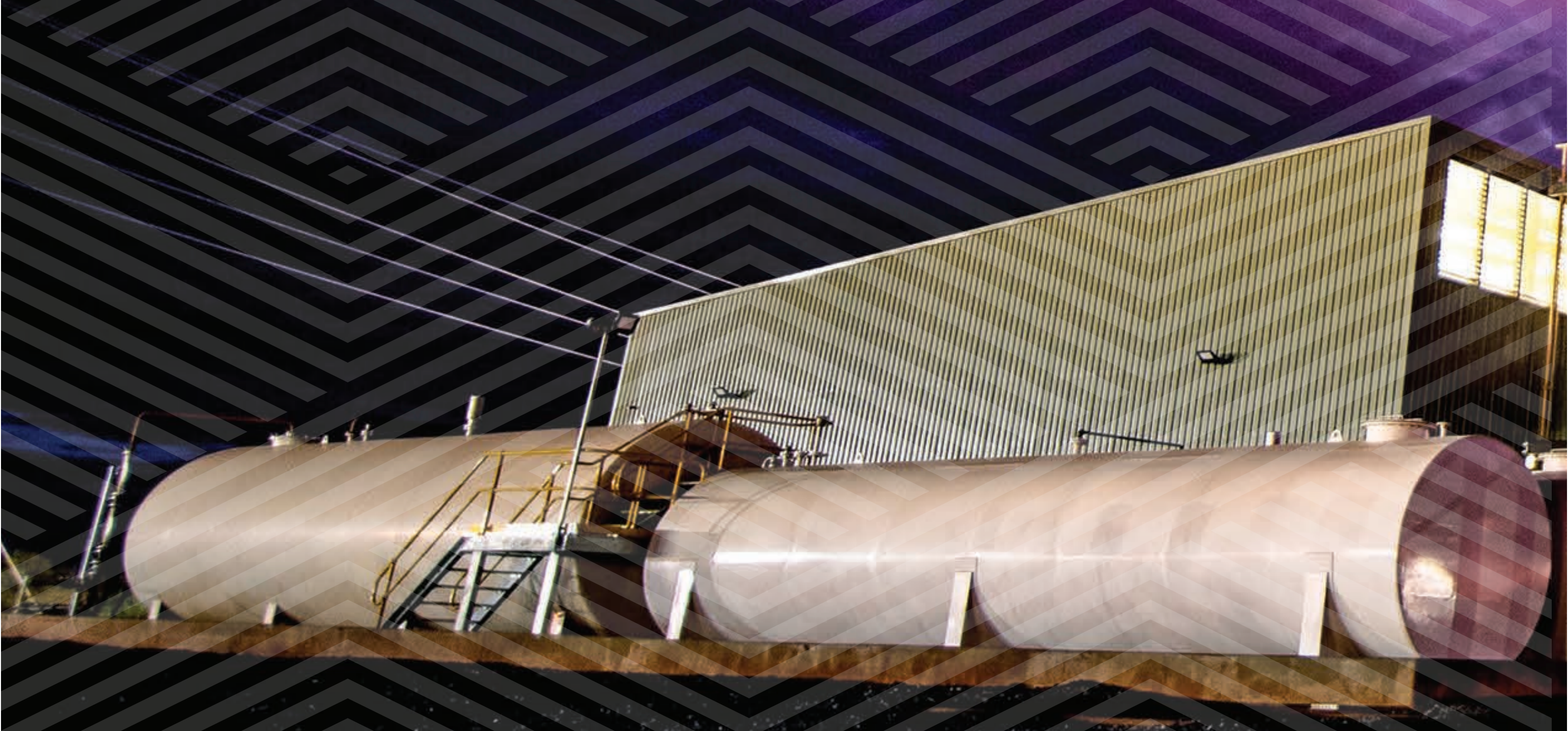
There is no current on market share buyback.

Corporate Governance

The Company's Corporate Governance Statement can be reviewed on the Zenith Energy Ltd website at www.zenithenergyltd.com.

Nova Power Station (Independence Group)

Power Solutions. No Boundaries.



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ZENITH ENERGY