ZENITH ENERGY

Appendix 4D - Half Year Report

Company Details

Name of Entity:	ZENITH ENERGY LIMITED
ABN:	ACN 615 682 203
Reporting period:	Half-year ended 31 December 2019
Previous corresponding period:	Half-year ended 31 December 2018

Results for announcement to the market

	Half Year ended			
	31 December 2019	**31 December 2018**	**Up/(Down)**	**Movement**
	A$'000	**A$'000**	**A$'000**	**%**
Total revenue from continuing operations	29,221	22,658	6,563	29%
Net Profit from continuing operations after tax	3,359	2,566	793	31%
Net Profit for the period attributable to members	3,359	2,566	793	31%

Commentary

The directors report accompanying this half-year report contains a review of operations and commentary on the results for the period ended 31 December 2019.

Net tangible assets per share

	31 December 2019	**30 June 2019**
Net tangible assets per share (cents)	**54.97**	**47.74**

Dividends

There is no proposal to pay dividends for the half year ended 31 December 2019.

Issued by: Zenith Energy Limited ACN 615 682 203 www.zenithenergyltd.com

Authorised by: the Zenith Energy Board of Directors

Hamish Moffat
Managing Director
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ZENITH ENERGY LIMITED

(ACN 615 682 203)

AND ITS CONTROLLED ENTITIES

31 DECEMBER 2019

HALF YEAR FINANCIAL REPORT

CONTENTS

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to herein as the Group or the Consolidated Group) consisting of Zenith Energy Limited (referred to herein as Zenith or the parent entity) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Zenith Energy Limited during the whole of the financial half-year up to the date of this report, unless otherwise stated:

William Douglas Walker	Executive Chairman
Hamish Moffat	Managing Director
David Riekie	Non-Executive Director
Peter Torre	Non-Executive Director

Dividends Paid or Recommended

No dividends have been paid or declared by the Group since the end of the previous financial period. No dividend is recommended in respect of the current financial period.

Principal Activities

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

Zenith operates two separate streams of material revenues. The first, the Build, Own, Operate (BOO) model, involves building power stations on client sites (generally remote resources sites), and then selling electricity through a Power Purchase Agreement (PPA) with a typical contract term of five to 10 years. BOO Contracts and PPAs form the basis of Zenith's Special Purpose Vehicle (SPV) subsidiary companies. The second revenue stream is the Manage, Operate, Maintain (MOM) model pursuant to which Zenith manages, operates and maintains its client's assets on their sites, in exchange for an operational management fee. While Zenith also occasionally undertakes contracts for its clients on an Engineering, Procurement and Construction (EPC) basis, the Group's focus is on continuing to build its BOO portfolio.

Review of operations

Financial Performance

Results:

The Consolidated Group net profit after tax for the half-year ended 31 December 2019 was $3.4 million, compared to net profit after tax of $2.6 million for the half-year ended 31 December 2018. The key financial metrics for the financial half-year are set out below:

	31 Dec 2019	31 Dec 2018	Movement
Revenue ($m)	29.4	22.9	28.4%
EBITDA ($m)	14.8	8.5	74.1%
EBITDA margin (%)	*50.4*	*37.0*	36.2%
Net Profit after Tax ($m)	3.4	2.6	30.9%

Financial Performance (continued)

The improved EBITDA result, and EBITDA margin underlines the strength in Zenith's strategy to grow the BOO component of its business model. In particular the strong recovery in EBITDA margin reflects the significant leverage available to Zenith as its portfolio of newly constructed power generation assets become operational over a full year. As at 31 December 2019 Zenith had 384 MW of power generation assets under contract throughout Australia and PNG.

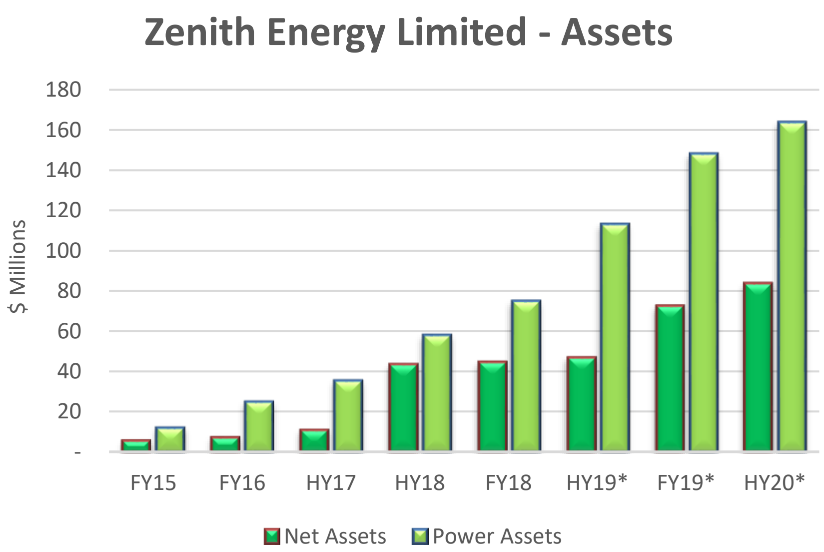
During the financial half-year Zenith expanded its power generation portfolio by approximately 44.1 MW with new power stations completed at Nova (26.6 MW), Kirkalocka (14.5 MW) and a 3.0 MW expansion at Jundee. BOO projects typically take six to twelve months to construct, commission, and start producing revenues and contribution to the Group. The increase in EBITDA reflects the strong growth in power generation assets built over the past six months.

Despite the strong revenue and earnings growth, Zenith has maintained its operating cost base at $14.6 million (49.6 per cent of revenue) compared to $14.4 million (62.9 per cent) in the previous corresponding period. Finance costs increased in line with the increase in financial debt while depreciation also increased to $6.0 million (31 December 2018 : $2.8 million) following the strong capital spend in FY19.

Financial position:

Zenith completed a $4.78 million capital raising in August 2019 which contributed to the Company maintaining its strong balance sheet position. Net assets increased to $82.1 million (31 December 2018 : $72.4 million) while financial debt increased to $100.5 million (31 December 2018 : $96.0 million). The Group's principal debt metric (Net Debt : Debt plus Equity) was stable at 54.8 per cent (31 December 2018 : 63.2 per cent). Trade working capital also increased to $13.5 million (31 December 2018 : $9.0 million), primarily driven by higher inventory levels required to support the growth in power generation assets.

The Group has increased its power generation assets to $163.6 million for the half year ended 31 December 2019 (31 December 2018: $113.0 million) which equates to a 66.7 per cent compound annual growth rate in power station assets over the past three years, as can be seen in the chart below.

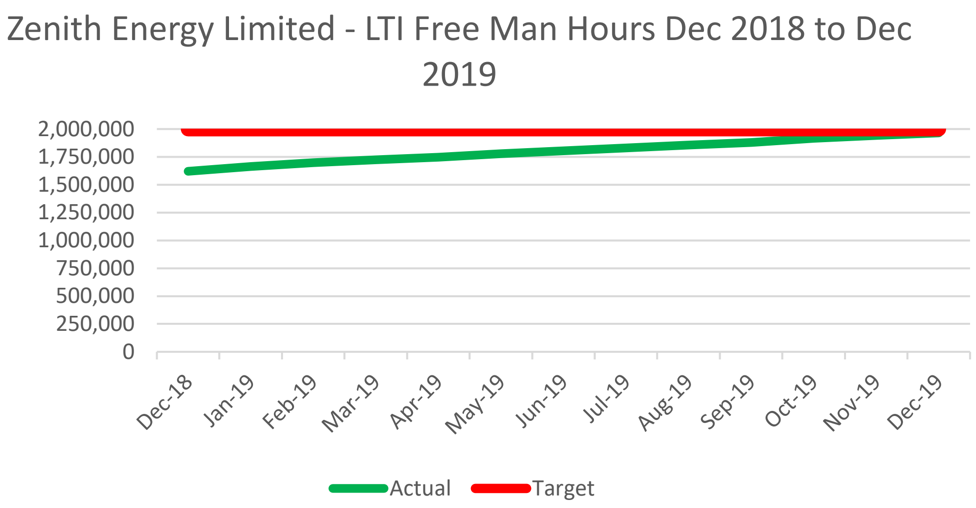


**including Power Station Capital Work in Progress*

Following record levels of investment in new power generating assets in FY19, capital expenditure moderated in this financial half-year with Zenith recording $21.9 million (31 December 2018: $41.2 million) in total capital expenditure. Forecast capital expenditure for the balance of FY20 is approximately $10.1 million in order to complete the Barrow Island upgrade, Jundee upgrade and Daisy Milano expansion projects.

Operational Performance

As at 31 December 2019 the Group had achieved 1,965,340 working hours without recording a Lost Time Injury (LTI) incident and is well placed to achieve the two million working hours LTI free milestone in February 2020. This equates to over ten years of operation without any significant or lost-time injury which is a credit to the Group's dedicated employees and contractors.

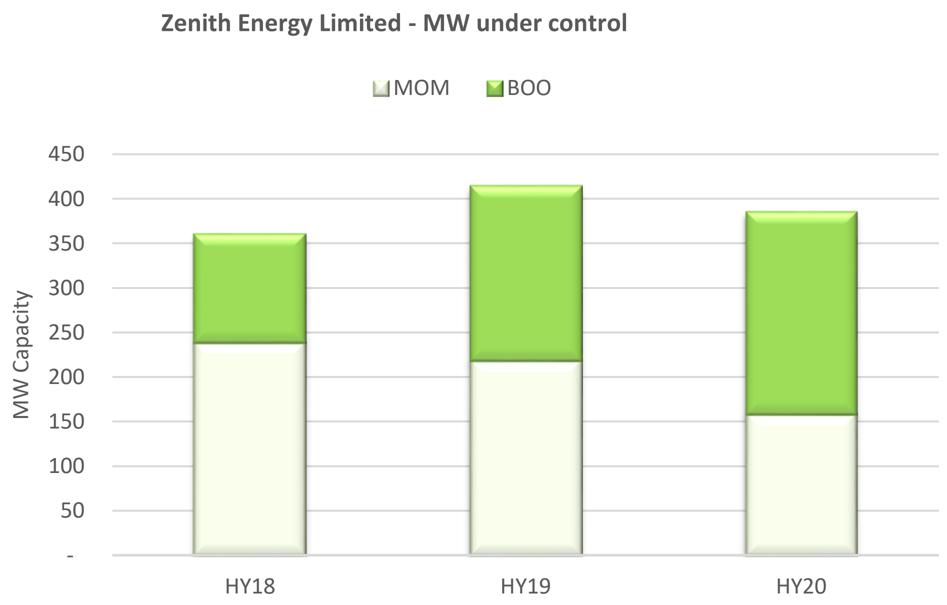


During the financial half-year Zenith continued to add new power generation capacity under its BOO model including:

- Addition of 3.0 MW capacity (increasing total site capacity to 25.2 MW) at Norther Star Resources' Jundee gold mine;
- Completion of a 14.5 MW gas fired power station at Adaman Resources' Kirkalocka gold mine; and
- Completion of 26.6 MW integrated solar PV-diesel power station for Independence Group's Nova nickel-copper-cobalt project.

In addition to this substantial increase in power generation assets, during the financial half-year Zenith also entered into PPAs for increased power generation capacity with Northern Star Resources, for an additional 3 MW at Jundee. Zenith is also continuing to complete the BOO project for Chevron Australia to upgrade the power generation assets at Barrow Island to 20 MW.

The Group ended the financial half-year with a total of 384 MW under its operational control, with 226 MW of that being BOO. For the corresponding period in 2018, the Group had 413 MW under its operational control, with 195 MW being BOO (as shown in the chart below).



DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2019 has been received and can be found on page 7 of the financial report.

Rounding of Amounts

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

Subsequent Events

- On 28 January 2020, Ms Rebecca Stringer-Krein resigned as Chief Financial Officer and Company Secretary of Zenith Energy Limited.

- On 28 January 2020, Mr Peter Tazewell was appointed as Chief Financial Officer and Company Secretary of Zenith Energy Limited.

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

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

Mr William (Doug) Walker
Executive Chairman

Dated: 10 February 2020

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

As lead auditor for the review of Zenith Energy Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 10 February 2020

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue	4(a)	29,221	22,658
Other income	4(b)	152	252
Total Income		**29,373**	**22,910**
Cost of sales		9,869	9,936
Employee expenses	5(b)	2,114	2,219
Insurance expenses		752	387
Occupancy expenses		117	256
Other expenses	5(c)	1,721	1,624
Total Expenses		**14,573**	**14,422**
Finance costs	5(a)	3,529	1,742
Depreciation and amortisation expense	10	5,986	2,801
(Gain) / Loss on disposal of assets		547	2
Profit before income tax		**4,738**	**3,943**
Income tax expense	6	1,379	1,377
Profit for the period after income tax		**3,359**	**2,566**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		-	-
Other comprehensive income/(loss) for the period		-	**-**
Total comprehensive income for the period		**3,359**	**2,566**
Earnings per share			
Basic earnings per share (cents)		2.28	2.62
Diluted earnings per share (cents)		**2.28**	**2.62**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		673	7,293
Trade and other receivables	7	12,231	8,363
Inventories	9	8,503	6,962
Current tax asset		2,310	991
Contract assets		2,258	1,610
Other assets		2,267	1,078
Total current assets		**28,242**	**26,297**
Non-current assets			
Property, plant and equipment	10	163,616	148,146
Right of use assets	11	624	-
Deferred tax assets		21	129
Intangible assets		13	13
Other receivables	7	-	1,928
Other assets		1,483	2,882
Total non-current assets		**165,757**	**153,098**
Total assets		**193,999**	**179,395**
Liabilities			
Current liabilities			
Trade and other payables	12	5,856	6,339
Borrowings	14	18,608	20,626
Current tax liabilities		-	-
Contract Liability		515	805
Lease Liability	13	57	-
Provisions		1,679	1,560
Total current liabilities		**26,715**	**29,330**
Non-current liabilities			
Borrowings	14	81,855	75,420
Contract Liability		1,869	1,971
Lease Liability	13	580	-
Deferred tax liabilities		542	-
Provisions		302	288
Total non-current liabilities		**85,148**	**77,679**
Total liabilities		**111,863**	**107,009**
Net assets		**82,136**	**72,386**
Equity			
Contributed equity		54,827	48,434
Share based payment reserve		95	97
Retained earnings		27,214	23,855
Total equity		**82,136**	**72,386**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	SHARE BASED PAYMENT RESERVE $'000	TOTAL EQUITY $'000
Balance at 1 July 2018 as originally presented		26,109	18,407	40	44,556
Change in accounting policy		-	(366)	-	(366)
Restated balance at 1 July 2018		**26,109**	**18,041**	**40**	**44,190**
Total comprehensive income for the period					
Profit for the period		-	2,566	-	2,566
Total comprehensive income for the period		**-**	**2,566**	**-**	**2,566**
Transactions with owners, in their capacity as owners					
Share based payment expense		-	-	42	42
Total transactions with owners		**-**	**-**	**42**	**42**
Balance as at 31 December 2018		**26,109**	**20,607**	**82**	**46,798**
Balance at 1 July 2019 as originally presented		48,434	23,855	97	72,386
Total comprehensive income for the period					
Profit for the period		-	3,359	-	3,359
Total comprehensive income for the period		**-**	**3,359**	**-**	**3,359**
Transactions with owners, in their capacity as owners					
Issue of ordinary shares, net of transaction costs and tax		6,363	-	-	6,363
Tax effect on share issue costs		-	-	-	-
Share based payment expense		-	-	28	28
Conversion of Performance Rights to Ordinary Shares		30	-	(30)	-
Total transactions with owners		**6,393**	**-**	**(2)**	**6,391**
Balance as at 31 December 2019		**54,827**	**27,214**	**95**	**82,136**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash Flows from Operating Activities		
Receipts from customers	31,405	25,286
Payments to suppliers and employees	(18,933)	(17,356)
Interest received	17	72
Borrowing costs	(3,068)	(1,742)
Income tax	(2,047)	(1,260)
Net cash provided by / (used in) operating activities	**7,374**	**5,000**
Cash Flows from Investing Activities		
Payments of property, plant and equipment	(24,036)	(48,622)
Proceeds on sale of property, plant and equipment	24	3
Loans to related parties	(358)	-
Net cash provided by / (used in) investing activities	**(24,369)**	**(48,619)**
Cash Flows from Financing Activities		
Proceeds from issue of shares, net of costs	6,363	-
Proceeds from borrowings	17,742	44,624
Repayment of borrowings	(13,730)	(2,185)
Net cash provided by / (used by) financing activities	**10,375**	**42,439**
Net decrease in cash held	(6,620)	(1,180)
Cash and cash equivalents at beginning of the period	7,293	1,994
Cash and cash equivalents at end of the period	**673**	**814**

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

Note 1: Reporting Entity

Zenith Energy Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The company is a for-profit entity and the address of the company's registered office is 24 Brennan Way, Belmont 6104.

These consolidated financial statements for the half year ended 31 December 2019 represent those of Zenith Energy Limited ('the Company' or 'the Parent') and Controlled Entities (collectively, 'the consolidated Group' or 'the Group').

The financial statements were authorised for issue by the Company's Directors on 10 February 2020.

Note 2: Basis of Preparation and Accounting Policies

Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Zenith Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

Certain comparatives have been reclassified to conform with current period presentation

(a) New standards adopted by Zenith Energy Limited

The Group has applied the following standards for the first time for their interim reporting period commencing 1 July 2019.

• AASB 16 Leases ("AASB 16").

The Group had to change its accounting policy and make certain adjustments following the adoption of AASB 16. This is disclosed in note 2(b).

(b) AASB 16

The Group has adopted AASB 16 retrospectively from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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

(b) AASB 16 (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption as at 1 July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	539
Additional operating lease commitments identified	315
Operating lease commitments as at 1 July 2019 (AASB 117)	854
Less: discount applied	(106)
Operating lease commitments discounted at our incremental borrowing rate on 1 July 2019	748
Lease liability recognised at 1 July (AASB 16)	**748**
Right of use assets (value determined solely with reference to the lease liability value)	**748**
Reduction in opening retained profits as at 1 July 19	-

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 3: Operating Segments Reporting

Identification of reportable segments

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

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

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

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

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

Note 3: Operating Segments (continued)

FINANCIAL PERFORMANCE ANALYSIS	OTHER		BOO		MOM/EPC		CONSOLIDATED	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External sales	-	-	25,680	17,244	3,541	5,414	29,221	22,658
Intersegment sales	-	-	-	-	-	-	-	-
Interest revenue	101	151	-	-	-	-	101	151
Total segment revenue	**101**	**151**	**25,680**	**17,244**	**3,541**	**5,414**	**29,322**	**22,809**
Other income	51	101	-	-	-	-	51	101
Intersegment elimination	-	-	-	-	-	-	-	-
Total group revenue	**152**	**252**	**25,680**	**17,244**	**3,541**	**5,414**	**29,373**	**22,910**
EBITDA	**(4,018)**	**(5,075)**	**18,498**	**11,869**	**320**	**1,694**	**14,800**	**8,488**
- Depreciation and amortisation expense	299	130	5,687	2,671	-	-	**5,986**	**2,801**
- Loss on disposal of assets	(24)	2	571	-	-	-	**547**	**2**
- Finance costs	541	326	2,988	1,416	-	-	**3,529**	**1,742**
Profit/(loss) before income tax	**(4,834)**	**(5,532)**	**9,252**	**7,783**	**320**	**1,693**	**4,738**	**3,943**
Income tax Expense							**(1,379)**	**(1,377)**
Profit after income tax							**3,359**	**2,566**

FINANCIAL POSITION ANALYSIS	OTHER		BOO		MOM/EPC		CONSOLIDATED	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	12,774	19,785	179,297	156,902	1,928	2,708	193,999	179,395
Total consolidated assets	**12,774**	**19,785**	**179,297**	**156,902**	**1,928**	**2,708**	**193,999**	**179,395**
Segment liabilities	6,292	6,835	105,480	100,055	91	119	111,863	107,009
Total consolidated liabilities	**6,292**	**6,835**	**105,480**	**100,055**	**91**	**119**	**111,863**	**107,009**
Segment assets include								
Deferred tax assets/(liabilities)	**(542)**	**108**	**21**	**21**	**-**	**-**	**(521)**	**129**

As communicated by the Group in market announcements and the 30 June 2019 annual report, Zenith Energy Limited has revised its segment reporting methodology to provide more relevant information where revenue from BOO sources are further differentiated from Manage, Operate, Maintain (MOM) and EPC sources, as well as Other (overheads and other items unable to be allocated). The BOO segment does not contain EPC or 'Project' revenues (even when on a BOO site), part sales, or other adhoc revenues.

This revision to the segment reporting methodology has been updated for the comparative financial information, 31 December 2018, and is in accordance with the accounting standard AASB 8 Operating Segments.

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 4: Revenue and Other Income

	31 Dec 2019 $'000	31 Dec 2018 $'000
(a) Revenue:		
– BOO revenue	25,680	17,244
– MOM/EPC Revenue	3,541	5,414
	29,221	**22,658**
(b) Other income:		
– Interest revenue	101	151
– Other	51	101
	152	**252**

Disaggregation of revenue as of 31 December 2019:

Disaggregation of Revenue	MOM/EPC 31 Dec 2019 $'000	BOO 31 Dec 2019 $'000	OTHER 31 Dec 2019 $'000	CONSOLIDATED 31 Dec 2019 $'000
Revenue by nature				
Sale of electricity supply	-	25,680	-	25,680
Operation and Maintenance service fee	2,738	-	-	2,738
Sale of Goods	803	-	-	803
Total revenue	3,541	25,680	-	29,221
Timing of revenue recognition			-	-
Point in time	-	-	-	-
Over Time	3,541	25,680	-	29,221

Note 5: Profit for the period

	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
(a) Finance cost		
Interest expense on financial liabilities not at fair value through profit or loss:		
– Unrelated parties	3,529	1,742
Total finance cost	**3,529**	**1,742**
(b) Employee benefits expense:		
– Contributions to defined contribution plans	152	110
– Wages and salaries	1,468	1,632
– Employment related taxes and insurances	494	477
Total employee benefits expense	**2,114**	**2,219**
(c) Other expenses		
– Net foreign Exchange losses	78	142
– Others	1,643	1,482
Total other expense	**1,721**	**1,624**

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.

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 6: Income tax expense

	31 Dec 2019 $'000	31 Dec 2018 $'000
The components of tax expense comprise:		
Current tax	738	1,055
Deferred tax movements	695	85
Under/(over) provision in respect of prior periods	(54)	237
Total income tax expense in statement of profit or loss	**1,379**	**1,377**

Note 7: Trade and Other Receivables

	31 Dec 2019 $'000	30 Jun 2019 $'000
CURRENT		
Trade and other receivables	10,482	8,626
Loss allowance	(263)	(263)
	10,219	**8,363**
Related party receivables	2,012	-
	2,012	**-**
Total current trade and other receivables	**12,231**	**8,363**
NON CURRENT		
Related party receivables	-	1,928
Total non-current trade and other receivables	**-**	**1,928**
Total current and non-current trade and other receivables	**12,231**	**10,291**

Note 8: Contract Assets

	31 Dec 2019 $'000	30 Jun 2019 $'000
CURRENT		
BOO	2,118	1,043
MOM/EPC	140	567
Total contract assets	**2,258**	**1,610**

Contract assets include revenues accrued for Tanami ($1.3m) and Barrow Island ($0.8m) projects for services performed under Zenith Energy purchase power agreements prior to 31 December 2019.

Note 9: Inventories

	31 Dec 2019 $'000	30 Jun 2019 $'000
CURRENT		
At cost:		
Work in progress	-	1,126
Finished goods	8,503	5,836
Total inventories	**8,503**	**6,962**

Note 10: Property, Plant and Equipment

Movements in Carrying Amounts

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

	PLANT AND EQUIPMENT		POWER GENERATION ASSETS		CAPITAL WORK IN PROGRESS		TOTAL	
	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000
Balance at beginning of period	998	1,106	115,848	57,958	31,300	16,880	148,146	75,944
Additions	163	356	-	86	21,741	79,899	21,904	80,341
Disposals	-	(283)	(572)	(322)	-	(326)	(572)	(931)
Transfers	-	-	12,524	65,153	(12,524)	(65,153)	-	-
Transfers from inventory	-	-	-	-	-	-	-	-
Depreciation expense	(102)	(181)	(5,760)	(7,027)	-	-	(5,862)	(7,208)
Balance at end of period	**1,059**	**998**	**122,040**	**115,848**	**40,517**	**31,300**	**163,616**	**148,146**

Note 11: Non-current Assets - Right of Use Assets

	31 Dec 2019 $'000	30 Jun 2019 $'000
Buildings - right of use	748	
Less: Accumulated depreciation	(124)	-
Total right of use assets	**624**	**-**

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 12: Trade and Other Payables

	31 Dec 2019 $'000	30 Jun 2019 $'000
CURRENT		
Unsecured liabilities:		
Trade payables	4,121	1,697
Sundry payables	249	747
Accrued expenses and wages	1,486	3,895
Total current trade and other payables	**5,856**	**6,339**

Note 13: Lease Liabilities

	31 Dec 2019 $'000	30 Jun 2019 $'000
Current	57	-
Non-Current	580	-
Total lease liabilities	**637**	**-**

Note 14: Borrowings

	31 Dec 2019 $'000	30 Jun 2019 $'000
CURRENT		
Secured borrowings:		
Finance Leases	1,436	1,559
CBA Facility	11,424	14,246
FIIG Bond	4,588	4,589
Unsecured borrowings:		
Premium funding	1,160	232
Total current borrowings	**18,608**	**20,626**
NON-CURRENT		
Secured borrowings:		
Finance Leases	6,775	7,415
CBA Facility	44,449	35,080
FIIG Bond	30,631	32,925
Total non-current borrowings	**81,855**	**75,420**
Total current and non-current borrowings	**100,463**	**96,046**

Note 15: Dividends

The directors have not recommended payment of a dividend in respect of half-year ended 31 December 2019.

Note 16: Related Party Disclosures

Key Management Personnel

On 3 July 2019, 42,000 performance rights held by former director Darren Smith, converted to 42,000 ordinary shares.

During the period a loan was provided to Mr H Moffat to fund the issue of 647,784 ordinary shares respectively in Zenith Energy Limited which was approved by Shareholders on 25 June 2019. Repayment is due by 26 July 2024.

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

No write-downs or allowances for expected credit loss on loan receivables have been recognised in relation to any loans made to KMP

During the 2018 financial year, in accordance with a recommendation from the Remuneration and Nomination Committee, Zenith satisfied a long term incentive award to Mr D Walker, Mr H Moffat and Ms R Stringer-Krein (collectively "the Executives") in cash (rather than fully paid ordinary shares), on the condition that the Executives subscribe for shares in the Company up to the value of the award. The Executives met this condition by participating in the 2 August 2019 Placement up to the value of the award.

In order to maintain the three-year vesting conditions of the long-term incentive plan, the Executives executed a Share Buyback Deed with the Company on 28 October 2019. Pursuant to this Deed, the shares acquired by the Executives under the 2 August 2019 Placement are subject to a three-year vesting condition and as a result are subject to trading restrictions until 2 August 2022. Following Ms Stringer-Krien's resignation the vesting condition and trading restrictions were waived.

Note 17: Commitments and contingencies

Capital expenditure commitments

As at 31 December 2019, there was $5.08 million in outstanding purchase orders for the power stations under construction.

Contingent Liabilities and Contingent Assets

As at 31 December 2019, the Group had no material contingent liabilities or contingent assets.

Note 18: Events after the Reporting Period

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

- On 28 January 2020, Ms Rebecca Stringer-Krein resigned as Chief Financial Officer & Company Secretary of Zenith Energy Limited.
- On 28 January 2020, Mr Peter Tazewell was appointed as Chief Financial Officer & Company Secretary of Zenith Energy Limited.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
    a. giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the consolidated entity; and
    b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr William (Doug) Walker

Executive Chairman

Perth, Western Australia

Dated: 10 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Zenith Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Zenith Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 10 February 2020