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BULGARIA
101, Aleksandar Stamboliyski Blvd.
Sofia Tower II, office 3A, 1303, Sofia
phone: +359 (2) 987 33 71
bcra.eu

Zenith Energy Ltd.

September 2023

Dr. Radostina Stamenova, Lead Analyst
stamenova@bcra.eu
Ivaylo Cholakov, Financial Analyst
i.cholakov@bcra.eu

Corporate Credit Rating	Initial	Review	Review	Review	Review	Review
Date of Rating Committee:	14.08.2020	30.08.2021	16.09.2022	06.01.2023	17.02.2023	26.09.2023
Date of Publication:	25.08.2020	10.09.2021	19.09.2022	06.01.2023	17.02.2023	28.09.2023
Long-term rating:	**B-**	**B-**	**B**	**B+**	**B+**	**B+**
Outlook:	**Stable**	**Positive**	**Positive**	**Stable**	**Stable**	**Stable**

1) The credit rating and the rating outlook were disclosed to the rated entity or related third party. Following that disclosure amendments in the credit rating and rating outlook have not been executed;

2) During the last 2 years, BCRA has not provided ancillary services to the rated entity or a related third party.

***BCRA – CREDIT RATING AGENCY AD (BCRA)** is the third fully recognized rating agency in the EU, registered pursuant to Regulation No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by the BCRA are valid throughout the EU and are fully equal to those, of the other agencies, recognized by the European Securities and Markets Authority, without any territorial or other limitations.*

On September 26, 2023, the **Rating Committee** of BCRA had a session, in which the Report on the credit rating review of Zenith Energy. was discussed. The session was headed by Dr. Kiril Grigorov - chairmen of the Rating Committee. The members of the Committee discussed numerous quantitative and qualitative rating factors in accordance with the Corporate Rating Methodology and took the **following decision**:

*BCRA affirms the **B+** Long-term credit rating of Zenith Energy Ltd. and maintains the **stable outlook** related to it.*

The official Methodology for assigning a corporate credit rating of BCRA (effective as of February 2023) has been applied:
https://bcra.eu/files/corporate_methodology_2023_en.pdf

The users of the rating can find information on the meaning of each rating category, including the definition of default in the published Global rating scale on the BCRA's website:
https://bcra.eu/files/global_scale_en.pdf

Information from the rated entity, the BCRA database, and other sources of public information has been used.

Table 1: General information about the rated entity

Company name:	Zenith Energy Ltd.
Head Office:	Suite 4000, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, Canada
Registration №:	BC0803216
LEI:	213800AYTYOYD61S4569

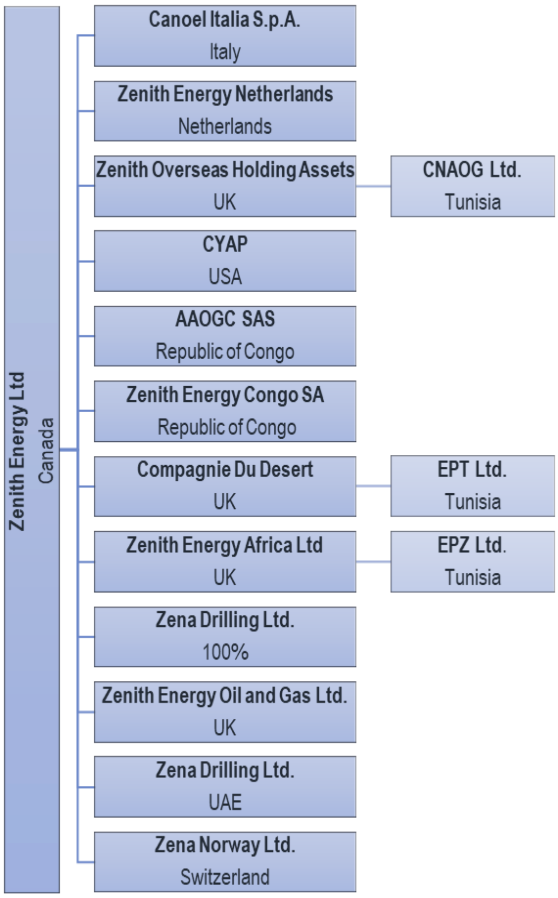
Company Overview

History and Structure

Zenith Energy Ltd was incorporated and registered in British Columbia, Canada in September 2007 as a corporation with the name Canoel International Energy Ltd. According to a shareholders' resolution dated 30 September 2014, the company's name was changed to Zenith Energy Ltd.

Zenith Energy Ltd. is the holding company of the group which is engaged in international oil production as well as natural gas and electricity production in Italy. Accordingly, the company's operations are carried out through its main operating subsidiaries, presented in the organization chart below.

Figure 1: Holding structure of Zenith Energy Ltd.



- **Canoel Italia S.p.A. ("Canoel")** was established as an Italian subsidiary in 2011. The company operates or has working interests in 13 onshore exploration and energy production assets in Italy.

- **Zenith Energy Netherlands B.V.** was incorporated in Amsterdam in April 2020 as a fully owned subsidiary of the group. In April 2020, Zenith Netherlands acquired a 22.5% working interest in the Sidi El Kilani concession in Eastern Tunisia.

- **Zenith Overseas Assets Holding Ltd. ("Zenith Overseas")** is a holding company that acquired a 100% interest in the share capital of Canadian North Africa Oil & Gas Ltd. As a result, Zenith Overseas holds through CNAOG an undivided 22.5% interest in the Sidi El Kilani Concession in Tunisia.

- **Anglo African Oil & Gas Congo S.A.S. ("AAOGC")** is a fully owned subsidiary of Zenith Energy since its acquisition in the spring of 2020. The company held a 56% majority interest in the now-expired Tilapia oilfield in the Republic of the Congo. The purpose of AAOG Congo now is to collect the receivables owned by Société Nationale des Pétroles du Congo.

- **Zenith Energy Congo SA ("Zenith Congo")** is a fully owned subsidiary of Zenith, established in August 2020 under the laws of the Republic of the Congo.

- **Zenith Energy Africa Ltd. ("Zenith Africa") was** incorporated in March 2021 as a fully owned subsidiary to enter into a share purchase agreement with Candax Energy Ltd. for the acquisition of a 100% interest in Ecumed Petroleum Zarzis Ltd. (EPZ) which has a 45% interest in the Ezzaouia Concession in Tunisia.

- **Compagnie Du Desert Ltd.** is a fully owned subsidiary that entered a SPA for the acquisition of Ecumed Petroleum Tunisia Ltd (EPT) which holds 100% interest in the El Bibane and Robbana concessions in Tunisia.

- **Zena Drilling Ltd.** was incorporated in the United Arab Emirates in July 2017. Zena is a fully-owned subsidiary, providing international oilfield services.

- **CYAP** – In August 2023, Zenith acquired 100,000 Series A Preferred Shares in Cyber Apps World Inc. ("CYAP"), representing 99.87% of total voting rights. The company is listed on the US OTC Markets' Pink Open Market segment and is currently engaged in software development. However, Zenith intends to rename CYAP, appoint a new Board of Directors, and utilise the company for the purpose of acquiring energy production and development opportunities in the US.

Ownership and Management

Zenith Energy Ltd is a public holding company, double listed on the London Stock Exchange Main Market (LSE: ZEN) and the Euronext Growth of the Oslo Stock Exchange (OSE: ZENA).

Table 2: Share capital of Zenith Energy: 3.2019 – 3.2023

	№ of Shares	CAD'000
3.2023	2 310 302 537	64 087
3.2022	1 872 574 449	60 121
3.2021	1 163 889 331	48 017
3.2020	577 072 921	40 400
3.2019	260 427 064	28 866

As of end-March 2023, the issued share capital of Zenith Energy comprises 2 310 302 537 common shares of no-par value with one voting right per share. During the last financial year, the company issued 437 728 088 new ordinary shares, raising a combined net total of about CAD 4 mln. Accordingly, the total amount of share capital increased to CAD 64 087 thousand, from CAD 60 121 thousand at the end of March 2022.

The CEO of the company - Andrea Cattaneo is the largest individual shareholder, being beneficially interested in 167,163,912 common shares, representing 7.24% of total issued share capital of the company.

The company has a solid management team as each senior executive has more than 25 years of experience and expertise within the oil & gas industry. Mr. Andrea Cattaneo has been the President and CEO of the company since 2009.

Strategy

Zenith's strategic focus lies in pursuing transformational opportunities through the development of proven revenue-generating oil, gas, and electricity production assets, as well as low-risk exploration activities in assets with existing production. It is seeking to acquire further oil and gas assets in West Africa, the United States, Kazakhstan, and other areas to complement its existing assets in Italy and Tunisia.

The exit from Azerbaijan has set free financial and operative resources to develop new activities. In Spring 2020, Zenith entered the markets of the Republic of Congo and Tunisia. The decline in oil prices caused by the COVID-19 pandemic has proven supportive of the group's acquisition campaign in Africa, thus, it has been able to obtain favourable commercial terms for the acquisitions. However, not without bureaucracy difficulties, typical for the region.

The management planned to further expand its presence in West Africa by acquiring a new asset in Benin. Last year, Zenith presented an offer for the award of an initial nine-year license to operate Block-1 PSC - a proven oilfield, with significant unexploited potential, offshore Benin. Unfortunately, this promising opportunity has been completely spoiled by the pitch in Niger, at the North border of Benin. Zenith Board has then decided to pull out of Benin altogether.

Similarly, instead of being resolved, the Yemen war has escalated and the oil production and exports from the country have been severely reduced to a minimum. Accordingly, Zenith terminated the SPA (announced in January 2023) for the acquisition of 100% of the outstanding share capital of OMV (Yemen Block S 2) Exploration GmbH, OMV Jardan Block 3 Upstream GmbH, and OMV Block 70 Upstream GmbH. In accordance with the terms of the SPA, OMV has refunded the deposit plus accrued interest to Zenith.

With the termination of these projects, the rated company provided an update on its development strategy. The management is currently reviewing a selection of oil production and development assets located in prolific oil and gas basins with proven petroleum systems in Texas, Oklahoma, and California in the USA. It is expected that, if the potential acquisitions are completed, a production rate in the range of approximately 300-500 barrels of oil per day might be achieved upon completion. Drilling activities can be performed at a relatively low cost and without significant delay in view of the ready availability of equipment.

While business development activities in the USA are advancing at pace, the management of Zenith has also entered three separate MOUs to evaluate the potential acquisitions of oil production and development assets in Kazakhstan. Commercial terms for the potential acquisitions, if agreed between the parties, are to be formalised by way of a SPA on or before November 30, 2023.

The substitution of Benin and Yemen with the USA and Kazakhstan lowers the sovereign risk to which Zenith's portfolio of assets is exposed. Indeed, The USA as a country and as an Oil and gas producer does not need a presentation, while Kazakhstan is enjoying a particularly good period due new course taken by the president toward welcoming and protecting international investors.

Operations and Projects

Operations in Italy

In Italy, the Group owns various working interests in 13 onshore exploration and production properties. Italian operations are carried out by Zenith's subsidiary - Canoel Italia S.p.A., which specializes in gas and electricity production.

The company's assets are comprised of six operated and three non-operated onshore gas production concessions, one operated and one non-operated exploration permit, and two exploration permit applications.

On the operated gas production concessions and exploration permits, the Group is also the operator. The well-established structure for the supply and transportation of gas through pipelines in Italy and the competitive prices of the market put to a serious test the few remaining companies that still exploit country's gas fields. However, Canoel has managed to restructure itself and produce electricity with the extracted quantities of gas, thus gaining a certain market advantage.

The surging prices of gas and electricity have boosted the profitability of Italian operations, encouraging the group to expand them further. Currently, it is finalizing plans to reactivate 3 natural gas production concessions within its Italian portfolio. The Group plans to issue a specific Bond, subscribed only by local financial institutions, to complete and restart the gas production in the Masseria Grottavecchia, San Teodoro and Sant'Andrea concessions.

Operations in Tunisia

The Group commenced operations (oil production) in the Republic of Tunisia during the 2021 FY. First, it acquired a cumulative 45% working interest in the Sidi El Kilani concession in 2021 and later during the spring of 2021, it expanded its activities by acquiring a 100% working interest in the Robbana and the El Bibane concessions as well as a 45% working interest in the Ezzaouia concession.

On June 7, 2023, the Group announced a formal submission of various legal proceedings against the Republic of Tunisia, with a total cumulative claimed amount of at least USD 48 million. According to the management, an Arbitration before the ICSID has been launched following a series of actions undertaken by the Tunisian government to the material detriment of Zenith's commercial interests in the Republic of Tunisia. More specifically, these include actions in contravention to, inter alia, the terms of the Sidi El Kilani and Ezzaouia licenses respectively, and unjustified obstructions for processing the sale of produced oil.

In the interests of preserving the Group's cash reserves at a time of intensive expansion and development activity, the management is in advanced negotiations with a specialist third-party litigation funder for a 'no win-no fee' financing arrangement to support all the costs in connection with the arbitration.

In the meantime, the Group continues to operate its production and development portfolio in the Republic of Tunisia, including the Robbana and El Bibane concessions which it holds directly with a 100% interest, whilst negotiations are ongoing with the local authorities in Tunisia with the objective of addressing the underlying causes of the arbitration.

The Robbana Concession produces approximately 20-25 barrels of oil per day, with a total accumulation of approximately 8,000 barrels of oil in stock, according to the management of the rated company. Production from the El Bibane Concession has been suspended due to necessary maintenance activities.

Operations in the Republic of Congo

In April 2020, the group acquired AAOGC which held a 56% working interest and operated the Tilapia Licence I. The latter expired in July 2020 and through its new wholly-owned subsidiary-Zenith Congo the group has applied for a new 25-year licence for the Tilapia oilfield. Previously it was announced the successful completion of an Inquiry of Public Utility, involving an in-depth technical and financial review of the company performed by the Ministry of Hydrocarbons of the Republic of the Congo in February 2021. However, the new licence for the Tilapia oilfield has been awarded to another company.

Despite the disappointment of this decision, Zenith is currently in the negotiation process for 2 new fields (Loufika and Zingali) in the Republic of Congo, being capable of producing as soon as the transactions are completed.

In July 2023, AAOGC was awarded EUR 30,000 payment of compensatory damages by the Paris Commercial Court in its claim against SMP Energies - the rig contractor that performed drilling services in wells TLP-103 and TLP-103C of the Tilapia oilfield during 2018-2019. Zenith has increased the claimed amount to USD 9 mln in consideration of the significant commercial damages suffered by AAOGC, specifically the impossibility of beginning production activities, as a direct result. A final decision in respect of the new claim is expected by the end of the FY.

In the meantime, the management of Zenith has engaged a legal representative to negotiate the full repayment of an original principal amount of USD 5.3 mln plus accrued interest owed by SNPC for past work performed during the Tilapia I licence.

New acquisitions in the USA

Zenith Group is currently negotiating the potential acquisition of various oil production assets with significant development potential across the USA. The expansion of activity in the USA formally began with the agreement with Stateside Energy LLC (announced in June 2023) to acquire and operate a portfolio of oil production and development licences in Oklahoma, as well as certain other States in the USA. Stateside is an oil and gas operator with a portfolio of seven oil wells in the State of Oklahoma. Under the agreement, Zenith will incorporate a wholly owned SPV for acquiring oil wells and licence blocks in the USA.

Stateside will make available its personnel in Oklahoma for the purpose of assisting the business development of the new subsidiary. Zenith will consider providing Stateside with the following incentive bonus structure, reaching the following incremental average production targets: 75, 125, 175, and 225 barrels of oil per day. Upon the achievement of each milestone, Zenith will consider issuing Stateside certain amounts payable by way of issuing equity securities.

On its behalf, Stateside agrees to sell its oil production wells, subject to the completion of satisfactory due diligence, for a nominal consideration. It is planned that the newly established subsidiary of Zenith will negotiate the acquisition of about 70 oil production wells located on property leases of approximately 3,200 acres in the State of Oklahoma for sale by a third party identified by Stateside. The potential vendor has indicated it also intends to sell certain oilfield service equipment including, inter alia, a pulling unit, and a tank truck.

In July 2023, Zenith Energy announced a second acquisition in the USA. Its newly incorporated fully-owned subsidiary in the State of Texas, Zena Oil & Gas LLC, has conditionally agreed to fully acquire a portfolio of mineral leases and oil and gas wells in Texas, from the wholly owned subsidiaries of Beam Earth Group Ltd. The consideration amounts to about USD 1 mln. 60% of it will be payable in cash, and the remaining 40% will be satisfied by the issuance of equity to the seller to be admitted to trading on the Euronext Growth of the Oslo Stock Exchange.

The acquisition comprises 155 oil and gas wells located in the vicinity of Midland (TX). 47 wells are currently active with a daily production of approximately 60 bopd. It is expected that production can be increased to an average rate of 100 BOPD with light workover and field rehabilitation within six months from completion.

In August 2023, Zenith formally submitted a proposal to acquire a single-operated oil and gas HBP, stand-up 640-acre unit (100% WI & 75% NRI) in Texas. The asset offers an opportunity to acquire (i) 420 boed of net production from 5 horizontal wells; (ii) USD 4.3 mln in NTM PDP cash flow, underpinning future development capital with low lifting costs; and (iii) 4 additional two-mile horizontal development locations in proven Bone Spring targets.

The advantages of operating in North America are apparent, and primarily include the speed of execution for transactions, with the resulting delivery of potential immediate oil production to Zenith, and the relatively conspicuous lack of bureaucratic delays and other detrimental impediments to corporate development seen elsewhere in Africa for example.

New acquisitions in Kazakhstan

At the beginning of September 2023, the management of Zenith announced that it had signed a MOU with a company incorporated in Kazakhstan. The seller holds a 100% interest in an oil production asset located in the Atyrau Region of Kazakhstan. It formerly produced at a rate of approximately 600 bopd prior to the onset of the COVID-19 pandemic. Production is currently suspended but its restart needs only the performance of some extraordinary maintenance in the existing producing but simply suspended wells and a review of the flow in the internal pipelines between well heads and central separating unit/ storage units. The 2P (proven and probable) reserves of the potential acquisition have been quantified in the amount of approximately 4 million barrels of oil.

Later in mid-September, two other potential acquisitions in the same region were presented to the public. The second MOU considers the two oil development assets in the Kyzylorda Region of

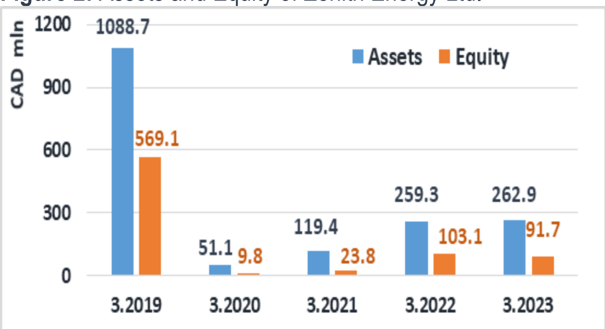
Kazakhstan. It is classified as an oil development asset because a discovery was made in 2014, and there is confirmed potential for commercial oil production activities. According to the management of Zenith, the 2P (proven and probable) reserves have been quantified in the amount of approximately 4.5 million barrels of oil. Fully risked 3P (proven, probable, and possible) reserves are estimated at around 62.5 million barrels of oil.

The third MOU considers an asset also located in the Atyrau Region of Kazakhstan. It was formerly produced from wells drilled in 2008 at a rate of approximately 200 barrels of oil per day prior to the pandemic. The potential acquisition was re-tendered by the local authorities, free of any legal or financial encumbrances, in August 2023. The 2P reserves have been quantified in the amount of approximately 5 million barrels of oil, registered with the Kazakhstan State Oil Balance List.

If agreed between the parties, commercial terms for these three acquisitions are to be formalised by SPA on or before November 30, 2023.

Financial Analysis of Consolidated FS

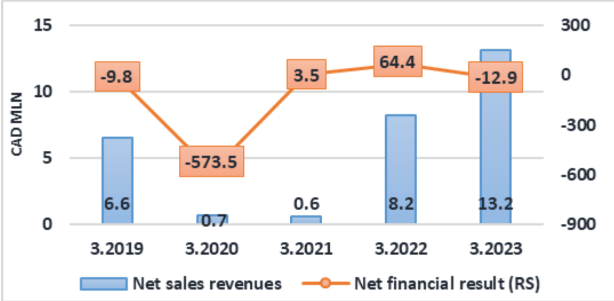
Figure 2: Assets and Equity of Zenith Energy Ltd.



Following the large drop due to the exit from Azerbaijan, the assets of the Zenith Group have sustained an upward trend for a third year in a row, increasing from CAD 51.1 mln in March 2020 to CAD 262.9 mln in March 2023. Given the lack of new acquisitions during the last FY, the annual assets growth moderated to 1.4%, being entirely driven by the accumulation of trade receivables.

On the other hand, equity slightly declined in annual terms. To finance its development strategy in West Africa, Zenith Energy has issued share capital several times during the last financial years, thus, it peaked at CAD 64.1 mln as of end-March 2023, up by CAD 4 mln against the like period of 2022. However, total shareholders' equity decreased by CAD 11.4 mln, due to the accumulated balance sheet loss.

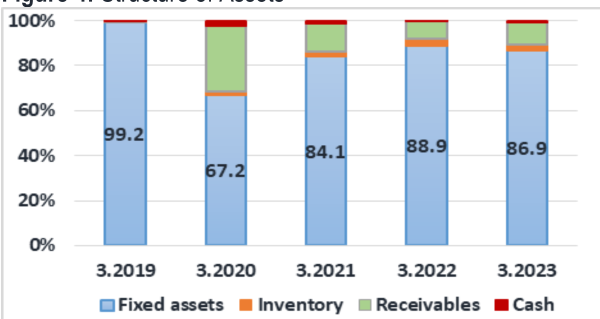
Figure 3: Net sales revenues and Net financial result



Given the changes in the assets portfolio, the operating profit and net financial results of Zenith Energy have been largely dependent on booked income on business combinations. Reflecting the loss on discontinued operations in Azerbaijan, the group recorded an after-tax loss of CAD 573.5 mln for the FYE March 2020, followed by two positive financial results formed by booked gains on the subsequent Tunisian acquisitions.

Net sales revenues in FYE March 2023 rose by 59.7% YoY and reached a record-high total amount of CAD 13.2 mln, determined by the expansion of production as well as by the surge in energy prices. The Group generated CAD 8.8 mln in revenues from Tunisian oil and CAD 4.4 mln from natural gas and electricity sales in Italy. Despite the rapid increase, revenues remained insufficient to cover the operating costs, forming an operating loss of CAD 5.9 mln. Also, the net financial result turned negative, amounting to CAD 12.9 mln.

Figure 4: Structure of Assets

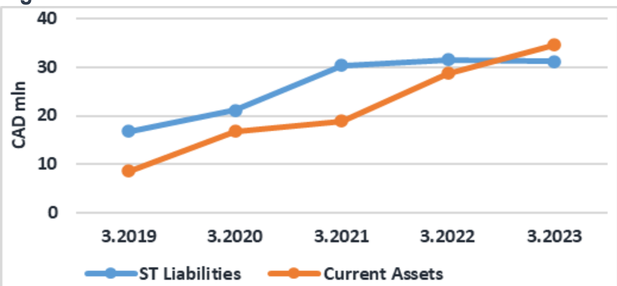


The structure of assets has been strongly dominated by the fixed assets (oil and gas properties) with fair value derived as the net present value of the estimated future cash flows arising from the constant use of the assets. This assets group has accounted for more than 99% of total assets but their relative share fell to 67.2% before partly restoring to 86.9% as of 31.03.2023. The changes in asset structure resulted mainly from the accumulation of receivables from new business operations. As mentioned above, the group acquired USD 5.7 mln in receivables due from SNPC. The management of Zenith Energy expects to obtain full repayment of this amount and therefore no impairment has been recognized.

In line with the higher sales during the last FY, total receivables rose by 39.1%, reaching CAD 26.7 mln at the end of March 2023, in which trade receivables amounted to CAD 11.8 mln, up from CAD 4.4 mln a year ago.

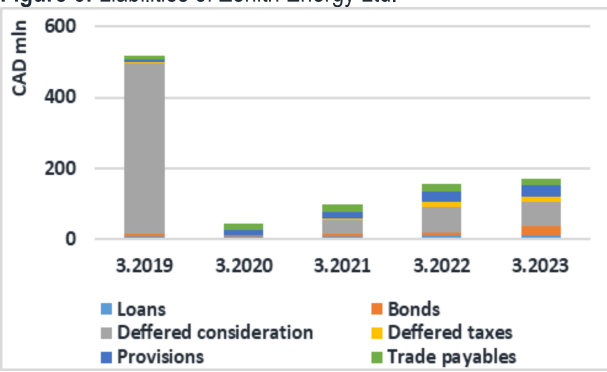
Inventory accounted for about 2.5% of total assets. As of 31.03.2023 inventory consisted of CAD 6.4 mln (falling from CAD 8.4 mln a year ago) in relation to 116 391 barrels of crude oil that have been produced but not yet sold in Tunisia.

Figure 5: ST Liabilities and Current Assets



Along with the 20.1% annual expansion of current assets, their coverage of short-term liabilities improved, while the latter recorded a marginal decrease of 1.4% (to CAD 31.2 mln). Accordingly, a more favourable liquidity ratio of 1.1 was recorded, compared to 0.9 a year ago.

Figure 6: Liabilities of Zenith Energy Ltd.



Total Group's liabilities stood at CAD 171.3 mln at the end of March 2023, which represents an annual increase of CAD 15 mln. The increase mainly resulted from bonds sold during the year, amounting to 14.9 mln. To finance its acquisition and development strategy, Zenith Energy is issuing two different sets of bonds under the EUR 25 mln EMTN Programme, denominated in four different currencies (EUR, GBP, USD and CHF) with maturity due in January 2024 and May 2026 and bearing interest in the range 10-10.5%. As of 31.03.2023, the company has sold notes for a total amount of CAD 25.3 mln, accounting for 14.7% of total liabilities.

The portfolio rebalancing during the last years led to an accumulation of new long-term deferrals and provisions related to the acquisitions in Tunisia, which account for about 70% of total liabilities. The structure of assets is further complimented by CAD 8.7 mln loans and CAD 19.7 mln trade payables.

Given the outpacing growth in the sum of liabilities compared to assets, total leverage slightly increased to 0.65, from 0.6 a year ago. Concurrently, the financial debt-to-equity ratio recorded a greater deterioration - from 0.18 to 0.37 as of end-March 2023, due to the parallel decline in equity and expansion of debt. The changes in key financial indicators during the last five financial years are presented in the Appendix.

Forecast

BCRA has prepared a **conservative forecast** for the cash flows in the period 3.2024-3.2026 based on the strategy and business plans provided by the company's management. Namely, by adopting the following key assumptions on revenues:

- Following the reactivation of 3 natural gas concessions within the Italian portfolio, the monthly gas production is expected to increase more than 10x since mid-2024. Concurrently, the forecasted electricity production remains relatively stable but a slight increase in revenues from Italy is expected due to a projected upward movement of electricity prices.
- Planned sales revenues from Tunisian oil production have been adopted, based on average yields in the range of 90-120 bopd;
- The only USA acquisition included in the projections is the deal for one oilfield in Texas. This asset is currently producing 345 bopd and the yield is projected to gradually increase to 400 bopd in July 2025. Starting from December 2023, a production restart of 600 bopd is assumed from a newly acquired asset in Kazakhstan.
- The effects of any additional acquisitions in the USA and Kazakhstan (recently announced by the management of Zenith) are not included in the current forecast;

- Oil prices are forecasted at 75 USD per barrel. For comparison, Brent crude oil currently trades at USD 95 per barrel and the U.S. Energy Information Administration predicts an average price of USD 86/b in the second half of 2023 and the first quarter of 2024. Prices are expected to begin to ease in Q2 2024 as supply growth leads to some rebuilding of global oil inventories later in 2024. Accordingly, higher oil prices may result in relatively higher sales revenues than predicted with production levels being unchanged or may compensate for revenue shortfalls in case of unachieved production targets.

- Collection of USD 6.5 million related to the Arbitration against the Republic of Tunisia is assumed, while a potential collection of receivables from SNPC in Congo is not included in the forecast;

Forecast results show that Zenith Energy won't be able to generate sufficient operating cash flow in FYE March 2024 to service its short-term liabilities (including principals on bonds falling due in January 2024) and continue developing its oil and gas projects. Accordingly, additional funding is required, which can be realized by a combination of equity and issuance of loan notes. From the next financial year, the projected production from existing assets and new acquisitions (if successfully concluded) can generate an operating cash flow of about CAD 22 mln per year which can be used for smooth debt repayments and to fund additional acquisitions.

Considering that the newly acquired assets in the USA and Kazakhstan (as well as those in Tunisia) are in operational exploitation, no significant investments are planned, and operating costs remain constant, we evaluate the production prognosis accuracy risk as moderate to low. Also, in case of higher oil prices, while maintaining the projected production targets, profitability may rise.

General Conclusions

Zenith Energy Ltd can be considered as a smallholding structure of companies, which is undergoing a change in its business strategy, aiming to build a well-balanced portfolio of production and development assets in Europe, West Africa, and the USA. The company has very ambitious plans for expansion of operations. If the goals set are achieved, it will be able to recoup the investments made for the acquisition of its new assets in a relatively short time.

The **stable outlook** indicates that risks are broadly balanced. The USA is proving a highly attractive jurisdiction for Zenith in view of the lack of bureaucracy and other factors that have historically delayed the company's progress elsewhere, while Kazakhstan is widely regarded as favourable location for junior energy production and development companies like Zenith. Also, the sustained high energy pricing climate is expected to support revenue generation in the current financial year as well.

The following factors could lead to **a positive change in outlook and/or a rating upgrade**:
1) successful expansion of revenue-generating assets portfolio.
2) continued increase in production leading to positive operating results and better profitability;
3) debt reduction.

On the other hand, the following factors could lead to a **negative outlook change and/or a rating downgrade**:
1) material increase in leverage
2) unreached sales revenue targets, resulting in consistent operating losses;
3) lack of market funding for business development and debt refinancing.

APPENDIX

Table 3: Key Financial Indicators of Zenith Energy: 3.2019 – 3.2023

CAD mln	3.2023	3.2022	3.2021	3.2020	3.2019
Total Assets	262.9	259.3	119.4	51.1	1 088.7
Fixed Assets	228.3	230.5	100.5	34.3	1 080.1
Current Assets	34.6	28.8	18.9	16.8	8.6
Equity	91.7	103.1	23.8	9.8	569.1
Financial Debt	33.9	18.3	12.7	8.8	12.2
Net Sales Revenues	13.2	8.2	0.6	0.7	6.6
Total Revenues	13.2	84.1	37.1	20.8	6.6
Operating Result	-5.9	-8.7	-18.0	-9.5	-8.6
Net Financial Result	-12.9	64.4	3.5	-573.5	-9.8
EBITDA	-4.7	68.9	5.4	-571.7	-7.0
ratios					
EBITDA Margin	-0.36	0.82	0.15	-27.43	-1.07
Total Leverage	0.65	0.60	0.80	0.81	0.48
Financial Debt-to-Equity	0.37	0.18	0.54	0.90	0.02
Current Liquidity	1.11	0.91	0.62	0.79	0.51
Cash Liquidity	0.05	0.04	0.05	0.06	0.18