

**ZENITH ENERGY LTD.  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION  
(Form 51-101F1)**

***Part 1 – Date of Statement***

This statement of reserves data and other oil and gas information is dated June 26, 2017.

The effective date is March 31, 2017.

The preparation date is June 26, 2017.

## Part 2 – Disclosure of Reserves Data

The following is a summary of the oil and natural gas reserves and the value of future net revenue of Zenith Energy Ltd. (the "Company") as evaluated by Chapman Petroleum Engineering Ltd. ("Chapman") as at March 31, 2017, and dated June 26, 2017 (the "Chapman Report"). Chapman is an independent qualified reserves evaluator and auditor.

All evaluations of future revenue are after the deduction of future income tax expenses, unless otherwise noted in the tables, royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Chapman Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Chapman Report. The recovery and reserves estimates on the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

All monetary values presented in this document are expressed in terms of US dollars.

### SUMMARY OF OIL AND GAS RESERVES BASED ON FORECAST PRICES AND COSTS AS AT MARCH 31, 2017

AZERBAIJAN	Company Reserves <sup>(1)</sup>							
	Light and Medium Oil		Heavy Oil		Natural Gas <sup>(9)</sup>		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
<b>Reserves Category</b>								
<b>PROVED</b>								
Developed Producing <sup>(2)(6)</sup>	424	424	0	0	0	0	0	0
Developed Non-Producing <sup>(2)(7)</sup>	0	0	0	0	0	0	0	0
Undeveloped <sup>(2)(8)</sup>	3,741	3,741	0	0	0	0	0	0
<b>TOTAL PROVED<sup>(2)</sup></b>	<b>4,166</b>	<b>4,166</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PROBABLE<sup>(3)</sup></b>	<b>27,938</b>	<b>27,938</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PROVED + PROBABLE<sup>(2)(3)</sup></b>	<b>32,103</b>	<b>32,103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

ITALY	Company Reserves <sup>(1)</sup>							
	Light and Medium Oil		Heavy Oil		Natural Gas <sup>(9)</sup>		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl
<b>Reserves Category</b>								
<b>PROVED</b>								
Developed Producing <sup>(2)(6)</sup>	0	0	0	0	1,300	1,300	18	18
Developed Non-Producing <sup>(2)(7)</sup>	0	0	0	0	118	118	0	0
Undeveloped <sup>(2)(8)</sup>	0	0	0	0	0	0	0	0
<b>TOTAL PROVED<sup>(2)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,418</b>	<b>1,418</b>	<b>18</b>	<b>18</b>
<b>TOTAL PROBABLE<sup>(3)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,948</b>	<b>13,948</b>	<b>223</b>	<b>223</b>
<b>TOTAL PROVED + PROBABLE<sup>(2)(3)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,366</b>	<b>15,366</b>	<b>241</b>	<b>241</b>

**SUMMARY OF NET PRESENT VALUES  
BASED ON FORECAST PRICES AND COSTS  
AS AT MARCH 31, 2017**

AZERBAIJAN	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.
Reserves Category	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
<b>PROVED</b>										
Developed Producing <sup>(2)(6)</sup>	2,262	1,879	1,602	1,396	1,240	2,262	1,879	1,602	1,396	1,240
Developed Non-Producing <sup>(2)(7)</sup>	0	0	0	0	0	0	0	0	0	0
Undeveloped <sup>(2)(8)</sup>	109,288	53,802	24,181	7,964	(1,026)	109,288	53,802	24,181	7,964	(1,026)
<b>TOTAL PROVED<sup>(2)</sup></b>	<b>111,549</b>	<b>55,680</b>	<b>25,784</b>	<b>9,361</b>	<b>214</b>	<b>111,549</b>	<b>55,680</b>	<b>25,784</b>	<b>9,361</b>	<b>214</b>
<b>TOTAL PROBABLE<sup>(3)</sup></b>	<b>1,699,244</b>	<b>791,498</b>	<b>409,340</b>	<b>231,135</b>	<b>140,096</b>	<b>1,699,244</b>	<b>791,498</b>	<b>409,340</b>	<b>231,135</b>	<b>140,096</b>
<b>TOTAL PROVED + PROBABLE<sup>(2)(3)</sup></b>	<b>1,810,793</b>	<b>847,178</b>	<b>435,123</b>	<b>240,495</b>	<b>140,307</b>	<b>1,810,793</b>	<b>847,178</b>	<b>435,123</b>	<b>240,495</b>	<b>140,307</b>

ITALY	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.	0%/yr	5%/yr.	10%/yr.	15%/yr.	20%/yr.
Reserves Category	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
<b>PROVED</b>										
Developed Producing <sup>(2)(6)</sup>	2,937	2,433	2,054	1,766	1,543	2,937	2,433	2,054	1,766	1,543
Developed Non-Producing <sup>(2)(7)</sup>	145	125	108	94	83	145	125	108	94	83
Undeveloped <sup>(2)(8)</sup>	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PROVED<sup>(2)</sup></b>	<b>3,082</b>	<b>2,557</b>	<b>2,161</b>	<b>1,860</b>	<b>1,625</b>	<b>3,082</b>	<b>2,557</b>	<b>2,161</b>	<b>1,860</b>	<b>1,625</b>
<b>TOTAL PROBABLE<sup>(3)</sup></b>	<b>38,070</b>	<b>16,234</b>	<b>8,837</b>	<b>5,482</b>	<b>3,675</b>	<b>38,070</b>	<b>16,234</b>	<b>8,837</b>	<b>5,482</b>	<b>3,675</b>
<b>TOTAL PROVED + PROBABLE<sup>(2)(3)</sup></b>	<b>41,152</b>	<b>18,822</b>	<b>10,998</b>	<b>7,341</b>	<b>5,300</b>	<b>41,152</b>	<b>18,822</b>	<b>10,998</b>	<b>7,341</b>	<b>5,300</b>

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
BASED ON FORECAST PRICES AND COSTS  
AS AT MARCH 31, 2017**

AZERBAIJAN	Revenue	Royalties	Operating	Development	Abandonment	Future	Income Taxes	Future
	(M\$)	(M\$)	Costs	Costs	and	Net Revenue	(M\$)	Net
			(M\$)	(M\$)	Reclamation	Before		Revenue
					Costs	Income Taxes		After
					(M\$)	(M\$)		Income Taxes
								(M\$)
Total Proved <sup>(2)</sup>	346,809	0	109,265	125,995	0	111,549	0	111,549
Total Proved Plus Probable <sup>(2)(3)</sup>	3,020,649	0	485,896	723,960	0	1,810,793	0	1,810,793
ITALY	Revenue	Royalties	Operating	Development	Abandonment	Future	Income Taxes	Future
	(M\$)	(M\$)	Costs	Costs	and	Net Revenue	(M\$)	Net
			(M\$)	(M\$)	Reclamation	Before		Revenue
					Costs	Income Taxes		After
					(M\$)	(M\$)		Income Taxes
								(M\$)
Total Proved <sup>(2)</sup>	6,148	0	2,926	0	139	3,082	0	3,082
Total Proved Plus Probable <sup>(2)(3)</sup>	68,478	0	25,617	1,530	180	41,152	0	41,152

**FUTURE NET REVENUE BY PRODUCT TYPE  
BASED ON FORECAST PRICES AND COSTS  
AS AT MARCH 31, 2017**

Reserve Category	Product Type	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)
<b>AZERBAIJAN</b>		
Total Proved <sup>(2)</sup>	Light and Medium Oil (including solution gas and other by-products)	25,784
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
Total Proved Plus Probable <sup>(2)(3)</sup>	Light and Medium Oil (including solution gas and other by-products)	435,123
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
<b>ITALY</b>		
Total Proved <sup>(2)</sup>	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	2,161
Total Proved Plus Probable <sup>(2)(3)</sup>	Light and Medium Oil (including solution gas and other by-products)	0
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	10,998

**OIL AND GAS RESERVES AND NET PRESENT VALUES BY PRODUCT TYPE  
BASED ON FORECAST PRICES AND COSTS  
AS AT MARCH 31, 2017**

Product Type by Reserve Category	Reserves						Net Present	Unit Values
	Oil		Gas <sup>(9)</sup>		NGL		Value (BIT)	@ 10%/yr
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl	10% M\$	\$
<b>AZERBAIJAN</b>								
<b>Light and Medium Oil</b>								
<b>Proved</b>								
Developed Producing	424	424	0	0	0	0	1,602	3.78
Developed Non-Producing	0	0	0	0	0	0	0	N/A
Undeveloped	3,741	3,741	0	0	0	0	24,181	6.46
<b>Total Proved</b>	<b>4,166</b>	<b>4,166</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,784</b>	<b>6.19</b>
Probable	27,938	27,938	0	0	0	0	409,340	14.65
<b>Proved Plus Probable</b>	<b>32,103</b>	<b>32,103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>435,123</b>	<b>13.55</b>
<b>ITALY</b>								
<b>Assoc &amp; Non-Assoc Gas</b>								
<b>Proved</b>								
Developed Producing	0	0	1,300	1,300	18	18	2,054	1.58
Developed Non-Producing	0	0	118	118	0	0	108	0.91
Undeveloped	0	0	0	0	0	0	0	N/A
<b>Total Proved</b>	<b>0</b>	<b>0</b>	<b>1,418</b>	<b>1,418</b>	<b>18</b>	<b>18</b>	<b>2,161</b>	<b>1.52</b>
Probable	0	0	13,948	13,948	223	223	8,837	0.63
<b>Proved Plus Probable</b>	<b>0</b>	<b>0</b>	<b>15,366</b>	<b>15,366</b>	<b>241</b>	<b>241</b>	<b>10,998</b>	<b>0.72</b>

**Notes:**

1. "Gross Reserves" are the Company's working interest (operating or non-operating) share before deducting of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.
2. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
3. "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
4. "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.
5. "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
6. "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
7. "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
8. "Undeveloped" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.
9. Includes associated, non-associated and solution gas where applicable.

### Part 3 - Pricing Assumptions

The following tables detail the benchmark reference prices for the regions in which the Company operated, as at March 31, 2017, reflected in the reserves data disclosed above under “Part 2 – Disclosure of Reserves Data”. The forecast price assumptions assume the continuance of current laws and regulations and take into account inflation with respect to future operating and capital costs. There will be adjustments to field prices from the benchmarks below:

#### AZERBAIJAN

#### CRUDE OIL HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES April 1, 2017

Date	WTI [1] \$US/STB	Brent Spot (ICE)[2] \$US/STB	Urals Crude Price [3] \$US/STB
<b>HISTORICAL PRICES</b>			
2008	99.67	96.94	93.86
2009	61.95	61.74	59.97
2010	79.48	79.61	77.93
2011	94.88	111.26	109.67
2012	94.05	111.63	110.78
2013	97.98	108.56	108.04
2014	93.12	99.43	N/A
2015	48.69	53.32	N/A
2016	43.17	45.06	N/A
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)			
	47.49	49.52	47.02
<b>FORECAST PRICES</b>			
2017	55.00	57.20	54.70
2018	60.00	62.40	59.90
2019	65.00	67.60	65.10
2020	70.00	72.80	70.30
2021	72.50	75.40	72.90
2022	75.00	78.00	75.50
2023	77.50	80.60	78.10
2024	80.00	83.20	80.70
2025	82.50	85.80	83.30
2026	85.00	88.40	85.90
2027	87.50	91.00	88.50
2028	89.25	92.82	90.32
2029	91.04	94.68	92.18
2030	92.86	96.57	94.07
2031	94.71	98.50	96.00
2032	96.61	100.47	97.97

Escalated at 2% per year thereafter

- Notes:
- [1] West Texas Intermediate quality (D2/S2) crude (40API) landed in Cushing, Oklahoma.
  - [2] The Brent Spot price is estimated based on historic data.
  - [3] Urals Oil is the reference used as a basis for pricing, which historically has averaged Brent less \$2.50/Bbl.

ITALY

International Price - Crude Oil & Natural Gas  
 HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES  
 April 1, 2017

Date	Brent Spot	Torrente Cigno	Europe Gas	Torrente Cigno	Misano Adriatico	Lucera	San Mauro
	(ICE)[1] \$US/STB	Condensate [2] \$US/STB	Gas[3] \$US/Mcf	Gas[5] \$US/Mcf	Gas[4] \$US/Mcf	Gas[4] \$US/Mcf	Gas[4] \$US/Mcf
<b>HISTORICAL PRICES</b>							
2004	38.26	N/A	4.28	N/A	N/A	N/A	N/A
2005	54.57	N/A	6.33	N/A	N/A	N/A	N/A
2006	65.16	N/A	8.47	N/A	N/A	N/A	N/A
2007	72.44	N/A	8.56	N/A	N/A	N/A	N/A
2008	96.94	N/A	13.41	N/A	N/A	N/A	N/A
2009	61.74	N/A	8.71	N/A	N/A	N/A	N/A
2010	79.61	N/A	8.80	N/A	N/A	N/A	N/A
2011	111.26	N/A	10.42	N/A	N/A	N/A	N/A
2012	111.63	N/A	11.48	N/A	N/A	N/A	N/A
2013	108.56	135.52	11.80	7.10	14.89	11.44	11.44
2014	99.43	97.09	10.10	9.70	10.42	9.70	9.70
2015	53.32	51.50	7.30	2.27	6.73	5.87	5.55
2016	45.06	69.26	4.56	4.24	5.12	4.47	4.62
<b>CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)</b>							
	49.52	N/A	N/A	N/A	N/A	N/A	N/A
<b>FORECAST PRICE</b>							
2017	57.20	54.80	<b>5.00</b>	2.46	5.36	4.11	4.83
2018	62.40	60.00	<b>5.20</b>	2.53	5.57	4.27	5.02
2019	67.60	65.20	<b>5.40</b>	2.61	5.79	4.44	5.21
2020	72.80	70.40	<b>5.60</b>	2.69	6.00	4.60	5.41
2021	75.40	73.00	<b>5.80</b>	2.77	6.22	4.77	5.60
2022	78.00	75.60	<b>6.00</b>	2.85	6.43	4.93	5.79
2023	80.60	78.20	<b>6.20</b>	2.94	6.65	5.10	5.99
2024	83.20	80.80	<b>6.40</b>	3.03	6.86	5.26	6.18
2025	85.80	83.40	<b>6.70</b>	3.12	7.18	5.51	6.47
2026	88.40	86.00	<b>6.95</b>	3.21	7.45	5.71	6.71
2027	91.00	88.60	<b>7.21</b>	3.31	7.73	5.92	6.96
2028	92.82	90.42	<b>7.48</b>	3.41	8.02	6.15	7.22
2029	94.68	92.28	<b>7.76</b>	3.51	8.32	6.37	7.49
2030	96.57	94.17	<b>8.05</b>	3.61	8.63	6.61	7.77
2031	98.50	96.10	<b>8.34</b>	3.72	8.95	6.86	8.06
2032	100.47	98.07	<b>8.66</b>	3.83	9.28	7.11	8.36

Constant thereafter

- Notes:
- [1] The Brent Spot price is estimated based on historic data.
  - [2] Torrente Cigno Condensate price forecast is based on Chapman price forecast plus difference of actually received in T.C. in 2016/04-2017/03.
  - [3] Europe gas price forecast comes from Word Bank Forecast (Annual prices and Price Forecasts)
  - [4] Italy gas price forecast is based on actually received field price compare to European gas price in 2016/04 - 2017/03.
  - [5] Torrente Cigno price reflects the net price from electrical generation revenue escalated 3% per year (after consideration of electricity from the other owner).

The Company's weighted average prices received this fiscal year are: 8.71/Mscf for natural gas and \$73.55/STB.

## Part 4 – Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the changes in the Company's gross reserves as at March 31, 2017 against such reserves as at March 31, 2016 based on the forecast price and cost assumptions:

### RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT MARCH 31, 2017

<b>ARGENTINA</b>	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (MMscf)	Probable (MMscf)	Proved Plus Probable (MMscf)
At Mar. 31, 2016	114	486	599	0	0	0	0	0	0
Production(Sales)	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	(114)	(486)	(599)	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	0	0	0	0	0	0
At Mar. 31, 2017	0	0	0	0	0	0	0	0	0

<b>AZERBAIJAN</b>	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (MMscf)	Probable (MMscf)	Proved Plus Probable (MMscf)
At Mar. 31, 2016	3,948	28,986	32,934	0	0	0	0	0	0
Production(Sales)	(68)	0	(68)	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0
Economic Factors	0	(1,048)	(1,048)	0	0	0	0	0	0
Technical Revisions	286	0	286	0	0	0	0	0	0
At Mar. 31, 2017	4,166	27,938	32,103	0	0	0	0	0	0

<b>ITALY</b>	Light and Medium Oil	Heavy Oil	Associated and Non-Associated Gas
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	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (MMscf)	Probable (MMscf)	Proved Plus Probable (MMscf)
At Mar. 31, 2016	0	0	0	0	0	0	1,638	14,984	16,622
Production(Sales)	0	0	0	0	0	0	(93)	0	(93)
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0
Extensions & Improved Recovery	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	0	0	0
Technical Revisions	0	0	0	0	0	0	(127)	(1,036)	(1,163)
At Mar. 31, 2017	0	0	0	0	0	0	1,418	13,948	15,366

## **Part 5 – Additional Information Relating to Reserves Data**

### **Undeveloped Reserves**

#### PROVED

The following tables set forth the volumes of proved undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time, and the subsequent discussions generally describe the basis on which the Company attributes proved undeveloped reserves and its plans for developing those undeveloped reserves:

<b>AZERBAIJAN</b>	<b>Light and Medium Oil (Mbbbl)</b>	<b>Heavy Oil (Mbbbl)</b>	<b>Natural Gas (MMscf)</b>	<b>Natural Gas Liquids (Mbbbl)</b>
Aggregate prior to 2015	0	0	0	0
2015	0	0	0	0
2016	3,526	0	0	0
2017	152	0	0	0

The proved undeveloped reserves in Azerbaijan are in poorly drained areas of known and mapped producing oil pools. Development of these reserves will begin in 2019 and continue until the pools are fully developed in 2028.

#### **ITALY**

The Company had no proved undeveloped reserves in Italy as at March 31, 2017 or in prior years.

#### PROBABLE

The following tables set forth the volumes of probable undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time and the subsequent discussions generally describe the basis on which the Company attributes probable undeveloped reserves and its plans for developing those undeveloped reserves:

<b>AZERBAIJAN</b>	<b>Light and Medium Oil (Mbbbl)</b>	<b>Heavy Oil (Mbbbl)</b>	<b>Natural Gas (MMscf)</b>	<b>Natural Gas Liquids (Mbbbl)</b>
Aggregate prior to 2015	0	0	0	0
2015	0	0	0	0
2016	28,214	0	0	0
2017	0	0	0	0

The Company's probable undeveloped oil reserves in Azerbaijan are in known pools on a producing accumulation but are in areas some distance from successful producers and can not be considered to be proved. Development of these reserves will begin in 2019 and continue until the pools are fully developed in 2033.

<b>ITALY</b>	<b>Light and Medium Oil (Mbbbl)</b>	<b>Heavy Oil (Mbbbl)</b>	<b>Natural Gas (MMscf)</b>	<b>Natural Gas Liquids (Mbbbl)</b>
Aggregate prior to 2015	0	0	0	0
2015	0	0	7,233	105
2016	0	0	6,180	115
2017	0	0	0	0

The Company's probable undeveloped non-associated gas reserves in Italy are located in the Torrente Cigno Concession. These reserves will be developed by a horizontal well, offsetting a producing well, scheduled to be drilled in early 2018.

### ***Significant Factors or Uncertainties***

The estimation of reserves requires significant judgment and decisions based on available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Company's estimates are based on current production forecast, prices and economic conditions. All of the Company's reserves are evaluated by Chapman Petroleum Engineering Ltd., an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Based on new information, reserves estimates are reviewed and revised, either upward or downward, as warranted. Although every reasonable effort has been made by the Company to ensure that reserves estimate are accurate, revisions may arise as new information becomes available. As new geological, production and economic data is incorporated into the process of estimating reserves the accuracy of the reserve estimate improves.

Concerning the property in Azerbaijan, the wholly owned subsidiary of Zenith Energy Ltd., Zenith Aran Oil Company Limited ("Zenith Aran") has acquired the exclusive rights to conduct petroleum operations in three petroleum producing onshore fields in Azerbaijan ("the Azeri Operations").

On June 14, 2016, the Company received notice of ratification from the Parliament of the Republic of Azerbaijan of the Rehabilitation, Exploration, Development and Production Sharing Agreement (REDPSA) granting the Company the rights and obligations for an 80% participating interest in current and future production, as well as acknowledging, Aran Oil Operating Company Limited (Aran), an 80% owned subsidiary of Zenith Aran, as operator of the REDPSA. This ratification has transformed the REDPSA into a law of the country, which has been signed by the President of the Republic of Azerbaijan on June 24, 2016.

The REDPSA, executed on March 16, 2016 between SOCAR, Zenith Aran and SOCAR Oil Affiliate ("SOA"), a 100% owned subsidiary of SOCAR, became effective on August 11, 2016, making the Company's rights and obligations under the REDPSA binding law in Azerbaijan.

The handover of production operations from SOCAR to Aran Oil Operating Company Limited was also completed on August 11, 2016. There was no interruption of oil production.

In February 2017, the Company sold its Argentina subsidiary.

### Future Development Costs

The following tables show the development costs anticipated in the next five years, which have been deducted in the estimation of the future net revenues of the proved and probable reserves.

AZERBAIJAN	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)
2017	0	720
2018	0	2,285
2019	17,895	26,218
2020	30,478	48,518
2021	22,342	46,761
Total for five years	70,714	124,502
Remainder	55,281	599,458
Total for all years	125,995	723,960

ITALY	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)
2017	0	0
2018	0	1,530
2019	0	0
2020	0	0
2021	0	0
Total for five years	0	1,530
Remainder	0	0
Total for all years	0	1,530

The Company has been successful in raising its required capital through equity financings and plans to continue to do so for the development costs specified above. The effect of the costs of the expected funding would have no impact on the revenues or reserves currently being reported.

## Part 6 – Other Oil and Gas Information

### Oil and Gas Properties and Wells

The following table sets forth the number of wells in which the Company held a working interest as at March 31, 2017:

	Oil		Natural Gas	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
<b>AZERBAIJAN</b>				
Producing	59	47.2	0	0
Non-producing	5	4	0	0
<b>ITALY</b>				
Producing	0	0	7	2.39
Non-producing	0	0	1	0.45

All of the Company's producing oil wells are located onshore in two oil fields, Muradkhanli and Jafarli in the Kura Region of Azerbaijan. Five non-producing wells are in the Zardab field in the same area.

All of the Company's gas wells are located onshore in six concessions of Italy: Lucera, Masseria Acquisalsa, Misno Adriatico, San Andrea, San Mauro, and Torrente Cigno. Each concession has one producing well except Lucera concession, which has 2 producing wells and 1 suspended well. Masseria Acquisalsa concession has no remaining reserves. There is an additional horizontal location in Torrente Cigno concession, which is expected to be drilled in 2018.

### ***Properties with No Attributed Reserves***

The Company holds five additional concessions in Italy to which no reserves have been assigned. There are no current plans for any capital expenditures on these properties. The Company also has interests in two exploration permits and two exploration applications in Italy to which no reserves have been assigned.

### ***Forward Contracts***

Currently, the Company has no forward contracts.

### ***Tax Horizon***

The Company is not expected to become taxable under the proved or the proved plus probable cash flows forecast in this report.

The existing income tax pools in Italy are expected to exceed any tax that may become payable.

In Azerbaijan, income tax is incorporated in the terms of the REDPSA; the Company will have no further income tax liability.

### ***Costs Incurred***

The following tables summarize the capital expenditures made by the Company on oil and natural gas properties for the year ended March 31, 2017.

#### **ARGENTINA**

Property Acquisition Costs (M\$)		Exploration Costs (M\$)	Development Costs (M\$)
Proved Properties	Unproved Properties		
0	0	0	0

#### **AZERBAIJAN**

Property Acquisition Costs (M\$)		Exploration Costs (M\$)	Development Costs (M\$)
Proved Properties	Unproved Properties		
0	0	0	212

#### **ITALY**

Property Acquisition Costs (M\$)		Exploration Costs (M\$)	Development Costs (M\$)
Proved Properties	Unproved Properties		
0	0	0	195

### ***Exploration and Development Activities***

The following tables set forth the number of exploratory and development wells which the Company completed during its 2017 financial year:

	Exploratory Wells		Development Wells	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
<b>ARGENTINA</b>				
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0
<b>AZERBAIJAN</b>				
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0
<b>ITALY</b>				
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0

[1] Total number of wells in which the Company has a working interest.

[2] Total number of wells in which the Company has a working interest multiplied by the Company working interest in each well.

### Production Estimates

The following table sets forth the volume of production estimated by Chapman for 2017 (9 mo.):

TOTAL PROVED RESERVES				
AREA	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Azerbaijan	56	0	0	0
Italy	0	0	131	2
<b>Total for all areas</b>	<b>56</b>	<b>0</b>	<b>131</b>	<b>2</b>
TOTAL PROVED PLUS PROBABLE RESERVES				
AREA	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Azerbaijan	63	0	0	0
Italy	0	0	131	2
<b>Total for all areas</b>	<b>63</b>	<b>0</b>	<b>131</b>	<b>2</b>

These values are gross to Company's working interest before the deduction of royalties payable to others.

### Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Company for each quarter of its most recently completed financial year:

	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017
<b>Average Daily Production</b>				
Light and Medium Oil (Bbl/d)	13	156	285	291
Natural Gas (Mscf/d)	306	270	252	172
<b>Average Daily Sales</b>				
Light and Medium Oil (Bbl/d)	13	154	283	288
Natural Gas (Mscf/d)	306	270	252	172
<b>Average Net Prices Received</b>				
Light and Medium Oil (\$/Bbl)	63.08	47.03	63.67	53.58
Natural Gas (\$/boe)	34.75	36.13	72.73	44.72
<b>Royalties</b>				
Light and Medium Oil (\$/Bbl)	6.50	–	–	–
Natural Gas (\$/boe)	–	–	–	–
<b>Production Costs</b>				
Light and Medium Oil (\$/Bbl)	135.34	18.62	25.28	64.61
Natural Gas (\$/boe)	8.72	23.83	23.10	37.15
<b>Netback Received</b>				
Light and Medium Oil (\$/Bbl)	(78.76)	28.41	38.39	(11.03)
Natural Gas (\$/boe)	26.03	12.40	49.63	7.57

## ABBREVIATIONS AND CONVERSION

In this document, the abbreviations set forth below have the following meanings:

<b>Oil and Natural Gas Liquids</b>		<b>Natural Gas</b>	
Bbl	barrel	Mscf	thousand standard cubic feet
Bbls	barrels	MMscf	million standard cubic feet
Mbbls	thousand barrels	Mscf/d	thousand standard cubic feet per day
MMbbls	million barrels	MMscf/d	million standard cubic feet per day
MSTB	1,000 stock tank barrels	MMBTU	million British Thermal Units
Bbls/d	barrels per day	Bscf	billion standard cubic feet
NGLs	natural gas liquids	GJ	gigajoule
STB	stock tank barrels of oil		
STB/d	stock tank barrels of oil per day		
 <b>Other</b>			
AECO	Niska Gas Storage's natural gas storage facility located at Suffield, Alberta.		
BIT	Before Income Tax		
AIT	After Income Tax		
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mscf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mscf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.		
BOE/d	barrel of oil equivalent per day		
m <sup>3</sup>	cubic metres		
\$M	thousands of dollars		
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade		