

SCHEME BOOKLET REGISTERED WITH ASIC

Zenith Energy Limited (ASX: ZEN) ('Zenith') is pleased to announce that the Australian Securities and Investments Commission ('ASIC') has registered the Scheme Booklet ('Scheme Booklet') containing information relating to the proposed acquisition of Zenith by Elemental Infrastructure BidCo Pty Ltd ('Elemental') by way of Scheme of Arrangement ('Scheme').

This announcement follows Zenith's announcement regarding the issuance of orders made by the Supreme Court of Western Australia approving despatch of the Scheme Booklet to Zenith shareholders and the convening of meetings of Zenith shareholders to consider and vote on the Scheme ('Scheme Meetings').

Despatch of Scheme Booklet

A copy of the Scheme Booklet containing information about the Scheme, the Independent Expert's Report and the notices convening the Scheme Meetings, is attached.

The Scheme Booklet will be available for viewing and downloading on the Zenith website at www.zenithenergyltd.com/investor-centre/scheme-of-arrangement. It will also be available under Zenith's profile on ASX at www.asx.com.au.

Zenith shareholders who have elected to receive communications electronically will also receive an email which contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxies for the relevant Scheme Meeting online. Zenith shareholders who have not made such an election will be mailed a letter which contains these instructions and hard copy proxy forms for the relevant Scheme Meeting.

The above-mentioned emails, letters and hard copy proxy forms will be despatched to Zenith shareholders on or before Wednesday, 1 July 2020.

Zenith shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am and 5.30pm (Perth time).

Independent Expert's conclusion

The independent expert appointed by the independent non-executive directors of Zenith in relation to the Scheme, Grant Thornton Corporate Finance Pty Ltd ('Independent Expert'), has concluded that the Scheme is fair and reasonable and hence in the best interests of Zenith shareholders, in the absence of a superior proposal.

Directors' recommendation

Zenith's Independent Board Committee, comprised of Zenith's Independent Non-Executive Directors, Mr Peter Torre and Mr David Riekie unanimously recommends that shareholders vote in favour of the

ZENITH ENERGY LIMITED

25 June 2020

Scheme in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith shareholders. Subject to the same qualifications, each Independent Non-Executive Director of Zenith intends to vote all the Zenith shares held or controlled by them in favour of the Scheme. Zenith's Executive Directors, Mr Doug Walker and Mr Hamish Moffat, also unanimously recommend that shareholders vote in favour of the Scheme and intend to vote all the Zenith shares held or controlled by them in favour of the Scheme, in each case, also subject to the same qualifications.¹

ENDS

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

Authorised by: Zenith Energy Board of Directors

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¹ When considering the recommendations of Mr Doug Walker and Mr Hamish Moffat, and their respective voting intentions, Zenith shareholders should have regard to the actual and potential financial and other benefits each of Mr Walker and Mr Moffat will or may receive as a result of the Scheme, and the fact that Mr Walker and Mr Moffat (directly or through entities controlled by them), will form part of a different class of shareholders for the Scheme Meetings (with those of the other Rollover Shareholders described in the Scheme Booklet). Further details will be set out in the Scheme Booklet.

ZENITH ENERGY LIMITED

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SCHEME BOOKLET

for a scheme of arrangement in relation to the proposed acquisition
of Zenith Energy Limited by Elemental Infrastructure BidCo Pty Ltd

VOTE IN FAVOUR

Your Independent Non-Executive Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and hence in the best interests of Zenith Shareholders, in the absence of a Superior Proposal.

As a result of the health risks created by the coronavirus (COVID-19) pandemic, the Scheme Meetings are scheduled to be held electronically as follows:

- (a) **General Scheme Meeting: 10.00am (Perth time) on Friday, 31 July 2020; and**
- (b) **Rollover Shareholders Scheme Meeting, immediately after the General Scheme Meeting on Friday, 31 July 2020.**

Zenith Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting. Full details of how to participate in the electronic Scheme Meetings are set out in this Scheme Booklet. Zenith strongly encourages Zenith Shareholders to consider lodging a directed proxy in the event they are not able to participate in the electronic Scheme Meetings.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the relevant Scheme Resolution to approve the Scheme. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am and 5.30pm (Perth time).

This Scheme Booklet is made available for persons shown on the Zenith Register as holding Zenith Shares. If you have recently sold all of your Zenith Shares, please disregard this Scheme Booklet.

Financial Adviser

Legal Adviser



Allens > Linklaters

IMPORTANT NOTICES

Nature of this document

This Scheme Booklet provides Zenith Shareholders with information about the proposed acquisition of Zenith by BidCo by way of a scheme of arrangement between Zenith and the Scheme Shareholders under Part 5.1 of the Corporations Act. A copy of the proposed Scheme is set out at Annexure B. This document is the explanatory statement for the purposes of section 412(1) of the Corporations Act.

This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the Conditions Precedent are satisfied or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of Zenith Shareholders of whether or not to vote in favour of the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all of your Zenith Shares, please ignore this Scheme Booklet.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in section 10 of this Scheme Booklet.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision regarding the Scheme. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Zenith Shareholders, or a solicitation of an offer from Zenith Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with laws and regulations outside Australia.

Regulatory information

This document is the explanatory statement for the scheme of arrangement between Zenith and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being made available to Zenith Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Notices of Meeting

The Notice of General Scheme Meeting is set out in Annexure D.

The Notice of Rollover Shareholders Scheme Meeting is set out in Annexure E.

Zenith Shareholders' right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meetings.

Any Zenith Shareholder may appear at the Second Court Hearing, expected to be held at 9.30am (Perth time) on Thursday, 6 August 2020 at the Supreme Court of Western Australia, David Malcolm Justice Centre, 28 Barrack Street, Perth.

Any Zenith Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Zenith a notice of appearance in the prescribed form together with any affidavit on which the Zenith Shareholder proposes to rely.

Zenith Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 pandemic. Any change will be announced to the ASX and will be available under Zenith's profile on the ASX at www.asx.com.au.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meetings be convened and has directed that this Scheme Booklet accompany the notice of meetings does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for, the content of the Scheme Booklet.

The order of the Court that the Scheme Meetings be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Disclaimer as to forward looking statements

This Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward looking words such as 'believe', 'aim', 'future', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe Zenith's or BidCo's objectives, plans, goals or expectations are or may be forward looking statements.

Statements contained in this Scheme Booklet about the Total Scheme Consideration currently expected to be received by Zenith Shareholders if the Scheme is approved and implemented are forward looking statements. Section 4.2 provides further detail on how this amount will be calculated and what Zenith Shareholders are currently expected to receive if the Scheme is approved and implemented.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Zenith's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward looking statements.

All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those forward looking statements.

The operations and financial performance of Zenith are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Zenith and/or BidCo. Zenith Shareholders should

note that the historical financial performance of Zenith provides no assurance of the future financial performance of Zenith (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Zenith operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Zenith following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated and may never be achieved.

The forward looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although Zenith believes that the views reflected in any forward looking statements included in the Zenith Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the Zenith Group, the BidCo Group, Zenith's officers, BidCo's officers, Zenith's advisers or any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

All subsequent written and oral forward looking statements attributable to any member of the Zenith Group or any BidCo Group Member or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, no member of the Zenith Group and no BidCo Group Member gives any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Zenith has been solely responsible for preparing the Zenith Information. The Zenith Information concerning Zenith and the intentions, views and opinions of Zenith and the Zenith Directors contained in this Scheme Booklet has been prepared by Zenith and the Zenith Directors and is the responsibility of Zenith. BidCo and the BidCo Directors and officers do not assume any responsibility for the accuracy or completeness of any information contained in this Scheme Booklet other than the BidCo Information.

BidCo has been solely responsible for preparing the BidCo Information. The BidCo Information concerning BidCo

and the intentions, views and opinions of BidCo contained in this Scheme Booklet has been prepared by BidCo and is the responsibility of BidCo. Zenith and the Zenith Directors and officers do not assume any responsibility for the accuracy or completeness of any BidCo Information.

Grant Thornton Corporate Finance Pty Ltd has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A. Grant Thornton does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Independent Expert's Report.

PwC has provided and is responsible for the information contained in section 8 (*Taxation Implications*). Neither Zenith nor BidCo assumes any responsibility for the accuracy of the information contained in section 8. PwC does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in section 8 and PwCS does not assume any responsibility for the accuracy or completeness of any information contained in this Scheme Booklet.

Privacy

Zenith and BidCo may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of BidCo Shareholders and the names of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Zenith and BidCo to conduct the Scheme Meeting and implement the Scheme. Personal

information of the type described above may be disclosed to the Zenith Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Zenith and BidCo, and Zenith's and BidCo's advisers and service providers. Zenith Shareholders have certain rights to access personal information that has been collected. Zenith Shareholders should contact the Zenith Registry in the first instance if they wish to access their personal information. Zenith Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Perth, Western Australia. All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent.

Currency

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian dollars.

Date of this Scheme Booklet

This Scheme Booklet is dated 25 June 2020.

IMPORTANT MATTERS RELATING TO COVID-19

Scheme Meetings

In order to minimise health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination¹ regarding electronic shareholder meetings, the Scheme Meetings are scheduled to be held electronically.

Zenith Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting.

Zenith Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meetings through an online platform at <https://agmlive.link/ZEN20>. The online platform enables participants to view the relevant Scheme Meeting live, vote on the relevant Scheme Resolution in real time and ask questions online.

Further details with respect to the conduct of the Scheme Meetings, including how to join the electronic Scheme Meetings, raise questions during the Scheme Meetings and vote on the Scheme Resolutions are set out in the notices of meeting for the Scheme Meetings (see Annexures D and E) and summarised in section 4 below.

Zenith strongly encourages shareholders to consider lodging a directed proxy in the event they are not able to participate in the electronic Scheme Meetings.

Second Court Hearing

Due to the unforeseen extraordinary circumstances posed by COVID-19, Zenith reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the relevant Scheme Resolutions are

not passed by a majority in number (more than 50%) of Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically). The Court may waive the requirement that the Scheme be approved by such a majority if it considers it appropriate to do so in all the circumstances. Each Scheme Resolution would still need to be passed by at least 75% of the total number of votes cast on the Scheme Resolution by Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically).

Changes to Scheme Timetable and Conduct of Meetings

Zenith Shareholders should be aware that important dates in this Scheme Booklet (including the date of the electronic Scheme Meetings and court hearings) and instructions with respect to the conduct of the Scheme Meetings and Court hearings may change at short notice in light of developments arising from the continually evolving COVID-19 pandemic.

All changes to the dates and the conduct of the Scheme Meetings and Court hearings set out in this Scheme Booklet will be announced to the ASX and will be available under Zenith's profile on the ASX at www.asx.com.au.

Risks Associated with COVID-19

Section 7.2 sets out certain risks relating to the Zenith business that relate specifically to the COVID-19 pandemic. In considering the Scheme, Zenith Shareholders should be aware of these risk factors which (in addition to the other risk factors set out in section 7) could materially adversely affect the future operating and financial performance of Zenith.

¹ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to expressly permit shareholder meetings to be held electronically without persons being physically present in the same place.

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INDICATIVE KEY DATES

EVENT	DATE
First Court Date The date on which the Court made orders convening the Scheme Meetings	9.00am on Thursday, 25 June 2020
Election Time (for Rollover Shareholders only) Latest time and date by which Election Forms must be received from Rollover Shareholders Electing to receive the Scrip Consideration	5.00pm on Tuesday, 28 July 2020
Scheme Meeting proxy forms Latest time and date by which Scheme Meeting proxy forms must be received by the Zenith Registry or lodged online at www.linkmarketservices.com.au	10.00am on Wednesday, 29 July 2020
Scheme Meeting Record Date Time and date for determining eligibility to vote at the Scheme Meetings	5.00pm on Wednesday, 29 July 2020
General Scheme Meeting To be held electronically	10.00am on Friday, 31 July 2020
Rollover Shareholders Scheme Meeting To be held electronically immediately following the General Scheme Meeting, but not before 10.30am (Perth time)	Friday, 31 July 2020
If the Scheme is approved by Zenith Shareholders at the Scheme Meetings and all other conditions are satisfied (or, if permitted, waived) by that time	
Second Court Date For approval of the Scheme	Thursday, 6 August 2020
Scheme Effective Date The date on which the Scheme becomes Effective and is binding on Zenith Shareholders The Court order will be lodged with ASIC and announced on ASX Last day of trading in Zenith Shares – Zenith suspended from trading on ASX from close of trading	Friday, 7 August 2020
Special Dividend Record Date All Zenith Shareholders who hold Zenith Shares on the Special Dividend Record Date will be entitled to receive the Special Dividend	Wednesday, 12 August 2020
Scheme Record Date All Zenith Shareholders who hold Zenith Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration	Friday, 14 August 2020
Implementation Date Date on which the Scheme Consideration will be sent to Scheme Shareholders	Friday, 21 August 2020

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced to the ASX and will be available under Zenith's profile on the ASX at www.asx.com.au.

All references to time in this Scheme Booklet are references to Perth, Western Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Zenith Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxy vote online. The Scheme Booklet will also be available for viewing and downloading on the Zenith website at www.zenithenergy.com.au/investor-centre/scheme-of-arrangement. Zenith Shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am to 5.30pm (Perth time).

LETTER FROM PETER TORRE

Independent Non-Executive Director and Chairman of the Independent Board Committee of Zenith

Dear Zenith Shareholders,

On behalf of your Board, I am pleased to provide you with this Scheme Booklet, which sets out the details you should consider in relation to the proposed acquisition of Zenith by BidCo, an entity that, prior to the Implementation Date, will be owned by funds managed or advised by Pacific Equity Partners Secure Assets Fund, the Apex Trust, an entity to be controlled by ICG by the Implementation Date and entities established by OPTrust (as further described in section 6). I encourage you to read this Scheme Booklet carefully and to vote in favour of the Scheme.

If the Scheme is approved and implemented, Zenith Shareholders will receive \$1.01 cash per Zenith Share comprising:

- cash consideration under the Scheme of \$1.01 for each Zenith Share held on the Scheme Record Date, less the amount of any Special Dividend that may be paid by Zenith on or before the date the Scheme is implemented; and
- a fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be paid by Zenith on or before the date the Scheme is implemented.

If a Special Dividend is paid, eligible Zenith Shareholders may also be eligible to receive an additional benefit of up to \$0.05 per Zenith Share held on the Special Dividend Record Date in the form of franking credits attached to any Special Dividend, subject to individual marginal tax rates.² Whether eligible Zenith Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Dividend will depend on their tax status and specific circumstances. Zenith Shareholders should seek independent professional taxation advice in this regard.³

Zenith's Independent Board Committee, comprised of Zenith's Independent Non-Executive Directors, Mr Peter Torre and Mr David Riekie, (*IBC*) believes the offer represents an attractive premium of:

- 45.3% premium to the last closing price of Zenith Shares on 6 March 2020 of \$0.695 per Zenith Share;
- 45.5% premium to the 1-week VWAP of Zenith Shares on 6 March 2020 of \$0.694 per Zenith Share;⁴ and
- 40.5% premium to the 3-month VWAP of Zenith Shares on 6 March 2020 of \$0.719 per Zenith Share.⁴

The offer reflects a valuation multiple for Zenith of 8.4 x FY20 EBITDA guidance.⁵ Your IBC has formed a view that the pricing and premium are attractive and reflect the inherent quality of Zenith's portfolio and prospects. That perspective is supported by the Independent Expert, which has concluded that the transaction is fair and reasonable, and hence in the best interests of Zenith Shareholders, in the absence of a Superior Proposal.

Under the terms of the Scheme Implementation Deed, Zenith's senior management team consisting of Mr Walker, Mr Moffat and Mr Cooper (being either directly, or through their controlled entities (described in this Scheme Booklet as the **Management Rollover Shareholders**)) and the Apex Trust (together with the Management Rollover Shareholders, the **Rollover Shareholders**) are each entitled to elect to receive between 66% and 100% of the Scheme Consideration in the form of Scrip Consideration, being shares in HoldCo, with the remainder to be received in cash. Each Rollover Shareholder may make an Election on or before the Election Time. The Rollover Shareholders will form a separate class of members to the General Shareholders for the purpose of voting on the Scheme.

² This assumes a Special Dividend of up to \$0.13 per Zenith Share is paid. The maximum benefit associated with the franking credits will be less if the Special Dividend is less than \$0.13 per Zenith Share.

³ When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

⁴ Volume weighted average prices based on cumulative trading volume and value up to and including 6 March 2020.

⁵ Enterprise value derived from \$1.01 per Zenith Share multiplied by 149.5 million fully diluted shares on issue and Zenith's net debt of \$101.6 million at 30 April 2020.

Independent Non-Executive Directors' Recommendation

Each Zenith Director has formed their own, independent view of the Scheme and the Independent Non-Executive Directors of Zenith, Mr Riekie and I, acting as an independent committee of the Board, independently decided that the Scheme was in the best interests of Zenith Shareholders.

After careful consideration, Zenith's IBC concluded that:

- the scheme as proposed under the terms of the Initial Scheme Implementation Deed was unlikely to succeed as there was no certainty that the Apex Trust, which Zenith understands currently holds approximately 17.60% of the Zenith Shares, would support that transaction;
- the prospect of any Competing Proposal was low and therefore there was a material risk that, absent the Scheme, as amended and restated by the Scheme Implementation Deed, Zenith Shareholders would not receive the benefit of any proposal;
- even if an alternative proposal (whether from Apex Trust or some other person) were to materialise at some future time if the Scheme were not approved and implemented, there was no basis to expect or assume that any such alternative proposal would be on the same or better terms as the Scheme; and
- the Scheme Consideration is at the upper end of the Independent Expert's valuation range of \$0.89 to \$1.02 per Zenith Share.

The IBC firmly believes that the Scheme, as amended and restated by the Scheme Implementation Deed and with the support of the Apex Trust, is even more compelling for Zenith Shareholders to benefit from greater certainty of cash for their shares and the opportunity to realise full value for their Zenith Shares in a market that has been challenged by COVID-19.

The IBC has formed this view based on the following reasons:

- The Independent Expert has concluded that the Scheme is fair and reasonable and hence in the best interests of Zenith Shareholders.
- The aggregate price of the Scheme Consideration and the Special Dividend of \$1.01 represents an attractive premium to the last closing price, 1-week VWAP and 3-month VWAP of Zenith Shares on 6 March 2020.
- The offer from BidCo to General Shareholders (being all Zenith Shareholders, other than the Rollover Shareholders) is a 100% cash offer, providing you with certain and immediate value for your Zenith Shares.
- If a Special Dividend is paid, eligible Zenith Shareholders may be entitled to the additional benefit of franking credits attached to any Special Dividend. Whether eligible Zenith Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Dividend will depend on their tax status and specific circumstances. Zenith Shareholders should seek independent professional taxation advice in this regard.⁶
- No Superior Proposal has emerged.

Further reasons (including reasons why you may not wish to vote in favour of the Scheme) are set out in sections 2.2 and 2.3 of this Scheme Booklet.

The implementation of the Scheme is subject to certain shareholder and court approvals, and other customary conditions. Further details are set out in this Scheme Booklet.

The IBC makes no recommendation in respect of the Scrip Consideration as it applies to the Rollover Shareholders and make no recommendation in relation to whether the Rollover Shareholders should make an Election (refer to the question, "*Who are the Rollover Shareholders and what is the Election?*" in section 3 for more information about the Rollover Shareholders and the Election).

In forming their recommendation, the IBC had regard to the benefits and interests of the Directors described in section 1 and section 9, respectively, of this Scheme Booklet. Section 1 also describes in detail the approach taken by the IBC in considering and approving the Scheme, including the consideration of the recommendations provided by each of the Executive Directors.

I encourage all Zenith Shareholders to read and take into account the information contained in section 1 and section 9 when assessing the IBC's recommendation.

⁶ When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

Executive Directors' Recommendation

Your Executive Directors (being Zenith's Executive Chairman, Mr Doug Walker and Zenith's Managing Director, Mr Hamish Moffat) also unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders. Zenith Shareholders should have regard to the matters set out in section 1 when considering the recommendation of the Executive Directors. In particular, Zenith Shareholders should consider the fact that each of Mr Walker and Mr Moffat will, or may, receive the Additional Benefits described in section 1, which include, in the case of Mr Walker, the Walker Retention Bonus and the Walker Rollover Benefits, and in the case of Mr Moffat, the Moffat Retention Bonus, the Moffat Loan Forgiveness Benefit and the Moffat Rollover Benefits.

Message from Executive Chairman, Mr Doug Walker

As the founder and Executive Chairman, I am immensely proud to look back on Zenith's journey from incorporation in 2006, listing on the ASX in 2017 and to now being subject to a takeover offer from BidCo. I truly believe that the offer of \$1.01 per Zenith Share represents an excellent outcome for all of you as Zenith Shareholders and is a deserved reward for your trust and faith in our exceptional senior management team's ability to deliver on the ambitious strategic goals that we set each year.

Since listing on the ASX, the Zenith Board, senior management team and our employees have worked tirelessly to build and grow Zenith, which, without the continued support of our stakeholders and Zenith Shareholders, would not have been possible. From the completion of Newmont's Tanami project to the operation of Independence Group's Nova Solar facility, Zenith has established itself as one of Australia's market leading remote power generation providers.

I would like to personally thank you for your support and commitment to Zenith during this time and I encourage you to vote in favour of the transaction as it represents compelling value for each of you, including relative to the closing price of Zenith Shares on 6 March 2020 (being the last trading day before the announcement of the Initial Scheme Implementation Deed) – see above.

Independent Expert

The Independent Expert, Grant Thornton, has concluded that the Scheme is fair and reasonable and hence in the best interests of Zenith Shareholders, in the absence of a Superior Proposal. A complete copy of the Independent Expert's Report is included in Annexure A of this Scheme Booklet.

Competing Proposal

If a Competing Proposal is received by Zenith, the Zenith Board will follow the procedures set out in clause 9 of the Scheme Implementation Deed, as summarised in section 4.9(b) below, in considering and responding to the Competing Proposal. The Independent Board Committee will be responsible for leading the Board's response to any Competing Proposal. No Competing Proposal has been received to date.

General Scheme Meeting and Rollover Shareholders Scheme Meeting

As the Rollover Shareholders are each entitled to receive a portion of Scheme Consideration in the form of Scrip Consideration, the rights of Rollover Shareholders under the Scheme are sufficiently different from those of the General Shareholders such that the Rollover Shareholders constitute a separate class of members for the purpose of voting on the Scheme. This means General Shareholders will have the opportunity to vote independently from the Rollover Shareholders.

The General Shareholders will vote at the General Scheme Meeting but will not be permitted to vote at the Rollover Shareholders Scheme Meeting. Equally, the Rollover Shareholders will vote at the Rollover Shareholders Scheme Meeting but will not be permitted to vote at the General Scheme Meeting.

Details of the Scheme Meetings are set out in sections 4.7 and 4.8 and in the Notice of General Scheme Meeting contained in Annexure D and in the Notice of Rollover Shareholders Scheme Meeting contained in Annexure E.

How to Vote

Your vote is important, and I encourage you to vote on the Scheme.

Due to the novel coronavirus (COVID-19) pandemic and the restrictions on public gatherings imposed by the Australian State and Federal governments, consistent with the Treasurer's determination⁷ regarding electronic shareholder meetings, the Zenith Board has decided to hold the Scheme Meetings electronically. Please refer to sections 4.7 and 4.8 for information setting out how to participate in and vote at the Scheme Meetings. The Scheme Meetings are being arranged to ensure all Zenith Shareholders can participate, question the Board and have their voices heard on this important decision for Zenith Shareholders.

The General Scheme Meeting is to be held at 10.00am (Perth time) on Friday, 31 July 2020, and the Rollover Shareholders Scheme Meeting is to be held immediately after the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am (Perth time).

It is important that you vote in favour of the Scheme if you want the Scheme to proceed.

Further Information

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for the IBC unanimously recommending the Scheme, and the Independent Expert's Report. It also sets out some of the reasons why you may not wish to vote in favour of the Scheme.

Please read this Scheme Booklet carefully and in its entirety as it will assist you in making an informed decision as to how to vote. I would also encourage you to seek independent financial, legal, taxation or other professional advice before making any voting or investment decision in relation to your Zenith Shares.

If you require any further information, please call the Zenith Shareholder Information Line on 1800 237 687 or +61 1800 237 687 between 6.30am and 5.30pm (Perth time), Monday to Friday, excluding public holidays.

I would also like to take this opportunity to thank you for supporting Zenith.

Yours sincerely,



Peter Torre

Independent Non-Executive Director
Zenith Energy Limited

⁷ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

1. EXECUTIVE DIRECTOR RECOMMENDATION – IMPORTANT INFORMATION

1.1 Recommendation

The IBC unanimously recommends that Zenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Zenith Shareholders.

Zenith's Executive Directors, Mr Doug Walker and Mr Hamish Moffat, also unanimously recommend that Zenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Zenith Shareholders. Zenith Shareholders should consider the significance of this recommendation having regard to the information set out in this section 1. In particular, in the case of the recommendation by Mr Walker and Mr Moffat, Zenith Shareholders should have regard to the fact that, if the Scheme is implemented, each of Mr Walker and Mr Moffat will, or may, receive (directly as a result of the Scheme or following implementation of it) additional personal benefits that are not available to all Zenith Shareholders (as described in this section 1, the **Additional Benefits**). Zenith Shareholders should be aware that the provision of these Additional Benefits to Mr Walker or Mr Moffat will not impact the Scheme Consideration that is payable to all other Zenith Shareholders on implementation of the Scheme.

1.2 Financial benefits for Executive Directors

(a) Mr William (Doug) Walker

BidCo has stated its intention to pay a Retention Bonus to Mr Walker following implementation of the Scheme. The amount of the Retention Bonus is \$500,839. It will only be payable if the Scheme is approved by Zenith Shareholders and the Scheme becomes Effective. This is referred to elsewhere in this Scheme Booklet as the **Walker Retention Bonus**.

Mr Walker is a member of the senior management team (comprising Mr Walker, Mr Moffat and Mr Cooper) who comprise (directly or through entities they control), together with the Apex Trust, the Rollover Shareholders. As part of the Scheme, the Rollover Shareholders may elect to take between 66% and 100% of their Scheme Consideration in the form of Scrip Consideration (being shares in Elemental Infrastructure HoldCo Pty Ltd (**HoldCo**)), the ultimate holding company of BidCo.

The Independent Expert is of the view that the Rollover Shareholders are not receiving a superior offer to the other Zenith Shareholders under the Scheme and that the market value of the HoldCo Securities to be issued to the Rollover Shareholders as Scrip Consideration is no greater than the Independent Expert's assessed fair market value of Zenith Shares prior to the announcement of the Scheme. However, to the extent a Rollover Shareholder elects to receive Scrip Consideration, that Rollover Shareholder will have the opportunity to participate in future benefits, and will be exposed to the risks, that may arise from the Zenith Business following implementation of the Scheme. The potential future benefits that may be derived by the Walker Rollover Shareholders are referred to elsewhere in this Scheme Booklet as the **Walker Rollover Benefits**.

It is the intention of BidCo that Mr Walker will be appointed to the board of HoldCo for so long as the DW Rollover Shareholders⁸ hold in aggregate at least 10% of the HoldCo Securities on a fully diluted basis and, failing that, the Rollover Shareholders holding or controlling shareholdings in aggregate of 10% or more of the HoldCo Securities on a fully diluted basis will collectively be entitled to appoint Mr Walker (or another member of management approved by the HoldCo directors) to the board.

Mr Walker holds or controls 25,267,586 Zenith Shares. Therefore, subject to the Scheme becoming Effective, and assuming Mr Walker Elects to receive 66% of his Scheme Consideration as Scrip Consideration and BidCo acts in accordance with its intention in relation to the Retention Bonus, Mr Walker (directly or through entities controlled by Mr Walker) will receive total financial benefits amounting to:

⁸ The DW Rollover Shareholders are Zanea Pty Limited, a company controlled by Mr Walker, and Enertech Pty Ltd as trustee for the Enertech Executives Superannuation Fund, Mr Walker's self-managed superannuation fund.

Total value of Scheme Consideration – Cash Consideration (assuming a Special Dividend of \$0.13 is paid)	\$7,560,061.52
Total value of Special Dividend (assuming a Special Dividend of \$0.13 is paid)	\$3,284,786.18
Total value of Scheme Consideration – Scrip Consideration (assuming a Special Dividend of \$0.13 is paid)	\$14,675,414.16
Retention Bonus	\$500,839.00
Expected annual HoldCo director fees ⁹	\$75,000
Total ¹⁰	\$26,096,100.86

Mr Walker has determined that he will make a recommendation that Zenith Shareholders vote in favour of the Scheme. He determined that it is not inappropriate for him to make a determination, notwithstanding the Additional Benefits he will or may receive, having regard to his role as Executive Chairman of Zenith, and having regard to the fact that he is the founder of Zenith. Mr Walker will play a key role in the implementation of the Scheme and the success of the transaction for all Zenith Shareholders.

(b) **Mr Hamish Moffat**

BidCo has stated its intention to pay a Retention Bonus to Mr Moffat following implementation of the Scheme. The amount of the Retention Bonus is \$545,786. It will only be payable if the Scheme is approved by Zenith Shareholders and the Scheme becomes Effective. This Retention Bonus is referred to elsewhere in this Scheme Booklet as the **Moffat Retention Bonus**.

In addition, BidCo has stated its intention to procure Zenith to forgive the Shareholder Loans that are payable by Mr Moffat, a Rollover Shareholder, to Zenith (see section 6.5(i) for more information). The Shareholder Loans are described in more detail in section 9.5(b). As at the date of this Scheme Booklet, the total face value of these loans (with accumulated interest) is \$1,017,476.92. The value of the forgiveness of these Shareholder Loans is referred to elsewhere in this Scheme Booklet as the **Moffat Loan Forgiveness Benefit**.

Mr Moffat is a member of the senior management team (comprising Mr Walker, Mr Moffat and Mr Cooper) who comprise (directly or through entities they control), together with the Apex Trust, the Rollover Shareholders. The Rollover Shareholders, as part of the Scheme, may elect to take between 66% and 100% of their Scheme Consideration in the form of Scrip Consideration (being shares in HoldCo, the ultimate holding company of BidCo). As at the date of this Scheme Booklet, Mr Moffat has indicated his current (non-binding) intention that the Moffat Rollover Shareholders will Elect to take 100% of their respective Scheme Consideration in the form of Scrip Consideration.

As noted above, the Independent Expert is of the view that the Rollover Shareholders are not receiving a superior offer to the other Zenith Shareholders under the Scheme and that the market value of the HoldCo Securities to be issued to the Rollover Shareholders as Scrip Consideration is no greater than the Independent Expert's assessed fair market value of Zenith Shares prior to the announcement of the Scheme. However, to the extent a Rollover Shareholder elects to receive Scrip Consideration, that Rollover Shareholder will have the opportunity to participate in future benefits, and will be exposed to the risks, that may arise from the Zenith Business following implementation of the Scheme. The potential future benefits that may be derived by the Moffat Rollover Shareholders are referred to elsewhere in this Scheme Booklet as the **Moffat Rollover Benefits**.

It is the intention of BidCo that Mr Moffat will also become a director of HoldCo and is expected to remain a director of HoldCo for so long as he is Managing Director/CEO of Zenith.

Mr Moffat holds or controls 4,695,568 Zenith Shares. Therefore, subject to the Scheme becoming Effective, and assuming BidCo acts in accordance with its intention in relation to the Retention Bonus and the Shareholder Loans, Mr Moffat (directly or through entities controlled by Mr Moffat) will receive total financial benefits amounting to:

⁹ Mr Walker will receive director fees for his director role at Zenith as well as his director role at HoldCo in an amount broadly consistent with his current remuneration, being approximately \$75,000 per year in aggregate for both directorships.

¹⁰ If a Special Dividend is not paid, or is of an amount less than \$0.13, the total financial benefits received by Mr Walker will remain unchanged. This is because the value of the Scrip Consideration and Cash Consideration, together with any Special Dividend, will remain unchanged at \$1.01 per Zenith Share irrespective of the size of the Special Dividend. By way of example, if a Special Dividend is not paid, the total value of the Cash Consideration received by Mr Walker will be \$8,676,888.79 and the total value of the Scrip Consideration received by Mr Walker will be \$16,843,373.07.

Total value of Scheme Consideration – Cash Consideration	\$Nil
Total value of Special Dividend (assuming a Special Dividend of \$0.13 is paid)	\$610,423.84
Total value of Scheme Consideration – Scrip Consideration (assuming a Special Dividend of \$0.13 is paid)	\$4,132,099.84
Retention Bonus	\$545,786.00
Face value of Shareholder Loans to be forgiven (with accumulated interest as at the date of this Scheme Booklet)	\$1,017,476.92
Expected annual HoldCo director fees ¹¹	\$75,000
Total ¹²	\$6,380,786.60

Mr Moffat has determined that he will make a recommendation that Shareholders vote in favour of the Scheme. He determined that it is not inappropriate for him to make a determination, notwithstanding the Additional Benefits he will or may receive, having regard to his role as Managing Director of Zenith. Mr Moffat will play a key role in the implementation of the Scheme and the success of the transaction for all Zenith Shareholders.

(c) **Other**

No similar benefits, bonuses, agreements or arrangements exist with any other Zenith Director. Details of all other interests held by Zenith Directors, including their Zenith Shareholdings, are set out in section 5.4.

Each of Mr Walker and Mr Moffat endorse the reasons set out in this Scheme Booklet as to why the IBC has unanimously recommended that Zenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders.

Like the IBC, Mr Walker and Mr Moffat make no recommendation in respect of the Scrip Consideration as it applies to the Rollover Shareholders and make no recommendation in relation to whether the Rollover Shareholders should make an Election (refer to the question, *"Who are the Rollover Shareholders and what is the Election?"* in section 3 for more information about the Rollover Shareholders and the Election).

1.3 Summary of Scheme Consideration and Additional Benefits payable to Zenith Directors and Mr Graham Cooper

The following tables summarise the financial benefits (including the Scheme Consideration and other Additional Benefits, if applicable) that may be received by each Zenith Director (directly or through entities controlled by the Zenith Director) and Mr Graham Cooper (the Chief Operating Officer of Zenith), subject to the Scheme becoming Effective (other than in the case of the additional cash remuneration to be paid to Mr Torre and Mr Riekie, which will be paid irrespective of whether the Scheme proceeds), and assuming BidCo acts in accordance with its intention in relation to the Retention Bonuses and the Shareholder Loans.

11 Mr Moffat will receive director fees for his director role at Zenith as well as his director role at HoldCo in an amount broadly consistent with his current remuneration, being approximately \$75,000 per year in aggregate for both directorships.

12 If a Special Dividend is not paid, or is of an amount less than \$0.13, the total financial benefits received by Mr Moffat will remain unchanged. This is because the value of the Scrip Consideration and Cash Consideration, together with any Special Dividend, will remain unchanged at \$1.01 per Zenith Share irrespective of the size of the Special Dividend. By way of example, if a Special Dividend is not paid, the total value of the Cash Consideration received by Mr Moffat will remain nil and the total value of the Scrip Consideration received by Mr Moffat will be \$4,742,523.68.

Recipient	Value of Cash Consideration ¹³	Value of Special Dividend (assuming a Special Dividend of \$0.13 is paid)	Value of Scrip Dividend (assuming a Special Dividend of \$0.13 is paid)	Retention Bonus	Additional cash remuneration ¹⁴	Shareholder Loans to be forgiven (with accumulated interest as at the date of this Scheme Booklet)	Expected annual HoldCo director fees ¹⁵	Total
Zenith Directors								
William (Doug) Walker	\$7,560,061.52, if Mr Walker were to Elect to take 66% of his Scheme Consideration ¹⁶ in the form of Scrip Consideration ¹⁶ or (by way of example): \$Nil, if Mr Walker were to Elect to take 100% of his Scheme Consideration ¹⁶ in the form of Scrip Consideration ¹⁶	\$3,284,786.18	\$14,675,414.16, if Mr Walker were to Elect to take 66% of his Scheme Consideration ¹⁶ in the form of Scrip Consideration ¹⁶ or (by way of example): \$22,235,475.68, if Mr Walker were to Elect to take 100% of his Scheme Consideration ¹⁶ in the form of Scrip Consideration ¹⁶	\$500,839	\$Nil	\$Nil	\$75,000	\$26,096,100.86 ¹⁷
Hamish Moffat	\$Nil	\$610,423.84	\$4,132,099.84 ¹⁸	\$545,786	\$Nil	\$1,017,476.92	\$75,000	\$6,380,786.60 ¹⁹
David Riekie	\$50,600.00	\$7,475.00	N/A	\$Nil	\$100,000	\$Nil	\$Nil	\$158,075.00 ²⁰
Peter Torre	\$31,680.00	\$4,680.00	N/A	\$Nil	\$100,000	\$Nil	\$Nil	\$136,360.00 ²⁰
Chief Operating Officer								
Graham Cooper²¹	\$1,532,674.00, if Mr Cooper were to Elect to take 66% of his Scheme Consideration ²² in the form of Scrip Consideration ²² or (by way of example): \$Nil, if Mr Cooper were to Elect to take 100% of his Scheme Consideration ²² in the form of Scrip Consideration ²²	\$665,934.75	\$2,975,192.00, if Mr Cooper were to Elect to take 66% of his Scheme Consideration ²² in the form of Scrip Consideration ²² or (by way of example): \$4,507,866.00, if Mr Cooper were to Elect to take 100% of his Scheme Consideration ²² in the form of Scrip Consideration ²²	\$Nil	\$Nil	\$1,399,400.00	\$Nil	\$6,573,200.75 ²³

¹³ In each case, these calculations assume that a Special Dividend of \$0.13 is paid. If a Special Dividend is not paid, or is of an amount less than \$0.13, the value of the Cash Consideration will increase and the value of the Special Dividend will decrease on a \$-for-\$ basis (or, if no Special Dividend is paid, the value of the Special Dividend will be nil).

¹⁴ The additional cash remuneration payments are not contingent on the Scheme proceeding and will be paid to Mr Torre and Mr Riekie irrespective of the outcome of the Scheme. For further information about this additional cash remuneration refer to section 9.5(a).

¹⁵ Mr Walker and Mr Moffat will each receive director fees for their director roles at Zenith as well as their director roles at HoldCo in an amount broadly consistent with their current remuneration, being approximately \$75,000 per year in aggregate for both directorships.

¹⁶ Mr Walker has not made an Election at the date of this Scheme Booklet and will be entitled to Elect to take between 66% and 100% of his Scheme Consideration in the form of Scrip Consideration.

¹⁷ See footnote 10 above.

¹⁸ Mr Moffat has indicated his current (non-binding) intention that the Moffat Rollover Shareholders will Elect to take 100% of their respective Scheme Consideration in the form of Scrip Consideration.

¹⁹ See footnote 12 above.

²⁰ If a Special Dividend is not paid, or is of an amount less than \$0.13, the total amount received will remain unchanged. This is because if a Special Dividend is not paid, or is of an amount less than \$0.13, the value of the Cash Consideration will increase and the value of the Special Dividend will decrease on a \$-for-\$ basis (or, if no Special Dividend is paid, the value of the Special Dividend will be nil).

²¹ The calculations with respect to Mr Cooper assume that the 322,575 Zenith Performance Rights granted to Mr Cooper on 24 April 2020 under the Zenith Performance Rights Plans have vested and converted into 322,575 Zenith Shares. For further information about vesting and conversion of such Zenith Performance Rights refer to section 9.10(c).

²² Mr Cooper has not made an Election at the date of this Scheme Booklet and will be entitled to Elect to take between 66% and 100% of his Scheme Consideration in the form of Scrip Consideration.

²³ If a Special Dividend is not paid, or is of an amount less than \$0.13, the total financial benefits received by Mr Cooper will remain unchanged. This is because the value of the Scrip Consideration and Cash Consideration, together with any Special Dividend, will remain unchanged at \$1.01 per Zenith Share irrespective of the size of the Special Dividend. By way of example, if a Special Dividend is not paid and assuming Mr Cooper Elects to take 66% of his Scheme Consideration in the form of Scrip Consideration, the total value of the Cash Consideration received by Mr Cooper will be \$1,759,091.75 and the total value of the Scrip Consideration received by Mr Cooper will be \$3,414,709.00.

1.4 Process for Independent Board review

The Zenith Board's oversight of, and involvement in, the negotiations with BidCo with respect to the terms of the Scheme were conducted in accordance with a protocol put in place, with the assistance of Allens, Zenith's legal adviser, to ensure that consideration by the Zenith Board of the transaction and any competing proposals was undertaken efficiently and to avoid, should the situation arise, any actual or perceived conflict of interest for any one or more Zenith Director or senior member of management of Zenith.

In line with this protocol, throughout negotiations with BidCo, including in respect of the Scheme Implementation Deed, the Independent Non-Executive Directors considered the key terms of the proposed transaction and obtained advice from appropriate professional advisers with respect to the impact of such key terms on the Zenith Shareholders.

On 6 March 2020, prior to execution of the Initial Scheme Implementation Deed, the Zenith Board formally considered the terms of the potential scheme then proposed. At that board meeting, each of Mr Walker and Mr Moffat identified the respective Additional Benefits that applied to them which, for the purposes of sections 191 and 195 of the Corporations Act, constituted material personal interests in the Scheme. In light of these personal interests, Mr Walker and Mr Moffat were disqualified from voting on the resolution to approve the Scheme. Accordingly, the resolution to approve the Scheme was considered solely by the Independent Non-Executive Directors. Each Independent Non-Executive Director formed his own, independent view that the Scheme was in the best interests of Zenith Shareholders, and it was therefore resolved that the IBC, comprised of Zenith's Independent Non-Executive Directors only, approved the scheme under the terms of the Initial Scheme Implementation Deed.

On 28 May 2020, prior to execution of the Scheme Implementation Deed, they formally considered and approved the terms of the Scheme.

In considering the merits of the Scheme, and its advantages and disadvantages for Zenith Shareholders, the Independent Non-Executive Directors had regard to the views of the Executive Directors on the Scheme.

As part of this, the Independent Non-Executive Directors considered the appropriateness of the Executive Directors making a recommendation in circumstances where each of them will, or may, receive the Additional Benefits not available to all Zenith Shareholders arising out of or following the implementation of the Scheme.

The Independent Non-Executive Directors (in the absence of Mr Walker and Mr Moffat) determined that it is appropriate for each of Mr Walker and Mr Moffat to make and to continue to make a recommendation on the Scheme, despite the Additional Benefits each of them will or may receive, for the following reasons:

- Zenith Shareholders would expect Mr Walker, as Executive Chairman of Zenith, and Mr Moffat, as Managing Director of Zenith, to express their respective recommendation;
- each of Mr Walker and Mr Moffat has extensive knowledge of Zenith, its operations, financial position and prospects and, as such, their respective recommendation would be highly relevant to, and informative for, Zenith Shareholders in considering how they should vote on the Scheme;
- the Additional Benefits have been, in prior public statements and in this Scheme Booklet, and will be, in any other scripted message issued by or on behalf of Zenith in the context of any statement about the Zenith Board's recommendation, the subject of clear and complete disclosure;
- the nature and extent of the Additional Benefits are capable of being understood by Zenith Shareholders and Zenith Shareholders will be able to assess for themselves whether and to what extent the recommendation from Mr Walker and Mr Moffat ought to be discounted having regard to those Additional Benefits;
- in the case of each of Mr Walker and Mr Moffat, in the Independent Non-Executive Directors' view, the nature and extent of the Additional Benefits are not so significant that it would prevent either Mr Walker or Mr Moffat from forming and expressing an objective recommendation in relation to the Scheme;
- as described in more detail in section 9.10(b), each of Mr Walker and Mr Moffat has agreed to the cancellation of an entitlement to Zenith Performance Rights which the Zenith Board had resolved, subject to Zenith Shareholder approval, to issue. The issue of these Zenith Performance Rights was not put to approval by Zenith Shareholders, so the Zenith Performance Rights were not issued. If these Zenith Performance Rights had been approved by Zenith Shareholders and issued by Zenith, each of Mr Walker and Mr Moffat would have been entitled to the issue of 495,880 and 540,382 Zenith Shares respectively as part of the implementation of the Scheme, which Zenith Shares would have been acquired under the Scheme; and

- the Independent Non-Executive Directors made an independent assessment of the Scheme resolving (independently of Mr Walker and Mr Moffat) whether or not Zenith should enter into the Scheme Implementation Deed.

The Independent Non-Executive Directors (in the absence of Mr Walker and Mr Moffat) determined that it is appropriate for each of Mr Walker and Mr Moffat to maintain their recommendation in this Scheme Booklet having regard to the above factors and, in addition, the following factors:

- the Scheme has been the subject of a report by the Independent Expert, which report is available to Zenith Shareholders, and which report concludes that the Scheme is in the best interests of Zenith Shareholders; and
- the Rollover Shareholders will form a separate class of Zenith Shareholders for the purposes of voting on the Scheme. Therefore, the Zenith Shareholders who are not receiving the Additional Benefits will vote on the Scheme separately from the Rollover Shareholders.

The Scheme Implementation Deed permits each Executive Director to withdraw his recommendation if, having obtained legal advice, he reasonably determines that he has an interest in the Scheme that renders it inappropriate for him to maintain his recommendation.

2. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

2.1 Recommendation

The Scheme has a number of advantages and disadvantages which may affect Zenith Shareholders in different ways depending on their individual circumstances. Zenith Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 2.2 provides a summary of the reasons why the IBC unanimously recommends that Zenith Shareholders vote in favour of the Scheme. These reasons are summarised in the table below.

<input checked="" type="checkbox"/>	The IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders
<input checked="" type="checkbox"/>	The Independent Expert has concluded that the Scheme is in the best interests of Zenith Shareholders, in the absence of a Superior Proposal
<input checked="" type="checkbox"/>	The Total Scheme Consideration represents an attractive premium to the market price of Zenith Shares prior to the announcement of the Scheme
<input checked="" type="checkbox"/>	The Scheme Consideration delivers certainty of value
<input checked="" type="checkbox"/>	If a Special Dividend is paid, eligible Zenith Shareholders may be entitled to the additional benefit of franking credits attached to any Special Dividend. Whether eligible Zenith Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Dividend will depend on their tax status and specific circumstances. Zenith Shareholders should seek independent professional taxation advice in this regard ²⁴
<input checked="" type="checkbox"/>	The Zenith Share price may fall if the Scheme is not implemented
<input checked="" type="checkbox"/>	Zenith Shareholders will remain exposed to business and market risks if the Scheme is not implemented, including the risks associated with COVID-19
<input checked="" type="checkbox"/>	Zenith may need to raise additional capital with unfavourable outcomes for Zenith Shareholders
<input checked="" type="checkbox"/>	No Superior Proposal has emerged
<input checked="" type="checkbox"/>	The Scheme has limited conditionality
<input checked="" type="checkbox"/>	No brokerage charges will be payable by you for the transfer of your Zenith Shares under the Scheme

Section 2.2 should be read in conjunction with section 2.3, which sets out reasons why Zenith Shareholders may wish to vote against the Scheme. These reasons are summarised in the table below.

<input checked="" type="checkbox"/>	You may disagree with the IBC's recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests
<input checked="" type="checkbox"/>	You may prefer to participate in any potential upside of Zenith from retaining your investment in Zenith, and may consider that the Scheme does not sufficiently capture Zenith's future potential
<input checked="" type="checkbox"/>	The tax consequences of transferring your Zenith Shares pursuant to the Scheme may not be advantageous to you
<input checked="" type="checkbox"/>	You may consider that there is potential for a Superior Proposal to be made in the foreseeable future

²⁴ When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

The IBC makes no recommendation in respect of the Scrip Consideration as it applies to the Rollover Shareholders and makes no recommendation in relation to whether the Rollover Shareholders should make an Election.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the relevant Scheme Meeting.

While the IBC acknowledges the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

2.2 Why you should vote in favour of the Scheme

(a) The IBC unanimously recommend that you vote in favour of the Scheme

The IBC unanimously recommends that Zenith Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders.

Subject to the same qualifications, each of the Independent Non-Executive Directors comprising the IBC will vote all Zenith Shares held or controlled by them in favour of the Scheme.

Zenith Shareholders should take the information detailed in section 2 into account when considering the recommendation of the Scheme by the IBC, which appears throughout this Scheme Booklet.

(b) The Independent Expert has concluded that the Scheme is in the best interests of Zenith Shareholders, in the absence of a Superior Proposal

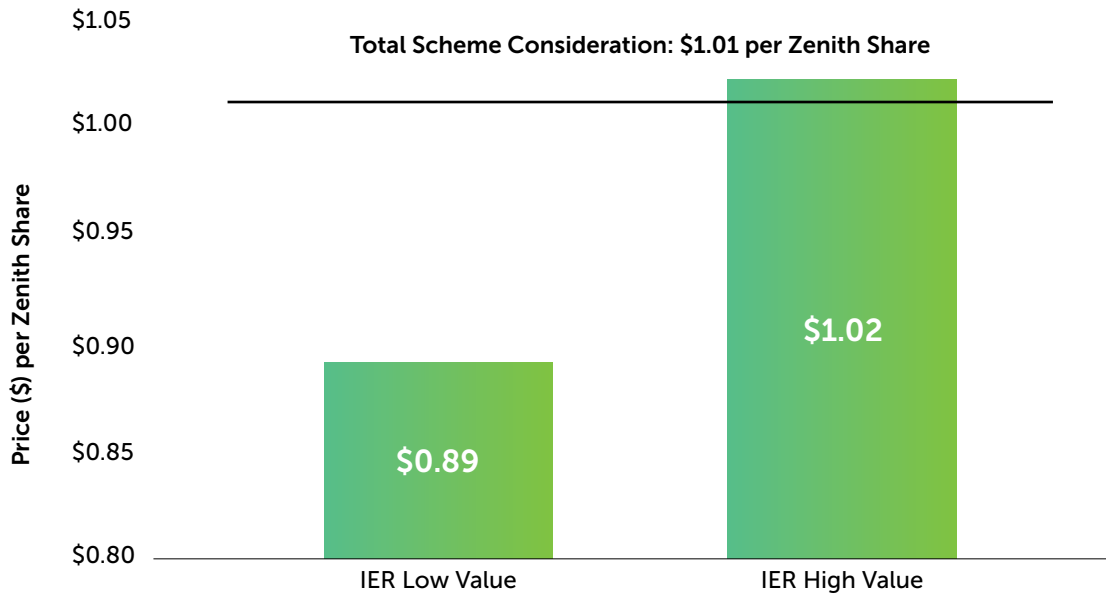
The Independent Expert, Grant Thornton, has concluded that the Scheme is fair and reasonable and hence is in the best interests of Zenith Shareholders, in the absence of a Superior Proposal. The Total Scheme Consideration of \$1.01 per share is within the Independent Expert's assessed valuation range of \$0.89 to \$1.02 on a 100% controlling basis.

The Independent Expert is of the view that the Rollover Shareholders are not receiving a superior offer to the other Zenith Shareholders under the Scheme and that the market value of the HoldCo Securities to be issued to the Rollover Shareholders as Scrip Consideration is no greater than the Independent Expert's assessed fair market value of Zenith Shares prior to the announcement of the Scheme.

The Independent Expert has not made any assessment, based on the Scrip Consideration, of whether the Scheme is fair and reasonable and hence in the best interests of the Rollover Shareholders.

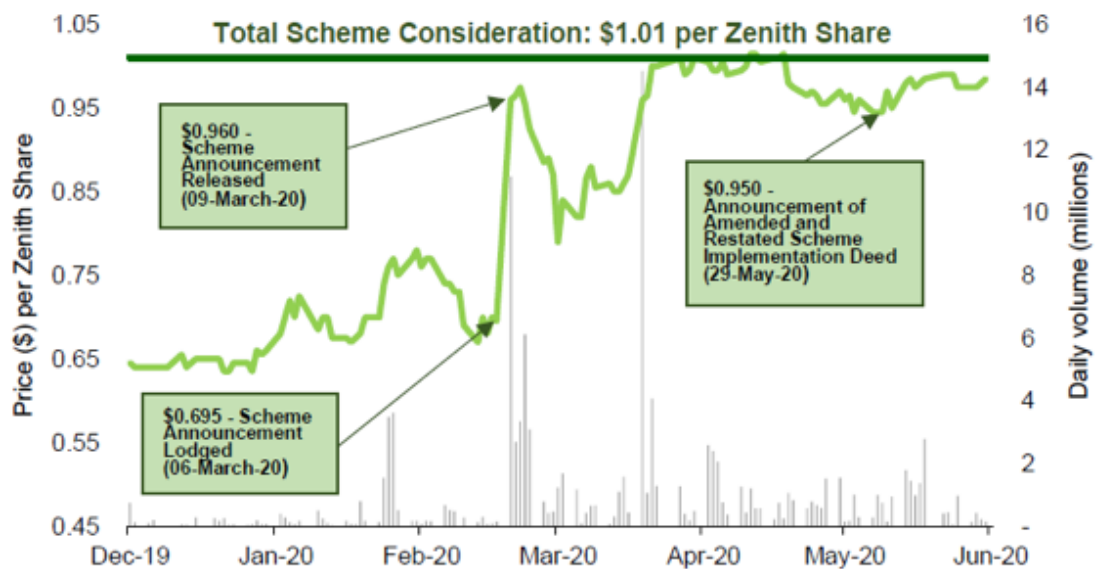
A copy of the Independent Expert's Report is included in Annexure A and the Zenith Directors encourage you to read the Independent Expert's Report in its entirety before deciding whether or not to vote in favour of the Scheme.

Figure 2.2(b): IER valuation range



- (c) The Total Scheme Consideration represents an attractive premium to the market price of Zenith Shares prior to the initial announcement of the Scheme
- The Total Scheme Consideration of \$1.01 per Zenith Share represents an attractive premium of:
- 45.3% premium to the last closing price of Zenith Shares on 6 March 2020 of \$0.695 per Zenith Share;
 - 45.5% premium to the 1-week VWAP of Zenith Shares on 6 March 2020 of \$0.694 per Zenith Share;²⁵ and
 - 40.5% premium to the 3-month VWAP of Zenith Shares on 6 March 2020 of \$0.719 per Zenith Share.²⁵

Figure 2.2(c): Price of Zenith Shares for the six months ended 18 June 2020



²⁵ Volume weighted average price based on cumulative trading volume and value up to and including 6 March 2020.

(d) **The Scheme Consideration delivers certainty of value**

The offer from BidCo to General Shareholders is a 100% cash offer, providing you with certain and immediate value for your Zenith Shares. If the Scheme is approved and implemented, Zenith Shareholders will receive \$1.01 cash for each Zenith Share comprising:

- cash consideration under the Scheme of \$1.01 for each Zenith Share held on the Scheme Record Date, less the amount of any Special Dividend that may be declared and paid by Zenith on the Special Dividend Payment Date; and
- a fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be declared and paid by Zenith on the Special Dividend Payment Date.

(e) **If the Zenith Board decides to pay the Special Dividend, eligible Zenith Shareholders may be entitled to the additional benefit of franking credits attached to any Special Dividend**

If the Zenith Board decides to pay the Special Dividend, the Special Dividend of up to \$0.13 will be paid to all Zenith Shareholders on the Zenith register as at the Special Dividend Record Date.

Assuming that a Special Dividend of up to \$0.13 is paid, eligible Zenith Shareholders may be entitled to receive an additional benefit of up to \$0.05 from franking credits attached the Special Dividend, subject to their individual marginal tax rates.²⁶ Whether eligible Zenith Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Dividend will depend on their tax status and specific circumstances. Zenith Shareholders should seek independent professional taxation advice in this regard.

When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8, which contains a general guide to the Australian taxation implications of the Scheme. However, this guide is expressed in general terms only and Zenith Shareholders should consult with their own independent tax advisers regarding the tax consequences applicable to their own circumstances.

(f) **The Zenith Share price may fall if the Scheme is not implemented**

If the Scheme is not implemented and no comparable or Superior Proposal is received by the Zenith Board, then the price at which Zenith Shares trade may fall, including to a price that is materially below the price of \$1.01 per Zenith Share offered to Zenith Shareholders under the Scheme.

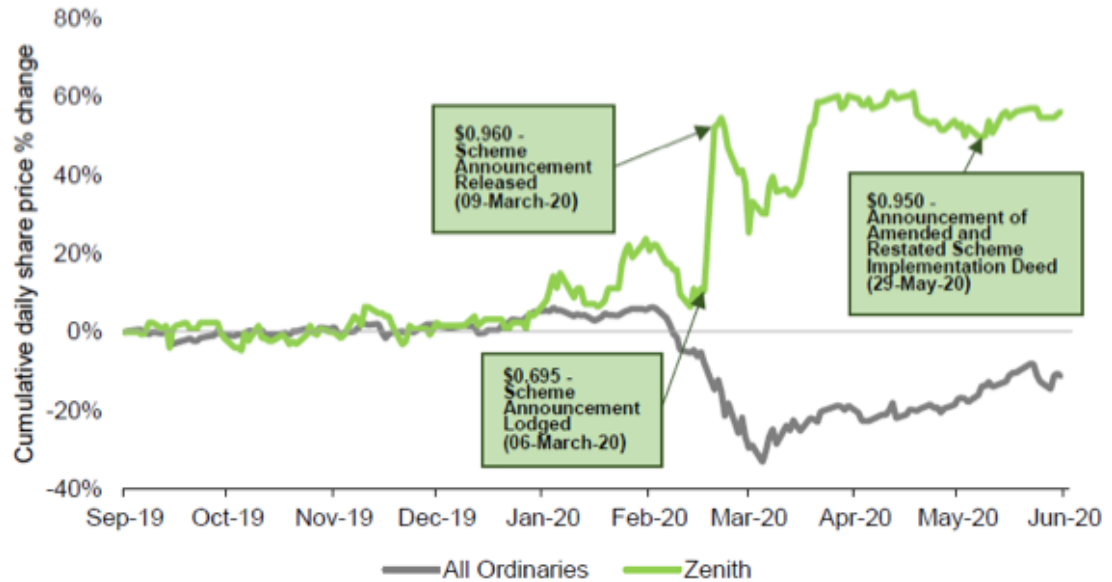
(g) **Zenith Shareholders will remain exposed to business and market risks if the Scheme is not implemented, including the risks associated with COVID-19**

If the Scheme does not become Effective, Zenith Shares will remain listed on the ASX and continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions, market demand for listed securities and potential equity capital raisings to support Zenith. In contrast, if the Scheme is implemented, Zenith Shareholders will receive \$1.01 per Zenith Share.

In addition, Zenith Shareholders should give consideration to the current global outbreak of COVID-19 and its associated risks as outlined in section 7.2 of this Scheme Booklet. Figure 2.2(g) below shows the cumulative daily share price percentage change of the All Ordinaries and Zenith Shares from 19 September 2019 to 18 June 2020, including the change to both after the announcement of the proposed transaction.

²⁶ The maximum benefit associated with the franking credits will be less if the Special Dividend is less than \$0.13 per Zenith Share.

Figure 2.2(g): Cumulative daily share price % change – All Ordinaries vs Zenith Shares



(h) **Zenith may need to raise additional capital with unfavourable outcomes for Zenith Shareholders**

If the Scheme is not approved and implemented, Zenith may be required to raise additional equity or debt capital to secure and finance its future growth opportunities, which underpin the future earnings of Zenith. To raise this additional growth capital, Zenith may be required to:

- undertake one or more equity capital raisings, which will have a dilutive effect on existing Zenith Shareholders, potentially reducing the value of their Zenith Shares; or
- raise debt finance in a tightening credit market with higher costs of debt and increasing credit spreads brought about by the uncertain economic environment created by the COVID-19 pandemic.

(i) **No Superior Proposal has emerged**

At the date of this Scheme Booklet, no Superior Proposal has emerged, and the Zenith Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

(j) **The Scheme has limited conditionality**

The implementation of the Scheme is subject to a number of customary conditions including approval of Zenith Shareholders, Court approval, FIRB and other standard regulatory approvals, there being no material adverse change, regulated event or prescribed occurrence, obtaining relevant third party consents and an Independent Expert's Report concluding that the Scheme is in the best interests of Zenith Shareholders (and not changing or withdrawing the conclusion).

(k) **No brokerage charges will be payable by you for the transfer of your Zenith Shares under the Scheme**

Pursuant to the Scheme, you will not incur brokerage charges on the transfer of your Zenith Shares to BidCo. Such charges may be incurred in circumstances where you transfer your Zenith Shares other than under the Scheme.

2.3 Why you may wish to vote against the Scheme

- (l) **You may disagree with the IBC's recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests**

Despite the recommendation of the IBC, and the conclusion of the Independent Expert who concluded that the Scheme is in the best interests of Zenith Shareholders, you may believe that the Scheme is not in the best interests of Zenith Shareholders or not in your individual interest.

You are not obliged to follow the recommendation of the IBC, and you may not agree with the Independent Expert's conclusion.

- (m) **You may prefer to participate in any potential upside of Zenith from retaining your investment in Zenith, and may consider that the Scheme does not sufficiently capture Zenith's future potential**

If the Scheme is approved and implemented, you will cease to be a Zenith Shareholder. As such, you will no longer be able to participate in the financial performance of Zenith in the future, or the future prospects of Zenith's ongoing business, including any benefit that may result from being a Zenith Shareholder. However, there is no guarantee as to Zenith's future performance, as with all investments in listed securities.

- (n) **The tax consequences of transferring your Zenith Shares pursuant to the Scheme may not be advantageous to you**

Implementation of the Scheme and any payment of a Special Dividend may trigger adverse or unwanted taxation consequences for certain Zenith Shareholders.

The tax consequences of the Scheme will depend on your personal situation. A general guide to the Australian taxation implications of the Scheme is outlined in section 8 of this Scheme Booklet. However, this guide is expressed in general terms only and Zenith Shareholders should consult with their own independent tax advisers regarding the tax consequences applicable to their own circumstances.

- (o) **You may consider that there is potential for a Superior Proposal to be made in the foreseeable future**

Implementation of the Scheme will mean that Zenith Shareholders will not have the opportunity to benefit from the potential of a Superior Proposal in the future.

It is possible that, if Zenith were to continue as an independent listed entity, a more attractive proposal for Zenith could materialise in the future in the form of a takeover bid, another scheme of arrangement or some alternative transaction proposal which would deliver a total consideration for Zenith Shareholders in excess of the Scheme Consideration and, if the Zenith Directors decided to pay the Special Dividend, the additional tax benefit from the franking credits. Whether eligible Zenith Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Dividend will depend on their tax status and specific circumstances. Zenith Shareholders should seek independent professional taxation advice in this regard.²⁷

Since the announcement of the scheme between BidCo and Zenith to the ASX on 6 March 2020, the announcement of the Scheme, as amended and restated by the Scheme Implementation Deed on 29 May 2020, and up to the date of this Scheme Booklet, no Superior Proposal has emerged, and the Zenith Directors are not aware of any superior or alternative proposal that is likely to emerge.

The Scheme prohibits Zenith from soliciting a Competing Proposal. However, Zenith is permitted to respond to any unsolicited Competing Proposal should the Zenith Directors determine that failing to do so would be reasonably likely to constitute a breach of their fiduciary or statutory duties.

2.4 Other relevant consideration – warranties by Scheme Shareholders

Zenith Shareholders should be aware that the Scheme provides that each Scheme Shareholder is deemed to have warranted to BidCo that:

- (a) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- (b) that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to BidCo pursuant to the Scheme; and
- (c) they have no existing right to be issued any Zenith Shares, Zenith Performance Rights or any other Zenith securities.

²⁷ When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

3. FREQUENTLY ASKED QUESTIONS

Question	Answer	More information
An Overview of the Scheme		
When was the Scheme first announced?	<p>On 6 March 2020, the Zenith Board announced that it had entered into a scheme implementation deed with BidCo (the Initial Scheme Implementation Deed), under which BidCo proposed to acquire 100% of the issued share capital of Zenith.</p> <p>On 29 May 2020, the Zenith Board announced that it had entered into a Deed of Amendment and Restatement of the Initial Scheme Implementation Deed (the Initial Scheme Implementation Deed, as amended and restated, the Scheme Implementation Deed), under which no material changes were made to the terms of the Initial Scheme Implementation Deed other than to accommodate the fact that the Apex Opportunities Trust, the trustee of which at the date of this Scheme Booklet is Apex Opportunities Fund Pty Limited (Apex Trust), an entity to be controlled by Infrastructure Specialist Asset Management Ltd (as trustee of the Diversified Infrastructure Trust) (ICG) by the Implementation Date, and entities established by OPSEU Pension Plan Trust Fund (OPTrust), will take an equity position in the BidCo group holding structure under and in connection with implementation of the Scheme.</p> <p>The arrangements for this equity position and for the conduct and implementation of the Scheme have been agreed between the Apex Trust, ICG and trusts established by OPTrust. Although it agreed to amend and restate the Initial Scheme Implementation Deed as noted above, Zenith is not a party to these arrangements.</p>	<p>Section 4.9 contains a summary of the key terms of the Scheme Implementation Deed.</p> <p>Section 6 contains further details, provided by BidCo.</p>
Why has this Scheme Booklet been made available?	<p>This Scheme Booklet has been made available to you because you are shown on the Zenith Register as holding Zenith Shares. Zenith Shareholders are being asked to vote on a Scheme, which, if approved, will result in BidCo acquiring all of the Zenith Shares. If you have sold your Zenith Shares, please disregard this Scheme Booklet.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the relevant Scheme Resolution, which needs to be passed by the Requisite Majorities at the Scheme Meetings to allow the Scheme to proceed. Refer to the question, “<i>What vote is required to approve the Scheme?</i>” for more information about the Requisite Majorities.</p>	N/A
What is the Scheme?	<p>The Scheme is a scheme of arrangement between Zenith and the Scheme Shareholders. A “scheme of arrangement” is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.</p> <p>If the Scheme is approved and implemented, Zenith will become a wholly-owned subsidiary of BidCo and Zenith Shareholders will receive:</p> <ul style="list-style-type: none"> • cash consideration under the Scheme of \$1.01 for each Zenith Share held on the Scheme Record Date, less the amount of any Special Dividend that may be declared and paid by Zenith on the Special Dividend Payment Date; and • a fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be declared and paid by Zenith on the Special Dividend Payment Date. <p>Please note that Zenith Shareholders will only receive both the Scheme Consideration and the Special Dividend in respect of Zenith Shares held by them on both the Scheme Record Date and the Special Dividend Record Date if Zenith decides to pay the Special Dividend. If a person becomes a Zenith Shareholder after the Special Dividend Record Date, they will not receive the Special Dividend. Similarly, if a Zenith Shareholder sells their Zenith Shares before the Scheme Record Date, they will not receive the Scheme Consideration. Refer to the question, “<i>Can I sell my Zenith Shares now?</i>” for more information.</p>	<p>Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure B.</p>

Question	Answer	More information
Who is BidCo and the Consortium?	<p>BidCo is Elemental Infrastructure BidCo Pty Ltd, which is an entity that will be controlled by the Consortium by no later than the Implementation Date. The Consortium comprises the PEP Entities (being funds managed or advised by PEP), the Apex Trust and OPTrust.</p> <p>For further information regarding BidCo and the Consortium, refer to section 6.</p>	Section 6 contains further details about BidCo and the Consortium.
Are there any conditions to be satisfied?	<p>There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can be implemented. In summary, as at the date of this Scheme Booklet, the outstanding conditions include:</p> <ul style="list-style-type: none"> • FIRB approval (noting that the relevant FIRB application was lodged on 31 March 2020); • no legal or regulatory restraints on or orders preventing the implementation of the Scheme; • the Independent Expert not changing or withdrawing its conclusion in the Independent Expert's Report before the Delivery Time; • the Scheme being approved by eligible Zenith Shareholders at the Scheme Meetings; • Court approval of the Scheme; • no Zenith Prescribed Event occurring between the date of the Initial Scheme Implementation Deed and the Delivery Time; • no Zenith Material Adverse Change occurring between the date of the Initial Scheme Implementation Deed and the Delivery Time; • all Zenith Performance Rights either being vested and exercised or converted into Zenith Shares or cancelled by the Delivery Time; and • each party to a Consent Contract providing Zenith (or the relevant Zenith Group Member) all necessary consents or waivers in respect of the Scheme before the Delivery Time.²⁸ <p>As at the date of this Scheme Booklet, the Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).</p>	Section 4.9(a) contains more information on the Conditions Precedent.
What does the IBC recommend and how do the Independent Non-Executive Directors intend to vote?	<p>The Independent Board Committee of Zenith, comprised of Zenith's Independent Non-Executive Directors, Mr Peter Torre and Mr David Riekie, unanimously recommends that Zenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders.</p> <p>Each of the Independent Non-Executive Directors comprising the IBC Director who holds or controls Zenith Shares intends to vote all Zenith Shares held or controlled by them in favour of the Scheme, subject to the same qualifications.</p> <p>The Relevant Interests of the Independent Non-Executive Directors in Zenith Shares as at the date of this Scheme Booklet are set out in section 9.1.</p>	<p>Section 2.2 provides a summary of the reasons why the IBC considers that Zenith Shareholders should vote in favour of the Scheme.</p> <p>Section 2.3 provides a summary of some of the reasons why Zenith Shareholders may wish to vote against the Scheme.</p>

²⁸ This condition remains outstanding in the context of certain consents and amendments under the financing arrangements between Zenith and its senior financiers that are required in order to implement the Scheme.

Question	Answer	More information
What do the Executive Directors recommend and how do they intend to vote?	<p>Zenith's Executive Directors, Mr Doug Walker and Mr Hamish Moffat, also unanimously recommend that Zenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Zenith Shareholders.</p> <p>Each of the Executive Directors who holds or controls Zenith Shares intends to vote all Zenith Shares held or controlled by them in favour of the Scheme, subject to the same qualifications.</p> <p>Zenith Shareholders should consider the significance of this recommendation having regard to the information set out in section 1.</p> <p>The Relevant Interests of the Executive Directors in Zenith Shares as at the date of this Scheme Booklet are set out in section 9.1.</p>	Section 1 sets out the matters to which Zenith Shareholders should have regard when considering the recommendation of Zenith's Executive Directors.
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and hence in the best interests of Zenith Shareholders, in the absence of a Superior Proposal.</p> <p>The Zenith Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.</p>	A copy of the Independent Expert's Report is contained in Annexure A.
What should I do?	<p>You should read this Scheme Booklet carefully in its entirety and then vote by joining the General Scheme Meeting (or, if you are a Rollover Shareholder, the Rollover Shareholders Scheme Meeting) electronically, or by appointing a proxy, corporate representative or attorney to join the relevant electronic Scheme Meeting on your behalf. For more on why there are two meetings, refer to the question, <i>"Why are there two meetings in relation to the Scheme?"</i></p> <p>Zenith strongly encourages Zenith Shareholders to consider lodging a directed proxy in the event they are not be able to participate in the electronic Scheme Meetings.</p>	N/A
Rollover Shareholders		
Who are the Rollover Shareholders and what is the Election?	<p>The Rollover Shareholders are the Apex Trust, entities controlled by the Executive Chairman of Zenith, William (Doug) Walker, the Managing Director of Zenith, Hamish Moffat and his controlled entities and the Chief Operating Officer of Zenith, Graham Cooper.</p> <p>The Rollover Shareholders are entitled to elect to receive at least 66% of their Scheme Consideration as Scrip Consideration rather than Cash Consideration, with the remainder as Cash Consideration.</p>	Section 4.2
What is Scrip Consideration?	The Scrip Consideration is calculated as one HoldCo Security for each Zenith Share.	Section 4.2
Why do the Rollover Shareholders vote separately from the General Shareholders?	<p>Because the Rollover Shareholders may elect to receive a different form of consideration under the Scheme to the General Shareholders, their rights under the Scheme are sufficiently different from those of General Shareholders such that they constitute a separate class of members for the purpose of voting on the Scheme.</p> <p>This means that the Rollover Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Rollover Shareholders Scheme Meeting.</p>	Sections 4 and 9.1
If I am a Rollover Shareholder, how do I make an Election?	<p>If you are a Rollover Shareholder, you need to complete an Election Form in accordance with the instructions set out in the form, and return it to the Zenith Registry by no later than the Election Time (which is 5.00pm (Perth time) on Tuesday, 28 July 2020).</p> <p>If you are not a Rollover Shareholder, you are not eligible to make an Election or to receive the Scrip Consideration.</p>	Key Dates, section 4.2, clause 5.3 of the Scheme in Annexure B

Question	Answer	More information
What happens if a Rollover Shareholder does not make a valid Election?	If you are a Rollover Shareholder and your Election is not received before the Election Time (which is 5.00pm (Perth time) on Tuesday, 28 July 2020) or you have not made a valid Election, you will receive the Scrip Consideration for all of your Scheme Shares, and no Cash Consideration.	Key Dates, section 4, clause 5.3 of the Scheme in Annexure B
Voting at the Scheme Meetings		
Why are there two meetings in relation to the Scheme?	<p>There are two meetings in relation to the Scheme because the Rollover Shareholders are offered and may elect to receive a different form of consideration to the General Shareholders. Therefore, their rights under the Scheme are sufficiently different from those of the General Shareholders such that they constitute a separate class of members for the purposes of voting on the Scheme.</p> <p>This means that the Rollover Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Rollover Shareholders Scheme Meeting.</p> <p>Equally, the General Shareholders will not be permitted to vote at the Rollover Shareholders Scheme Meeting.</p>	Sections 4 and 9.1
What am I being asked to vote on at the relevant Scheme Meeting?	<p>You are being asked to vote on whether or not to approve the Scheme by voting on the relevant Scheme Resolution.</p> <p>The text of the General Scheme Resolution (on which the General Shareholders are asked to vote) is set out in the Notice of General Scheme Meeting in Annexure D.</p> <p>The text of the Rollover Shareholders Scheme Resolution (on which the Rollover Shareholders are asked to vote) is set out in the Notice of Rollover Shareholders Scheme Meeting in Annexure E.</p>	<p>The Notice of General Meeting contained in Annexure D sets out further details on how to vote at the General Scheme Meeting.</p> <p>The Notice of Rollover Shareholders Meeting contained in Annexure E sets out further details on how to vote at the Rollover Shareholders Scheme Meeting.</p>
Am I entitled to vote?	Each Zenith Shareholder who is registered on the Zenith Register at 5.00pm (Perth time) on the Scheme Meeting Record Date (being Wednesday, 29 July 2020) is entitled to vote on the relevant Scheme Resolution by joining electronically either the General Scheme Meeting (if they are a General Shareholder) or the Rollover Shareholders Scheme Meeting (if they are a Rollover Shareholder), or by appointing a proxy, corporate representative or attorney to join the relevant electronic Scheme Meeting on their behalf. If you are not the registered on the Zenith Register at 5.00pm (Perth time) on the Scheme Meeting Record Date, for example, because you sold all of your Zenith Shares, you will not be entitled to vote at the relevant Scheme Meeting.	<p>The Notice of General Meeting contained in Annexure D sets out further details on how to join the General Scheme Meeting.</p> <p>The Notice of Rollover Shareholders Meeting contained in Annexure E sets out further details on how to join the Rollover Shareholders Scheme Meeting.</p>

Question	Answer	More information
When and where will the Scheme Meetings be held?	<p>The General Scheme Meeting will be held electronically on Friday, 31 July 2020, commencing at 10.00am (Perth time).</p> <p>The Rollover Shareholders Scheme Meeting will be held electronically immediately after the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am.</p> <p>In order to minimise health risks created by the COVID-19 pandemic, and in accordance with the Federal and State government restrictions with respect to non-essential gatherings of people and the Treasurer's determination²⁹ regarding electronic shareholder meetings, the Scheme Meetings are scheduled to be held electronically.</p> <p>Zenith Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting. Zenith strongly encourages Zenith Shareholders to consider lodging a directed proxy in the event they are not be able to participate in the electronic Scheme Meetings.</p>	<p>Sections 4.7 and 4.8</p> <p>See Annexure D and Annexure E</p>
What is an electronic meeting and how does it work?	<p>The Scheme Meetings will be conducted virtually via an online platform at https://agmlive.link/ZEN20, which can be accessed from desktops, laptops and tablets (but is not recommended for smartphones). The online platform enables participants to view the relevant Scheme Meeting live, vote on the relevant Scheme Resolution in real time and ask questions online.</p> <p>For more information, please refer to sections 4.7 and 4.8.</p>	<p>Sections 4.7 and 4.8</p> <p>See Annexure D and Annexure E</p>
How do I vote?	<p>You may vote on the relevant Scheme Resolution by joining the Scheme Meeting electronically, or by appointing a proxy, corporate representative or attorney to vote on the Scheme Resolution on your behalf.</p> <p>If you do not wish to, or are unable to, participate in the electronic Scheme Meetings, you may vote on the relevant Scheme Resolution by lodging your proxy online at www.linkmarketservices.com.au or, if you received a hardcopy proxy form, by following the instructions on the proxy form.</p> <p>If you wish to appoint a proxy online at www.linkmarketservices.com.au you should follow below instructions:</p> <p>Select 'Investor Login' and in the "Single Holding" section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your holding statement or proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.</p> <p>Your proxy instruction must be received by the Zenith Registry or lodged online by no later than 10.00am (Perth time) on Wednesday, 29 July 2020.</p>	<p>Sections 4.7 and 4.8</p> <p>See Annexure D and Annexure E</p>

²⁹ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

Question	Answer	More information
What vote is required to approve the Scheme?	<p>For the Scheme to proceed, at each of the Scheme Meetings, each Scheme Resolution must be passed by the Requisite Majorities, being:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically) (unless the Court orders otherwise); and at least 75% of the total number of votes cast on the Scheme Resolution by Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically). <p>The Court may waive the first of these two requirements if it considers it appropriate to do so in all the circumstances.</p> <p>Due to the unforeseen extraordinary circumstances posed by COVID-19, Zenith reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the first of these requirements is not satisfied.</p> <p>Each Scheme Resolution would still need to be passed by at least 75% of the total number of votes cast on the Scheme Resolution by Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically).</p>	Sections 4.7 and 4.8 and the Notice of General Meeting contained in Annexure D and Notice of Rollover Shareholders Meeting contained in Annexure E set out further details on the Scheme approval requirements
What choices do I have as a Zenith Shareholder?	<p>As a Zenith Shareholder, you have the following choices in relation to the Scheme:</p> <ul style="list-style-type: none"> vote in favour of the relevant Scheme Resolution at the relevant Scheme Meeting; vote against the relevant Scheme Resolution at the relevant Scheme Meeting; sell your Zenith Shares on the ASX; or do nothing. 	For key considerations that may be relevant to your vote, refer to section 2
What happens to my Zenith Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	<p>If you do not vote, or if you vote against the relevant Scheme Resolution, the Scheme may not be approved at the relevant Scheme Meeting. If this occurs, the Scheme will not be implemented, you will not receive the Scheme Consideration or the Special Dividend and you will remain a Zenith Shareholder.</p> <p>However, if the Scheme Resolutions are approved by the Requisite Majorities at the Scheme Meetings and the Scheme is implemented, your Zenith Shares will be transferred to BidCo and you will receive:</p> <ul style="list-style-type: none"> cash consideration under the Scheme of \$1.01 for each Zenith Share held on the Scheme Record Date, less the amount of any Special Dividend that may be declared and paid by Zenith on the Special Dividend Payment Date; and a fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be declared and paid by Zenith on the Special Dividend Payment Date,³⁰ <p>whether or not you voted in favour of the relevant Scheme Resolution.</p>	N/A

³⁰ Eligible Zenith Shareholders may be entitled to a franking offset of up to \$0.05 in regard to the Special Dividend. If a Zenith Shareholder is a 'qualified person', they will be eligible for the tax offset, which is equivalent to the value of the franking credit attached to the Special Dividend.

Question	Answer	More information
When will the result of the Scheme Meetings be known?	<p>The results of each Scheme Meeting will be available shortly after the conclusion of the relevant Scheme Meeting and will be announced to the ASX once available.</p> <p>Even if each of the Scheme Resolutions is passed at the relevant Scheme Meeting by the Requisite Majorities, the Scheme will only be implemented if Court approval of the Scheme is obtained and all other Conditions Precedent are satisfied or waived (where capable of waiver).</p>	<p>The Conditions Precedent are summarised in section 4.9(a)</p>
What can I do if I oppose the Scheme?	<p>If you, as a Zenith Shareholder, oppose the Scheme, you can do the following:</p> <ul style="list-style-type: none"> • call the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am to 5.30pm (Perth time) and obtain more information; • join the General Scheme Meeting or the Rollover Shareholders Scheme Meeting (as applicable to you) electronically or appoint a proxy, corporate representative or attorney to attend the relevant Scheme Meeting electronically and vote against the relevant Scheme Resolution; and/or • if the Scheme Resolutions are approved by the Requisite Majorities at each of the Scheme Meetings and you wish to appear and be heard at the Second Court Hearing and oppose the approval of the Scheme at the Second Court Hearing, you must file with the Court and serve on Zenith a notice of appearance (together with any affidavit on which you propose to rely), attend the Second Court Hearing and indicate your opposition to the Scheme. <p>You have the right as a Zenith Shareholder to appear and make submissions at the Second Court Hearing which is scheduled to be held at 9.30am (Perth time) on Thursday, 6 August 2020 at the Supreme Court of Western Australia, David Malcolm Justice Centre, 28 Barrack Street, Perth.</p>	<p>Important Notices</p>
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved at the Scheme Meetings, or another Condition Precedent is not satisfied or waived (where capable of waiver), the Scheme will not proceed (i.e. it will not be implemented).</p> <p>If the Scheme is not implemented, Zenith Shareholders will not receive the Scheme Consideration or the Special Dividend but will retain their Zenith Shares. In these circumstances, Zenith will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Zenith Shareholders will retain their Zenith Shares and continue to be exposed to risks and opportunities associated with their investment in Zenith.</p> <p>Zenith Shareholders should also note that Zenith has agreed to pay a Break Fee to BidCo in certain circumstances where the Scheme is not implemented, as described in Section 4.9(c).</p>	<p>Section 7 sets out further details of the risks relating to remaining a Zenith Shareholder.</p> <p>Section 4.9(c) sets out the circumstances in which the Break Fee is payable.</p>

Question	Answer	More information
Can I sell my Zenith Shares now?	<p>You can sell your Zenith Shares on-market at any time, and if the Scheme is to be implemented, before close of trading on the ASX on the Scheme Effective Date at the then prevailing market price (which may differ from the Scheme Consideration).</p> <p>If the Scheme is to be implemented, Zenith intends to apply to ASX for Zenith Shares to be suspended from official quotation on the ASX from close of trading on the Scheme Effective Date. You will not be able to sell your Zenith Shares on-market after this time.</p> <p>If you sell your Zenith Shares before the Special Dividend Record Date, then you will not receive the Special Dividend (if Zenith decides to pay the Special Dividend) or the franking credits attached to the Special Dividend.</p> <p>If the Scheme is to be implemented, you will only receive both the Scheme Consideration and the Special Dividend in respect of the Zenith Shares that you hold both on the Scheme Record Date and the Special Dividend Record Date (if Zenith decides to pay the Special Dividend). For example, if you sell any Zenith Shares through an off-market transfer after the Special Dividend Record Date but before the Scheme Record Date:</p> <ul style="list-style-type: none"> the "seller" will receive the Special Dividend of up to \$0.13 (if Zenith decides to pay the Special Dividend) but not the franking credits of \$0.05 attached to the Special Dividend (as you will not be a 'qualified person') and the "seller" will also receive any consideration for the sale, but will not receive the Scheme Consideration; and the "buyer" will receive the Scheme Consideration, but will not receive the Special Dividend of up to \$0.13 and the franking credits of \$0.05 attached to the Special Dividend,³¹ <p>which may not be the same amount in aggregate as the sum of the Scheme Consideration and the Special Dividend.</p>	N/A
Will I have to give any warranties in relation to my Scheme Shares?	<p>Yes. Each Scheme Shareholder will be deemed to have warranted to BidCo that all of their Scheme Shares will, at the Implementation Date, be fully paid and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Scheme Shares to BidCo (together with all rights and entitlements attaching to such shares) and that they have no existing right to be issued any Scheme Shares, or any other Zenith securities.</p>	Section 2.4.

³¹ When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

Question	Answer	More information
What will Zenith Shareholders receive under the Scheme?		
What will I receive if the Scheme is implemented?	<p>If the Scheme is approved and implemented, Zenith Shareholders (other than Rollover Shareholders) will receive:</p> <ul style="list-style-type: none"> • cash consideration under the Scheme of \$1.01 for each Zenith Share held on the Scheme Record Date, less the amount of any Special Dividend that may be declared and paid by Zenith on the Special Dividend Payment Date; and • a fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be declared and paid by Zenith on the Special Dividend Payment Date. <p>Please note that Zenith Shareholders will only receive both the Scheme Consideration and the Special Dividend in respect of Zenith Shares held by them on both the Scheme Record Date and the Special Dividend Record Date (if Zenith decides to pay the Special Dividend).</p> <p>If a person becomes a Zenith Shareholder after the Special Dividend Record Date, they will not receive the Special Dividend. Similarly, if a Zenith Shareholder sells their Zenith Shares before the Scheme Record Date, they will not receive the Scheme Consideration. Refer to the question, <i>"Can I sell my Zenith Shares now?"</i> for more information.</p>	Section 4.2.
What is the premium of the Scheme Consideration to Zenith's recent share price performance?	<p>Scheme Consideration of \$1.01 per Zenith Share represents a premium of:</p> <ul style="list-style-type: none"> • 45.3% to the last closing price of Zenith Shares on 6 March 2020 of \$0.695; • 45.5% to the one-week VWAP of Zenith Shares up to 6 March 2020 of \$0.694; and • 40.5% to the three-month VWAP of Zenith Shares up to 6 March 2020 of \$0.719. 	Letter from Peter Torre, Section 2.2(c)
When will I be paid?	<p>If all Conditions Precedent are satisfied or waived (where capable of waiver):</p> <ul style="list-style-type: none"> • Zenith Shareholders on the Zenith Register on the Scheme Record Date will be sent or have paid to them the Scheme Consideration on the Implementation Date; and • if Zenith decides to pay a Special Dividend, Zenith Shareholders on the Zenith Register on the Special Dividend Record Date will be sent or have paid to them the Special Dividend on the Special Dividend Payment Date. <p>Zenith Shareholders may update their bank details online at www.linkmarketservices.com.au. For single holding login, enter "Zenith Energy Limited" or the ASX code "ZEN" in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your holding statement or proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Payments and Tax' and scroll down to 'Payment Instructions' and then follow the prompts to update your bank details.</p>	Section 4.12(g)
How will I be paid?	<p>All payments will be made:</p> <ul style="list-style-type: none"> • where you have nominated a bank account that is currently used by Zenith for the payment of dividends – by electronic funds transfer in Australian currency into that account; or • where you have not nominated a bank account – by a cheque in Australian currency, sent by pre-paid post to your registered address as shown on the Zenith Register. 	Section 4.12(g)

Question	Answer	More information
What are the tax implications of the Scheme?	<p>If the Scheme becomes Effective, there will be tax consequences for Zenith Shareholders which may include tax being payable on any capital gain on disposal of Zenith Shares.</p> <p>The tax treatment may vary depending on the nature and characteristics of each Zenith Shareholder and their specific circumstances.</p> <p>Zenith Shareholders who are not residents of Australia for Australian tax purposes may be subject to Australian withholding tax. In this regard, Zenith Shareholders who are foreign residents should note, in particular, sections 8.3 and 8.4.</p> <p>If BidCo (as the purchaser of Zenith Shares under the Scheme) considers or reasonably believes a Zenith Shareholder to be a 'relevant foreign resident' that Zenith Shareholder may be sent a 'Foreign Resident capital gains withholding - vendor declaration' form.</p> <p>If, for whatever reason, a Zenith Shareholder believes that it is a relevant foreign resident but does not receive such a declaration form, the Zenith Shareholder should contact the Zenith Registry to request one.</p> <p>Accordingly, Zenith Shareholders should seek their own independent tax advice in relation to their particular circumstances.</p>	Section 8
Will I have to pay brokerage or stamp duty?	No, you will not have to pay brokerage or stamp duty if your Zenith Shares are acquired under the Scheme.	Section 8
Special Dividend		
What is the Special Dividend?	<p>The Special Dividend is a cash dividend that the Zenith Board may decide to pay of up to \$0.13 per Zenith Share held by a Zenith Shareholder on the Special Dividend Record Date.</p> <p>If the Zenith Board decides to pay the Special Dividend, payment of such Special Dividend is conditional on the Scheme becoming Effective.</p> <p>It is important to note that the Special Dividend does not represent an additional payment over and above the headline offer price of \$1.01 per Zenith Share. If the Zenith Board decides to pay the Special Dividend, the amount paid to Zenith Shareholders on the Implementation Date will be reduced from \$1.01 by the amount of the Special Dividend per Zenith Share held by a Zenith Shareholder on the Scheme Record Date.</p>	Section 4.2
When will I know if Zenith has decided to pay a Special Dividend and, if so, what the amount of the Special Dividend will be?	<p>On or before the date of the Scheme Meetings.</p> <p>If the Zenith Board decides to pay the Special Dividend, the amount of the Special Dividend will be up to \$0.13 per Zenith Share held by a Zenith Shareholder on the Special Dividend Record Date.</p>	N/A
Am I eligible to receive the Special Dividend?	If you hold Zenith Shares on the Special Dividend Record Date, you will be eligible to receive the Special Dividend in respect of each Zenith Share held by you on that date.	Section 4.6
When will I receive the Special Dividend?	The Special Dividend is conditional on the Scheme becoming Effective and is expected to be paid on the Special Dividend Payment Date.	Section 4.2(a) and 4.2(b).

Question	Answer	More information
Will the Special Dividend be franked?	The Zenith Board intends that the Special Dividend will be fully franked. This means that, depending on the tax status and individual circumstances of each Zenith Shareholder, each Zenith Shareholder on the Zenith Register on the Special Dividend Record Date may also receive a franking credit of up to approximately \$0.05 per Zenith Share ³² provided that the Zenith Shareholder does not dispose of their Zenith Share prior to the Scheme Record Date as this would result in the Zenith Shareholder failing to be a 'qualified person'. ³³	Section 8.
Further Information		
Can I get a printed copy of this Scheme Booklet?	You may request a printed copy of this Scheme Booklet by calling the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am to 5.30pm (Perth time). A copy will then be mailed out to you. Mailing times may be affected by delays to postal services, which may be heightened by the current COVID-19 pandemic.	N/A
Where can I get further information?	For further information, you can call the Zenith Shareholder Information Line on 1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia), Monday to Friday between 6.30am to 5.30pm (Perth time).	N/A
Questions Relating to COVID-19		
Will the Scheme go ahead given the COVID-19 pandemic?	Subject to the terms of the Scheme Implementation Deed, the Scheme Meetings will proceed and, if approved, the Scheme will be implemented, notwithstanding the current COVID-19 pandemic. The COVID-19 pandemic has created some novel challenges for conducting the Scheme process, including restrictions on Zenith's ability to convene a physical meeting at which Zenith Shareholders can attend in person. This is a dynamic and complex situation and Zenith will keep Zenith Shareholders updated of any developments arising from COVID-19 that require any material change to the process described in this Scheme Booklet by way of ASX announcement.	N/A
Can I vote on the relevant Scheme Meeting without attending the Scheme Meeting in person?	Yes. The Scheme Meetings will not be held physically. Zenith Shareholders can vote on the relevant Scheme Resolution by joining either the General Scheme Meeting or the Rollover Shareholders Scheme Meeting electronically, or by appointing a proxy, corporate representative or attorney to join the relevant electronic Scheme Meeting on their behalf.	Sections 4.7 and 4.8 See Annexure D and Annexure E
Can I attend a physical Scheme Meeting in person?	No. You may only participate in an electronic Scheme Meeting.	Sections 4.7 and 4.8
What are the risks associated with the Zenith business in relation to COVID-19?	The direct effects of COVID-19 and measures introduced by State and Federal governments to limit transmission of the virus (such as the forced closure of businesses to facilitate 'social-distancing', travel bans and quarantine requirements) will likely have a material negative impact on Australia's economic growth, including the potential for further significant impact on capital markets and share prices. At this stage, the scope of that negative impact, and its effect on Zenith, is difficult to predict with certainty. COVID-19 could result in the sustained closures of Zenith's customers and suppliers, as well as delays or cancellations of orders from suppliers or manufacturers of products to be purchased by Zenith. These closures, delays or cancellations would likely impact on the financial performance of Zenith.	Section 7.2 sets out further details of the specific risks relating to COVID-19 with respect to the Zenith business and holding Zenith Shares

³² When assessing the benefit of franking credits attached to any Special Dividend, Zenith Shareholders should seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 8 of this Scheme Booklet.

³³ The maximum benefit associated with the franking credits will be less if the Special Dividend is less than \$0.13 per Zenith Share.

4. OVERVIEW OF THE SCHEME AND THE SCHEME IMPLEMENTATION DEED

4.1 Background

On 6 March 2020, Zenith entered into the Initial Scheme Implementation Deed with BidCo, under which it is proposed that BidCo will acquire all Zenith Shares pursuant to a transaction involving a scheme of arrangement. On 29 May 2020, Zenith announced that it had entered into a Deed of Amendment and Restatement of the Initial Scheme Implementation Deed, under which no material changes were made to the terms of the Initial Scheme Implementation Deed other than to accommodate the fact that the Apex Trust, an entity to be controlled by ICG by the Implementation Date, and entities established by OPTrust, will take an equity position in the BidCo group holding structure under and in connection with implementation of the Scheme.

For the Scheme to proceed, Zenith Shareholders must vote in favour of the Scheme (by the Requisite Majorities set out in section 4.7(d)) and the Scheme must be approved by the Court. The Scheme is also subject to the satisfaction or waiver (where capable of being waived) of the other Conditions Precedent described in section 4.9(a).

If the Scheme is approved by Zenith Shareholders and by the Court, and all other Conditions Precedent are satisfied or waived (where capable of being waived), then Zenith will become a wholly-owned subsidiary of BidCo and will be delisted from ASX.

If the Scheme is not approved, then the Scheme will not be implemented, and Zenith will continue as a stand-alone entity listed on ASX.

4.2 What you will receive

As at the date of this Scheme Booklet and based on information currently available, the Zenith Board expects that the total Scheme Consideration to be paid to Zenith Shareholders (other than Rollover Shareholders) who are registered on the Zenith Register as holders of Zenith Shares as at the Scheme Record Date will be \$1.01 per Scheme Share, less the amount of the Special Dividend (if Zenith decides to pay the Special Dividend).

If the Scheme is implemented, Zenith Shareholders will receive the following Scheme Consideration:

(a) **Scheme Consideration**

(i) **Cash Consideration**

For each Zenith Share held by a Scheme Shareholder as at the Scheme Record Date, the Cash Consideration will be:

- (A) if the Zenith Board decides to pay the Special Dividend, \$1.01 less the Special Dividend; or
- (B) if the Zenith Board decides not to pay the Special Dividend, \$1.01.

(ii) **Scrip Consideration (at the Election of Rollover Shareholders only)**

The Rollover Shareholders are entitled to elect to receive at least 66% of their Scheme Consideration as Scrip Consideration instead of Cash Consideration. That is, to the extent of their Election, in lieu of Cash Consideration, the Rollover Shareholders will receive one HoldCo Security for each Scheme Share they hold at the Scheme Record Date.

It is important to note that if a Zenith Shareholder sells their Zenith Shares before the Scheme Record Date, they will not receive the Scheme Consideration.

The Scheme Consideration will be paid to Scheme Shareholders on the Implementation Date, which is currently expected to be Friday, 21 August 2020.

(b) **If Zenith decides to pay the Special Dividend – the Special Dividend**

If Zenith decides to pay the Special Dividend, it will be a cash dividend of up to \$0.13 per Zenith Share held by a Zenith Shareholder on the Special Dividend Record Date. The Special Dividend, if Zenith decides to pay it, is conditional on the Scheme becoming Effective and will be funded by way of an unsecured, interest free loan from BidCo to Zenith in an amount equal to the aggregate cash amount of the Special Dividend.

The Special Dividend does not represent an additional payment over and above the headline offer price of \$1.01 per Zenith Share. If Zenith decides to pay the Special Dividend, the Cash Consideration paid to Zenith Shareholders on the Implementation Date will be reduced from \$1.01 by the amount of the Special Dividend.

If a person becomes a Zenith Shareholder after the Special Dividend Record Date, they will not receive the Special Dividend.

If paid, the Special Dividend will be paid on the Special Dividend Payment Date.

4.3 Scheme Effective Date and Implementation

If the Scheme is approved by Zenith Shareholders and the Scheme is approved by the Court, and if all other Conditions Precedent are satisfied or waived (where capable of waiver), then:

- the Scheme will become Effective on the Scheme Effective Date;
- at the close of trading on the Scheme Effective Date, Zenith Shares will cease trading on ASX; and
- on the Implementation Date, all the Zenith Shares held by Scheme Shareholders as at the Scheme Record Date will be transferred to BidCo (without any need for action by Scheme Shareholders) and the Scheme Consideration will be paid to Scheme Shareholders.

As a result of the implementation of the Scheme, Scheme Shareholders will cease to hold Zenith Shares and Zenith will become a wholly-owned subsidiary of BidCo and will be delisted from ASX.

A copy of the Scheme is contained in Annexure B.

4.4 Entitlement to participate in the Scheme and to receive the Special Dividend

Scheme Shareholders will be entitled to participate in the Scheme. A 'Scheme Shareholder' is a person who is registered on the Zenith Register as a holder of a Scheme Share as at the Scheme Record Date.

Furthermore, if Zenith chooses to pay the Special Dividend, each person who is registered on the Zenith Register as a holder of a Scheme Share as at the Special Dividend Record Date will be eligible to receive the Special Dividend.

4.5 Determination of persons entitled to Scheme Consideration

(a) Dealings on or before the Scheme Record Date

For the purpose of determining which Zenith Shareholders are eligible to receive Scheme Consideration dealings in Zenith Shares will be recognised only if:

- (i) in the case of dealings of the type to be effected using CHES (Clearing House Electronic Subregister System), the transferee is registered on the Zenith Register as the holder of the relevant Zenith Shares as at 7.00pm (Perth time) on the Scheme Record Date (currently expected to be Friday, 14 August 2020); and
- (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Zenith Registry by 5.00pm on the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Zenith will not accept for registration or recognise any transfer or transmission applications in respect of Zenith Shares received after such time or received prior to such time but not in registrable form.

(b) Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Zenith must maintain the Zenith Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders on the Implementation Date. The Zenith Register in this form will solely determine entitlements to the Scheme Consideration.

As from the Scheme Record Date:

- (i) all holding statements for Scheme Shares will cease to have effect as documents of title in respect of such Scheme Shares; and
- (ii) each entry on the Zenith Register relating to the Zenith Shares will cease to have effect except as evidence of the entitlements to the Scheme Consideration in respect of such Scheme Shares.

4.6 Determination of persons entitled to the Special Dividend (if Zenith decides to pay the Special Dividend)

For the purpose of determining which Zenith Shareholders are eligible to receive the Special Dividend (if the Zenith Board decides to pay the Special Dividend) dealings in Zenith Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHES (Clearing House Electronic Subregister System), the transferee is registered on the Zenith Register as the holder of the relevant Zenith Shares as at 7.00pm (Perth time) on the Special Dividend Record Date (currently expected to be Wednesday, 12 August 2020); and

- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Zenith Registry by 5.00pm on the Special Dividend Record Date.

For the purposes of determining entitlements to the Special Dividend, Zenith will not accept for registration or recognise any transfer or transmission applications in respect of Zenith Shares received after such time or received prior to such time but not in registrable form.

4.7 General Scheme Meeting

(a) Purpose, date and time of General Scheme Meeting

The purpose of the General Scheme Meeting is for General Shareholders to consider whether to approve the Scheme.

In accordance with an order of the Court dated 25 June 2020, the General Scheme Meeting will take place on Friday, 31 July 2020 commencing at 10.00am (Perth time) held electronically through an online platform at <https://agmlive.link/ZEN20>.

(b) Instructions for the General Scheme Meeting

The General Scheme Meeting will be held online

As a result of the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination³⁴ regarding electronic shareholder meetings, the General Scheme Meeting is scheduled to be held electronically. General Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical General Scheme Meeting.

General Shareholders and their proxies, corporate representatives or attorneys will be able to participate in the General Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>, which is viewable from desktops, laptops and tablets (but is not recommended for smartphones). The online platform enables participants to view the General Scheme Meeting live, vote on the General Scheme Resolution in real time and ask questions online.

Appointing Proxies

If you wish to appoint a proxy or you are unable to attend the meeting via the online platform, you may appoint one or two proxies to attend and vote at the General Scheme Meeting via the online platform on your behalf. You can do this online at www.linkmarketservices.com.au or, if you received a hardcopy proxy form, by following the instructions on the proxy form.

If you wish to appoint a proxy online at www.linkmarketservices.com.au you should follow the below instructions:

Select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your holding statement or proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so, please contact the Zenith Registry on 1800 237 687 within Australia or +61 1800 237 687 outside Australia.

Proxy instructions must be received by the Zenith Registry or lodged online by no later than 10.00am (Perth time) on Wednesday, 29 July 2020.

(i) Joining the General Scheme Meeting

In order to join the General Scheme Meeting, please open your web browser on your desktop, laptop or tablet and go to <https://agmlive.link/ZEN20>. It is recommended that you ensure the online platform works on your browser in advance of the General Scheme Meeting.

Login to the portal using your full name, email address and company name (if applicable).

Please read and accept the terms and conditions before proceeding to click the 'Register and Watch Scheme Meeting' button.

³⁴ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

If you are an appointed proxy, you will need your proxy number that will be provided by the Zenith Registry prior to the General Scheme Meeting. Instructions with respect to how to appoint a proxy are set out in the Notice of General Scheme Meeting, as set out in Annexure D.

The General Scheme Meeting will commence at 10.00am (Perth time) on Friday, 31 July 2020.

(ii) **Voting at the General Scheme Meeting**

General Shareholders and their proxies will be able to vote on the General Scheme Resolution directly through the online platform at any time between the commencement of the General Scheme Meeting (at 10.00am (Perth time) on Friday, 31 July 2020) and the closure of voting as announced by the chair during the General Scheme Meeting.

Having logged on to the online platform, participants will be able to register to vote by clicking on the 'Get a Voting Card' box at the top of the webpage or below the video.

Once registered, participants will be able to vote on the General Scheme Resolution using the voting card.

The chair will announce when voting will close during the General Scheme Meeting. At the closure of voting, a red bar with a countdown timer will appear at the top of the webcast and presentation screens advising the remaining voting time available.

(iii) **Participating at the General Scheme Meeting**

Participants that have registered to vote will be able to ask questions at the General Scheme Meeting. In order to do so, participants will need to click on the 'Ask a Question' box at the top of the webpage or at the bottom of the webpage.

Participants will then be able to type questions which will be submitted to the chair of the General Scheme Meeting.

Further details with respect to the conduct of the General Scheme Meetings, including more specific instructions relating to joining the meeting, voting at the meeting and raising questions at the meeting, are set out in the Notice of General Scheme Meeting convening the General Scheme Meeting, as set out in Annexure D of this Scheme Booklet.

The fact that the Court has ordered the General Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how General Shareholders should vote on the General Scheme Resolution. On these matters, General Shareholders must reach their own decision. In any event, the approval of the Court is required at the Second Court Hearing in order for the Scheme to be implemented.

(c) **General Scheme Resolution**

At the General Scheme Meeting, General Shareholders will be asked to consider and, if thought fit, to pass the General Scheme Resolution to approve the Scheme.

(d) **Majorities required to pass General Scheme Resolution**

Subject to the qualification in the paragraph below, the General Scheme Resolution must be approved by:

- (i) a majority in number (more than 50%) of General Shareholders present and entitled to vote at the General Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the General Scheme Meeting electronically on your behalf); and
- (ii) at least 75% of the total number of votes cast on the General Scheme Resolution at the General Scheme Meeting by General Shareholders present and entitled to vote at the General Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the general Scheme Meeting electronically on your behalf).

Due to the unforeseen extraordinary circumstances posed by COVID-19, Zenith reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the General Scheme Resolution is not passed by a majority in number (more than 50%) of Zenith Shareholders present and voting at the General Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the General Scheme Meeting electronically on your behalf). The Court may waive the requirement that the Scheme be approved by such a majority if it considers it appropriate to do so in all the circumstances. The General Scheme Resolution would still need to be passed by at least 75% of the total number of votes cast on the General Scheme Resolution by Zenith Shareholders present and voting at the General Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the General Scheme Meeting electronically on your behalf).

(e) **Entitlement to vote**

Each General Shareholder who is registered on the Zenith Register at 5.00pm (Perth time) on the Scheme Meeting Record Date, being Wednesday, 29 July 2020, is entitled to join the General Scheme Meeting electronically and to vote on the General Scheme Resolution.

4.8 Rollover Shareholders Scheme Meeting

(a) **Purpose, date and time of Rollover Shareholders Scheme Meeting**

The purpose of the Rollover Shareholders Scheme Meeting is for the Rollover Shareholders to consider whether to approve the Scheme.

In accordance with an order of the Court dated 25 June 2020, the Rollover Shareholders Scheme Meeting will take place on Friday, 31 July 2020, commencing immediately following the General Scheme Meeting, but not before 10.30am (Perth time).

(b) **Instructions for the Rollover Shareholders Scheme Meeting**

The Rollover Shareholders Scheme Meeting will be held online

As a result of the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination³⁵ regarding electronic shareholder meetings, the Rollover Shareholders Scheme Meeting is scheduled to be held electronically. Rollover Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Rollover Shareholders Scheme Meeting.

Rollover Shareholders and their proxies, corporate representatives or attorneys will be able to participate in the Rollover Shareholders Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>, which is viewable from desktops, laptops and tablets (but is not recommended for smartphones). The online platform enables participants to view the Rollover Shareholders Scheme Meeting live, vote on the Rollover Shareholders Scheme Resolution in real time and ask questions online.

Appointing proxies

If you wish to appoint a proxy or you are unable to attend the meeting via the online platform, you may appoint one or two proxies to attend and vote at the Rollover Scheme Meeting via the online platform on your behalf. You can do this online at www.linkmarketservices.com.au or, if you received a hardcopy proxy form, by following the instructions on the proxy form.

If you wish to appoint a proxy online at www.linkmarketservices.com.au you should follow the below instructions:

Select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your holding statement or proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so, please contact the Zenith Registry on 1800 237 687 within Australia or +61 1800 237 687 outside Australia.

Proxy instructions must be received by the Zenith Registry or lodged online by no later than 10.00am (Perth time) on Wednesday, 29 July 2020.

(i) **Joining the Rollover Shareholders Scheme Meeting**

In order to join the Rollover Shareholders Scheme Meeting, please open your web browser on your desktop, laptop or tablet and go to <https://agmlive.link/ZEN20>. It is recommended that you ensure the online platform works on your browser in advance of the Rollover Shareholders Scheme Meeting.

Login to the portal using your full name, email address and company name (if applicable).

Please read and accept the terms and conditions before proceeding to click the 'Register and Watch Scheme Meeting' button.

³⁵ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

If you are an appointed proxy, you will need your proxy number that will be provided by the Zenith Registry prior to the Rollover Shareholders Scheme Meeting. Instructions with respect to how to appoint a proxy are set out in the Notice of Rollover Shareholders Scheme Meeting, as set out in Annexure E.

The Rollover Shareholders Scheme Meeting will commence immediately following the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am (Perth time). You are encouraged to login to the online platform for a start time of 10.30am and, if the Rollover Shareholders Scheme Meeting has not yet commenced, wait until the meeting is opened by the chair.

(ii) **Voting at the Rollover Shareholders Scheme Meeting**

Rollover Shareholders and their proxies will be able to vote on the Rollover Shareholders Scheme Resolution directly through the online platform at any time between the commencement of the Rollover Shareholders Scheme Meeting (immediately following the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am (Perth time)) and the closure of voting as announced by the chair during the Rollover Shareholders Scheme Meeting.

Having logged on to the online platform, participants will be able to register to vote by clicking on the 'Get a Voting Card' box at the top of the webpage or below the video.

Once registered, participants will be able to vote on the Rollover Shareholders Scheme Resolution using the voting card.

The chair will announce when voting will close during the Rollover Shareholders Scheme Meeting. At the closure of voting, a red bar with a countdown timer will appear at the top of the webcast and presentation screens advising the remaining voting time available.

(iii) **Participating at the Rollover Shareholders Scheme Meeting**

Participants that have registered to vote will be able to ask questions at the Rollover Shareholders Scheme Meeting. In order to do so, participants will need to click on the 'Ask a Question' box at the top of the webpage or at the bottom of the webpage.

Participants will then be able to type questions which will be submitted to the chair of the Rollover Shareholders Scheme Meeting.

Further details with respect to the conduct of the Rollover Shareholders Scheme Meetings, including more specific instructions relating to joining the meeting, voting at the meeting and raising questions at the meeting, are set out in the Notice of Rollover Shareholders Scheme Meeting convening the Rollover Shareholders Scheme Meeting is set out in Annexure E of this Scheme Booklet.

The fact that the Court has ordered the Rollover Shareholders Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Rollover Shareholders should vote on the Rollover Shareholders Scheme Resolution. On these matters, Rollover Shareholders must reach their own decision. In any event, the approval of the Court is required at the Second Court Hearing in order for the Scheme to be implemented.

(c) **Rollover Shareholders Scheme Resolution**

At the Rollover Shareholders Scheme Meeting, Rollover Shareholders will be asked to consider and, if thought fit, to pass the Rollover Shareholders Scheme Resolution to approve the Scheme.

(d) **Majorities required to pass resolution**

Subject to the qualification in the paragraph below, the Rollover Shareholders Scheme Resolution must be approved by:

- (i) a majority in number (more than 50%) of Rollover Shareholders present and entitled to vote at the Rollover Shareholders Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf); and
- (ii) at least 75% of the total number of votes cast on the Rollover Shareholders Scheme Resolution at the Rollover Shareholders Scheme Meeting by Rollover Shareholders present and entitled to vote at the Rollover Shareholders Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf).

Due to the unforeseen extraordinary circumstances posed by COVID-19, Zenith reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Rollover Shareholders

Scheme Resolution is not passed by a majority in number (more than 50%) of Zenith Shareholders present and voting at the Rollover Shareholders Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf). The Court may waive the requirement that the Scheme be approved by such a majority if it considers it appropriate to do so in all the circumstances. The Rollover Shareholders Scheme Resolution would still need to be passed by at least 75% of the total number of votes cast on the Rollover Shareholders Scheme Resolution by Zenith Shareholders present and voting at the Rollover Shareholders Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf).

(e) **Entitlement to vote**

Each Rollover Shareholder who is registered on the Zenith Register at 5.00pm (Perth time) on the Scheme Meeting Record Date, being Wednesday, 29 July 2020, is entitled to join the Rollover Shareholders Scheme Meeting electronically and to vote on the Rollover Shareholders Scheme Resolution.

4.9 Summary of the Scheme Implementation Deed

On 6 March 2020, Zenith and BidCo entered into the Initial Scheme Implementation Deed (which was amended and restated by the Scheme Implementation Deed on 29 May 2020), under which Zenith agreed to propose the Scheme to Zenith Shareholders. The Scheme Implementation Deed contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and Zenith's obligation to conduct its business in the ordinary course during the Scheme process.

The amendment and restatement of the Initial Scheme Implementation Deed on 29 May 2020 did not result in any material amendments other than to accommodate the fact that the Apex Trust, an entity to be controlled by ICG by the Implementation Date, and entities established by OPTrust, would take an equity position in the BidCo group holding structure under and in connection with implementation of the Scheme. Such material amendments principally relate to the indicative timetable for implementation of the Scheme; amending the definition of 'Equity Commitment Letters' to reflect that BidCo has received equity commitment letters from OPTrust and ICG;³⁶ amending the applicable definition to reflect that Apex Trust had become a Rollover Shareholder; and qualifying the warranty given by Zenith in favour of BidCo in respect of the share capital of Zenith by the matters within the actual knowledge of certain BidCo representatives as at 29 May 2020. In addition, minor amendments were made to Zenith's obligations in relation to despatch of the Scheme Booklet in order to expressly facilitate electronic despatch.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with the ASX on 29 May 2020.

(a) **Conditions**

Implementation of the Transaction is subject to the following conditions which must be satisfied or waived (where capable of waiver) before the Scheme can be implemented:

- (i) **FIRB:** BidCo receiving a notice under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) stating that there are no objections to BidCo undertaking the Scheme.³⁷
- (ii) **No restraints:** No injunction, decision, restraint, prohibition or other order issued by a court of competent jurisdiction or Regulatory Authority judgment which restrains the Scheme or requires the divestiture by BidCo of any Zenith Shares or any material assets of Zenith is in effect or enforceable at the Delivery Time.
- (iii) **ASIC and ASX:** ASIC and ASX provide such consents, waivers, exemptions or approvals as Zenith and BidCo agree in writing are necessary or desirable.
- (iv) **Independent Expert's Report:** The Independent Expert concludes in the Independent Expert's Report that the Scheme is in the best interests of Zenith Shareholders, and the Independent Expert does not change that opinion or withdraw the Independent Expert's Report prior to the Delivery Time.
- (v) **Shareholder approval:** The Zenith Shareholders approve the Scheme.
- (vi) **Court approval:** The Court approves the Scheme.
- (vii) **No Zenith Prescribed Event:** No Zenith Prescribed Event occurs between the date of the Initial Scheme Implementation Deed (6 March 2020) and the Delivery Time.

³⁶ See section 6.4(b) for more information on the equity commitment letters provided to BidCo.

³⁷ Notwithstanding the announcement by FIRB on 29 March 2020 that FIRB may extend the statutory decision period for foreign investment applications by up to 6 months from the date that the application fee is paid, BidCo is working with FIRB to obtain FIRB approval as soon as possible.

- (viii) **No Zenith Material Adverse Change:** No Zenith Material Adverse Change occurs between the date of the Initial Scheme Implementation Deed (6 March 2020) and the Delivery Time.
- (ix) **Zenith Performance Rights:** All Zenith Performance Rights have either been vested, converted into Zenith Shares, lapsed or been cancelled by the Delivery Time.
- (x) **Zenith Scheme Warranties:** Each of the warranties given by Zenith in Schedule 2 of the Scheme Implementation Deed is true and correct in all material aspects at the relevant time the warranty is to be given.
- (xi) **Bidder Scheme Warranties:** Each of the warranties given by BidCo in clause 11.7 of the Scheme Implementation Deed is true and correct in all material aspects at the relevant time the warranty is to be given.
- (xii) **Consents obtained under the Relevant Consent Contract:** Each counterparty to a Relevant Consent Contract provides to Zenith (or the relevant Zenith Group Member) all necessary consents, approvals, exemptions or waivers in respect of the Scheme.

For full details of the Conditions Precedent, see clause 3.1 of the Scheme Implementation Deed.

As at the date of this Scheme Booklet, the Zenith Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).

(b) **Exclusivity**

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of BidCo. These arrangements are in line with market practice and are summarised as follows:

- (i) **No shop:** During the Exclusivity Period, Zenith must not, and must ensure that each Zenith Group Member and each representative of a Zenith Group Member does not, directly or indirectly, solicit, invite, encourage or initiate any enquiry, expression of interest, proposal, offer, negotiation or discussion or communicate any intention to do any of these things in relation to an actual, proposed or potential Competing Proposal.
- (ii) **No talk:** During the Exclusivity Period, Zenith must not, and must ensure that each Zenith Group Member and each representative of a Zenith Group Member does not, directly or indirectly, negotiate, enter into or participate in negotiations or discussions with any other person or communicate any intention to do any of these things in relation to, or that could reasonably be expected to encourage or lead to, the making of an actual, proposed or potential Competing Proposal.
- (iii) **No due diligence:** During the Exclusivity Period, Zenith must not, and must ensure that each Zenith Group Member and each representative of a Zenith Group Member does not, directly or indirectly, in relation to an actual, proposed or potential Competing Proposal, enable any person to undertake due diligence investigations on any Zenith Group Member or make available to any person any non-public information relating to any Zenith Group Member, in each case, other than BidCo.
- (iv) **Notification:** During the Exclusivity Period, Zenith must, as soon as reasonably practicable, and in any event within two Business Days of becoming aware of such matter, notify BidCo of any written approach, inquiry, request, attempt to initiate negotiations or receipt of a written proposal in connection with or in respect of an actual, proposed or potential Competing Proposal.
- (v) **Matching right:** Zenith must ensure that each Zenith Director does not:
 - (A) withdraw, change, adversely modify or adversely qualify his recommendation to vote in favour of the Scheme; or
 - (B) approve or recommend entry into an agreement relating to a Competing Proposal (other than a confidentiality agreement),

unless the Zenith Board has determined in good faith that the Competing Proposal is a Superior Proposal and Zenith has given BidCo at least three Business Days to make a proposal that matches or is superior to the Competing Proposal.

The 'no talk' and 'no due diligence' provisions in the Scheme Implementation Deed do not prevent Zenith from responding to a Competing Proposal (which was not solicited, invited, encouraged or initiated in breach of the 'no shop' provision) or facilitating the conduct of due diligence by a third party, if the Zenith Board considers in good faith the Competing Proposal to be bona fide and has determined (after consultation with its financial advisers in respect of the financial aspects of the Competing Proposal) that such Competing Proposal is or would be reasonably expected to lead to a Superior Proposal and (after

consulting with its legal advisers) that failing to respond to the Competing Proposal or facilitating the due diligence would constitute or would be reasonably likely to constitute a breach of a fiduciary or statutory obligation of any Zenith Director.

These exclusivity arrangements are set out in full in clause 9 of the Scheme Implementation Deed.

(c) **Break Fee**

Zenith has agreed to pay BidCo (or its nominee(s)) a break fee of \$1.51 million (plus GST) (**Break Fee**) if:

- (i) **Competing Proposal:** a Competing Proposal is publicly announced prior to the Delivery Time and, within nine months from the date of the public announcement, the proponent of that Competing Proposal:
 - (A) completes a transaction of a kind referred to in paragraphs (c), (d), (e) or (f) of the definition of 'Competing Proposal' or such Competing Proposal becomes 'effective' if structured as a scheme of arrangement; or
 - (B) becomes the legal holder of at least 50% of the Zenith Shares;
- (ii) **Change in recommendation:** at any time prior to the Delivery Time, any Zenith Director:
 - (A) fails to publicly state that they consider the Scheme to be in the best interests of Zenith Shareholders as required by the Scheme Implementation Deed;
 - (B) publicly changes, withdraws or adversely modifies or qualifies their recommendation that Zenith Shareholders vote in favour of the Scheme;
 - (C) makes a public statement that the Scheme is not recommend or supported by the relevant Zenith Director; or
 - (D) makes any public statement recommending a Competing Proposal,
 in each case, other than:
 - (E) where the Independent Expert concludes that the Scheme is not or is no longer in the best interests of Zenith Shareholders (except where that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal);
 - (F) where the Zenith Director cannot lawfully make such recommendation;
 - (G) where the Zenith Director is an Executive Director who has an interest in the Scheme that, having taken legal advice, the Zenith Director reasonably determines renders it inappropriate for him or her to make or maintain any recommendation; or
 - (H) as a result of any matter or thing giving Zenith the right to terminate the Scheme Implementation Deed for material breach by BidCo; or
- (iii) **Material breach:** BidCo terminates the Scheme Implementation Deed due to a material breach by Zenith.

The Break Fee is not payable if:

- the Scheme nevertheless becomes Effective; or
- the Scheme is not implemented by reason only of the failure of the Zenith Shareholders to approve the Scheme at the Scheme Meetings.

For full details of the Break Fee, see clause 10 of the Scheme Implementation Deed.

(d) **Termination**

Either Zenith or BidCo may terminate the Scheme Implementation Deed if:

- (i) **(failure of Condition Precedent)** in relation to a Condition Precedent other than the Conditions Precedent relating to the Independent Expert's conclusion, Zenith Shareholder approval and Court Approval (a **Consultation Condition Precedent**):
 - (A) a consultation notice has been served on the other party due to a breach or non-satisfaction of a Consultation Condition Precedent or a Consultation Condition Precedent becomes incapable of satisfaction, and in either case the breach or non-fulfilment has not been waived by the time or date specified in the Scheme Implementation Deed for the satisfaction of that Consultation Condition Precedent or the Scheme has not become Effective by the End Date as a result of the non-satisfaction of a Consultation Condition Precedent;

- (B) after consultation with the other party, the parties are unable to agree the terms on which the relevant Consultation Condition Precedent may be waived; whether the Scheme may proceed by alternative means; to extend the time for satisfaction of the Consultation Condition Precedent or to change the date of the application to be made to the Court for orders to approve the Scheme; or to extend the End Date; and
- (C) within 5 Business Days after the delivery of the consultation notice, or if a consultation notice has not been given in accordance with the terms of the Scheme Implementation Deed or the Scheme has not become Effective by the End Date, written notice is given advising the other party of the termination of the Scheme Implementation Deed,

provided that failure to satisfy the relevant Condition Precedent is not due to a breach by the terminating party of the Scheme Implementation Deed or a deliberate act or omission of such party which contributed to the Consultation Condition Precedent not being satisfied or the Scheme not being Effective;

- (ii) **(material breach)** at any time prior to the Delivery Time, the other party has materially breached a provision (other than a breach of a warranty given by Zenith in Schedule 3 of the Scheme Implementation Deed), taken in the context of the Scheme as a whole, provided that:
 - (A) the terminating party gives the other party a notice setting out the relevant circumstances; and
 - (B) the relevant breach continues for 10 Business Days (or until the Delivery Time);
- (iii) **(change of recommendation)** any Zenith Director:
 - (A) fails to publicly state that they consider the Scheme to be in the best interests of Zenith Shareholders as required by the Scheme Implementation Deed;
 - (B) publicly changes, withdraws or adversely modifies or qualifies their recommendation that Zenith Shareholders vote in favour of the Scheme or their intention to vote their Zenith Shares in favour of the Scheme (other than a withdrawal of a recommendation by an Executive Director in circumstances where the Zenith Director has an interest in the Scheme that, having taken legal advice, the Zenith Director reasonably determines renders it inappropriate for him to maintain any recommendation);
 - (C) makes a public statement that the Scheme is not recommend or supported by the relevant Zenith Director; or
 - (D) makes any public statement recommending a Competing Proposal, and does not, within three Business Days, reinstate his recommendation, voting intention or support for the Scheme;
- (iv) **(End Date)** if the Scheme has not become Effective on or before the End Date;
- (v) **(appeal)** if the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, and Zenith and BidCo either agree to not appeal the decision or obtain the advice of an independent senior counsel of the Western Australia bar or the New South Wales bar who states that an appeal would have no reasonable prospect of success before the End Date; or
- (vi) **(agreement)** agreed to in writing by Zenith and BidCo.

For more information in relation to the parties' termination rights under the Scheme Implementation Deed, see clauses 3.5 and 13 of the Scheme Implementation Deed.

The Scheme Implementation Deed will automatically terminate at the Scheme Meeting if the Zenith Shareholders do not pass the resolution to approve the Scheme.

4.10 Status of FIRB condition

As at the date of this Scheme Booklet, BidCo has applied for, but the Treasurer has not yet provided, notice that there are no objections to the Scheme under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

An update on the status of the FIRB approval will be provided at or before the Scheme Meetings.

4.11 Timetable

An indicative timetable for the Scheme appears on page 7. All dates and times following the date of the General Scheme Meeting and the Rollover Shareholders General Meeting are indicative only and, among other things, are

subject to all necessary approvals from the Court. Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced on ASX.

4.12 Implementation of the Scheme

If the Scheme Resolutions are approved by Zenith Shareholders and all other Conditions Precedent (other than Court approval of the Scheme) have been satisfied or waived (as applicable), then the steps described below will be taken to implement the Scheme.

(a) **Court approval of the Scheme**

If the Scheme is approved by the Requisite Majorities, and all other Conditions Precedent (other than approval by the Court) have been satisfied or waived (as applicable), then Zenith will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is scheduled to occur on Thursday, 6 August 2020.

Subject to government and Court protocols put in place for COVID-19, each Zenith Shareholder has the right to appear at the Second Court Hearing.

(b) **Court orders**

If the Court makes orders approving the Scheme, then Zenith will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. Office copies of the Court orders under section 411(4)(b) of the Corporations Act approving the Scheme will be lodged with ASIC and the Scheme will become Effective. This is expected to occur on Friday, 7 August 2020.

If the Scheme becomes Effective, then Zenith and BidCo will become bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

(c) **Suspension of trading of Zenith Shares**

If the Court approves the Scheme, then Zenith will notify ASX of that approval on the day it is received (expected to be Friday, 7 August 2020).

It is expected that suspension of trading in Zenith Shares on ASX will occur from the close of trading on the Effective Date.

(d) **Payment of the Special Dividend**

The Special Dividend is conditional on the Scheme becoming Effective and, if the Zenith Board decides to pay the Special Dividend, it is expected to be paid on the Special Dividend Payment Date.

(e) **Warranties by Scheme Shareholders**

The Scheme provides that each Scheme Shareholder is deemed to have warranted to BidCo that:

- (i) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- (ii) that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to BidCo pursuant to the Scheme; and
- (iii) they have no existing right to be issued any Zenith Shares, Zenith Performance Rights or any other Zenith securities.

(f) **Transfer of Zenith Shares**

By no later than 5.00pm on the Business Day before the Implementation Date, BidCo will deposit (or procure the deposit) into an account operated by Zenith, or the Zenith Registry, as trustee for the benefit of the Scheme Shareholders, an amount equal to the Cash Consideration payable to Scheme Shareholders. This amount is to be held by Zenith, or the Zenith Registry, on trust for the Scheme Shareholders for the purpose of sending the aggregate amount of the Cash Consideration to the Scheme Shareholders on the Implementation Date.

On the Implementation Date, subject to the deposit of Cash Consideration being made and payment of the Cash Consideration to the Scheme Shareholders, the Zenith Shares held by Scheme Shareholders

as at the Scheme Record Date will be transferred to BidCo (without the need for any further act by any Scheme Shareholder).

(g) **Payment of Scheme Consideration**

(i) **Cash Consideration**

On the Implementation Date (expected to be Friday, 21 August 2020), Zenith, or the Zenith Registry, will pay or procure the payment to each Scheme Shareholder of the Cash Consideration for their Zenith Shares as at the Record Date. That Cash Consideration will be paid by either:

- (A) despatching to the Scheme Shareholder a pre-printed cheque in the name of that Scheme Shareholder for the relevant amount (denominated in A\$) to their registered address; or
- (B) making a deposit for the relevant amount (denominated in A\$) in an account with any Australian authorised deposit-taking institution in Australia notified by the Scheme Shareholder to Zenith and recorded in the Zenith Register as at the Scheme Record Date.

(ii) **Scrip Consideration**

If the Rollover Shareholders Elect to receive Scrip Consideration, on the Implementation Date (expected to be Friday, 21 August 2020), BidCo will procure that HoldCo will issue the Scrip Consideration to each Rollover Shareholder (or their nominees), in accordance with the Election made by such Rollover Shareholder.

(h) **Delisting of Zenith**

Following the implementation of the Scheme, Zenith will apply for the termination of the official quotation of Zenith Shares on ASX and for Zenith to be removed from the official list of the ASX.

(i) **End Date**

The Scheme will lapse and be of no further force or effect (and implementation will not occur) if the Effective Date has not occurred on or before the End Date, unless Zenith and BidCo otherwise agree in writing.

4.13 Effect of the Scheme

If the Scheme is implemented, then Scheme Shareholders will no longer hold Zenith Shares and the Zenith Shares held by Scheme Shareholders as at the Scheme Record Date will be transferred to BidCo.

Scheme Shareholders will receive the Scheme Consideration and, where applicable, the Rollover Shareholders will receive their entitlement to the Scrip Consideration.

5. INFORMATION ABOUT ZENITH

5.1 Introduction

The information contained in this section 5 has been prepared by Zenith. The information concerning Zenith, and the intentions, views and opinions contained in this section 5 are the responsibility of Zenith.

5.2 Overview of Zenith

Zenith was founded in 2006 by the Executive Chairman of Zenith, Mr William (Doug) Walker and listed on the ASX in May 2017 with a market capitalisation of \$49 million. Zenith is a provider of reliable, cost-effective power generation solutions, primarily for clients operating in the resources and energy sectors in remote areas of Australia and South East Asia.

Zenith designs, constructs and manages power generation facilities incorporating a range of thermal (i.e. diesel or gas) and renewable fuel sources (i.e. solar, wind and geothermal). Zenith has strong capabilities in servicing clients in remote locations, as demonstrated by the completion of the new gas-fired facility at Newmont's Tanami Gold Project. The breadth of Zenith's capabilities is also demonstrated by the Nova Solar PV Hybrid project completed in 2019, the world's 8th largest solar project integrated into a mining operation.³⁸

5.3 Overview of assets and operations

(a) Corporate structure and service models

Zenith offers its clients two separate service models:

(i) Build, Own, Operate (BOO)

Zenith builds power generation facilities on client sites and then sells the electricity through a PPA on a 5 to 10 year (on average) term. Zenith provides the necessary capital to build the power generation facilities and takes responsibility for the ongoing maintenance and operation of the assets. Zenith assumes all the risks associated with providing a continuous source of power to its clients' operations, often in remote areas.

(ii) Manage, Operate, Maintain (MOM)

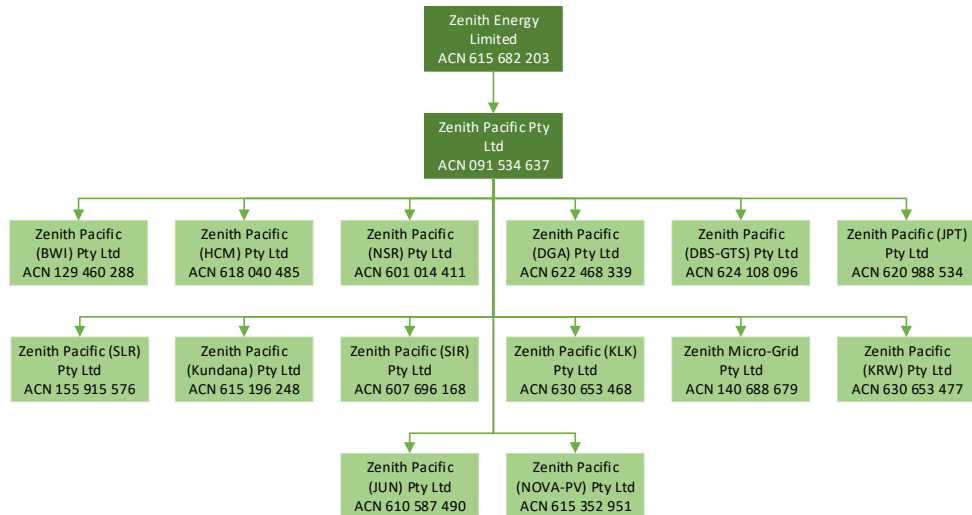
Zenith manages, operates and maintains its clients' power generation assets, without ownership of the assets. Under a MOM contract, Zenith will undertake the day-to-day operational management and maintenance of their client's power station assets, providing its clients the freedom to focus on their core business.

Zenith also engages in Engineering, Procurement and Construction services for its clients.

For its BOO contracts (PPAs), Zenith utilises special purpose vehicle companies which are wholly-owned by Zenith Pacific Pty Ltd, which is in turn wholly-owned by Zenith Energy Limited. MOM contracts are run through Zenith Pacific Pty Ltd as an operating entity.

³⁸ Comparison of Nova Solar's installed solar PV capacity against the installed solar PV capacity of mining projects reported in Energy and Mines publications in October 2018.

Figure 5.3(a): Corporate structure

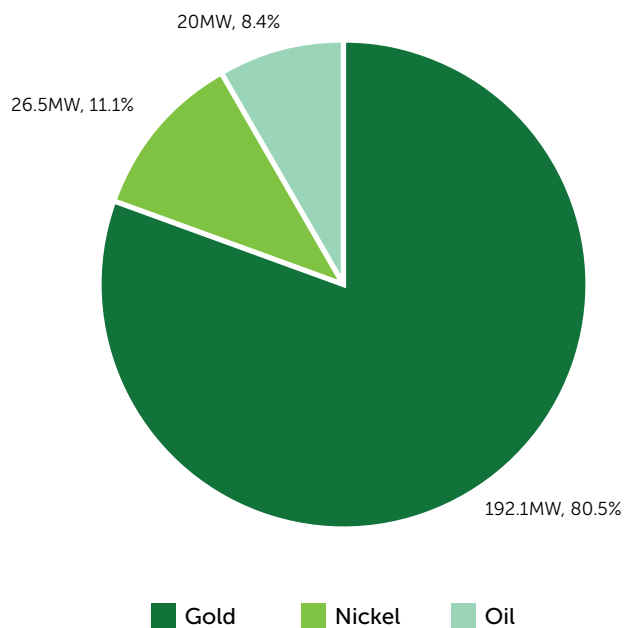


(b) **Assets and operations**

At 4 June 2020, Zenith has more than 425 MW of installed capacity under control across 12 BOO and MOM contracts.

Approximately 70% of Zenith's BOO contracts are with counterparties that have market capitalisations in excess of \$1 billion (as at 4 June 2020). The majority of these companies are gold producers with the remaining counterparties operating in the nickel and oil industries.

Figure 5.3(b)(1): BOO counterparty commodity exposure



Under BOO contracts, Zenith receives a capacity charge on a "take or pay" basis and an energy charge calculated on actual power usage. Each operating site is managed by on-site Zenith employees together with Zenith's state of the art site monitoring equipment from a central control room located at its Head Office in Perth.

Zenith receives fees for operating and maintaining its clients' power generation assets under MOM contracts. Zenith has transitioned away from MOM contracts and is now focusing on growing its BOO business.

Zenith enters into long term power supply contracts (**PPAs**) with its clients, often providing clients with an executable option to extend the contract, should the mine or operation life permit. As the incumbent power provider in these scenarios, Zenith is well positioned to secure these contract extensions as well as securing uplifts in generation capacity based on customer needs. Zenith has invested heavily in new power generation equipment. Zenith's contract terms across all contracts as at the date of this Scheme Booklet were:

- average length of PPAs - 7.66 years; and
- average time left on PPA to run - 5.45 years.

Figure 5.3(b)(2): Summary of contracts

Contract	Counterparty	Contract type	Installed MWs
Barrow Island	Chevron	BOO	20
Daisy Milano	Silver Lake Resources	BOO	18.3
Kirkalocka	Adaman Resources	BOO	14.5
Dalgaranga	Gascoyne Resources	BOO	17
Halls Creek	Pantoro	BOO	6.3
Jundee	Northern Star Resources	BOO / MOM	47.2
Kundana	Northern Star Resources	BOO	14
Plutonic	Superior Gold Inc.	BOO / MOM	38.1
Mt Morgans	Dacian Gold	BOO	20
OK Tedi	OK Tedi	MOM	142
Nova	Independence Group	BOO	26.5
Tanami	Newmont	BOO	62

Zenith's head office is located in Perth and services the majority of Zenith's contracts located in Western Australia. The Company maintains an office in Cairns, Queensland to service PNG.

Figure 5.3(b)(3): Contract location summary



5.4 Zenith Board and senior management

(a) Zenith Board

The Zenith Board comprises the following directors:

Name	Position
William (Doug) Walker	Executive Chairman
Hamish Moffat	Managing Director
Peter Torre	Independent Non-Executive Director
David Riekie	Independent Non-Executive Director

(b) Senior executive and management team

Members of the Zenith senior executive and management team include:

Name	Position
Graham Cooper	Chief Operating Officer
Peter Tazewell	Chief Financial Officer / Company Secretary

5.5 Recent Zenith share price history

The following chart shows the closing share price and corresponding closing daily volume traded over the last 12 months up to and including 18 June 2020, being the last practicable date prior to finalisation of the Scheme Booklet.

Figure 5.5: Historical Zenith share price and volume graph



The closing price of Zenith Shares on the ASX as at the close of trading on 18 June 2020 was A\$0.985.

During the 90 calendar days up to and including 18 June 2020:

- the highest recorded daily closing price for Zenith Shares on the ASX was A\$1.015; and
- the lowest recorded daily closing price for Zenith Shares on the ASX was A\$0.820.

5.6 Capital structure

(a) Capital structure and market capitalisation

The capital structure of Zenith as at the date of this Scheme Booklet is as follows:

Capital	Total number on issue
Zenith Shares	149,469,586

As at the date of this Scheme Booklet, 322,575 Zenith Performance Rights are on issue and held by Graham Cooper. Please refer to section 9.10(c) for more information with respect to these Zenith Performance Rights, including their intended treatment upon implementation of the Scheme.

There are currently no other Zenith Performance Rights on issue

(b) Substantial Shareholders

Based on filings to ASX, the substantial holders of Zenith Shares as at 18 June 2020 are set out below.

Name	Number of Zenith Shares	Percentage of total Zenith Shares
Apex Trustee as trustee for the Apex Trust, AOF SubMidCo Pty Limited, AOF MidCo Pty Limited, AOF HoldCo Pty Limited	26,309,402	17.60%
ICG, ICG Manager, OPTrust I, OPTrust II and OPSEU Pension Plan Trust Fund	26,309,402	17.60%
PEP Entities ³⁹	25,267,586	16.90%
Entities controlled by Doug Walker ⁴⁰	17,784,087	11.90%
Westoz Funds Management Pty Ltd	12,930,426	8.65%
Microequities Asset Management Pty Ltd		

The shareholdings listed in this section 5.6(b) are as disclosed to Zenith by Zenith Shareholders in substantial holding notices filed with ASX on or before 18 June 2020. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX website (www.asx.com.au) is not included above.

5.7 Historical financial information

(a) Basis of preparation

The financial information in this section 5.7 is a summary only and has been prepared and extracted for the purpose of this Scheme Booklet. The financial information has been extracted from Zenith's audited financial reports for the financial years ended 30 June 2018 and 30 June 2019 and the half year reviewed accounts ended 31 December 2019. The financial information has not been subject to further review by an independent accountant.

Further details about Zenith's financial performance can be found on Zenith's website at <https://www.zenithenergyltd.com/investor-centre/asx-announcements>.

(b) Consolidated statement of profit or loss and other comprehensive income

Set out below is a summary of Zenith's consolidated statement of comprehensive income for the years ended 30 June 2018, 30 June 2019 and half year ended 31 December 2019.

³⁹ The PEP Entities have a relevant interest in the 26,309,402 Zenith Shares held by the Apex Trust by virtue of the Co-operation and Process Deed dated 29 May 2020, a complete copy of which was attached to the substantial holder notice lodged with the ASX by the PEP Entities on 1 June 2020 and can be obtained from www.asx.com.au.

⁴⁰ 24,353,793 shares are held by Zanea Pty Limited (ACN 009 396 623), an entity controlled by Mr Walker and 913,793 shares are held by Enertech Pty Ltd (ACN 009 080 899) as trustee for the Enertech Executives Superannuation Fund, Mr Walker's self-managed superannuation fund.

\$'000	Half Year Ended 31 Dec 2019	Year Ended 30 June 2019	Year Ended 30 June 2018
Revenue from contracts with customers	29,221	55,037	51,429
Other income	152	160	384
Total income	29,373	55,197	51,813
Cost of sales	(9,869)	(23,715)	(22,882)
Employee expenses	(2,114)	(5,671)	(7,255)
Insurance expenses	(752)	(977)	(830)
Occupancy expenses	(117)	(562)	(566)
Foreign exchange losses	-	(278)	(104)
Other expenses	(1,721)	(3,268)	(1,960)
Total expenses	(14,573)	(34,471)	(33,597)
Finance costs	(3,529)	(3,950)	(2,153)
Depreciation and amortisation expense	(5,986)	(7,208)	(3,808)
Gain / (Loss) on disposal of assets	(547)	(924)	(42)
Profit before income tax	4,738	8,644	12,213
Income tax expense	(1,379)	(2,830)	(3,740)
Profit for the year after income tax	3,359	5,814	8,473
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	-	-	-
Other comprehensive income/(loss) for the year	-	-	-
Total comprehensive income attributable to members of Zenith Energy Limited	3,359	5,814	8,473
Earnings per share for the year attributable to the members of Zenith Energy Limited			
Basic earnings per share (cents)	2.28	5.80	8.65
Diluted earnings per shares (cents)	2.28	5.79	8.64

(c) **Consolidated statement of financial position**

Set out below is a summary of Zenith's consolidated statement of financial position as at 30 June 2018, 30 June 2019 and 31 December 2019.

\$'000	As at 31 Dec 2019	As at 30 June 2019	As at 30 June 2018
Current assets			
Cash and cash equivalents	673	7,293	1,994
Trade and other receivables	12,231	8,363	11,161
Inventories	8,503	6,962	2,686
Current tax asset	2,310	991	755
Contract assets	2,258	1,610	-
Other assets	2,267	1,078	1,128
Total current assets	28,242	26,297	17,724
Non-current assets			
Property, plant and equipment	163,616	148,146	75,944
Right of use assets	624	-	-
Deferred tax assets	21	129	836
Intangible assets	13	13	11
Other receivables	-	1,928	-
Other assets	1,483	2,882	1,903
Total non-current assets	165,757	153,098	78,694
Total assets	193,999	179,395	96,418
Current liabilities			
Trade and other payables	5,856	6,339	7,674
Borrowings	18,608	20,626	7,405
Current tax liabilities	-	-	1,578
Contract liability	515	805	812
Lease liability	57	-	-
Provisions	1,679	1,560	1,398
Total current liabilities	26,715	29,330	18,867
Non-current liabilities			
Borrowings	81,855	75,420	30,729
Contract liability	1,869	1,971	2,105
Lease liability	580	-	-
Deferred tax liabilities	542	-	-
Provisions	302	288	161
Total non-current liabilities	85,148	77,679	32,995
Total liabilities	111,863	107,009	51,862
Net assets	82,136	72,386	44,556
Equity			
Contributed equity	54,827	48,434	26,109
Share based payment reserve	95	97	40
Retained earnings	27,214	23,855	18,407
Total equity	82,136	72,386	44,556

(d) **Consolidated statement of cash flows**

Set out below is a summary of Zenith's consolidated statement of cash flows for the years ended 30 June 2018, 30 June 2019 and half year ended 31 December 2019.

\$'000	Half Year Ended 31 Dec 2019	Year Ended 30 June 2019	Year Ended 30 June 2018
Cash flows from operating activities			
Receipts from customers (including GST)	31,405	59,616	52,381
Payments to suppliers and employees (including GST)	(18,933)	(41,156)	(41,656)
Interest received	17	73	14
Borrowing costs paid	(3,068)	(2,658)	(2,153)
Income taxes paid	(2,047)	(3,605)	(1,694)
Net cash provided by operating activities	7,374	12,270	6,892
Cash Flows from investing activities			
Payments for property, plant and equipment	(24,036)	(86,732)	(37,824)
Proceeds on sale of property, plant and equipment	24	-	9
Proceeds from related parties	(358)	-	-
Net cash used in investing activities	(24,369)	(86,732)	(37,815)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of transaction costs)	6,363	21,994	-
Borrowing costs	-	(1,454)	-
Proceeds from borrowings	17,742	77,728	19,445
Repayments of borrowings	(13,730)	(18,507)	(5,819)
Net cash provided by/ (used in) financing activities	10,375	79,761	13,626
Net increase / (decrease) in cash and cash equivalents	(6,620)	5,299	(17,297)
Cash and cash equivalents at beginning of the financial period	7,293	1,994	19,291
Cash and cash equivalents at end of period	673	7,293	1,994

5.8 Financial results

(a) Financial year ended 30 June 2019

Zenith announced its consolidated financial statements for the year ended 30 June 2019 to the ASX on 28 October 2019. The following should be noted:

- (i) Revenue in FY19 grew strongly on the prior year, up by 7%, which was largely attributable to the significant revenue growth in the BOO component of the business, increasing 52% over the period to \$38.1m. MOM revenue decreased 36% reflecting Zenith's continued focus on the BOO component of the business.
- (ii) EBITDA similarly improved, growing by 13.7% to \$20.7m from \$18.2m as at the financial year ended 30 June 2018. EBITDA growth was supported by an increase in BOO EBITDA margin to 69% from 50.4% as at 30 June 2018.
- (iii) Profit after tax decreased 31% from \$8.5m to \$5.8m, due to increased finance costs and depreciation and amortisation charges.
- (iv) No final dividend was paid for the financial years ending 30 June 2018 and 30 June 2019.

(b) Half year ended 31 December 2019

Zenith announced its consolidated financial statements for the half year ended 31 December 2019 to the ASX on 10 February 2020. The following should be noted:

- (i) Total revenue from continuing operations was \$29.2m, up 29% from 31 December 2018, which was underpinned by the growth in the BOO component of Zenith's business. In the BOO component of the business alone, revenue has grown from \$17.2m to \$25.7m, a 49% increase since the same time last year.
- (ii) Profit after tax has grown strongly since the comparative period, up 31% from \$2.6m to \$3.4m reflecting not only the growth in BOO revenue but also the maintenance of Zenith's cost base at \$14.6m (49.6% of revenue), up from \$14.4m (63.0% of revenue) in the prior corresponding period.
- (iii) A net cash outflow from investing activities was the result of \$24m in payments for property, plant and equipment, contributing to the continued growth in Zenith's power generation assets, to \$163.6m.
- (iv) Net cash flows provided by financing activities was \$10.4m, down from \$42.4m in the prior corresponding period due to reduced borrowings. Financing activities also included \$6.4m in proceeds from the issue of shares during the first 6 months of the FY20 as well as net borrowings of \$4.0m.

5.9 Material changes to Zenith's financial position since 31 December 2019

To the knowledge of the Zenith Directors, there have been no material changes to the financial position of Zenith since 31 December 2019.

However, the Directors note that:

- (a) on 28 April 2020, Zenith announced on the ASX that it had reviewed its forecast for the balance of the financial year ended 30 June 2020 and expected to report underlying EBITDA of approximately \$30 million, subject to certain assumptions and qualifications in the ASX announcement and excluding any costs associated with the Scheme, compared to the previous guidance of \$26 million to \$27 million, noting the increase in EBITDA is attributed to increased power consumption at a number of sites, and the commission of Jundee Stage 3 and Daisy Milano Stage 3 projects ahead of the scheduled completion time;
- (b) on 18 March 2020, Zenith announced on the ASX that its wholly-owned subsidiary, Zenith Pacific (NSR) Pty Ltd, had executed an amendment to its PPA with Billabong Gold Pty Ltd (a wholly owned subsidiary of Superior Gold Inc) to add a further 6.0MW of installed capacity to the Plutonic Project's Power Station. Under the amended terms of the PPA, Zenith will build, own and operate the power station expansion to increase its capacity to 12.0MW and the term of the PPA will be extended by 52 months; and
- (c) on 19 February 2020, Northern Star Resources Ltd gave notice to Zenith's wholly-owned subsidiary, Zenith Pacific (Kundana) Pty Ltd, that, in accordance with its PPA with Zenith Pacific (Kundana) Pty Ltd and Zenith Pacific Pty Ltd, the supply period under the PPA will be extended by six months to 1 October 2020.

5.10 Zenith Directors' intentions for the business

The Corporations Act requires a statement from the Zenith Directors of their intentions regarding Zenith's business.

If the Scheme becomes Effective, the existing Zenith Directors will resign, and the Zenith Board will be reconstituted in accordance with the instructions of BidCo after the Implementation Date. For further information about board composition refer to section 6.5(c).

Accordingly, it is not possible for the Zenith Directors to provide a statement of their intentions regarding:

- (a) the continuation of the business of Zenith or how Zenith's existing business will be conducted;
- (b) any major changes, if any, to be made to the business of Zenith; or
- (c) the future employment of the present employees of Zenith.

If the Scheme is implemented all Zenith Shares will be transferred to BidCo, providing BidCo with direct ownership and control of all the Zenith Shares. The Zenith Directors have been advised that the intentions of BidCo with respect to these matters are as set out in section 6.

If the Scheme is not implemented, the Zenith Directors intend to continue to operate in the ordinary course of business.

5.11 Publicly available information

Zenith is a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Specifically, Zenith is obligated under the ASX Listing rules (with some exceptions) to immediately notify the ASX upon becoming aware of any information about specified matters and events, which a reasonable person would expect to have a material effect on the price or value of Zenith Shares.

Pursuant to the Corporations Act and ASX Listing Rules, Zenith is required to lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Zenith Directors and an audit or review report.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Zenith is available on ASX's website at www.asx.com.au.

In addition, Zenith is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Zenith may be obtained from the ASIC website at www.asic.gov.au.

The below table contains ASX announcements by Zenith from 28 October 2019 until 18 June 2020, being the last practicable date prior to finalisation of the Scheme Booklet.

Date	Description of Announcement
05/06/2020	Change in substantial holding
02/06/2020	Change in substantial holding
01/06/2020	Becoming a substantial holder
01/06/2020	Directors' Statement re Takeover
29/05/2020	Ceasing to be a substantial holder
15/05/2020	Appendix 3G
07/05/2020	Scheme Update
28/04/2020	Market Update
24/04/2020	Change in substantial holding
23/04/2020	Ceasing to be a substantial holder
08/04/2020	Becoming a substantial holder
07/04/2020	Scheme Updated
06/04/2020	Ceasing to be a substantial holder from PDL
02/04/2020	Becoming a substantial shareholder
20/03/2020	Response to COVID-19
19/03/2020	Contract Extension
17/03/2020	Change in substantial holding from PDL
16/03/2020	Change in substantial holding from PDL
11/03/2020	Change in substantial holding

Date	Description of Announcement
11/03/2020	Proposed issue of Securities - Zen
10/03/2020	Becoming a substantial holder
09/03/2020	Pacific Equity Partners to Acquire Zenith Energy Limited
17/02/2020	Ceasing to be a substantial holder
11/02/2020	FY20 Interim Results Presentation
10/02/2020	Appendix 4D and Hal Yearly Accounts
28/01/2020	CFO and Company Secretary Resignation and Appointment
18/12/2019	Zenith solar powers IGO Nova Operation
29/11/2019	Chairman's Opening AGM Address
29/11/2019	Results of Meeting
20/11/2019	ZEN-NST Sign Further PPA Uplift for Jundee Project
12/11/2019	Change in substantial holding from MOE
11/11/2019	ZEN FY19 Investor Presentation
29/10/2019	ZEN Kirkalocka Power Station Complete
28/10/2019	Zen Appendix 4G
28/10/2019	ZEN Corporate Governance Statement 2019

6. INFORMATION ABOUT BIDCO AND THE CONSORTIUM

6.1 Introduction

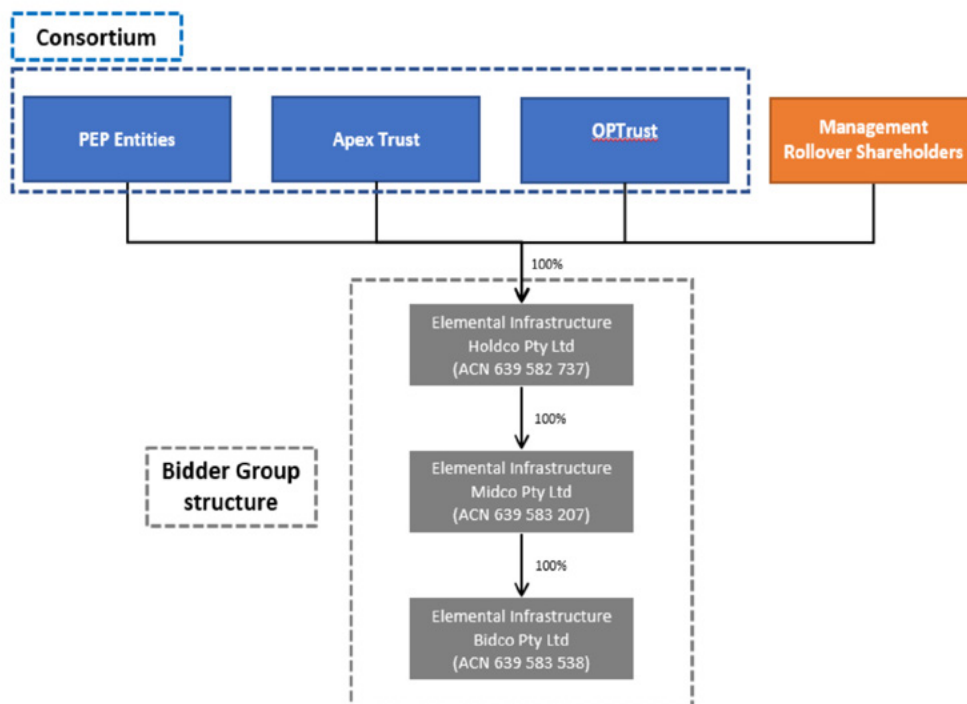
This section 6 forms part of the BidCo Information. It has been prepared by BidCo and is the responsibility of BidCo. This section 6 contains information relating to the BidCo Group and the Consortium, and outlines how BidCo is funding the Scheme Consideration and its intentions in relation to Zenith.

6.2 Profile of BidCo Group

(a) Overview of Ownership Structure

BidCo is a wholly-owned subsidiary of MidCo, which is in turn a wholly-owned subsidiary of HoldCo. As at the date of this Scheme Booklet, HoldCo is owned by PEP Investor Administration Secure Assets A Pty Limited (ACN 624 471 370) as trustee for the Pacific Equity Partners Secure Assets Fund A (Australasia). Shortly before the Implementation Date, the ownership of HoldCo will change such that HoldCo will be owned exclusively by the Consortium as set out in section 6.3. Upon the Implementation Date, the Management Rollover Shareholders will also own a proportion of HoldCo as set out in Figure 1 below.

Figure 1



(b) BidCo

BidCo is a special purpose company that was incorporated on 5 March 2020 for the purpose of acquiring all of the Scheme Shares under the Scheme. BidCo is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in BidCo are owned by MidCo. If the Scheme becomes Effective, BidCo will hold all Scheme Shares on the Implementation Date.

(c) **MidCo and HoldCo**

MidCo is a special purpose company that was incorporated on 5 March 2020 for the purpose of holding all of the shares in BidCo. MidCo is an unlisted private Australian company and has not undertaken any trading activities. All of the shares in MidCo are owned by HoldCo.

HoldCo is a special purpose company that was incorporated on 5 March 2020 for the purpose of holding all of the shares in MidCo. HoldCo is an unlisted private Australian company and has not undertaken any trading activities. As at the date of this Scheme Booklet, all of the shares in HoldCo are owned by PEP Investor Administration Secure Assets A Pty Limited (ACN 624 471 370) as trustee for the Pacific Equity Partners Secure Assets Fund A (Australasia). Shortly before the Implementation Date, all HoldCo Securities will be owned by the entities which together comprise the Consortium. Upon the Implementation Date, the Management Rollover Shareholders will also own a proportion of HoldCo.

(d) **Directors**

As at the date of this Scheme Booklet, the directors of each of BidCo, MidCo, and HoldCo are the same, being Andrew Charlier, Anthony Duthie and Matthew Robinson. Profiles of the current directors are set out below.

Director	Profile
Andrew Charlier	Andrew joined Pacific Equity Partners in 2007. Prior to joining Pacific Equity Partners, he was a Consultant with Bain & Company in the UK, Australia and New Zealand, specialising in utilities. He received an MBA from INSEAD and has a Bachelor of Engineering (First Class Hons) from the University of New South Wales and the Dean's Medal.
Anthony Duthie	Anthony joined Pacific Equity Partners in 2006. Before joining Pacific Equity Partners, Tony was a Partner of Bain & Company with over 12 years of consulting experience in Australia, Asia and Europe. Tony received an MBA from INSEAD (Dean's List) and a BCom from the University of New South Wales.
Matthew Robinson	Matt joined Pacific Equity Partners in 2009. Prior to joining Pacific Equity Partners, he was a consultant with Bain & Company in Australia. Matt was an Innovation Scholar at Macquarie University where he received a Bachelor of Commerce (Actuarial Studies) and was awarded the Vice Chancellor's Commendation for Academic Excellence.

As detailed in section 6.5(c) below, it is contemplated that Andrew Charlier, Anthony Duthie, Stanislav Kolenc and Andrew Pickering will be appointed to the Board of HoldCo following the Implementation Date. Profiles of Stanislav Kolenc and Andrew Pickering are set out below.

Director	Profile
Stanislav Kolenc	Stan Kolenc joined OPTrust in 2006 and was appointed Managing Director of the Sydney office in 2012. Prior to joining OPTrust, Stan was a Senior Manager at Macquarie Group. He received a Bachelor of Engineering with Distinction from The University of Western Ontario.
Andrew Pickering	Andrew Pickering is the Chief Investment Officer of ICG Manager. He joined ICG Manager in 2006 and became the Chair in 2015. Prior to joining ICG Manager, Andrew commenced his career as a lawyer, and was a banking & finance partner at Blake Dawson Waldron (now known as Ashurst). He holds a Bachelor of Laws (Honours) from The University of Queensland and a Bachelor of Arts (with Honours) from Victoria University of Wellington.

6.3 Overview of the Consortium members

The Consortium comprises the PEP Entities, the Apex Trust and OPTrust.

(a) **PEP Entities**

Certain entities and funds will be indirectly participating in the Scheme and have an ownership interest in HoldCo. Such entities and funds are:

- Pacific Equity Partners Secure Assets Fund, L.P. (a Cayman Islands Exempted Limited Partnership) acting via its general partner Pacific Equity Partners Secure Assets Fund GP (Jersey) Limited;
- PEP Investor Administration Secure Assets A Pty Ltd (ACN 624 471 370) as trustee for Pacific Equity Partners Secure Assets Fund A (Australasia);

- PEP Investment Pty Ltd (ACN 083 026 984);
- Eagle Coinvestment Pty Ltd (ACN 119 182 688) as trustee for Pacific Equity Partners Secure Assets Executives Coinvestment Trust A; and
- Pacific Equity Partners Investors Administration Pty Ltd (ACN 161 245 263) as trustee for Summit Coinvestment (Australasia),

(together, the **PEP Entities**).

Each of the PEP Entities has been established to invest in business opportunities in Australia and New Zealand. The PEP Entities are advised or managed by Pacific Equity Partners (**PEP**).

PEP was founded in 1998 and is a leading Australian based private equity and infrastructure investment firm which focuses on buyouts and expansion capital in Australia and New Zealand.

Since 1998, PEP has managed or advised funds with more than \$10 billion in committed capital and has advised funds over 32 completed transactions across a broad range of industries.

Recent investments made by Pacific Equity Partners Secure Assets Fund and other funds managed or advised by PEP include:

- Intellihub – provider of national smart metering networks and services;
- Winnconnect – a leading national scale owner and operator of 'last mile' network infrastructure within multi-tenanted residential and commercial buildings;
- Lifehealthcare – independent medical device distributor;
- AutoPacific Group – producer of towing solutions and related vehicle accessories; and
- Evolution Healthcare – provider of private hospital and rehabilitation services.

Further information on PEP and the Pacific Equity Partners Secure Assets Fund is available from its website at: www.pep.com.au.

(b) **The Apex Trust**

The Apex Trust will be indirectly participating in the Scheme and have an ownership interest in HoldCo, including as a consequence of being a Rollover Shareholder. The Apex Trust is a unit trust established on 6 February 2020. As at the date of this Scheme Booklet, the units of the Apex Trust are held by ICG and OPTrust in equal proportions. Prior to the Implementation Date, the Apex Trust will become wholly owned and controlled by ICG.

As at the date of this Scheme Booklet, Apex Opportunities Fund Pty Limited (**Apex Trustee**) is the trustee of the Apex Trust. As at the date of this Scheme Booklet, the Apex Trust holds 26,309,402 Zenith Shares.

ICG and OPTrust have committed to procure that the Apex Trustee will Elect to take 100% of its Scheme Consideration in the form of HoldCo Securities.

It is intended that shortly prior to the Implementation Date, the Apex Trustee will retire as trustee of the Apex Trust, and ICG (or an entity controlled by ICG) will appoint a replacement trustee of the Apex Trust. As at the date of this Scheme Booklet, the replacement trustee of the Apex Trust has not yet been determined but will be an entity controlled by ICG.

ICG Manager is a specialist, independent infrastructure fund management firm investing and managing Australian infrastructure assets since 2001. ICG Manager manages the ICG Trust. The ICG Trust was established in 2006 and is an unlisted unit trust that invests in infrastructure assets on behalf of institutional investors. As at the date of this Scheme Booklet, the ICG Trust has 5 portfolio investments:

- the Energy Infrastructure Trust;
- the Springvale Water Treatment Plant;
- the Newcastle Coal Infrastructure Group;
- the Port Hedland International Airport; and
- Flinders Ports.

More information about ICG Manager and the ICG Trust is available from its website at: <https://infrastructurecapital.com.au/>.

(c) **OPTrust**

OPTrust will be indirectly participating in the Scheme and have an ownership interest in HoldCo.

OPTrust invests and manages one of Canada's largest public pension plans. As at the date of this Scheme Booklet, OPTrust has almost C\$22 billion in net assets. OPTrust has offices in Toronto, London and Sydney and its Australian investments include:

- Kinetic Group – bus mass transit business operating in Australia and New Zealand;
- Judo Bank – SME focussed bank;
- Flow Power – commercial and industrial energy retailer; and
- Arat Wind Farm - wind farm located in south west Victoria.

Further information on OPTrust is available from its website at: www.optrust.com.

6.4 Funding the Scheme Consideration

(a) **Maximum Scheme Consideration**

If the Scheme becomes Effective and is implemented, Scheme Shareholders will receive the Scheme Consideration for each Scheme Share held by them as at the Record Date.

The terms of the Scheme provide that Scheme Shareholders, other than the Rollover Shareholders, will receive the Total Scheme Consideration of \$1.01 for every Scheme Share that they hold, comprising the Cash Consideration payable by BidCo and, if paid by Zenith, the Special Dividend.

The Rollover Shareholders, who as at the date of this Scheme Booklet hold approximately 41% in aggregate of all Scheme Shares, will receive HoldCo Securities as Scheme Consideration in relation to at least 66% of their Scheme Shares and may, in their discretion, elect to receive HoldCo Securities as Scheme Consideration in relation to more than 66% of their Scheme Shares. Cash Consideration will be paid to Rollover Shareholders in relation to any Scheme Shares held by Rollover Shareholders in relation to which an election to receive HoldCo Securities has not been made.

ICG and the OPTrust have committed to procure that the Apex Trustee will Elect to take 100% of its Scheme Consideration in the form of HoldCo Securities.

Based on the number of Scheme Shares on issue as at the date of this Scheme Booklet, if no Management Rollover Shareholder elects to receive HoldCo Securities as Scheme Consideration in relation to more than 66% of their Scheme Shares (and on the basis that the Apex Trust Elects 100% of its Scheme Consideration in the form of HoldCo Securities), then the maximum aggregate Cash Consideration plus Special Dividend (if paid) that will be payable by BidCo is approximately \$107.8 million. The maximum aggregate Cash Consideration will be reduced to the extent that any Management Rollover Shareholder elects to receive HoldCo Securities as Scheme Consideration in relation to more than 66% of their Scheme Shares (noting, for instance, that, as described above, Mr Moffat has indicated his current (non-binding) intention that the Moffat Rollover Shareholders will Elect to take 100% of their respective Scheme Consideration in the form of HoldCo Securities).

(b) **Cash funding arrangements**

BidCo will fund both the Cash Consideration payable under the Scheme and the unsecured loan to Zenith to fund the Special Dividend (see paragraph (c) below) through unsecured debt and equity funding provided by the Consortium. Other than such funding from the Consortium, BidCo is not reliant on any third party debt funding. BidCo, MidCo and HoldCo have entered into legally binding equity commitment letters with each of:

- ICG;
- OPTrust; and
- the PEP Entities,

(each, an **Equity Commitment Party**),

each dated 29 May 2020 (together, the **Equity Commitment Letters**) under which each Equity Commitment Party severally commits to pay to BidCo their respective proportion of an amount that, in aggregate, is sufficient to pay the maximum aggregate Cash Consideration and the unsecured loan to

Zenith to fund the Special Dividend (**Equity Commitment**). The respective proportions of each Equity Commitment Party are as follows (see section 6.6(b) for details of the equity funding amount to be contributed by each Equity Commitment Party):

Party	Respective proportion of Equity Commitment
Apex	29.07%
OPTrust	29.07%
PEP Entities	41.86%
Total	100%

The Equity Commitment will be paid indirectly to BidCo by the Consortium Members subscribing for shares in and providing unsecured loans to HoldCo shortly before the Implementation Date. The Equity Commitment of each Equity Commitment Party is conditional upon:

- (i) the satisfaction or waiver of all of the Conditions Precedent;
- (ii) the Scheme becoming Effective; and
- (iii) the Equity Commitment Letters of each other Equity Commitment Party remaining in full force and effect, and HoldCo being entitled to receive the relevant amounts under the Equity Commitment Letters of each other Equity Commitment Party.

Each of the Equity Commitment Parties warrants to BidCo, MidCo and HoldCo in the Equity Commitment Letters that each of them has and will maintain uncommitted available financial resources in an amount not less than their respective proportion of the Equity Commitment.

Each Equity Commitment Party has the capacity to fund their respective proportion of the Equity Commitment by drawing on cash or cash equivalents available to it or binding commitments from each of their or their affiliates' bank account.

(c) **Funding of payment of Special Dividend**

On 7 April 2020, Zenith released on the ASX an announcement that the Zenith Board had determined that Zenith had the capacity to pay the Special Dividend. If the Zenith Board decide to pay the Special Dividend, it will be funded by an unsecured and interest free loan to Zenith by BidCo (**BidCo Dividend Loan**), pursuant to a loan agreement between Zenith and BidCo. The material terms of the loan agreement between Zenith and BidCo in respect of the BidCo Dividend Loan will provide that:

- (i) the amount of the loan will be equal to the aggregate cash amount of the Special Dividend (if any) that the Zenith Board has decided to pay (rounded up if necessary), and the loan can only be used to fund payment of the Special Dividend (if any);
- (ii) Zenith may only draw down the loan where it has already decided to pay the Special Dividend and not earlier than the Scheme Effective Date, and the loan amount must be paid by BidCo to Zenith at the same time that BidCo pays the Cash Consideration into a trust account operated by Zenith pursuant to the Scheme; and
- (iii) the loan is subordinated to Zenith's senior facilities and enables BidCo to be repaid by way of an issuance of shares in Zenith.

BidCo will ultimately obtain the funding for the BidCo Dividend Loan from unsecured loans to be provided by the Consortium to HoldCo in their respective proportion of the Equity Commitment following the Effective Date. The loans from the Consortium will be on-loaned to MidCo and then to BidCo. The terms of those loans from the Consortium to HoldCo will be as follows:

- (i) the aggregate unsecured loans provided by the Consortium to HoldCo, and each loan from HoldCo to MidCo and MidCo to BidCo, will be equal to the amount of the BidCo Dividend Loan;
- (ii) each loan will be interest bearing, accruing at 8.5% per annum of which 10% is payable in cash on a quarterly basis (if the borrower is able to) and the balance of the accrued interest will capitalise by way of payment in kind; and
- (iii) after 3 years, each lender will have the right to require the outstanding balance of the loan to be repaid by the relevant borrower, with 10% of any accrued but uncapitalised interest paid in cash and the remaining outstanding balance repaid by the issuance of shares in the relevant borrower to the relevant lender.

Assuming a Special Dividend of \$0.13 per share, the principal loan amount to be contributed by each Equity Commitment Party to HoldCo is as follows:

Party	Principal loan amount to fund BidCo Dividend Loan (if Special Dividend paid at \$0.13 per share) (\$m)
Apex	\$5.66
OPTrust	\$5.66
PEP Entities	\$8.15
Total	\$19.47

(d) **Conclusion**

On the basis of the arrangements described above, BidCo believes that it has reasonable grounds for holding the view and holds the view that BidCo will be able to satisfy its obligations to pay the aggregate Cash Consideration as and when it is due under the terms of the Scheme.

6.5 BidCo's intentions following implementation of the Scheme

(a) **Introduction**

If the Scheme is implemented, BidCo will become the holder of all Scheme Shares, and accordingly, Zenith will become a wholly-owned subsidiary of BidCo.

This section sets out the present intentions of BidCo in relation to the continuation of Zenith's business if the Scheme is implemented. These intentions are based on the facts and information concerning Zenith and the general business environment that are known to BidCo at the time of preparation of this Scheme Booklet. The COVID-19 pandemic has created a rapidly changing business environment. Final decisions will only be made by BidCo after having conducted a detailed review of Zenith's operations and business after the Scheme is implemented. Accordingly, the statements set out in this section may change as new information becomes available or as circumstances change.

(b) **Removal from ASX**

If the Scheme is implemented, it is intended that the quotation of Zenith Shares on the ASX will be terminated and Zenith will be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

(c) **Board of directors**

If the Scheme is implemented, the Zenith Board and each of its subsidiaries will be reconstituted, such that some or all of the directors may be replaced, with effect on and from the Implementation Date. As at the date of this Scheme Booklet, Anthony Duthie, Andrew Charlier, William (Doug) Walker, Hamish Moffat, Stan Kolenc and Andrew Pickering are intended to be appointed as the directors of HoldCo following the Implementation Date.

(d) **Head office**

BidCo currently intends for Zenith to maintain its current head office at Perth following Implementation of the Scheme.

(e) **Employees**

Zenith is a people driven business. BidCo considers that a well-trained and motivated workforce is critical to maintaining the high standards of the business, and that the retention and incentivisation of staff is an essential component to the future success of the company. BidCo intends to work with the management team to ensure the organisation is appropriately staffed to pursue the growth opportunities in the market.

(f) **Changes to Zenith's constitution**

BidCo has no current intention to make material changes to Zenith's constitution following implementation of the Scheme, other than to reflect that Zenith will no longer be a publicly listed company following implementation of the Scheme.

The constitution will be considered as part of BidCo's broader review of Zenith and, if deemed appropriate, will be amended.

(g) **Business operations**

Subject to the post-acquisition review referred to above, BidCo's current intention is to continue the current strategic direction of Zenith, including actively pursuing growth opportunities available to Zenith.

(h) **Zenith debt finance**

BidCo's current intention is to retain the existing debt facilities that Zenith currently has in place following implementation of the Scheme, with amendments and extensions to support the growth objectives for Zenith's business.

(i) **Loan forgiveness**

As set out in sections 9.5(b)(i) and 9.5(b)(ii), as at the date of this Scheme Booklet, the total amounts owed by Management Rollover Shareholders Mr Moffat and Mr Cooper to Zenith are \$1,017,476.92 and \$1,399,400 respectively. BidCo notes the information set out in section 9.5(b), and understands that, prior to, and independently of, receipt of PEP's initial indicative offer with respect to the Scheme, the Zenith Board commenced processes to forgive all of these loans (except for the loan to Management Rollover Shareholder, Mr Moffat, approved by Zenith Shareholders on 25 June 2019 described in section 9.5(b)(ii) (the **2019 Loan**)), subject, in the case of the loans to Mr Moffat to be forgiven, to shareholder approval. Consistent with the processes commenced by the Zenith Board in respect of all of these loans save for the 2019 Loan, following implementation of the Scheme, BidCo intends to procure that Zenith forgive all of these loans, including the 2019 Loan, and any associated interest accrued but not paid.

(j) **Retention bonuses**

In accordance with clause 12.5(a) of the Scheme Implementation Deed, promptly after implementation of the Scheme, BidCo will pay the cash retention bonuses to certain employees of the Zenith Group as set out below. These payments will be conditional upon implementation of the Scheme. The retention bonus payment is repayable by the employee to BidCo if: (i) the employee is no longer employed by a Zenith Group entity within 1 year following the Implementation Date; or (ii) if the employee becomes a 'bad leaver' within 3 years of the Implementation Date. A 'bad leaver' will be customarily defined to essentially mean a person who ceases to be employed by a Zenith Group Member for any reason other than because of death, retirement, permanent incapacity or redundancy not related to underperformance of the person (for instance, if the person resigns or is terminated due to misconduct, then the person would be a 'bad leaver').

Employee name	Retention amount (AUD, including any GST if applicable)
Doug Walker	A\$500,839
Hamish Moffat	A\$545,786

6.6 HoldCo Securities to be issued to Rollover Shareholders

(a) **Overview**

HoldCo Securities are subject to HoldCo's constitution (HoldCo Constitution) and will be subject to the HoldCo Shareholders' Deed, copies of which will be provided to the Rollover Shareholders (who are the only Zenith Shareholders entitled to receive some or all of their Scheme Consideration in the form of HoldCo Securities).

The Rollover Shareholders should seek professional advice from a solicitor, an accountant, a tax adviser or other independent and qualified professional adviser before electing the amount of HoldCo Securities to take up as Scheme Consideration. In particular, consideration should be given to the nature of HoldCo Securities, the risk factors relating to HoldCo Securities in light of a Rollover Shareholders' personal circumstances and the rights and obligations under both the HoldCo Constitution and the HoldCo Shareholders' Deed.

(b) **Rollover Shareholders' interests in HoldCo**

The below table shows the Zenith Shares that the Rollover Shareholders and the Consortium hold in Zenith as at the date of this Scheme Booklet (assuming the conversion of the Zenith Performance Rights) relative to the approximate HoldCo Securities that they will hold following implementation of the Scheme (on the basis that a Special Dividend of \$0.13 is paid, Apex Trust Elects 100% of its Scheme Consideration as HoldCo Securities and certain stated assumptions of the Elections by the Management Rollover Shareholders (which may differ from the actual Elections)).

Party	Zenith Shares held as at the date of this Scheme Booklet (assuming conversion of Zenith Performance Rights)	Percentage, approximate number of HoldCo Securities and approximate dollar value of HoldCo's issued capital immediately following the Implementation Date (assuming \$0.13 Special Dividend is paid and 100% Election for Scrip Consideration for Apex Trust) ⁴¹	
		Assuming 66% Election for Scrip Consideration for Management Rollover Shareholders	Assuming 100% Election for Scrip Consideration for Management Rollover Shareholders
Mr William (Doug) Walker ⁴²	25,267,586 Zenith Shares (16.87%)	9.66% 16.68 million HoldCo Securities \$14.68m	14.65% 25.27 million HoldCo Securities \$22.24m
Mr Hamish Moffat ⁴³	4,695,568 Zenith Shares (3.13%)	1.80% 3.1 million HoldCo Securities \$2.73m	2.72% 4.70 million HoldCo Securities \$4.13m
Mr Graham Cooper	5,122,575 Zenith Shares (3.42%)	1.96% 3.38 million HoldCo Securities \$2.98m	2.97% 5.12 million HoldCo Securities \$4.51m
Apex Trust ⁴⁴	26,309,402 Zenith Shares (17.56%)	25.17% 43.42 million HoldCo Securities \$38.21m	23.16% 39.95 million HoldCo Securities \$35.16m
PEP Entities ⁴⁵	None	36.24% 62.52 million HoldCo Securities \$55.02m	33.35% 57.53 million HoldCo Securities \$50.63m
OPTrust ⁴⁶	None ⁴⁷	25.17% 43.42 million HoldCo Securities \$38.21m	23.16% 39.95 million HoldCo Securities \$35.16m
Totals⁴⁸	40.99% 61,395,131 Zenith Shares	100% 172.52 million HoldCo Securities \$151.82m	100% 172.52 million HoldCo Securities \$151.82m

41 The percentage, number of HoldCo Securities and dollar value of HoldCo's issued capital will change if, after 3 years, the Consortium elect to have their unsecured loans to HoldCo repaid by the issue of HoldCo Securities (refer to section 6.4(c)).

42 In respect of Mr Walker 24,353,793 shares are held by Zanea Pty Limited (ACN 009 396 623) and 913,793 shares are held by Enertech Pty Ltd (ACN 009 080 899) as trustee for the Enertech Executives Superannuation Fund, Mr Walker's self-managed superannuation fund.

43 In respect of Mr Moffat 1,000,000 shares are held jointly with Susan Cassandra Moffat through the HR & SC Moffat Super Fund A/C, 1,295,568 shares are held by ACN 635 089 71 Pty Ltd (a company of which Mr Moffat is director) and 50,000 shares are held by Mr Moffat's father, Robert Ian Moffat. The 50,000 shares held by Robert Ian Moffat are shares that would be voted at the General Scheme Meeting, not the Rollover Shareholders Scheme Meeting (as disclosed in section 9.1).

44 The percentage, number of HoldCo Securities and value of HoldCo's issued capital following Implementation for Apex Trust comprise the equity subscription in HoldCo. Assuming Management Rollover Shareholders elect to receive Scrip Consideration for 66% of their Zenith Shares, then the value of HoldCo's issued capital attributed to Apex Trust (\$38.21m) minus the value of the HoldCo Securities Apex Trust receives in consideration for its Zenith Shares under the Scheme, plus the principal loan amount attributed to Apex Trust (\$5.66m) as set out in the table in section 6.4(c) equals the aggregate Equity Commitment amount in the Equity Commitment Letter in respect of Apex Trust.

45 The percentage, number of HoldCo Securities and value of HoldCo's issued capital following Implementation for the PEP Entities comprise the equity subscription in HoldCo. Assuming Management Rollover Shareholders elect to receive Scrip Consideration for 66% of their Zenith Shares, then the value of HoldCo's issued capital attributed to the PEP Entities (\$55.02m) plus the principal loan amount attributed to the PEP Entities (\$8.15m) as set out in the table in section 6.4(c) equals the aggregate Equity Commitment amount in the Equity Commitment Letter in respect of the PEP Entities.

46 The percentage, number of HoldCo Securities and value of HoldCo's issued capital following Implementation for OPTrust comprise the equity subscription in HoldCo. Assuming Management Rollover Shareholders elect to receive Scrip Consideration for 66% of their Zenith Shares, then the value of HoldCo's issued capital attributed to OPTrust (\$38.21m) plus the principal loan amount attributed to OPTrust (\$5.66m) as set out in the table in section 6.4(c) equals the aggregate Equity Commitment amount in the Equity Commitment Letter in respect of OPTrust.

47 As detailed in section 6.3(b), OPTrust currently has a 50% interest in the Zenith Shares held by the Apex Trust as at the date of this Scheme Booklet, but prior to the Implementation Date, the Apex Trust will become wholly owned and controlled by ICG.

48 Total numbers may slightly vary from sum of individual numbers due to rounding.

(c) **Rights and obligations attaching to HoldCo Securities – HoldCo Shareholders' Deed**

Management Rollover Shareholders will receive at least 66% of their Scheme Consideration in fully paid ordinary shares in HoldCo. ICG and OPTrust have committed to procure that the Apex Trustee will Elect to take 100% of its Scheme Consideration in the form of HoldCo Securities. A summary of the key rights and obligations as provided for by the HoldCo Shareholders' Deed to be entered into by the Rollover Shareholders, the members of the Consortium and HoldCo, is set out below (defined terms used in the summary are bolded within the summary itself):

1. Parties	<ul style="list-style-type: none"> • PEP Entities; • OPTrust I and OPTrust II (each an OPT Shareholder); • ICG and the Apex Trust (collectively with any permitted transferees in the future, ICG and each an ICG Shareholder); • Management Rollover Shareholders (and their affiliated individual managers); and • HoldCo. <p>The PEP Entities, the ICG Shareholders and the OPT Shareholders are each an Institutional Shareholder Group, together are the Institutional Shareholders and each are an Institutional Shareholder. The Institutional Shareholders and the Management Rollover Shareholders who hold shares or other securities in the HoldCo are, together, the Shareholders (for the purposes of this summary).</p>
2. Maximum Board size	8 directors (Directors) or such other number as approved unanimously by the Directors.
3. Board appointments	<ul style="list-style-type: none"> • Each Institutional Shareholder Group will be entitled to nominate 1 Director for each full 15% of the ordinary shares its Institutional Shareholders hold (each an Institutional Director). • A member of management of Zenith approved by the Directors will be appointed as a Director (subject to holding a minimum security ownership percentage by the Management Rollover Shareholders). • CEO from time to time will be a Director. • The board of directors of HoldCo (Board) may appoint or remove one or more independent Directors from time to time.
4. Board voting	<ul style="list-style-type: none"> • Each Director will have 1 vote. • The Chairman of the Board will not have a casting vote.
5. Board decision making	All decisions of the Board are to be made by a simple majority of Directors, except those matters reserved for Institutional Director Approval or Special Shareholder Approval (defined below).
6. Director reserved matters	A HoldCo group member will only be permitted to undertake certain customary material business matters if the matter is approved by the Board and no Institutional Director has voted against the HoldCo group member undertaking the matter (Institutional Director Approval).
7. Shareholder reserved matters	Certain customary shareholder reserved matters will require approval by Shareholders with an aggregate security ownership percentage of not less than 90% (Special Shareholder Approval).
8. Issues of securities	If HoldCo proposes to issue any new securities, HoldCo must first offer the right to subscribe for those new securities on a pro rata basis (based on security ownership percentage) to existing Shareholders, subject to certain customary exceptions.
9. Emergency funding	If an emergency matter occurs, any Institutional Shareholder may provide emergency funding to HoldCo without complying with the pre-emptive rights regime, provided that each other Shareholder will have the benefit of a customary 'catch-up' regime.

10. Transfers restricted	<p>A Shareholder must not dispose of any of its securities in HoldCo other than:</p> <ul style="list-style-type: none"> • (permitted transfers) to a permitted transferee; • (drag along rights) under the drag along provision; • (tag along rights) under the tag along provision; • (ROFO) under the right of first offer provision; • (Exit) in a trade sale, IPO or sale of all or substantially all of HoldCo's assets (Exit); • (Compulsory transfer) under the compulsory transfer regime; • (emergency funding) if there has been an emergency funding, in any subsequent transfer by a funding Institutional Shareholder to any other Shareholder(s) exercising their catch-up rights; or • (approved transfers) in a transaction unanimously approved by all Institutional Shareholders.
11. Exit	<p>If an exit is initiated by one or more Institutional Shareholders in accordance with the HoldCo Shareholders' Deed (which will be subject to certain ownership percentage and other hurdles being met), each party will be obliged to co-operate to facilitate the exit.</p> <p>On an IPO, Shareholders will agree to the escrow conditions and sell-down limitations reasonably recommended by the joint lead managers of the IPO.</p>
12. Right of first offer (ROFO)	<p>An Institutional Shareholder may dispose of its securities in HoldCo to a third party (other than to a competitor) provided it has complied with the right of first offer (ROFO) procedure in favour of other Shareholders.</p>
13. Tag along rights	<p>If one or more Institutional Shareholders wishes to sell securities in HoldCo which they hold and which represent a security ownership percentage of more than 50%, each of the other Shareholders will have a tag along option in respect of that sale.</p>
14. Drag along rights	<p>If one or more Institutional Shareholders wish to sell securities in HoldCo which they hold (and which represent a security ownership percentage of more than 80%) to a third party, subject to prior compliance with the ROFO, or if any Institutional Shareholder initiates an exit in accordance with the HoldCo Shareholders' Deed, the Institutional Shareholder(s) will be entitled to require all other Shareholders to also sell all of their securities to the proposed buyer on terms customary to a 'drag along' right.</p>
15. Compulsory transfers	<p>If:</p> <ul style="list-style-type: none"> • a Shareholder breaches the HoldCo Shareholders' Deed in any material respect and the breach is not remedied by the Shareholder within 10 business days; • an insolvency event occurs in respect of a Shareholder; • a court orders the disposal of any securities held by a Shareholder; • a Shareholder suffers an upstream change of control; • a Shareholder refuses to provide the Board with any information that an Institutional Director reasonably requests to determine whether another event of default has occurred; • in the case of a Management Rollover Shareholder, relationship proceedings are commenced; or • in the case of a Management Rollover Shareholder, the Rollover Shareholder becomes, or its affiliated manager becomes, a 'Bad Leaver' or a 'Good Leaver', the relevant Shareholder and its permitted transferees (if any) will be subject to a compulsory disposal regime.
16. Dispute resolution	<p>If a dispute arises between the Shareholders which relates to the ongoing conduct of HoldCo's business, the dispute will be escalated to senior executive officers of the Shareholders for good faith negotiations.</p>
17. Dividend policy	<p>Subject to applicable law, the restrictions set out in any banking documents and the forecast funding needs of the Zenith Group from time to time, dividends will be payable as determined by the Board.</p>
18. Information	<p>HoldCo to prepare monthly management reports and full year audited accounts and provide to Board members.</p>
19. Non-compete	<p>Non-compete covenants in relation to businesses which engage in remote power generation in Australian and Papua New Guinea will apply (with customary exceptions). Customary non-solicit, no poach and non-dealing covenants apply.</p>

(d) **Risks associated with HoldCo Securities**

Risk factors that apply to an investment in HoldCo following implementation of the Scheme are materially different from those that apply to the Rollover Shareholders' existing investment in Zenith. Some of the key risk factors applying to an investment in HoldCo following implementation of the Scheme are as follows:

☒	HoldCo is an unlisted company and there will be no public market for the trading of HoldCo Securities, nor is there expected to be any such market in the near future. In addition to the restrictions on the disposal of HoldCo Securities as set out in HoldCo Shareholders' Deed, prospective sellers of HoldCo Securities will need to find their own buyer to trade in their HoldCo Securities (and even if such buyer is found, a sale or transfer to such buyer may not be permitted in any event due to the restrictions under the HoldCo Shareholders' Deed). The lack of liquidity associated with HoldCo Securities may affect the price that another person is willing to pay for those HoldCo Securities (notwithstanding the financial performance of HoldCo and its subsidiaries might suggest the value of those HoldCo Securities is higher).
☒	As HoldCo will be a proprietary company, certain provisions of the Corporations Act that apply only to public companies will not apply such as restrictions on related party transactions.
☒	As the ASX Listing Rules will not apply to HoldCo, investor protections currently available to the Rollover Shareholders in respect of their Zenith Shares under the ASX Listing Rules will not apply to HoldCo Securities. For example, HoldCo is not subject to any requirement to disclose material price sensitive information to its shareholders or to ensure that classes of security are appropriate and equitable (including with respect to voting rights of holders of HoldCo Securities).
☒	Except as required under the HoldCo Shareholders' Deed, there are no restrictions on HoldCo issuing new securities (which could result in the Rollover Shareholders being more easily diluted) or making significant changes to the nature or scale of HoldCo's activities without shareholder approval. This means that holdings of HoldCo Securities may be more easily diluted.
☒	Subject to the terms of the HoldCo Shareholders' Deed, the Rollover Shareholders may not have the ability to determine decisions affecting HoldCo, both those made at meetings of the board of directors of HoldCo and at any general meeting of HoldCo shareholders. Therefore, decisions can be made in respect of HoldCo without obtaining the approval of all of the Rollover Shareholders.
☒	HoldCo is not required to hold an annual general meeting of members and the Rollover Shareholders may receive significantly less information and reports about HoldCo and Zenith than the Rollover Shareholders currently receive about Zenith. As an unlisted company, there will not be any requirement for the consolidated HoldCo group financial statements to include a corporate governance report, a declaration by the CEO and CFO that the statements give a true and fair view, an 'operating and financial review' and directors' report for each half-year.
☒	Subject to the terms of the HoldCo Shareholders' Deed, future distributions will be determined by the HoldCo board. There is no guarantee that future distributions will be paid or, if they are paid, the amount of such distributions.
☒	Rollover Shareholders may be compelled (by other HoldCo shareholders) to sell or transfer their HoldCo Securities under various provisions of the HoldCo Shareholders' Deed.
☒	The Consortium may seek to exit its investment in HoldCo at some time in the future subject to then prevailing market conditions, the business' performance and other factors which may be considered relevant at the time. There is no guarantee that the Rollover Shareholders will be able to achieve an exit in respect of their HoldCo Securities if a decision for exit is not made by BidCo. Conversely, there is no guarantee that the Rollover Shareholders will want to exit their investment in HoldCo Securities at the same time as the decision for exit is made by the Consortium. Particular HoldCo shareholders may not agree with the exit strategy adopted or decisions made by the HoldCo shareholders generally, and may not receive the price and return on investment they expect.
☒	Except as provided by the HoldCo Shareholders' Deed, there are no restrictions on persons in a position of influence such as related parties, or substantial holders, from entering into 'related party' transactions with HoldCo and such transactions may not require shareholder approval.

This is a summary of certain risks associated with an investment in HoldCo following implementation of the Scheme. It is not intended to be, and is not, an exhaustive list of the risks associated with such an investment.

6.7 Additional information regarding BidCo

(a) Interest in Zenith Shares

As disclosed to ASX on 29 May 2020, the parties to the Exclusivity Deed agreed to terminate the Exclusivity Deed, following which BidCo ceased to have a relevant interest in any Zenith Shares.

As disclosed to ASX on 1 June 2020, the PEP Entities, which are associates of BidCo, Apex Trustee as trustee of the Apex Trust, ICG, OPTrust I and OPTrust II each have a relevant interest in the 26,309,402 Zenith Shares (representing 17.60% of all Zenith Shares, based on 149,469,586 Zenith Shares on issue) held by the Apex Trust pursuant to a Co-operation and Process Deed between the PEP Entities, ICG, Apex Trustee as trustee of the Apex Trust, OPTrust I and OPTrust II. Relevantly, the Co-operation and Process Deed prescribes that ICG and OPTrust:

- (i) will procure that Apex and each of their respective related bodies corporate, affiliates and Associates vote all Zenith Shares that they control or own in favour of the Scheme at the Scheme Meetings; and
- (ii) must not, and must ensure that Apex and each of their respective related bodies corporate, affiliates and Associates do not, vote in favour, become involved in, accept or make any public statement that they will accept, vote in favour or otherwise support a Competing Proposal (as that term is defined in the Co-Operation and Process Deed).

A complete copy of the Co-operation and Process Deed was attached to the substantial holder notice lodged with the ASX by the PEP Entities on 1 June 2020 and can be obtained from www.asx.com.au.

As disclosed to ASX on 6 April 2020 and 22 April 2020, the Apex Trust holds 26,309,402 Zenith Shares (representing 17.60% of all Zenith Shares, based on 149,469,586 Zenith Shares on issue).

(b) Dealing in Zenith Shares in the previous four months

Neither BidCo, nor to its knowledge, its Associates (other than as described below), have provided or agreed to provide any consideration for any Zenith Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

The Apex Trust holds 26,309,402 Zenith Shares. The cash amounts paid by the Apex Trust for Zenith Shares during the period of four months before the date of this Scheme Booklet is as follows:

Cash per Zenith Share	Number of Zenith Shares
\$0.9498	12,824,147
\$0.9935	3,204,618
\$0.9967	286,319
\$1.0000	1,203,681
\$1.0000	1,745,629

(c) Benefits to holders of Zenith Shares

During the four months before the date of this Scheme Booklet, except as disclosed in sections 6.5(i), 9.5(b)(iii) and 9.5(c) of this Scheme Booklet, neither BidCo, nor to its knowledge, its Associates, have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to vote in favour of the Scheme or dispose of Zenith Shares, where the benefit was not offered to all Zenith Shareholders.

(d) Benefits to Zenith officers

Neither BidCo, nor to its knowledge, its Associates, will be making any payments or giving any benefit to any current officers of Zenith as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

(e) No other Information

Except as disclosed elsewhere in this Scheme Booklet, there is no other BidCo Information that is material to the making of a decision in relation to the Scheme, being BidCo Information that is within the knowledge of any director of BidCo, at the date of this Scheme Booklet, which has not been previously disclosed to Zenith Shareholders.

(f) HoldCo Securities sold in the previous three months

On 27 March 2020, 1 fully paid ordinary HoldCo Security was sold by PEP Services Pty Ltd (ACN 165 732 347) to PEP Investor Administration Secure Assets A Pty Limited (ACN 624 471 370) as trustee for the Pacific Equity Partners Secure Assets Fund A (Australasia) for total consideration of \$1.

Other than the above, no HoldCo Securities were sold during the three months before the date of this Scheme Booklet.

7. RISKS

7.1 Introduction

The Zenith Board considers it appropriate for Zenith Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Zenith and the value of Zenith Shares and Zenith's dividends.

This section 7 outlines:

- issues associated with COVID-19 (refer to section 7.2);
- general investment risks (refer to section 7.3); and
- specific risks associated with your current investment in Zenith Shares (refer to section 7.4).

The risk factors described in this section 7 are not an exhaustive list and should be read in conjunction with the other information contained in this Scheme Booklet. There may be additional risks and uncertainties not currently known to Zenith which may also have a material adverse effect on Zenith's financial and operational performance and the value of Zenith Shares.

If the Scheme is implemented, you will receive the Scheme Consideration and the Special Dividend (if the Zenith Board decides to pay the Special Dividend), you will cease to be a Zenith Shareholder and, other than Rollover Shareholders, will also no longer be exposed to the risks set out below (and other risks to which Zenith may be exposed). If the Scheme does not proceed, you will continue to hold your Zenith Shares, you will not receive the Scheme Consideration or the Special Dividend, Zenith Shares are likely to trade at a lower price in the near term than the current Zenith Share price as at the date of this Scheme Booklet in the absence of substantially improved market conditions, costs incurred by Zenith in relation to the Scheme will still be payable and you will continue to be exposed to risks and opportunities associated with that investment. Further, if the conditions described in section 4.9(c) are met, the Break Fee will be payable by Zenith.

In making your decision to vote on the relevant Scheme Resolution, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This section 7 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

These risks do not take into account the individual investment objectives, financial situation, position or particular needs of Zenith Shareholders.

While the IBC recommends you vote in favour of the Scheme in the absence of a Superior Proposal, Zenith Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the relevant Scheme Resolution.

7.2 COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 to have reached pandemic status. The Western Australian State government has declared a State of Emergency under the *Emergency Management Act 2005* (WA) and the Federal Government has exercised powers under the *Biosecurity Act 2015* (Cth).

In the medium to longer term, the direct effects of COVID-19 and measures introduced by State and Federal governments to limit transmission of the virus (such as the forced closure of businesses to facilitate 'social-distancing', travel bans and quarantine requirements) will likely have a material negative impact on Australia's economic growth, including the potential for further significant impact on capital markets and share prices. Although various States across Australia are in the process of gradually easing such measures, these restrictions may be reinstated if further outbreaks of COVID-19 occur. The scope of that negative impact, and its effect on Zenith, is difficult to predict with certainty. However, COVID-19 could result in the sustained closures of Zenith's customers and suppliers, as well as delays or cancellations of orders from suppliers or manufacturers of products to be purchased by Zenith. These closures, delays or cancellations would likely impact on the financial performance of Zenith.

In the short term, the pandemic, and the governmental, regulatory and market response and reaction to the pandemic, are profound. The short term consequences of the pandemic could (potentially) include:

- (a) the suspension of operations by one or more of Zenith's customers, as a result of an actual or potential insolvency event or otherwise, and the subsequent suspension or termination of the relevant PPA(s). As set

out in more detail in section 7.4, each of Zenith's PPAs contains provisions enabling customers to temporarily suspend and/or terminate at will (subject to the provision of necessary notice) the PPAs. The suspension or termination of one or more PPAs may have a material impact on the financial performance of Zenith. Zenith Shareholders should note that if two or more of Zenith's customers were to terminate current PPAs or suspend performance for a sustained period, this could, subject to the application of a number of limitations and exclusions, result in the occurrence of a Zenith Material Adverse Change under the Scheme Implementation Deed (refer to section 4.9(a) for more information). As at the date of this Scheme Booklet, no customer has exercised, or given notice of an intention to exercise, its suspension and/or termination rights under the PPAs. Zenith will, in accordance with its disclosure obligations, keep Zenith Shareholders and the market informed of any material developments regarding its PPAs;

- (b) a material impact on Zenith's ability to perform its obligations under the PPAs, caused by:
- the suspension of operations by one or more of Zenith's material suppliers (including providers of components, consumables and raw materials);
 - key members of staff, senior executives, management or operating personnel being subject to quarantine or isolation restrictions; and/or
 - inter-state transfer restrictions impacting the movement of Zenith's operating personnel and supply chain.

Each of Zenith's PPAs contains a force majeure provision which, subject to the relevant facts, may be exercised by Zenith upon the occurrence of the matters listed above (provided that, as a result of such matter, Zenith is unable to perform its obligations under the contract). Upon exercise of a force majeure, Zenith may suspend its obligations under the relevant PPA without incurring liability. However, under the terms of a number of PPAs, the customer may terminate the PPA once Zenith has exercised its force majeure rights for a specific amount of time (ranging from 0 to 180 days);

- (c) a material increase in Zenith's costs in relation to the performance of its obligations under the PPAs, including internal costs (for example, the cost of transporting employees) and external costs (for example, the cost of purchasing key supplies). Some, but not all of the PPAs contain change event provisions which allow Zenith to renegotiate service fees which would enable Zenith to pass on some or all of these costs to the customers;
- (d) the suspension or termination of future projects by potential customers, materially impacting the success of Zenith's growth strategy;
- (e) inability of Zenith to access equity capital markets or otherwise access new capital; and
- (f) significant drops in the value of Zenith Shares, including as a result of volatility in capital markets.

The COVID-19 outbreak is likely to continue to adversely affect the global economy during at least the remainder of 2020 and could result in a significant negative impact on Zenith Group's business, financial condition, results of operations and prospects. The effects of the COVID-19 outbreak are highly uncertain, including the duration of the outbreak, new information that may emerge concerning the severity of the infection, the scope, duration and economic impact of actions taken to contain the spread of the virus or treat its impact, and the impact of each of these items on macroeconomic conditions and financial markets globally. Any of these factors could have a material adverse effect on Zenith's business, financial condition, results of operations and prospects.

Zenith will, in accordance with its disclosure obligations, keep Zenith Shareholders and the market informed of material developments regarding the impact of COVID-19.

7.3 General investment risks

The market price of Zenith Shares and future dividends made to Zenith Shareholders are influenced by a number of risk factors, including those set out below. These risk factors have been set out without regard to the impact of COVID-19, and apply independently of the COVID-19 issues addressed in section 7.2.

Zenith Shareholders should be aware that there are risks associated with any investment in securities. The market price of a publicly traded security is determined by the securities exchange and will be subject to a range of factors beyond the control of Zenith, the Zenith Directors, or management. Such factors include, but are not limited to:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets; and
- general economic conditions, including changes in business and industry cycles, inflation, interest rates,

exchange rates, prices of commodities and raw materials, the cost of energy and other utility costs, employment levels, sentiment in credit markets and consumer demand. Price or volume volatility in securities markets have experienced wide fluctuations in recent years, including in response to COVID-19, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Zenith Shares.

Furthermore, changes in economic and business conditions may affect the fundamentals which underpin the projected growth of Zenith's target markets or its cost structure and profitability. A number of these adverse changes are out of the control of Zenith, the Zenith Directors or management and may result in material adverse impacts on Zenith's business or its operating results. Such factors include, but are not limited to:

- changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules;
- government or political intervention in export and import markets and the disruptions this causes to supply and demand dynamics;
- loss of key personnel;
- interruptions at Zenith's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays;
- natural disasters, pandemics, and catastrophes, whether on a global, regional or local scale;
- changes in accounting standards which affect the financial performance and position reported by Zenith; and
- reputational risks, particularly in connection with the power generation industry.

Each of these risks may, if they materialise, have the potential to adversely affect the market price of Zenith Shares and the ability of Zenith to make dividend payments to Zenith Shareholders in the future, regardless of Zenith's operational performance.

7.4 Risks associated with your current investment in Zenith Shares

There are a range of business-specific risks associated with your current investment in Zenith, as set out below. Zenith Shareholders will only continue to be exposed to these risks if the Scheme does not proceed, in which case Zenith will continue to operate as a stand-alone entity. These risks have been set out without regard to the impact of COVID-19, and apply independently of the COVID-19 issues addressed in section 7.2.

(a) Operating risks

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

Any prolonged electricity supply downtime at one of Zenith's facilities caused by one or more of the above risks can adversely affect Zenith's ability to service and/or retain customers and have an adverse effect on Zenith's reputation, operations or financial performance. The severity of any impact caused by any such risks would be dependent upon the extent and duration of the relevant event.

(b) Contractual relationships with key customers

Zenith's ability to conduct its business and generate income is derived from PPAs with its customers.

Zenith is exposed to a number of potential risks relating to its PPAs, including:

- the risk that its customers exercise unilateral termination and, in some instances, suspension rights, under the PPAs. Each of the PPAs contains rights allowing the customer to terminate the agreement at will, subject, in most cases, to the provision of notice (which ranges from 30 days to six months).⁴⁹ Upon termination for no cause, Zenith is typically entitled to a termination fee under the terms of the PPA (which typically includes demobilisation costs), however, such fee may be insufficient to reimburse Zenith for the loss of future revenue under the PPA; and

⁴⁹ As at the date of this Scheme Booklet, no customer has exercised, or given notice of an intention to exercise, its suspension and/or termination rights under the PPAs.

- the risk that counterparties do not extend the term of the PPA. As the incumbent power provider, Zenith is well positioned to secure contract extensions (which are typically exercisable at the customer's option) as well as securing uplifts in generation capacity based on customer needs, however there is no guarantee that customers will seek to extend the term of the PPAs. In particular, the term of the contract for the OK Tedi project is expected to expire on 31 September 2020. There is no guarantee that this contract will be extended beyond this period.

Materialisation of any of the above risks may adversely affect Zenith's customer revenues and have an adverse impact on Zenith's earnings and financial condition.

(c) **Additional capital and financing**

Zenith, through its interest in each of its generation projects, has significant borrowings, primarily in the form of a senior debt facility with Commonwealth Bank of Australia and unsecured and subordinated medium term notes issued to the market on 8 August 2018. The Zenith Group's debt facilities include common financial and non-financial covenants which could limit the Zenith Group's future financial flexibility. A breach of these covenants is likely to have negative consequences for Zenith, including the possibility of early repayment of drawn debt.

In addition, the Zenith Group's ability to expand its operations is dependent on the raising of additional capital either through debt or equity at the appropriate time. Global credit markets have been severely constrained in the past and Zenith Group's ability to obtain funding may in the future be significantly reduced. Debt or equity capital may not be available on favourable terms or at all, and if an equity raising is conducted by Zenith, Zenith Shareholders who do not or are unable to participate may have their shareholding diluted. Failure to obtain additional equity or debt capital may limit Zenith's ability to grow and may adversely impact its financial performance and prospects.

(d) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of Zenith depends substantially on its senior management and the Zenith Directors. Loss of such personnel, or inability to attract suitably qualified personnel, could disrupt Zenith's operations and may have a material adverse impact on Zenith's revenues, financial performance and growth potential. Zenith's efforts to retain and develop key personnel may also result in additional expenses which could adversely impact its financial performance and profitability.

(e) **Failing to convert pipeline opportunities into binding contracts**

The success of Zenith's growth strategy, particularly in the commercial market for its hybrid and micro-grid offers, is highly dependent upon securing customers and converting trial or pipeline customers into ongoing, revenue producing customer relationships. For new green field and existing brown field projects, prospective clients often engage expert teams to research the latest technology for incorporation into their power delivery plans. The importance of educating customers as to the benefits of Zenith's products therefore becomes paramount. Inability to retain existing customers or attract new clients may adversely impact Zenith's ability to generate sustainable cash flows, which may consequently have an adverse effect on Zenith's operating and financial performance.

(f) **Competitive threat**

The Zenith Group's earnings and market share could come under threat from ambitious domestic and overseas market competitors in the sectors in which the Zenith Group operates. Increased competition may adversely affect Zenith's ability to retain its existing customers and may result in reduced operating revenues. This may adversely impact Zenith's financial condition or performance. Competition may be based on factors including price, service, product differentiation and quality, production capability, innovation, growth, capital accessibility and turnaround times. The Zenith Group's success is built on the key features of its offering, being innovation, strong long-term client relationships, quality, reliability and durability.

(g) **Construction risk**

New power generation plants under construction are exposed to risks associated with the project not being completed on time, on budget, or in accordance with specifications.

Increased costs and/or timing delays may delay or reduce the expected cash flows on a project and consequently impact the Zenith Group's operating and financial performance.

(h) **Reliance on business systems**

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

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

(i) **Supply chain**

Any disruption or external market condition limiting the supply or increasing the cost of components, consumables or raw materials to the Zenith Group could have a material adverse impact on Zenith's profitability. The Zenith Group relies on the procurement of components, consumables and raw materials used in operation from its existing extensive network of local and international suppliers. Inability to procure required materials may adversely impact Zenith's ability to service and/or retain customers and therefore adversely affect Zenith's reputation and financial performance.

(j) **Intellectual property**

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

(k) **Failing to match production to demand**

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

This is particularly true in relation to Zenith's hybrid and micro-grid offers, where Zenith is seeking to establish footholds in a relatively immature market. There is a risk that Zenith will not be able to increase its power production capacity quickly enough, while maintaining appropriate quality standards, to meet incoming demand. Failure to do so may impact its ability to service and/or retain customers and therefore adversely impact Zenith's reputation and operating and financial performance.

(l) **Insurance risk**

Zenith currently insures its operations in accordance with industry practice. However, in certain circumstances, Zenith's insurance may not be of a nature or level to provide adequate liability cover. The occurrence of an event that is not covered or that is not fully covered by insurance may require Zenith to expend significant capital to remedy the relevant event, which could in turn have a material adverse effect on Zenith's operating and financial performance.

(m) **Commodity risk**

Zenith endeavours to maintain a balanced portfolio of customers by commodity type (i.e. gold, nickel, lithium, phosphate, oil, bauxite, iron ore) and across a select group of tier one and upper mid-tier resources and energy clients in a diverse range of geographies. Despite employing this diversification strategy, any downturn in one or more of the commodities or geographies may cause a number of Zenith's customers to default on their obligations under their contracts with Zenith. In the short term, this may adversely affect Zenith's cash flows and operating and financial performance. Any prolonged downturn in one or more of these commodities or geographies may also adversely affect Zenith's future growth potential.

(n) **Exchange rate risk**

Currently, all of the Zenith Group's revenues and the majority of costs are in Australian dollars. However, the mix of currencies in which Zenith pays its costs and earns its revenues may change over time. If that mix changes, there may be a greater impact on profitability in Australian dollar terms. Zenith's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which the Zenith Group transacts may adversely affect its financial performance.

(o) **Climate change risk**

The operating and financial performance of Zenith may also be affected by the developments in climate change policy and laws. Zenith may incur greater costs and expenses to address new or expanded regulations associated with climate change mitigation efforts, which may adversely impact its profitability.

In addition, climate change may cause certain physical and environmental risks that cannot be predicted by Zenith, including events such as increased severity of weather patterns and incidence of extreme weather events. Materialisation of these risks may adversely affect Zenith's ability to service and/or retain customers, causing an adverse impact on Zenith's financial performance.

8. TAXATION IMPLICATIONS

8.1 Scope of Tax Comments

This is a general overview of the Australian income tax, GST and stamp duty implications for the Australian resident Zenith Shareholders on implementation of the Scheme and payment of the Special Dividend of up to \$0.13 per Zenith Share should Zenith decide to pay the Special Dividend.

The categories of Zenith Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Zenith Shares on capital account for income tax purposes.

The tax comments as outlined below are not applicable to all Zenith Shareholders and are not intended to cover Zenith Shareholders who:

- (a) are entitled to receive the Special Dividend but dispose of their shares prior to the Scheme Record Date such that they are not entitled to receive the Scheme Consideration;
- (b) hold their Zenith Shares as a revenue asset (i.e. trading entities or entities who acquired their Zenith Shares for the purposes of resale at a profit) or as trading stock;
- (c) acquired their Zenith Shares pursuant to an employee share plan;
- (d) are under a legal disability;
- (e) unless stated otherwise, are not Australian income tax residents as determined under Australian income tax law;
- (f) are exempt from Australian income tax;
- (g) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Zenith Shares; or
- (h) are subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) in respect of their Zenith Shares.

This summary is based on the Australian tax law, and the practice of the tax authorities, at the time of issue of this Scheme Booklet. The laws are complex and subject to change periodically as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal will depend upon each Zenith Shareholder's specific circumstances.

These comments should not be a substitute for advice from an appropriate professional adviser having regard to each Zenith Shareholder's individual circumstances. All Zenith Shareholders are strongly advised to obtain and rely only on their own professional advice on the tax implications based on their own specific circumstances.

Zenith is in the process of applying for a class ruling from the ATO regarding the income tax implications for Zenith Shareholders of receiving the Special Dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date in the event that Zenith decides to pay the Special Dividend, and the Scheme Consideration to be received by Zenith Shareholders from BidCo. The income tax comments provided below are consistent with the positions taken in the class ruling application lodged with the ATO.

The class ruling is not expected to be issued by the ATO until after the Implementation Date (which is expected to be Friday, 21 August 2020). However, Zenith expects to receive a draft of the class ruling prior to the Scheme Meetings on Friday, 31 July 2020 for Zenith Shareholder approval of the Scheme. Zenith Shareholders should refer to the class ruling once it is published on www.ato.gov.au.

8.2 Australian Resident Shareholders

(a) Australian Income Tax Treatment of the Special Dividend

Under the Scheme, the Zenith Directors are entitled to decide to pay a Special Dividend, provided:

- the Special Dividend is paid only after the Scheme Record Date but no later than the Implementation Date;
- the Special Dividend is fully franked and the franking account is not in deficit following the payment of the Special Dividend (note – Zenith is required to provide BidCo with sufficient evidence to support that the franking account will not be in deficit following the payment of the Special Dividend);

- the Special Dividend is paid from profits, retained earnings or distributable reserves existing prior to the decision to pay the Special Dividend;
- the cash and cash equivalents of Zenith immediately after the payment of the Special Dividend must not be less than AU \$500,000; and
- the Cash Consideration will be reduced by amount of the Special Dividend but not any associated franking credits.

The Directors anticipate that they will decide to pay the Special Dividend on or before Friday, 31 July 2020. If the Special Dividend is subsequently declared by the Directors, the Zenith Shareholders on the Special Dividend Record Date (which is expected to be Wednesday, 12 August 2020) will be entitled to the Special Dividend. The Special Dividend will be paid to Zenith Shareholders on the Special Dividend Payment Date.

The Special Dividend will be assessable to Australian resident Zenith Shareholders in the year of income in which it is paid.

Franking credits attached to the Special Dividend paid to Zenith Shareholders should be included in the assessable income of each Zenith Shareholder (i.e. Zenith Shareholders are assessed on the cash component of the Special Dividend received, plus the amount of any franking credits attached to the Special Dividend).

Zenith Shareholders may be entitled to a tax offset equal to the franking credit attached to the Special Dividend. Zenith Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset associated with franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Zenith Shareholders that are companies will not be entitled to a refund of excess franking credits where the franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Instead, Zenith Shareholders that are companies will convert any excess franking offset to a tax loss and will be taken to have incurred this tax loss for the relevant income year in which the dividend is assessed. Zenith Shareholders that are companies may be able to credit their franking account with the amount of any franking credit attached to the Special Dividend.

For Zenith Shareholders to be assessed on any franking credits attached to the Special Dividend and to be eligible for the tax offset associated with any franking credit attached to the Special Dividend, those Zenith Shareholders must be considered to be 'qualified persons'. For Zenith Shareholders to be considered to be 'qualified persons' in relation to the Special Dividend, Zenith Shareholders must have held their Zenith Shares 'at risk' for a continuous period of at least 45 days (not including the date of acquisition or the date of disposal of the Zenith Shares) within the relevant 'qualification period'.

A Zenith Shareholder will not be considered to have held their Zenith Shares 'at risk' where that Zenith Shareholder holds 'positions' (such as options or other hedging instruments and arrangements) which materially diminish the risk of loss or opportunities for gains in respect of those Zenith Shares by more than 70%. In the context of the Scheme, Zenith Shareholders will no longer hold their Zenith Shares at risk from the Scheme Record Date (which is expected to be Friday, 14 August 2020).

In the context of the Scheme, Zenith Shareholders (who do not have other positions) should be considered to be qualified persons where they hold their Zenith Shares at risk for a continuous period of at least 45 days during the period from 29 June 2020 to 13 August 2020 (inclusive). Practically, assuming a Scheme Record Date of 14 August 2020, it is expected that Zenith Shareholders that acquire their Zenith Shares on or after 30 June 2020 would not be entitled to a tax offset for franking credits attached to the Special Dividend.

(b) **Tax Implications associated with the disposal of Zenith Shares**

Zenith Shareholders will dispose of their Zenith Shares to BidCo under the Scheme for CGT purposes on the Implementation Date.

Zenith Shareholders will be required to determine their capital gain or loss in respect of disposal of their Zenith Shares. In this regard, Zenith Shareholders should make a capital gain on disposal of their Zenith Shares if the capital proceeds from the disposal of their Zenith Shares exceed the cost base of their Zenith Shares. Conversely, Zenith Shareholders should make a capital loss on disposal of their Zenith Shares if the capital proceeds from the disposal of their Zenith Shares are less than the reduced cost base of their Zenith Shares.

Zenith Shareholders' cost base in their Zenith Shares will generally comprise the cost of their Zenith Shares, plus certain incidental costs incurred in relation to the acquisition or disposal of their Zenith Shares (such as brokerage). No brokerage is payable in relation to the transfer of the Zenith Shares to BidCo under the Scheme. Broadly, a Zenith Shareholders' reduced cost base in the Zenith Shares will exclude any non-deductible ownership costs related to the Zenith Shares.

For Australian income tax purposes, where a Zenith Shareholder receives the Special Dividend of up to \$0.13 per share, their capital proceeds should consist of \$1.01 less the amount of any Special Dividend per share, plus the amount of the Special Dividend (i.e. total capital proceeds of \$1.01 per share). In this scenario, where a Zenith Shareholder makes a capital gain in respect of the disposal of their Zenith Shares, the capital gain will be reduced to the extent of the Special Dividend. Where a Zenith Shareholder makes a capital loss in respect of the disposal of their Zenith Shares, there will be no adjustment to the amount of the loss for the Special Dividend.

Should a Special Dividend not be paid, the capital proceeds received by a Zenith Shareholder will be \$1.01 per share for the calculation of any capital gain or loss.

(c) **CGT discount**

If a Zenith Shareholder is an individual, complying superannuation entity, or trustee and acquired their Zenith Shares at least 12 months before the Implementation Date (the date that the relevant CGT event is taken to have occurred), the amount of the capital gain (after firstly being reduced for any current year capital losses and prior year capital losses) is reduced by the relevant CGT discount. If a Zenith Shareholder who is an individual or a trustee applies the CGT discount, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by 1/2. If a Zenith Shareholder is a complying superannuation entity, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by 1/3.

Zenith Shareholders who are companies, are not entitled to the CGT discount.

(d) **Rollover relief**

The Australian income tax legislation allows the deferral of capital gains tax in certain situations. Very broadly, these provisions allow the deferral of tax until the ultimate sale of the shares.

If the Rollover Shareholders who dispose of their Zenith Shares derive a capital gain from such disposal, they should consider whether the other requirements of these rollover provisions are satisfied.

8.3 Non-Resident Shareholders

(a) **Australian income tax treatment of Special Dividend**

The Special Dividend is expected to be fully franked and as a result no Australian dividend withholding tax should be applied to the Special Dividend.

Non-resident shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

(b) **Tax implications associated with disposal of Zenith Shares**

A Zenith Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Zenith Shares unless their Zenith Shares constitute 'Taxable Australian Property', as defined for Australian income tax purposes, at the Implementation Date.

Specifically, Taxable Australian Property includes interests held in an entity that satisfies both of the following two tests:

- non-portfolio interest test – holdings, on an associate inclusive basis, in the test entity of 10% or more at the time of disposal (or throughout a 12 month period within the period commencing 24 months before the time of disposal); and
- principal asset test – where the sum of the market values of the entity's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property (in this regard, mining rights are considered taxable Australian real property).

Any non-resident shareholders who own 10% or more of the shares in Zenith (on an associate inclusive basis) should seek independent professional advice in relation to their own particular circumstances, including whether any protection will be available under a relevant double tax treaty.

Any non-resident individual Zenith Shareholder who was previously a resident of Australia and chose to disregard a capital gain or capital loss on ceasing to be an Australian resident will be subject to Australian CGT consequences on disposal of their Zenith Shares as set out in this section 8.3.

Non-resident shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

8.4 Foreign Resident Capital Gains Withholding Tax

The foreign resident capital gains withholding tax regime applies to transactions involving the acquisition of certain indirect interests in Australian real property from relevant foreign residents. A 'relevant foreign resident' for these purposes is any Zenith Shareholder, at the time of the transaction, that BidCo:

- knows is a foreign resident;
- reasonably believes is a foreign resident;
- does not reasonably believe is an Australian resident, and either has an address outside Australia or the Bidder is authorised to provide a financial benefit relating to the transaction to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

The withholding tax rate is 12.5%.

If BidCo (as the purchaser of Zenith Shares under the Scheme) considers or reasonably believes a Zenith Shareholder to be a 'relevant foreign resident', that Zenith Shareholder may be sent a 'Foreign Resident capital gains withholding - vendor declaration' form (**Declaration Form**).

If, for whatever reason, a Zenith Shareholder believes that it is a relevant foreign resident but does not receive a Declaration Form, the Zenith Shareholder should contact the Zenith Registry to request a Declaration Form.

In the Declaration Form, a Zenith Shareholder may provide BidCo with a declaration that:

- the registered holder of the relevant Zenith Shares is an Australian tax resident (**Residency Declaration**); or
- the registered holder of the relevant Zenith Shares, together with its associates, has not held an interest of 10% or more in Zenith at the Implementation Date or for a 12-month period during the last two years preceding the Implementation Date (**Interest Declaration**).

If a Zenith Shareholder receives a Declaration Form it should read it in full and follow the instructions provided on the form.

Unless a signed Declaration Form regarding the residency or interest of a Zenith Shareholder is provided to BidCo by the Scheme Record Date, BidCo may treat the relevant Zenith Shareholder as a 'relevant foreign resident' for the purposes of the Scheme and as a result may withhold and remit 12.5% of the Scheme Consideration payable to that Zenith Shareholder to the Australian Taxation Office (or at such lesser rate approved by the Commissioner of Taxation).

Zenith Shareholders who have an amount withheld should generally be entitled to a credit for the amount withheld upon lodging an Australian income tax return. If you are unsure about whether a credit for the withholding tax may be claimed or how to lodge an Australian income tax return, Zenith recommends you seek independent professional tax advice in this regard.

Zenith Shareholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a residency declaration or an interest declaration.

8.5 Stamp duty

No stamp duty should be payable by Zenith Shareholders in relation to the transfer of their Zenith Shares to BidCo under the Scheme.

8.6 GST

No GST should be payable by Zenith Shareholders in relation to the disposal of their Zenith Shares to BidCo under the Scheme.

GST may be imposed on taxable supplies (if any) obtained by Zenith Shareholders from third party suppliers (such as advisor costs) in connection with the Scheme. The entitlement to Zenith Shareholders to input tax credits in relation to these acquisitions (if any) may be restricted. Zenith Shareholders who are GST registered should seek their own professional tax advice in relation to this matter.

9. ADDITIONAL INFORMATION

9.1 Interests of Zenith Directors in Zenith Shares

The table below lists the Relevant Interests of Zenith Directors in Zenith Shares as at the date of this Scheme Booklet:

Zenith Director	Position	Relevant Interest in Zenith Shares
William (Doug) Walker ⁵⁰	Chairman and Director	25,267,586
Hamish Moffat ⁵¹	Managing Director	4,695,568
Peter Torre	Independent Non-Executive Director	36,000
David Riekie ⁵²	Independent Non-Executive Director	57,500

Zenith Directors who hold Zenith Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other Scheme Shareholders. However, as Mr Walker and Mr Moffat (through their respective Rollover Shareholders) are entitled to Scrip Consideration, which is not being offered to other Scheme Shareholders, their Rollover Shareholders will be required to vote in a separate class.

Each Zenith Director intends to vote, or procure the voting of, all Zenith Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Zenith Shareholders.

At the date of this Scheme Booklet, no Zenith Director holds any Zenith Performance Rights. However, as described in section 9.10 in more detail, prior to the date of this Scheme Booklet, Zenith has offered the following Zenith Performance Rights, in each case subject to shareholder approval:

Zenith Director	Position	Number of performance rights offered
William (Doug) Walker	Chairman and Director	495,880
Hamish Moffat	Managing Director	540,382
Peter Torre	Independent Non-Executive Director	71,093
David Riekie	Independent Non-Executive Director	64,264

Please refer to section 9.10 below for details regarding the treatment of these Zenith Performance Rights that have been offered but not yet granted.

9.2 Interests of Zenith Directors in BidCo

No marketable securities of BidCo or any other BidCo Group Member are held by, or on behalf of, any Zenith Director as at the date of this Scheme Booklet.

9.3 Interests of Zenith Directors in contracts of BidCo

No Zenith Director has an interest in any contract entered into by BidCo.

Mr Walker and the DW Rollover Shareholders were parties to an exclusivity deed with BidCo entered into on 6 March 2020 (**Exclusivity Deed**) in connection with the Scheme under the terms of the Initial Scheme Implementation Deed.

Under the Exclusivity Deed, Mr Walker and the DW Rollover Shareholders had agreed to be bound by certain no-shop, no-talk, no due diligence and notification exclusivity provisions similar to those agreed to by Zenith under the Scheme Implementation Deed, and had given voting commitments regarding the scheme as it was prior to amendment and restatement of the Initial Scheme Implementation Deed. The Exclusivity Deed was terminated prior to the execution of the amended and restated Scheme Implementation Deed on 29 May 2020. Consequently, Mr Walker and the DW Rollover Shareholders are no longer bound by any of these restrictions or commitments.

50 24,353,793 shares are held by Zanea Pty Limited (ACN 009 396 623) and 913,793 shares are held by Enertech Pty Ltd (ACN 009 080 899) as trustee for the Enertech Executives Superannuation Fund.

51 1,000,000 shares are held jointly with Susan Cassandra Moffat through the HR & SC Moffat Super Fund A/C, 1,295,568 shares are held by ACN 635 089 717 Pty Ltd (a company of which Mr Moffat is director) and 50,000 shares are held by Mr Moffat's father, Robert Ian Moffat. The 50,000 shares held by Robert Ian Moffat are shares that would be voted at the General Scheme Meeting, not the Rollover Shareholders Scheme Meeting.

52 40,000 shares are held by Riekie Superannuation Pty Ltd as trustee for the Riekie Superannuation A/C and 17,500 shares are held by Wilhaja Pty Ltd as trustee for the Riekie Family A/C.

A full copy of the Exclusivity Deed was attached to the substantial holder notice lodged with the ASX by BidCo on 10 March 2020 and can be obtained from www.asx.com.au. A full copy of the deed terminating the Exclusivity Deed was attached to the substantial holder notice lodged with the ASX by BidCo on 29 May 2020 and can be obtained from www.asx.com.au

9.4 Other interests of Zenith Directors

Other than as noted above in sections 1, 9.3 and 9.5, no Zenith Director has any other interest, whether as a director, member or creditor of BidCo or otherwise, which is material to the Scheme, other than in their capacity as a holder of Zenith Shares.

9.5 Agreements or arrangements with Zenith Directors

Other than the below, there is no agreement or arrangement made between any Zenith Director and any other person, including a BidCo Group Member, in connection with or conditional upon the outcome of the Scheme.

(a) Additional cash remuneration to the Independent Non-Executive Directors

The Zenith Board (absent Peter Torre and David Riekie) has approved the payment of additional cash remuneration to the Independent Non-Executive Directors, in the amounts set out below. These amounts are to be paid in addition to the current board and committee remuneration of \$75,000 per annum and was determined by way of recognition of the Independent Non-Executive Directors' significant additional efforts in connection with the consideration and potential implementation of the Scheme (particularly having regard to the relatively small size of this Board and the fact that there are only two Independent Non-Executive Directors).

Zenith Director	Position	Additional cash remuneration
Peter Torre	Independent Non-Executive Director	\$100,000
David Riekie	Independent Non-Executive Director	\$100,000

These amounts:

- (i) are not contingent on the Scheme proceeding and will be paid irrespective of the outcome;
- (ii) are to be paid to each Independent Non-Executive Director in addition to the cash component of the remuneration due to such Independent Non-Executive Director for the financial year ending 30 June 2020; and
- (iii) have been deemed by the Zenith Board (absent Peter Torre and David Riekie) to constitute reasonable remuneration to the Independent Non-Executive Directors, having regard to, among other things, their existing annual directors' fees and market practice.

(b) Forgiveness of Management Loans

(i) 2016 Loans

As disclosed in the 2019 Annual Report, on 7 November 2016, Zenith provided loans of \$699,700 and \$1,399,400 to Rollover Shareholders, Mr Moffat and Mr Graham Cooper, the Chief Operating Officer of Zenith, respectively to fund the acquisition by them of shares in the Zenith Group.

The loans were granted before the initial public offering of Zenith in 2017 (*IPO*) as a means of employee incentivisation. To reflect the parties' original intent that the acquisition of the relevant shares in the Zenith Group be made for nil consideration:

- (A) each loan was granted on a limited-recourse basis; and
- (B) as has been disclosed in previous remuneration reports of Zenith, no interest is payable on either loan.

This structure was a commonly-used method of incentivising executive employees of a private company.

However, shortly before the IPO, upon restructuring into a publicly listed company, Mr Moffat and Mr Cooper (both Rollover Shareholders) agreed that the loans would be amended so that they became full recourse loans. In 2019, prior to, and independently of, receipt of PEP's initial indicative offer with respect to the Scheme, the Zenith Board decided that there was a commercial rationale for forgiveness of these loans and had commenced processes for the approval by Zenith Shareholders of the forgiveness of the loans. However, as at the date of this Scheme Booklet, a resolution for the approval of the forgiveness of the loan to Mr Moffat has not been put to the

Zenith Shareholders and the loan to Mr Cooper has not been forgiven. Accordingly, as at the date of this Scheme Booklet, the full amount of each loan remains outstanding.

(ii) **2019 Loan**

As approved by Zenith Shareholders on 25 June 2019, Zenith provided an additional loan to Rollover Shareholder, Mr Moffat, to fund the acquisition by him of Zenith Shares, in accordance with the terms of the Zenith Performance Rights Plans. The loan was granted on a full recourse basis and is interest bearing.

Accordingly, as at the date of this Scheme Booklet, \$317,776.92 (including accrued interest) of the loan to Mr Moffat remains outstanding.

(iii) **Intended treatment of the loans in connection with the Scheme**

As set out in section 6.5(i) above, following the implementation of the Scheme, BidCo intends to procure the forgiveness of these loans to Rollover Shareholders, Mr Moffat and Mr Cooper.

If the loans to the Rollover Shareholders Mr Cooper and Mr Moffat are forgiven, both Mr Moffat and Mr Cooper will receive a financial benefit. Accordingly, both Mr Moffat and Mr Cooper are expected to benefit from the implementation of the Scheme in this respect.

Zenith Shareholders should consider the comments in section 1 in relation to the recommendation of Zenith's Executive Directors.

The Rollover Shareholders of Mr Moffat and Mr Cooper will be voting on the Scheme as a separate class and, accordingly, non-interested Zenith Shareholders can vote collectively on the Scheme having regard to any benefit which may be received by Mr Moffat and Mr Cooper as a result of the forgiveness of these loans.

(c) **Proposed Retention Bonus**

Please see section 6.5(j) with respect to BidCo's intention to pay retention bonuses to Mr Walker and Mr Moffat that, in each case, will be conditional upon implementation of the Scheme.

9.6 Payments and other benefits to directors, secretaries or executive officers of Zenith

Except as set out in section 9.5 above, no payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Zenith or any member of the Zenith Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in Zenith or any member of the Zenith Group as a result of the Scheme.

9.7 Fees

If the Scheme is implemented, the costs incurred by Zenith in relation to the Scheme will effectively be met by BidCo as the ultimate controller of Zenith following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and becomes effective, Zenith expects to incur total transaction costs of approximately A\$1,600,000 (excluding GST).

9.8 Suspension of trading of Zenith Shares

If the Court approves the Scheme, Zenith will notify ASX. It is expected that suspension of trading on ASX in Zenith Shares will occur from close of trading on the Scheme Effective Date. This is expected to be Friday, 7 August 2020.

9.9 Deed Poll

BidCo has executed a deed poll pursuant to which it has undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective (**Deed Poll**).

A copy of the Deed Poll is contained in Annexure C.

9.10 Treatment of Zenith Performance Rights offered to Zenith Directors and Senior Executives

As described in the 2019 Annual Report, performance rights are granted to Zenith Directors and senior executives under the Zenith Performance Rights Plans.

As at the date of this Scheme Booklet, there are 322,575 Zenith Performance Rights on issue, held by Mr Graham Cooper. As described in section 9.1 above, 1,171,619 Zenith Performance Rights have been offered to Zenith Directors but are yet to be issued as they are subject to Zenith Shareholder Approval.

Each Zenith Performance Right confers on its holder the entitlement to receive one Zenith Share (by way of issue or transfer) under the Zenith Performance Rights Plans.

(a) **Offer of Zenith Performance Rights to Independent Non-Executive Directors**

Under the terms of their respective letters of appointment, each of the Independent Non-Executive Directors were offered 42,000 Zenith Performance Rights in 2019 and, in March 2020, Mr Torre became entitled to an additional 29,093 Zenith Performance Rights and Mr Riekie became entitled to an additional 22,264 Zenith Performance Rights (together, the **NED Performance Rights Entitlement**). The obligation to issue these Zenith Performance Rights was subject to shareholder approval.

The approval of the Zenith Performance Rights due to the Independent Non-Executive Directors in March 2019 and March 2020 has not been put to the Zenith Shareholders. As a result, the Zenith Performance Rights due to the Independent Non-Executive Directors were not issued.

Under the Scheme Implementation Deed, Zenith was required, prior to the First Court Date, to procure the cancellation of all performance rights that Zenith had agreed to issue but had not issued as at the date of the Scheme Implementation Deed. Accordingly, on 21 April 2020, each of the Independent Non-Executive Directors entered into a termination deed with Zenith, pursuant to which all rights and obligations pertaining to the NED Performance Rights Entitlement were irrevocably terminated and extinguished without the need for any further action by each of the Independent Non-Executive Directors, for nil consideration. Under the terms of each termination deed, the Independent Non-Executive Directors have each agreed to release Zenith from all its obligations and to waive all rights in relation to the NED Performance Rights Entitlement, to take effect on and from the Scheme Effective Date.

(b) **Offer of Zenith Performance Rights to Executive Directors**

On 7 November 2019, the Zenith Board (absent Mr Walker) resolved to grant Mr Walker 495,880 Zenith Performance Rights for the 2019 financial year. The issuance of these Zenith Performance Rights was subject to shareholder approval.

Similarly, on 7 November 2019, the Zenith Board (absent Mr Moffat) resolved to grant Mr Moffat 540,382 Zenith Performance Rights for the 2019 financial year. The issuance of these Zenith Performance Rights was subject to shareholder approval.

The approval of the Zenith Performance Rights due to Mr Walker and Mr Moffat has not been put to the Zenith Shareholders. As a result, the Zenith Performance Rights due to each of Mr Walker and Mr Moffat were not issued.

Under the Scheme Implementation Deed, Zenith was required, prior to the First Court Date, to procure the cancellation of all performance rights that Zenith had intended to issue but had not issued as at the date of the Scheme Implementation Deed. Accordingly, on 21 April 2020, each of Mr Walker and Mr Moffat entered into a termination deed with Zenith, pursuant to which all rights and obligations pertaining to such performance rights were irrevocably terminated and extinguished without the need for any further action by either of Mr Walker or Mr Moffat, for nil consideration. Under the terms of each termination deed, Mr Walker and Mr Moffat have each agreed to release Zenith from all its obligations and to waive all contractual rights in relation to the entitlement to the Zenith Performance Rights approved by the Zenith Board on 7 November 2019, to take effect on and from the Scheme Effective Date.

(c) **Zenith Performance Rights held by Senior Executives**

On 7 November 2019, the Zenith Board resolved to grant Mr Cooper 322,575 Zenith Performance Rights for the 2019 financial year. These Zenith Performance Rights were not issued to Mr Cooper at the time.

Under the Scheme Implementation Deed, Zenith was required, prior to the First Court Date, to issue these Zenith Performance Rights and either convert them into Zenith Shares or procure their cancellation in return for a cash payment to Mr Cooper of an amount not exceeding \$1.01 per Zenith Performance Right, with such conversion or cancellation to take effect on or before the Scheme Effective Date.

Accordingly, on 24 April 2020, Zenith issued 322,575 Zenith Performance Rights to Mr Cooper under the Zenith Performance Rights Plans for nil consideration and subject to a three year vesting period. However, pursuant to clause 7.2(b) of the Incentive Option and Performance Rights Plan, the Zenith Performance Rights will vest upon court approval of the Scheme at the Second Court Hearing and (subject to the occurrence of the necessary procedural steps) convert into 322,575 Zenith Shares.

As a result, if the Scheme is implemented, the Zenith Shares issued to Mr Cooper upon conversion will be acquired by BidCo under the Scheme on the Implementation Date and Mr Cooper will be entitled to receive the Scheme Consideration in relation to these Zenith Shares.

9.11 ASIC relief

Pursuant to rule 5.1.01(1)(b) and clause 8302(h) of Schedule 8 of the Corporations Regulations, the explanatory statement required for a Scheme must set out whether, within the knowledge of the Zenith Directors, the financial position of Zenith has materially changed since the date of the last balance sheet laid before the company in general meeting or sent to shareholders in accordance with sections 314 or 317 of the Corporations Act, as well as the full particulars of the changes.

ASIC has granted Zenith relief from this requirement so that this Scheme Booklet only need set out, within the knowledge of the Zenith Directors, that the financial position of Zenith has not materially changed since 31 December 2019 (being the last date of the period to which the financial statements for the half-year ended 31 December 2019 relate). Zenith will provide a copy of the financial statements for the half-year ended 31 December 2019 free of charge to any Zenith Shareholder who requests a copy.

9.12 No unacceptable circumstances

The Zenith Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Zenith that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

9.13 Consents and disclosures

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) PwCS as financial adviser to Zenith in relation to the Scheme;
 - (ii) PwC as tax adviser to Zenith in relation to the Scheme;
 - (iii) Link Market Services Limited as the manager of the Zenith Register; and
 - (iv) Allens as legal adviser to Zenith in relation to the Scheme.
- (b) The Independent Expert has given, and has not withdrawn, its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) PwC has given, and has not withdrawn, its consent to be named in this Scheme Booklet in relation to the inclusion of section 8 of this Scheme Booklet titled "Taxation Implications" in the form and context in which that section is included.
- (d) BidCo has given, and has not withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of the BidCo Information in this Scheme Booklet in the form and context in which that information is included.
- (e) PEP has given, and has not withdrawn, its consent to be named in the Scheme Booklet.
- (f) The Apex Trustee and the Apex Trust have given, and have not withdrawn, their consent to be named in the Scheme Booklet.
- (g) ICG has given, and has not withdrawn, its consent to be named in the Scheme Booklet.
- (h) OPTrust has given, and has not withdrawn, its consent to be named in the Scheme Booklet.
- (i) PwCS has given, and has not withdrawn, its consent to be named in the Scheme Booklet.
- (j) Each person named in this section 9.13:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 9.13; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 9.13.

9.14 No other information material to the making of a decision in relation to the Scheme

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information as at the date of this Scheme Booklet that is material to the making of a decision by a Zenith Shareholder whether or not to vote in favour of the relevant Scheme Resolution to approve the Scheme, being information that is known to any Zenith Director and which has not previously been disclosed to Zenith Shareholders.

9.15 Supplementary information

If Zenith becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen, and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Zenith may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Zenith Shareholders at their registered address as shown in the Zenith Register;
- emailing Zenith Shareholders who have provided their email address to the Zenith Registry; or
- posting a statement on Zenith website at www.zenithenergy.com.

as Zenith in its absolute discretion considers appropriate.

10. GLOSSARY AND INTERPRETATION

10.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below:

Term	Meaning
2019 Annual Report	Zenith's annual report for the financial year ended 30 June 2019.
2019 Loan	Has the meaning given in section 6.5(i).
Additional Benefits	Has the meaning given in section 1.
Apex Trust	The Apex Opportunities Trust, the trustee of which at the date of this Scheme Booklet is the Apex Trustee.
Apex Trustee	Apex Opportunities Fund Pty Limited (ACN 634 981 409).
ASIC	Australian Securities and Investments Commission.
Associate	Has the meaning given in section 12(2) of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by ASX Limited.
ASX Listing Rules	The official listing rules of ASX.
ATO	Australian Taxation Office.
BidCo	Elemental Infrastructure BidCo Pty Ltd (ACN 639 583 538).
BidCo Board	The board of directors of BidCo (as constituted from time to time) and includes any authorised committee of directors.
BidCo Director	A director of BidCo.
BidCo Dividend Loan	Has the meaning given in section 6.4(c).
BidCo Group	BidCo and each of its Related Bodies Corporate (excluding, at any time, Zenith and its Subsidiaries to the extent that Zenith and its Subsidiaries are Related Bodies Corporate of BidCo at that time), and BidCo Group Member means any of them.
BidCo Information	The information contained in section 6 and the answer to the question, "Who is BidCo?" in section 3.
Break Fee	\$1,510,000 (plus GST), payable in the circumstances described in section 4.9(c) of this Scheme Booklet.
BOO	Build, Own, Operate.
Business Day	A Business Day as defined in the ASX Listing Rules, but not including any day that is a public holiday or bank holiday in Perth, Western Australia.
Cash Consideration	For each Zenith Share held by a Scheme Shareholder as at the Scheme Record Date, \$1.01 less the amount of any Special Dividend that may be paid by Zenith on the Special Dividend Payment Date.
CGT	Capital gains tax.
Competing Proposal	Any offer, expression of interest, proposal, transaction or arrangement that, if entered into or completed, would mean a third party (or two or more third parties who are associates): <ol style="list-style-type: none"> would acquire a Relevant Interest or voting power in 15% or more of the aggregate number of Zenith Shares; would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 15% or more of the aggregate number of Zenith Shares or of securities of any other Zenith Group Member; would directly or indirectly acquire or become the holder of, or otherwise acquire or have the right to acquire, any legal, beneficial or economic interest in, or control of, all or a substantial part or material part of the business conducted by, or assets or property of, the Zenith Group or of securities of any other Zenith Group Member; would acquire control of Zenith or any other material Zenith Group Member; may otherwise acquire, or merge with, Zenith or any other material Zenith Group Member; or require Zenith to abandon, or otherwise fail to proceed with, the Scheme.

Term	Meaning
Conditions Precedent	The conditions precedent set out in clause 3.1 of the Scheme Implementation Deed.
Consortium	The consortium comprising the PEP Entities (being funds managed or advised by PEP), the Apex Trust and OPTrust.
Consultation Condition Precedent	Has the meaning given in section 4.9.
Control	Has the meaning given under section 50AA of the Corporations Act.
Corporations Act	<i>Corporations Act 2001 (Cth)</i> , as amended by any applicable ASIC relief.
Corporations Regulations	Corporations Regulations 2001 (Cth), as amended by any applicable ASIC relief.
COVID-19	The Novel Coronavirus (COVID-19) pandemic.
Court	The Supreme Court of Western Australia or other court of competent jurisdiction under the Corporations Act as BidCo and Zenith may agree in writing.
Declaration Form	Has the meaning given in section 8.4.
Deed Poll	Has the meaning given in section 9.9.
Delivery Time	The time being two hours before the commencement of the hearing of the Court on the Second Court Date.
DW Rollover Shareholders	Zanea Pty Limited (ACN 009 396 623), a company controlled by Mr Walker, and Enertech Pty Ltd (ACN 009 080 899) as trustee for the Enertech Executives Superannuation Fund, Mr Walker's self-managed superannuation fund.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Effective	The coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme.
Election	An election by a Rollover Shareholder to receive at least 66% of their Scheme Consideration in the form of Scrip Consideration and the remainder in the form of Cash Consideration made in accordance with clause 5.2 of the Scheme.
Election Form	A form issued by or on behalf of Zenith for the purposes of a Rollover Shareholder making an Election in a form agreed by Zenith and BidCo.
Election Time	5.00pm (Perth time) on Tuesday, 28 July 2020.
End Date	29 November 2020 (being the date that is six months from the date of the Scheme Implementation Deed) or such other date as is agreed by Zenith and BidCo in writing.
Equity Commitment	Has the meaning given in section 6.4(b).
Equity Commitment Letters	Has the meaning given in section 6.4(b).
Equity Commitment Party	Has the meaning given in section 6.4(b).
Exclusivity Deed	Has the meaning given in section 9.3.
Exclusivity Period	The period from and including the date of the Initial Scheme Implementation Deed to the earlier of: <ul style="list-style-type: none"> (a) the termination of the Scheme Implementation Deed in accordance with its terms; (b) the Implementation Date; and (c) the End Date.
Executive Directors	William (Doug) Walker and Hamish Moffat.
FIRB	The Foreign Investment Review Board.
General Scheme Meeting	The meeting of General Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, to be held at 10.00am (Perth time) on Friday, 31 July 2020, including any adjournment or postponement of that meeting.
General Scheme Resolution	A resolution of General Shareholders to approve the Scheme, the form of which is set out in the Notice of General Scheme Meeting in Annexure D.
General Shareholders	Each Zenith Shareholder other than the Rollover Shareholders.

Term	Meaning
GST	Goods and services tax.
HoldCo	Elemental Infrastructure HoldCo Pty Ltd (ACN 639 582 737).
HoldCo Security	A fully paid ordinary share in the capital of HoldCo.
IBC	Zenith's Independent Board Committee, comprised of Zenith's Independent Non-Executive Directors, Mr Peter Torre and Mr David Riekie.
ICG	Infrastructure Specialist Asset Management Ltd (as trustee of the Diversified Infrastructure Trust).
ICG Manager	Infrastructure Capital Group Limited.
ICG Trust	The Diversified Infrastructure Trust, the trustee of which is Infrastructure Specialist Asset Management Ltd.
Implementation Date	The date being five Business Days after the Scheme Record Date or such other Business Day agreed in writing by Zenith and BidCo or as may be required by the ASX. This date is currently proposed to be Friday, 21 August 2020.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987).
Independent Expert's Report	The report prepared by the Independent Expert dated 22 June 2020 set out in Annexure A.
Initial Scheme Implementation Deed	The initial scheme implementation deed between Zenith and BidCo dated 6 March 2020.
Interest Declaration	Has the meaning given in section 8.4.
IPO	Has the meaning given in section 9.5.
ITAA 1997	<i>Income Tax Assessment Act 1997 (Cth)</i> .
Management Rollover Shareholders	Zanea Pty Limited (ACN 009 396 623), Enertech Pty Ltd (ACN 009 080 899), Mr Hamish Moffat, Mr Hamish Robert Moffat and Mrs Susan Cassandra Moffat, ACN 635 089 717 Pty Ltd and Graham Cooper, and Management Rollover Shareholder means any one of them.
MidCo	Elemental Infrastructure MidCo Pty Ltd (ACN 639 583 207).
Moffat Loan Forgiveness Benefit	Has the meaning given in section 1.
Moffat Retention Bonus	Has the meaning given in section 1.
Moffat Rollover Benefits	Has the meaning given in section 1.
Moffat Rollover Shareholders	Mr Hamish Moffat, Mr Hamish Robert Moffat and Mrs Susan Cassandra Moffat and ACN 635 089 717 Pty Ltd.
MOM	Manage, Operate, Maintain.
NED Performance Rights Entitlement	Has the meaning given in section 9.10.
Non-Executive Directors	Peter Torre and David Riekie.
Notice of General Scheme Meeting	The notice of meeting relating to the General Scheme Meeting which is contained in Annexure D.
Notice of Rollover Shareholders Scheme Meeting	The notice of meeting relating to the Rollover Shareholders Scheme Meeting which is contained in Annexure E.
OPTrust	OPSEU Pension Plan Trust Fund, or where the context requires, includes OPTrust I and OPTrust II.
OPTrust I	OPTrust Private Equity Direct Asia I Inc.
OPTrust II	OPTrust Private Equity Direct Asia II Inc.
PEP	Pacific Equity Partners.

Term	Meaning
PEP Entities	Pacific Equity Partners Secure Assets Fund, L.P. (a Cayman Islands Exempted Limited Partnership) acting via its general partner Pacific Equity Partners Secure Assets Fund GP (Jersey) Limited, PEP Investor Administration Secure Assets A Pty Ltd (ACN 624 471 370) as trustee for Pacific Equity Partners Secure Assets Fund A (Australasia), PEP Investment Pty Ltd (ACN 083 026 984), Eagle Coinvestment Pty Ltd (ACN 119 182 688) as trustee for Pacific Equity Partners Secure Assets Executives Coinvestment Trust A and Pacific Equity Partners Investors Administration Pty Ltd (ACN 161 245 263) as trustee for Summit Coinvestment (Australasia).
PPA	Power Purchase Agreement.
PwC	PricewaterhouseCoopers (ABN 52 780 433 757).
PwCS	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617).
Related Body Corporate	Has the meaning given in the Corporations Act.
Relevant Interest	Has the meaning given in sections 608 and 609 of the Corporations Act.
Residency Declaration	Has the meaning given in section 8.4.
Requisite Majorities	Means: <ul style="list-style-type: none"> (a) a majority in number (more than 50%) of Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically on your behalf) (unless the Court orders otherwise); and (b) at least 75% of the total number of votes cast on the Scheme Resolution by Zenith Shareholders present and voting at the relevant Scheme Meeting (whether electronically or by appointing a proxy, corporate representative or attorney to attend and vote at the relevant Scheme Meeting electronically on your behalf).
Rollover Shareholders	The Apex Trust and the Management Rollover Shareholders, and Rollover Shareholder means any one of them.
Rollover Shareholders Scheme Meeting	The meeting of Rollover Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, to be held immediately after the General Shareholders Scheme Meeting on Friday, 31 July 2020, but not before 10:30am (Perth time), including any adjournment or postponement of that meeting.
Rollover Shareholders Scheme Resolution	A resolution of Rollover Shareholders to approve the Scheme, the form of which is set out in the Notice of Rollover Shareholders Scheme Meeting in Annexure E.
Scheme or Scheme of Arrangement	The scheme of arrangement under Part 5.1 of the Corporations Act between Zenith and the Scheme Shareholders, substantially in the form of Annexure B (as amended and restated by the Scheme Implementation Deed), or in such other form as Zenith and BidCo may agree in writing, such agreement not to be unreasonably withheld.
Scheme Booklet	This document.
Scheme Consideration	The Cash Consideration, or, where the context requires in relation to a Rollover Shareholder, the Cash Consideration together with any Scrip Consideration, payable per Scheme Share held by a Scheme Shareholder determined in accordance with clause 4.4 of the Scheme Implementation Deed.
Scheme Effective Date	The date on which the Scheme becomes Effective. This date is currently proposed to be Friday, 7 August 2020.
Scheme Implementation Deed	The scheme implementation deed between Zenith and BidCo dated 6 March 2020, as amended and restated on 29 May 2020. A summary is set out in section 4.9 and a full copy can be obtained from Zenith's website at www.zenithenergyld.com .
Scheme Meetings	Both of the General Scheme Meeting and the Rollover Shareholders Scheme Meeting, and Scheme Meeting means either or both of them (as the context requires).
Scheme Record Date	7.00pm on the date being five Business Days after the Scheme Effective Date or such other Business Day agreed in writing between Zenith and BidCo or as may be required by the ASX. This date is currently proposed, by agreement between Zenith and BidCo, to be Friday, 14 August 2020.
Scheme Resolutions	The General Meeting Scheme Resolution and the Rollover Scheme Resolution and Scheme Resolution means either of them (as the context requires).

Term	Meaning
Scheme Share	The Zenith Shares on issue as at the Scheme Record Date other than any Zenith Share then held by a Zenith Shareholder who is a member of the BidCo Group (but including any such Zenith Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).
Scheme Shareholder	Each person who is registered on the Zenith Register as a holder of a Scheme Share as at the Scheme Record Date.
Scrip Consideration	One HoldCo Security for each Scheme Share.
Second Court Date	The first day of the hearing of an application made to the Court by Zenith for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, the first day of the adjourned hearing.
Second Court Hearing	The hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Special Dividend	A fully franked special dividend of up to \$0.13 per Zenith Share held on the Special Dividend Record Date that may be paid by Zenith on the Special Dividend Payment Date.
Special Dividend Payment Date	A date to be determined and announced by the Zenith Board.
Subsidiary	Has the meaning given in the Corporations Act.
Superior Proposal	<p>A bona fide Competing Proposal received in writing by Zenith:</p> <ul style="list-style-type: none"> (a) of the kind referred to in any of paragraphs (c), (d) or (e) of the definition of Competing Proposal (see above); and (b) not resulting from a breach by Zenith of any of its obligations under clause 9 of the Scheme Implementation Deed, <p>which in the determination of the Zenith Board, acting in good faith in order to satisfy what the Zenith Board reasonably considers to be its fiduciary or statutory obligations:</p> <ul style="list-style-type: none"> (c) is reasonably capable of being valued and reasonably likely to be completed in accordance with its terms in a timely fashion, taking into account all financial, regulatory and other aspects of such proposal, including its conditionality and the ability of the proposing party to fund and consummate the transactions contemplated by the Competing Proposal; and (d) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Zenith Shareholders as a whole than the terms of the Scheme (as completed, including, for the avoidance of doubt, following the application of the matching rights in clause 9.7 of the Scheme Implementation Deed), taking into account all of the terms and conditions of the Competing Proposal, including consideration (including the value, nature, liquidity and attractiveness of any scrip based consideration), the identity of the proponent and any other matters affecting the attractiveness of the Competing Proposal for Zenith Shareholders.
Total Scheme Consideration	\$1.01 cash per Zenith Share, being the aggregate of the Cash Consideration and the Special Dividend (if any).
Transaction Documents	The Scheme Implementation Deed, the Scheme and the Deed Poll.
Treasurer	The Treasurer of Australia (or his delegate).
Walker Retention Bonus	Has the meaning given in section 1.
Walker Rollover Benefits	Has the meaning given in section 1.
Zenith	Zenith Energy Limited (ACN 615 682 203).
Zenith Board or Your Board	The board of directors of Zenith (as constituted from time to time) and includes any authorised committee of directors.
Zenith Director or Your Director	A director of Zenith.
Zenith Group	Zenith and each Subsidiary of Zenith, and Zenith Group Member means any of them.
Zenith Information	The information contained in this Scheme Booklet, other than the BidCo Information, the Independent Expert's Report and the information contained in section 8.

Term	Meaning
Zenith Material Adverse Change	<p>Any change, event or matter that occurs after the date of the Scheme Implementation Deed which (whether individually or when aggregated with all such changes, events or matters) has had or is reasonably likely to have the effect of:</p> <ul style="list-style-type: none"> (a) a diminution in EBITDA of Zenith by at least \$3 million (on an annualised basis) for the financial years ending 30 June 2020 or 30 June 2021 against what it would reasonably be expected to have been but for that change, event or matter; (b) a diminution in the consolidated net assets of the Zenith Group by at least 15% (on an annualised basis) for the financial years ending 30 June 2020 or 30 June 2021 against what it would reasonably be expected to have been but for that change, event or matter; or (c) an increase in the consolidated Net Indebtedness (as such term is defined in the Scheme Implementation Deed) of the Zenith Group by at least 15% (on an annualised basis) for the financial years ending 30 June 2020 or 30 June 2021 against what it would reasonably be expected to have been but for that change, event or matter, <p>provided that any events which occur after the date of the Scheme Implementation Deed but prior to the Delivery Time and which have a positive effect on the EBITDA and/or the consolidated net assets of the Zenith Group are taken into account in calculating whether the threshold in paragraphs (a) or (b) have been reached, and in each case other than changes, events or matters:</p> <ul style="list-style-type: none"> (d) expressly required or permitted by the Scheme Implementation Deed or the Scheme; (e) fairly disclosed to BidCo; (f) consented to in writing by BidCo; or (g) comprising or resulting from: <ul style="list-style-type: none"> (i) a change in any applicable law; (ii) a change in accounting standards; (iii) general economic, political or business conditions, including material adverse changes in financial markets; or (iv) acts of terrorism, war (whether or not declared), pandemic or natural disaster, <p>but excluding any change, event, circumstance, occurrence or matter which has a disproportionate effect on the Zenith Group, taken as a whole, compared to other participants in the industry in which the Zenith Group operates.</p>
Zenith Performance Rights	The performance rights issued under the Zenith Performance Rights Plans.
Zenith Performance Rights Plans	<p>The following incentive plans of Zenith:</p> <ul style="list-style-type: none"> (a) the Senior Executive Share Plan, approved by the Zenith Shareholders on 25 June 2019; and (b) the Incentive Option and Performance Rights Plan, in the form announced by Zenith to ASX on 5 May 2017.
Zenith Prescribed Event	Has the meaning given to the term "Target Prescribed Event" in clause 1.1 of the Scheme Implementation Deed.
Zenith Register	The register of members of Zenith maintained by or on behalf of Zenith in accordance with section 168(1) of the Corporations Act.
Zenith Registry	Link Market Services Limited (ACN 083 214 537).
Zenith Share or Share	A fully paid ordinary share in the capital of Zenith.
Zenith Shareholder or Shareholder	A person who is registered on the Zenith Register as a holder of Zenith Shares from time to time.
Zenith Shareholder Information Line	1800 237 687 (within Australia) or +61 1800 237 687 (outside Australia).

10.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;
- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a section or annexure is a reference to a section or annexure of this Scheme Booklet, as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to Perth, Australia time unless otherwise specified;
- (h) a reference to dollars, A\$ and \$ is to Australian currency;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words 'include', 'including', 'for example' or 'such as' when introducing an example do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT



Zenith Energy Limited

Independent Expert's Report and Financial Services Guide

22 June 2020

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The Independent Directors
Zenith Energy Limited
24 Brennan Way
Belmont WA 6104

22 June 2020

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Dear Sirs

Introduction

Zenith Energy Limited ("Zenith Energy" or "the Company") designs, constructs and manages power generation facilities for the mining sector. As at the date of this report, Zenith Energy owns, operates or maintains approximately 400MW of gas, diesel and renewable electricity generation in mainly remote areas of Australia ("off the grid generation¹") under two operating models:

- **Build Own Operate ("BOO") business model** – Zenith Energy provides the necessary capital, design, construction and installation of the power generation facilities as well as the ongoing operations, management and maintenance. Zenith Energy retains ownership of the generation assets, and therefore assumes all of the risks of ownership, and it charges its customers for the provision of power under long term Power Purchase Agreements ("PPAs"). BOO contracts are currently the primary focus of the Company and they contribute the majority of Zenith Energy's revenue (c. 87% in H1FY20).
- **Manage Operate Maintain ("MOM") business model** – For a set service fee, Zenith Energy provides the management, operation and maintenance of an existing plant owned by the client.

Zenith Energy is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of A\$147.1² million as at 22 June 2020.

Pacific Equity Partners ("PEP") is a private equity and venture capital firm specialising in buyouts, late venture, middle market, growth capital and late stage expansion capital with approximately A\$5.4 billion in assets under management³.

The Scheme ("Initial SID")

On 6 March 2020, the Company entered into a Scheme Implementation Deed ("Initial SID") under which Elemental Infrastructure BidCo Pty Ltd ("Elemental"), an entity that at the time was expected to be controlled by funds managed or advised by PEP, would acquire 100% of the issued shares of Zenith Energy ("Zenith Energy Shares") via a scheme of arrangement ("Initial Scheme"). If the Initial Scheme was implemented, the shareholders of Zenith Energy ("Zenith Energy Shareholders") would receive total cash consideration equal to A\$1.01 for each Zenith Energy Share ("Scheme Consideration"), comprising:

¹ Electricity generation that is not connected to the main electricity networks

² Based on the closing share price of A\$0.98 as at 22 June 2020 and 149,469,586 shares outstanding.

³ PEP website.



- Cash consideration under the Initial Scheme of A\$1.01 for each Zenith Energy Share held as at the Record Date⁴, less the amount of any special dividend (refer below) that may be paid by Zenith Energy on or before the date the Initial Scheme is implemented ("Cash Consideration").
- Subject to the Board deciding to pay a special dividend, a fully franked special dividend up to A\$0.13 per Zenith Energy Share may be declared and paid by Zenith Energy on or before the date the Initial Scheme is implemented ("Special Dividend").

The amount of any Special Dividend, will form part of the Initial Scheme Consideration, so that the total cash received by Zenith Energy shareholders under the Initial Scheme would remain at A\$1.01. We note that those Zenith Energy Shareholders who are able to realise the full benefit of the franking credits attached to the Special Dividend (if declared) will receive a total consideration of up to A\$1.06 per Share⁵, comprising a maximum franking credit of A\$0.05 attached to the Special Dividend (if paid).

The Executive Chairman (Doug Walker), the Managing Director (Hamish Moffat) and the Chief Operating Officer (Graham Cooper) of the Company (collectively referred to as the "Rollover Shareholders"), may elect to receive between 66% and 100% of the Initial Scheme Consideration as a scrip consideration on a 1:1 basis in Elemental Infrastructure Holdco Pty Ltd⁶, with the remainder as cash consideration (collectively "Rollover Shareholders Consideration") pursuant to a separate scheme of arrangement ("Rollover Shareholder Scheme").

The Deed of Amendment and Restatement of the Scheme ("SID")

On 24 April 2020, Apex Opportunities Funds Pty Limited ("Apex") announced it had acquired a significant Interest in Zenith of 17.61%. Apex is an entity controlled by Infrastructure Specialist Asset Management Ltd ("ICG") and OPSEU Pension Plan Trust Fund ("OPT"), (collectively Apex, ICG and OPT "Apex Consortium Members"). Subsequently Elemental advised the Zenith Energy Board that Apex's interest would, in Elemental's view, make the Initial Scheme challenging to implement if Apex were to vote against the Initial Scheme. As a result, Elemental requested, and the Independent Board Committee consented to, the enter in negotiation with Apex for the purpose of exploring the possibility of the Apex Consortium Members entering into an agreement with PEP under which the Apex Consortium Members would take an equity position in Elemental. On 29 May 2020, Zenith Energy entered into a Deed of Amendment and Restatement of the Initial SID ("SID"). The amendment of the Initial SID follows an agreement being reached between funds managed or advised by PEP, as controllers of Elemental and the Apex Consortium Members whereby the Apex Consortium Members will take an equity position in the Elemental group holding structure.

There have been no material changes to the terms of the Initial Scheme other than to the extent necessary to accommodate the revised equity structure of Elemental to include the Apex Consortium Members. Accordingly, the Initial Scheme Consideration and the treatment of the Rollover Shareholder have remained unchanged. Accordingly, any reference to the Scheme in this report refers to the Scheme following the Deed of Amendment and Restatement of the Initial SID.

⁴ Being 14 August 2020.

⁵ Assuming a Special Dividend of A\$0.13 per share and a 0% taxpayer receiving a cash refund of A\$0.05 per share in respect of franking credits received. A 30% taxpayer would receive a total consideration of up A\$1.01. Further details regarding the tax implications for a 0%, 30% and 45% taxpayer are outlined in the table on page 9.

⁶ The ultimate holding company of Elemental Infrastructure Bidco Pty Ltd.



The Scheme is subject to a number of customary conditions precedent as set out in Section 1 of this IER including approval by Zenith Energy Shareholders at a Scheme Meeting⁷, the Court and regulatory approval from the Foreign Investment Review Board ("FIRB"). The Rollover Shareholders will vote in relation to their interests at a separate scheme meeting ("Rollover Scheme Meeting"⁸) which is not the subject of this Independent Expert's Report ("IER").

The SID contains customary exclusivity provisions including no shop, no talk, no due diligence restrictions and a notification obligation, with the no due diligence and no talk being subject to Zenith Energy Director's fiduciary obligations, and a matching right for Elemental in case the Directors receive a superior proposal.⁹ The SID also details circumstances under which Zenith Energy may be required to pay Elemental a break fee of A\$1.51 million (plus GST) (refer to Section 1 for more details).

Subject to no superior proposal emerging and the independent expert concluding and continuing to conclude that the Scheme is in the best interests of Zenith Energy Shareholders, the Directors have unanimously recommended that Zenith Energy Shareholders vote in favour of the Scheme.

Purpose of the report

Whilst there is no legal requirement for the preparation of the IER in conjunction with the Scheme, the Non-Executive Directors of Zenith Energy have commissioned this IER to assist Zenith Energy Shareholders in assessing the merits of the Scheme¹⁰.

For the avoidance of doubt, we have not been engaged to form an opinion and we have not formed an opinion on the valuation of the scrip consideration received by the Rollover Shareholders, save for the following statements. It is our view that the Rollover Shareholders are not receiving a superior offer than the remaining shareholders, and that the market value of the shares to be issued to the Rollover Shareholders as Scrip Consideration is no greater than our assessed fair market value of the shares of Zenith Energy prior to the announcement of the Scheme. The basis for this conclusion is detailed in our reasonableness assessment. However, the issuance of the Scrip Consideration means that the Rollover Shareholders will be able to participate in any future growth of Zenith Energy and be exposed to the associated risks.

When preparing this IER, Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") has had regard to the Australian Securities Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

⁷ The meeting of Zenith Shareholders, at the exclusion of the Rollover Shareholders, ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme.

⁸ The meeting of the Rollover Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Rollover Scheme.

⁹ The Executive Chairman (Doug Walker) and his related interests, entered into an exclusivity deed with Elemental, whereby they are also bound by the no shop, no talk, no due diligence and notification exclusivity provisions similar to those in the SID. However the exclusivity deed was terminated as announced on 1 June 2020.

¹⁰ We note that it is a condition precedent of the Scheme that an IER concludes the Scheme is in the best interests of Zenith Shareholders.



Summary of opinion

Grant Thornton Corporate Finance has concluded that the Scheme is FAIR AND REASONABLE and hence in the BEST INTERESTS of Zenith Energy Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Scheme is fair and reasonable to Zenith Energy Shareholders and, as part of that consideration, have had regard to other quantitative and qualitative considerations.

Fairness Assessment

Grant Thornton Corporate Finance has compared the value per Zenith Energy Share before the Scheme on a 100% and fully diluted basis with the Scheme Consideration of A\$1.01 per Zenith Energy Share.

The cash consideration of A\$1.01 per share will be reduced on an 1:1 basis by the amount of any Special Dividend consistent with the terms of the SID. As the Zenith Energy Board is yet to make a final decision on the Special Dividend, we have assessed the fairness of the Scheme assuming no Special Dividend payment. However, the outcome for Zenith Energy Shareholders and our opinion will not change if the Board of Zenith Energy decides to pay any Special Dividend before the implementation of the Scheme.

We note that in our valuation assessment, we have not grossed up the value of the Scheme Consideration for the potential value of the franking credits attached to the Special Dividend, nor have we considered in our valuation assessment of Zenith Energy the value of the accumulated franking credits.

In our opinion, the benefit of the franking credits does not accrue to Zenith Energy directly, rather they are valuable under certain circumstances to Australian tax resident shareholders who can claim an income tax offset. We have considered the potential value of the franking credits attached to the Special Dividend in our reasonableness considerations.

The following table summarises our fairness assessment:

Fairness assessment	Section Reference	Low	High
A\$ per share			
DCF Method (Average As-Is and Extended scenarios)	6.1	0.87	1.01
Quoted Security Price Method	6.3	0.91	1.02
Fair market value of Zenith Shares before the Scheme (control basis)		0.89	1.02
Scheme Consideration		1.01	1.01
Premium/(discount)		0.12	(0.01)
Premium/(discount) (%)		13.2%	(0.7%)
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF analysis.

The Scheme Consideration is within our valuation range of a Zenith Energy Share on a 100% and fully diluted basis. Accordingly, we conclude that the Scheme is **FAIR** to Zenith Energy Shareholders.

Zenith Energy Shareholders should be aware that our assessment of the value per Zenith Energy Share should not be considered to reflect the price at which Zenith Energy Shares will trade if the Scheme is not implemented. The price at which Zenith Energy Shares will ultimately trade depends on a range of factors,

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including: the liquidity of Zenith Energy Shares; macro-economic conditions; interest rates; and the performance of Zenith Energy's business.

We have assessed the fair market value of Zenith Energy Shares on a control basis adopting the DCF Method, cross checked based on the EBITDA¹¹ Multiple Method, and Quoted Security Prices as outlined below.

DCF Method

We have built a financial model projecting the post-tax free cash flows of Zenith Energy ("GT Model") based on the internal management forecast ("Zenith Energy Forecast"), Zenith Energy's historical financial performance, and industry benchmarks.

In our assessment of Zenith Energy based on the DCF Method, we have considered the following scenarios, which could reasonably be adopted by market participants in their pricing of the Company as outlined below:

- *As-Is Scenario* – Under the As-Is Scenario, we have modelled the future performance of the business based on the current installed MW capacity, organic growth from current mine sites (mine expansions and contract renewals) and the current pipeline of growth opportunities ("Pipeline")¹². We have excluded any "blue sky" projects. Under this scenario, the Company is expected to reach peak generation FY27 comprising existing and Pipeline projects, which is maintained for several years before generation capacity gradually reduces in line with the expiry of the PPAs. We have assessed the net present value of the future cash flows utilising a weighted average cost of capital ("WACC") between 8.0% and 8.5%.
- *Extended Scenario* – Under this scenario we have continued the cash flows of the businesses into perpetuity. Specifically we have adopted the business performance projected under the As-Is Scenario, however, upon reaching a level of MW capacity that we consider maintainable, we have computed the terminal value at that point in time. We have run two different Extended Scenario profiles assuming two different levels of maintainable capacity in the terminal value which are 250MW and 300MW. The maintainable capacity was determined having regard to the current capacity, the contractual profile of existing projects as well as the expected capacity and contracted term for Pipeline projects.

Whilst we acknowledge that the assumptions in relation to the perpetuity generation capacity of the Company are hypothetical at this point in time, we are of the opinion that the ability of Zenith Energy to identify and successfully tender for new opportunities have value for a pool of potential purchasers which needs to be recognised in our fairness assessment. We note that the strategy of Zenith Energy is to continue to seek BOO opportunities in Australia and currently has a further 700 MW of identified growth opportunities that are not included in the Pipeline. Furthermore, the mining industry plays a fundamental role in the Australian economy and is expected to maintain or increase its demand for remote power supply due to the location of existing and potential new mines.

¹¹ Earnings before interest, tax, depreciation and amortisation.

¹² The Pipeline only includes those opportunities which are identified and progressed by the Company. An opportunity to be included in the Pipeline needs to be a BOO project, within current geographies, FID within 24 months and at a bid or actively engaged negotiation.



We have set out below a summary of our valuation assessment under the selected scenarios¹³.

Valuation assessment summary A\$ per share	Section Reference	Low	High
DCF - As-Is Scenario	6.1.2	0.74	0.80
DCF - Extended Scenario - 250MW	6.1.3	0.84	1.00
DCF -Extended Scenario - 300MW	6.1.3	1.05	1.24
Assessed fair market value per share (control basis)		0.87	1.01

Source: GTCF analysis

The equity value under the DCF Method has been estimated as the average of the scenarios above. We are of the opinion that this is a reasonable approach due to the following:

- The valuation outcomes of each of scenarios above are based on cash flow forecasts with differing risk profiles in terms of the ability of Zenith Energy to achieve the forecasts. We note that under the Extended Scenario, the revenue from unidentified blue sky projects represent approximately between 35% and 45% of the total revenue in the terminal value. Further, circa 37% of the value under the Extended Scenario is generated from the terminal value calculation, reflecting a greater risk profile. In order to compare the scenarios on a like-for-like basis, we have utilised the same WACC range for each of the scenarios, however we have accounted for this differential in risk profile by determining our assessed fair market value per share based on the average of the three scenarios.
- It strikes the right balance of the value that could be attributed to the ongoing development platform on top of the existing projects by a pool of potential purchasers. It is our experience that a pool of potential purchasers may attribute some value to the Company over and above the net present value of the future cash flows from the existing projects, however if the value expectations of the shareholders are too high, it may be easier and more cost effective for a purchaser to replicate the existing platform. The outcome of the DCF Method, which is based on the average of the three scenarios, is supported by the Quoted Security Price Method and the EBITDA Multiple Method.
- The ability of Zenith Energy to be able to replenish its portfolio of projects in perpetuity is subject to the supply and demand dynamic of the mining industry, availability of debt and ability to retain existing management team and establish effective succession planning.
- There is no evidence that would suggest that a different point from the average of the three scenarios should be adopted.

EBITDA Multiple implied in the DCF assessment

The selected value range based on the DCF approach, implies an enterprise value as a multiple of historical and consensus forecast EBITDA, as set out below:

¹³ The low valuation is based on a WACC of 8.5%, and the high valuation is based on a WACC of 8.0%.



Implied EBITDA multiple		
A\$ '000 (except where stated otherwise)	Low	High
Enterprise value (control basis)	232,569	253,416
EBITDA		
FY19 EBITDA (Actual)	20,726	20,726
FY20 EBITDA (FY20 Guidance)	30,000	30,000
FY20 EBITDA (Broker Forecast)	30,700	30,700
FY21 EBITDA (Broker forecast)	33,800	33,800
Implied EV/EBITDA		
FY19 EV/EBITDA (Actual)	11.2x	12.2x
FY20 EV/EBITDA (FY20 Guidance)	7.8x	8.4x
FY20 EV/EBITDA (Broker Forecast)	7.6x	8.3x
FY21 EV/EBITDA (Broker forecast)	6.9x	7.5x

Sources: Company ASX announcements, S&P Global, GTCF analysis

Notes: (1) Enterprise value on a control basis is based on the average of our calculated values in the DCF.

As detailed above, the FY20 Broker Forecast is in line with the latest FY20 Guidance Update provided by the Company. We note that the Company released the FY20 Guidance Update on 29 April 2020, increasing the FY20 Guidance provided in November 2019 from a range of between A\$26 million and A\$27 million to circa A\$30 million. The increase in EBITDA is attributed to an increase in power consumption at a number of sites and the commissioning of two projects¹⁴ ahead of the schedule.

We note that the expectations of the future performance of Zenith Energy reported above do not consider the potential impact of COVID-19 on the business. However, as reported in the FY20 Guidance Update and discussed throughout this report, the impact on Zenith Energy is expected to be limited, due to the nature of the business and the safeguards in place in the existing PPAs.

We are of the opinion that the EBITDA multiples implied in our valuation assessment are not unreasonable due to the following:

- Pacific Energy Limited ("PEA") is Zenith Energy's most significant competitor¹⁵ and it was recently acquired by a subsidiary of funds managed or advised by QIC Private Capital Pty Ltd ("QIC") via a scheme of arrangement ("Pacific Energy Transaction") at an implied FY19 EBITDA multiple of 8.1 times. The average of Zenith Energy's FY19 multiples implied in our assessed valuation range are higher than the 8.1 times FY19 multiple observed in the Pacific Energy Transaction. However, the FY20 EBITDA multiples of the Company are expected to decline to between 7.7 times and 8.3 times ("Average FY20 EBITDA Multiples") based on the growing earnings performance of Zenith Energy.
- Energy Developments Limited ("EDL") is an electricity generator which operates a portfolio of remote and renewable/clean energy power stations. In 2015, it was acquired by the DUET Group at an EBITDA multiple of circa 9.0 times which is not inconsistent with the Average FY20 EBITDA Multiple implied in our valuation assessment.

¹⁴ Jundee Stage 4 and Daisy Milano Stage 3 projects

¹⁵ PEA is an Australian energy supply business, generating energy for mining sites and remote communities via gas, diesel and hydro fuelled electricity generation. Similar to Zenith Energy, it is heavily focussed on BOO contracts.



Quoted Security Price Method

As a valuation cross check, we have also relied on the quoted securities prices. Specifically, we have selected a value range based on the trading price between A\$0.70 and A\$0.73 having regard to the VWAP prior to the announcement of the Scheme on 9 March 2020. We have applied a premium for control between 30% and 40% to our assessed valuation range based on the trading price. The assessment of the premium for control is based on transactions observed historically in the Australian market.

Quoted Security Price Method	Section Reference	Low	High
A\$ per share			
Value per share (on a minority basis)	6.3.2	0.70	0.73
Control premium	6.3.3	30.0%	40.0%
Value per share (on a control basis)		0.91	1.02

Source: GTCF analysis

We note that our valuation assessment based on the trading prices plus a premium for control is in line with the assessment based on the DCF approach.

Reasonableness Assessment

In considering the reasonableness of the Scheme, we have assessed the following advantages, disadvantages and other factors.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access cash flows, access tax benefits and control of the board of Directors of the company.

The Scheme Consideration of A\$1.01 per Zenith Energy share represents a premium of:

- 45.3% to the last closing price of Zenith Energy Shares on 6 March 2020 of A\$0.695 per share
- 45.5% to the 1-month VWAP of Zenith Energy Shares to 6 March 2020 of A\$0.694 per share.
- 40.5% to the 3-month VWAP of Zenith Energy Shares to 6 March 2020 of A\$0.719 per share.

This premium for control is unlikely to be available to Zenith Energy Shareholders in the absence of the Scheme or a superior proposal.

Removed exposure to volatile markets

We note that since the beginning of March 2020, the financial markets around the world have been experiencing significant downward movements and a high level of volatility due to the uncertainties associated with the socio-economic impact of COVID-19. As a result of Australian government measures to stem the outbreak and the subsequent lockdowns that have been enforced, it is estimated that the

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reduction in GDP may be up to 6.7%¹⁶ over 2020, with many economic commentators predicting a global recession.

If a recession as predicted occurs, it may adversely affect the business of Zenith Energy in terms of availability of finance for both Zenith Energy and its clients. In addition, the volatile market conditions may adversely impact the demand for certain commodities and hence impact the profitability of Zenith Energy's counterparties. As such, the proposed Scheme, if implemented, will remove this risk for current Zenith Energy Shareholders other than the Rollover Shareholders, to the extent they elect to receive Scrip Consideration.

At this stage, the impact on Zenith Energy's financial and operating position is difficult to predict. However, COVID-19 could result in the sustained closures of Zenith's customers which may affect the energy usage and hence reduce the financial performance of the business. In addition, disruption to the supply chain may impact on the ability of Zenith Energy to deliver existing or new projects under construction in the expected timeframe. Further, the current low oil prices could create uncertainty among existing and potential Zenith's customers in relation to selection of fuel source.

If the above events occur, it is our opinion that the outbreak of COVID-19 could negatively impact the financial performance of Zenith Energy and therefore have an adverse effect on the value of the shares in the short term, in the absence of the Scheme. We note that the S&P ASX 200 declined by 28.9% over the period between 1 March 2020 and 23 March 2020, and Zenith Energy's share price subsequently declined by 8.6%¹⁷, demonstrating the volatility in the market as a result of COVID-19, despite the announced Scheme.

In undertaking our valuation assessment we have not assessed a specific scenario to address the potential impact of the COVID-19 pandemic on the Company due to the following:

- The high level of uncertainty associated with any quantification of the potential impact of COVID-19 on Zenith Energy which currently is yet to manifest.
- Zenith Energy operates in the resource and energy industry with a majority of its clients operating gold mines. The Australian gold mine sector is not experiencing a substantial downturn as a result of the global economic slowdown and COVID-19 pandemic, with the price of gold continuing to rise both in US\$ and A\$ due to the significant depreciation of the A\$ against the US\$ since the outbreak of COVID-19.
- The Company has a high quality client base with approximately 70% of BOO contracted capacity with clients that have a market capitalisation above A\$1 billion and the PPAs contain safeguards protecting Zenith Energy from counterpart default.
- On 20 March 2020, the Company announced that it had enacted prudent mitigation response activities to minimise the impact of COVID-19. These mitigation activities included social distancing, more frequent and detailed cleaning measures, and ongoing engagement with staff, suppliers, contractors and clients.
- On 29 April 2020, the Company released a FY20 Guidance Update increasing the FY20 EBITDA guidance from between A\$26 million and A\$27 million to circa A\$30 million. The Company reported its

¹⁶ IMF World Economic Outlook, April 2020.

¹⁷ Calculated over the 5 days VWAP up to 13 March 2020 and 20 March 2020.



business operations have continued to be largely unaffected since the onset of the COVID-19 pandemic.

Having regard to the above, and having held extensive discussions with Management, we have approached the COVID-19 potential impact from a qualitative perspective in our reasonableness assessment.

In the absence of the Scheme, we would expect the COVID-19 pandemic to have a negative impact on trading prices in the short-term due to the current high-volatility that is affecting the financial markets worldwide, however the impacts over the longer term cannot yet be quantified.

Certainty of the Scheme Consideration

Zenith Energy Shareholders have the opportunity to receive a certain cash amount at a premium to the trading price of Zenith Energy before the announcement of the Scheme and at a premium to the price that Zenith Energy Shares may trade in the absence of the Scheme or an alternative transaction.

If the Scheme is implemented, Zenith Energy Shareholders will no longer be exposed to the ongoing risks associated with holding an investment in Zenith Energy, which are summarised below in a non-exhaustive manner (please refer to section 4.5 for more details).

- **Future Growth** – The success of Zenith Energy's growth strategy, particularly in the competitive market in which it operates, is highly dependent upon securing customers and converting pipeline opportunities into ongoing, revenue producing customer relationships. Any underperformance of Zenith Energy in attracting new clients, convert pipeline opportunities and establish recurring client relationships is likely to have a materially adverse effect on Zenith Energy's business and performance. There is no guarantee that Zenith Energy will be able to attract new clients or convert pipeline opportunities into ongoing clients.
- **PPA termination** – There is no guarantee that existing PPAs will be renewed at the end of their contract term, nor any certainty regarding the terms that may apply to any such renewal. Six of Zenith Energy's contracts (accounting for circa 30% of Zenith Energy's H1FY20 revenue) are due to expire within the next five years. While the Company is actively seeking to negotiate extensions or renewals of such contracts, there is no guarantee that these contracts will be renewed, nor any certainty regarding the terms that may apply to any such renewal. Further, each of the PPAs contain rights allowing the counterparty to terminate the PPA at will, subject to a notice period¹⁸, entitling Zenith Energy to a termination fee, which may not be sufficient to compensate Zenith Energy for the future lost revenue.
- **Exposure to the resources sector** – Zenith Energy's revenues are based on contracts with resources companies, with a weighted average remaining life of approximately 5.7 years¹⁹ as at 30 June 2019. Zenith Energy clients' portfolio is relatively diversified across different types of minerals with a heavier weighting towards operators of gold mines. Accordingly, the long term performance of Zenith Energy's customers is exposed to mining and commodity price cycles which can be quite volatile at times.
- **Competition** – Competition in the remote electricity generation sector may reduce Zenith Energy's success in contracting new PPAs or place pressure on contract pricing. We note that two of Zenith

¹⁸ Typically notice periods are between 30 days and six months

¹⁹ Management.



Energy's major competitors, PEA and EDL are owned by large investment and asset management companies. In 2019, PEA was acquired by QIC, a large Queensland Government investment company with over A\$83 billion currently invested²⁰. In 2015, EDL was acquired by DUET Group which was subsequently bought in 2017 by a syndicate of investment companies led by Cheung Kong Property Holdings (trading as CK Asset Holdings Limited), a property developer listed on the Hong Kong stock exchange with a market capitalisation of circa A\$35 billion at the date of this report. As a result, PEA and EDL are able to access significantly larger amounts of capital and at a lower cost than Zenith Energy due to their large parent companies which may jeopardise the ability of Zenith Energy to win new contracts.

Franking credits attached to the Special Dividend

The Special Dividend component of the Scheme Consideration, if the Zenith Energy Board decide to pay it, is expected to be fully franked. Under the current tax regime, certain Australian resident shareholders on a lower tax rate can claim an income tax offset²¹ and accordingly realise a greater value than just the Scheme Consideration. These Zenith Energy Shareholders are likely to be better off on a post-tax basis if the Special Dividend is paid compared with the scenario that 100% of the Scheme Consideration is paid on the capital gain account (nil Special Dividend) and a capital gain is realised. The following table summarises the after-tax cash amount from the Special Dividend that certain Zenith Energy Shareholders could realise depending on their tax position.

Special dividend - franking credits benefit		Australian resident			Corporate
		45%	30%	0%	30%
A\$		Marginal rate	Marginal rate	Marginal rate	
Special dividend	A	0.13	0.13	0.13	0.13
Franking credits	B	0.05	0.05	0.05	0.05
Gross taxable income	C = A + B	0.18	0.18	0.18	0.18
Tax payable	D = C * Tax	(0.08)	(0.05)	0.00	(0.05)
Tax credit	B	0.05	0.05	0.05	0.05
Net after tax Special Dividend	E = C + D + B	0.10	0.13	0.18	0.13

Source: GTCF analysis

Notes: (1) Analysis based on a Special Dividend of A\$0.13 for Zenith Energy Shareholders; (2) Ignoring Medicare levy and other surcharges

As outlined in the table above, the benefits of the Special Dividend are expected to accrue to Australian tax resident shareholders on lower tax rates.

Shareholders' dilution risk

If the Scheme is not approved and implemented, Management has advised that Zenith Energy may be required to raise additional capital in order to finance its future growth opportunities. Zenith Energy may undertake equity capital raisings in order to raise these funds. This may have the impact of diluting the interests of the existing Zenith Energy Shareholder at the time.

²⁰ QIC website.

²¹ The ability to claim a tax offset equal to the franking credit attached to the special dividend will differ for shareholders depending on an individual shareholder's tax profile. Shareholders should seek their own tax advice in relation to their ability to utilise the franking credits.



No brokerage costs

Zenith Energy shareholders will be able to realise their investment in Zenith Energy without incurring any brokerage.

Disadvantages

Shareholders will not be able to participate in the future upside of Zenith Energy

If the Scheme is implemented, Zenith Energy Shareholders receiving the Scheme Consideration will forgo the opportunity to participate in the future upside potential of the Company and any uplift in current market conditions. We do note however, that the terms of the Scheme have not been changed from the Initial Scheme that was made prior to the COVID-19 related volatility. Zenith Energy has a Pipeline in excess of 450MW with at least a further 700MW of identified growth opportunities at an earlier stage than what is captured in the Pipeline. Historically, Zenith Energy estimates they have been successful in approximately circa 70%²² of tenders available in the market. If Zenith Energy is able to be successful in a greater share of tenders or identified growth opportunities, the value accretion for Zenith Energy Shareholders may be greater than what is considered in our overall value range.

Other factors

Share price after the announcement

The graph below illustrates the Zenith Energy share price after the announcement compared with the Scheme Consideration as well as with the S&P ASX 200²³ and the S&P ASX Resources²⁴ (sector) rebased to Zenith Energy Share price.

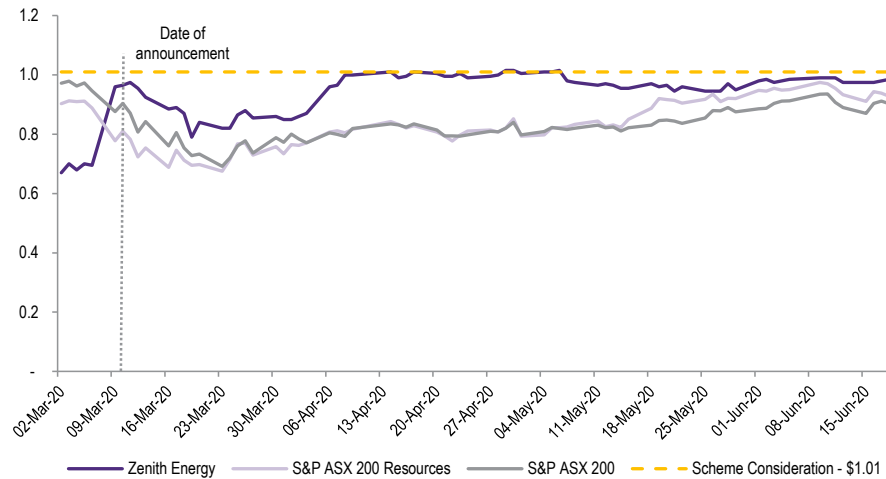
²² Source: Management

²³ The S&P/ASX 200 Index is the benchmark institutional investable stock market index in Australia, comprising the 200 largest stocks by float-adjusted market capitalization.

²⁴ The S&P/ASX 200 Resources Index (XJR) consists of companies from the S&P/ASX 200 index where the company is classified as belonging to the Energy sector or the Metals & Mining industry.



Trading price between 1 March 2020 and 18 June 2020



Source: S&P Global, GTCF analysis

As set out above, upon the announcement of the Scheme, the Zenith Energy share price increased by 38% to A\$0.96 and traded slightly below the offer price in the range between A\$0.93 and A\$0.98 over the week subsequent to the Scheme announcement. Afterwards, Zenith Energy's share price declined by 8.6%²⁵, due to the global markets reduction as a result of the outbreak of COVID-19 which posed risks, in the investors' view, to the implementation of the Scheme. We note that the S&P ASX 200 index declined by 28.9% between 1 March 2020 and 23 March 2020 while the S&P 200 Resources declined by 25% over the same period. Over the last week of May, the Zenith Energy share price recovered in line with the equity markets, remaining fairly steady until close on 18 June 2020, at A\$0.985.

In the absence of the Scheme, it is possible that Zenith Energy Shares would trade, at least in the short-term, at a price at or below the level they were trading before the announcement of the Scheme due to the downwards pressure and high-volatility that are currently impacting the financial markets worldwide as a result of the outbreak of COVID-19.

Rollover Shareholders

We note that the Rollover Shareholders collectively hold approximately 23% of Zenith Energy shares and they will form a separate class of Shareholders for the purposes of the Scheme. There will be two Scheme Meetings, one for the Rollover Shareholders and one for all the other Zenith Energy Shareholders. The Rollover Shareholders will be only permitted to vote at their own Scheme meeting. Both Scheme Meetings would need to pass a resolution approving the Scheme for the Scheme to become effective.

The Rollover Shareholders will receive a portion (or all, at their election) of the consideration as shares in the acquisition entity on a 1:1 basis, receiving the same proportionate interest in Elemental. It is our opinion that the Rollover Shareholders are not receiving a superior offer than the remaining shareholders, and that the market value of the shares to be issued to the Rollover Shareholders as Scrip Consideration is

²⁵ Calculated over the 5 days VWAP up to 13 March 2020 and 20 March 2020.



no greater than our assessed fair market value of the shares of Zenith Energy prior to the announcement of the Scheme, based on the following:

- there is no change to the business and operations of Zenith Energy and Elemental does not hold any other assets or liabilities if the Proposed Scheme is implemented
- the Rollover Shareholders will receive shares in an unlisted company. Typically shares in an unlisted company have a lower value (all else remaining equal) as they are not readily marketable.
- the Rollover Shareholders are forgoing a control premium for those shares as they will receive a minority interest in Elemental.
- the value of the shares of Zenith Energy immediately following the transaction will be impacted by transaction costs and the debt forgiveness²⁶.

Prospects of a superior offer

To date no superior proposal to the Scheme has emerged. Whilst Zenith Energy has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties and it will provide significant additional information in the Scheme Booklet and Independent Expert's Report to enable such potential acquirers to assess the merits of potential alternative transactions. If a superior proposal emerges before Zenith Energy shareholders cast their vote on the Scheme, the Scheme Meeting may be adjourned or Zenith Energy shareholders may vote against it²⁷. If the Scheme is not approved, this is no basis to expect or assume that any such alternative proposal would be on the same terms or superior to the Scheme.

Implications if the Scheme is not implemented

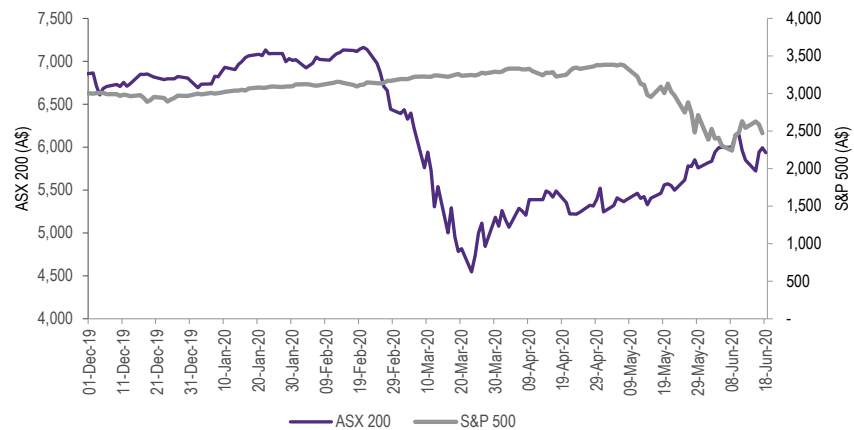
If the Scheme is not implemented, it would be the current Directors' intention to continue operating Zenith Energy in line with its stated strategy and objectives. However, in the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that Zenith Energy shares will trade at prices below the Scheme Consideration, at least in the short-medium term. In our opinion, the prospect of Zenith Energy shares trading above the Scheme Consideration in the short-medium term, based on the current market conditions heavily impacted by the COVID-19 outbreak, is limited. The graph below shows the movements of the Australian market index S&P ASX 200 and the USA S&P 500 index.

²⁶ Elemental intends to procure Zenith Energy to forgive shareholder loans to Mr Moffat of A\$1,017,477 and Mr Graham Cooper of \$1,399,400 they currently owe to Zenith Energy, which will occur following implementation of the Scheme. In 2019, prior to, and independently of the receipt of PEP's initial indicative offer, the Zenith Board had decided there was commercial rationale for forgiveness of these loans and had commenced processes for the approval by Zenith Shareholders of the forgiveness of all these loans (other than in respect of forgiveness of a \$323,651 portion of the shareholder loans to Mr Moffat – referred to as the '2019 Loan' in the Scheme Booklet). However, as the resolution for forgiveness of the loans had not been put to Zenith Shareholders for approval, none of these loans had been forgiven prior to the signing of the SID.

²⁷ We noticed that if Directors withdraw their recommendation of the Scheme in the event of a superior proposal, Zenith Energy will be required to pay a break fee of A\$1.51 million (plus GST).



S&P ASX 200 and S&P 500



Sources: S&P Global, GTCF analysis

As shown above, the worldwide equity market is experiencing a downward phase characterised by high volatility.

Break fee

Broadly speaking, in the event that a competing proposal is announced and completed²⁸ or any Director withdraws their recommendation of the Scheme (subject to limited exceptions), Zenith Energy will pay, to Elemental a Break Fee of A\$1.51 million (plus GST). The Break Fee may also become payable under other circumstances as set out in the SID.

Tax implications

Implementation of the Scheme may crystallise a capital gains tax liability for Zenith Energy Shareholders, however the taxation consequences for Zenith Energy shareholders will vary according to their individual circumstances and will be impacted by various factors. Zenith Energy shareholders should read the overview of tax implications of the Scheme set out in Section 8 of the Scheme Booklet and also seek independent financial and tax advice.

Non-Executive Directors' recommendations and intentions

As set out in the Scheme Booklet, each Director (other than Mr Walker) intends to vote the Zenith Energy Shares they hold or control in favour of the Scheme, subject to the same qualification.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Scheme is **REASONABLE** to Zenith Energy shareholders.

²⁸ As described in section 4.9(c) of the Scheme Booklet.



Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **FAIR AND REASONABLE** and hence in the **BEST INTERESTS** of the Zenith Energy Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Scheme is a matter for each Zenith Energy Shareholder to decide based on their own views of the value of Zenith Energy and expectations about future market conditions, Zenith Energy's performance, risk profile and investment strategy. If Zenith Energy Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD



JANNAYA JAMES
Director



ANDREA DE CAIN
Director

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22 June 2020

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Zenith Energy to provide general financial product advice in the form of an independent expert's report in relation to the Scheme. This report is included in Zenith Energy's Scheme Booklet.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Zenith Energy a fee of A\$110,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

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5 Independence

Grant Thornton Corporate Finance is required to be independent of Zenith Energy in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Zenith Energy (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Scheme.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Scheme, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Scheme. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Scheme

1.1 Key terms of the Scheme

We have set out below some key terms of the SID:

- **Special Dividend** – The Zenith Energy Board may decide to pay the fully franked Special Dividend on the implementation date of the Scheme. The Scheme Consideration of A\$1.01 per share will be reduced by the amount of any Special Dividend so that the Scheme Consideration to be received by Zenith Energy's Shareholders will equal A\$1.01 per share.
- **Performance Rights** – On 7 November 2019, the Zenith Energy Board resolved to grant Mr Graham Cooper 322,575 Zenith Energy Performance Rights. These Performance Rights were issued on 24 April 2020 and they will be converted to shares upon court approval of the Scheme at the Second Court Hearing (subject to the occurrence of the necessary procedural steps). Also on the 7 November 2019, the Zenith Energy Board resolved to grant a further 540,382 Performance Rights to Mr Hamish Moffat and a further 495,880 Performance Rights to Mr Walker, in each case, subject to shareholder approval. The approval of Performance Rights due to Mr Moffat and Mr Walker has not been put to the Zenith Energy Shareholders. As a result, the Performance Rights due to each of Mr Moffat and Mr Walker were not issued. Under the SID, Zenith Energy is required, prior to the First Court Date, to cancel the Performance Rights granted to Mr Moffat and Mr Walker.
- **Rollover Shareholder Consideration** – Mr Walker, Mr Moffat and Mr Cooper may elect to receive at least 66% of their Scheme Consideration in the form of shares in Elemental ("Rollover Shares").
- **Conditions precedent** – the SID includes, but is not limited to, the following conditions precedent:
 - Approval from the Foreign Investment Review Board.
 - Approval of the Scheme by the Court in accordance with Section 411 of the Corporations Act.
 - ASIC and ASX approval.
 - Approval of the Scheme by Zenith Energy shareholders.
 - Approval of the Rollover Shareholders of the Rollover Scheme
 - Other conditions precedent customary for a transaction of this type including consents, representations, warranties and prescribed occurrences (please refer to section 4.9(a) of the Scheme Booklet for more details)
- **Break Fee** – a break fee of A\$1,510,000 (plus GST) may, subject to certain limited exemptions, become payable by Zenith Energy to Elemental if among other things:

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- A competing proposal is announced prior to the Delivery Time ²⁹ and, within nine months from the date of the public announcement either the bidder of the competing proposal completes the transaction or it becomes the legal holder of at least 50% of the Zenith Energy Shares.
- At any time prior the Delivery Time, any Zenith Energy Director fails to recommend or, publicly changes, withdraws or adversely modifies or qualifies their recommendation that Zenith Energy Shareholder vote in favour of the Scheme, or makes any public statement that the Scheme is no longer recommended or supported by that Zenith Energy Director, or that the Zenith Energy Director recommends a Competing Proposal, except in limited circumstances set out in the SID.
- Elemental terminates the SID due to a material breach by Zenith Energy of the terms or conditions of the SID.
- *Others* – other terms common for a transaction of this nature, including customary exclusivity arrangements such as “no shop”, “no talk”, and “no due diligence” and a right for Elemental to be notified of and to match any competing proposals.

Elemental has also committed that Mr Walker and Mr Moffat will receive from Elemental an additional benefit in the form of a retention bonus, payable upon implementation of the Scheme. In addition, Elemental intends to procure Zenith to forgive shareholder loans to Mr Moffat of A\$1,017,477 and to Mr Cooper of \$1,399,400 they currently owe to Zenith Energy. These transactions will occur following implementation of the Scheme and accordingly they do not affect or impact the Zenith Energy Shareholders.

²⁹ The time being two hours before the commencement of the hearing of the Court on the Second Court Date as defined in the Scheme Booklet



2 Purpose and scope of the report

2.1 Purpose

Section 411 of the Corporations Act

Section 411 of the Corporations Act 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

While there is no legal requirement for an independent expert's report to be prepared in respect of the Scheme, the Directors of Zenith Energy have requested that Grant Thornton Corporate Finance prepare an independent expert's report to express an opinion as to whether the Scheme is in the best interests of Zenith Energy's shareholders.

2.2 Basis of assessment

In determining whether the Scheme is in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement ("RG60") and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the proposed scheme is "in the best interests of the members of the company".

Pursuant to RG111, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

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RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Scheme is to compare the fair market value of Zenith Energy on a control basis with the Scheme Consideration.

In considering whether the Scheme is in the best interests of Zenith Energy's shareholders, we have considered a number of factors, including:

- Whether the Scheme is fair.
- The implications to Zenith Energy shareholders if the Scheme is not approved.
- Other likely advantages and disadvantages associated with the Scheme.
- Other costs and risks associated with the Scheme that could potentially affect Zenith Energy shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Scheme with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Scheme.

In our opinion, Grant Thornton Corporate Finance is independent of Zenith Energy and its Directors, and all other relevant parties of the Scheme.

2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated on or around 25 June 2020 in which this report is included, and is prepared for the exclusive purpose of assisting Zenith Energy shareholders in their consideration of the Scheme Booklet. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Scheme to Zenith Energy shareholders as a whole. We have not

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considered the potential impact of the Scheme on individual Zenith Energy shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Scheme on individual shareholders.

The decision of whether or not to approve the Scheme is a matter for each Zenith Energy shareholder based on their views on the value of Zenith Energy and expectations about future market conditions, together with Zenith Energy's performance, risk profile and investment strategy. If Zenith Energy shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

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3 Industry overview

3.1 Australian Electricity Industry

There are three major electricity supply networks installed in Australia: the National Electricity Market ("NEM"), the South Western Interconnected System ("SWIS") and the North West Interconnected System ("NWIS") in Western Australia. Approximately 98%³⁰ of the population have access to a major electricity grid, which is supplied through a range of transmission and distribution power lines to consumer's premises.

Generated electricity is sold on a wholesale spot market, regulated by the Australian Electricity Market Operator ("AEMO"), where retailers bid for energy to then on-sell to consumers. Both the wholesale and retail markets are competitive, with additional measures being enforced by the Australian Energy Market Commission ("AEMC") to ensure a fair outcome for energy consumers. In order to sell energy on the wholesale market, electricity generators require a license from AEMO, to ensure the integrity and security of the networks. A majority of Australian consumers and businesses purchase their energy from retailers, with certain large electricity consumers having the option to purchase directly from the wholesale market.

The electricity grid is comprised of high transmission power lines where there is extensive coverage of Eastern and coastal regions, however there is a distinct absence of transmission lines in Western, Central and Northern regions. A map detailing all high voltage transmission lines is illustrated below.

High Voltage Transmission Lines in Australia



Source: Geoscience Australia 2019

³⁰Arena.gov.au



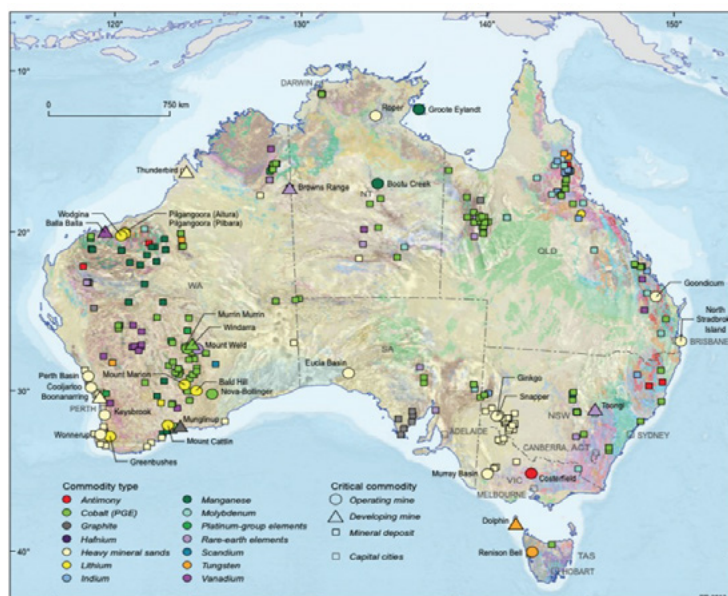
Despite transmission lines covering densely populated areas, those areas without access to a major grid account for 6% of Australia's total electricity consumption³¹, a majority of whom are mining sites³² or large regional communities. These sites require an alternative energy supply solution from an off-grid generator, which enables those in areas outside the grid to have the same access to energy. Whilst dominated by gas and diesel generation, trends over recent years indicate an increasing interest in renewable energy generation in order to increase electricity supply, improve reliability, and reduce the costs of electricity for regional communities and industry.

3.2 Australian Remote Energy Industry

3.2.1 Introduction

The remote energy industry provides electricity to sites that are not connected to high voltage transmission power lines, with a heavy concentration of revenue being derived from resource mining companies and remote communities. The performance of the remote energy sector is therefore heavily reliant on the performance of and the rate in which new mines are opened in rural and remote Australia. A map of all current mines in Australia is illustrated below, highlighting the remote and inaccessible location of a majority of sites, particularly in West and Northern Australia

Current Mines in Australia



Source: Geoscience Australia 2019

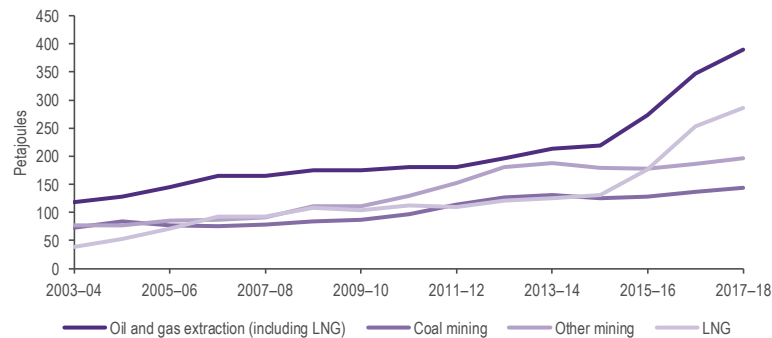
³¹ <https://arena.gov.au/renewable-energy/off-grid/>

³² <https://arena.gov.au/assets/2017/02/CSIRO-Electricity-market-analysis-for-IGEG.pdf>



The mining industry is one of Australia's largest users of energy, comprising approximately 12%³³ of Australia's energy consumption and approximately 25% of Western Australia's energy consumption. Energy consumption in the mining sector has grown by 8% per annum on average over the last 10 years³⁴. The increase energy consumption in recent years has been driven by the commodity price recovery and increases in production at numerous mine sites.

Energy Consumption in the Mining Sector



Source: Australian Energy Update - 2019

As at December 2019, there were approximately 33 committed mining investment projects with a total value of approximately A\$30 billion³⁵, including new mines, processing facilities and connected infrastructure. Accordingly to the Department of Industry, Innovation and Science, investment in precious metals, base metals and other commodities is expected to increase in the next couple of years as publicly announced and feasible projects move into the committed phase. The following table presents a summary of the current pipeline of investment. Note that this summary is dated December 2019 and prior to the significant impacts of COVID-19, and therefore the pipeline of projects may change as a result of the impact of COVID-19 on commodity prices:

Current Investment pipeline	Publicly announced		Feasibility		Committed		Completed	
	No. projects	Value A\$b	No. projects	Value A\$b	No. projects	Value A\$b	No. projects	Value A\$b
Aluminium, Bauxite, Alumina	NA	NA	1	0.05	NA	NA	1	2
Coal	13	10-17+	46	58-76+	2	2	1	2
Copper	6	4-8+	5	1-2+	1	1	1	0.1
Gold	2	0-5	15	3+	12	3	NA	NA
Infrastructure	10	10-17	3	1+	2	0.3	1	0.1
Iron ore	13	11-12+	12	19-25+	4	7	1	0.1
Lead, Zinc, Silver	1	0-0.2	4	0-1	1	0.2	2	0.2
LNG, Gas, Petroleum	9	21-38+	17	40-89+	5	14	4	3
Nickel	5	3-5	3	1-2	3	0.4	NA	NA
Uranium	1	2-3+	5	2+	NA	NA	NA	NA
Other Commodities	6	0.5-1.0	55	13-24+	3	0.8	5	1
Total	66	60-113+	166	137-216	33	30	16	9

Source: Resources and Energy Quarterly – December 2019

³³ Department of the Environment and Energy, Australian Energy Update 2019

³⁴ Department of the Environment and Energy, Australian Energy Update 2019

³⁵ Department of Industry, Innovation and Science, Resources and Energy Quarterly, March 2020



To supply power to remote areas and mine sites, generators are transported and installed at the required location to operate as a dedicated generator for the site. These remote power stations are powered by diesel or gas, and can potentially be supplemented with renewable energy such as solar to create a hybrid energy generation system comprising of multiple technologies. The introduction of a hybrid generation system usually results in cost savings over the long term, however the installation requires a significant capital outlay. For mines with shorter lives a single fuel source is typically used, as hybrid power technology is not economically viable over the short-term³⁶. Generators usually supply between 3MW and 30MW, however larger generators are occasionally required for significant projects with supply exceeding 50MW.

Mines and townships require an energy supply over an extended period, and hence remote energy generation contracts are typically medium to long term. Once a supplier has installed the required generators, the significant interruption costs involved with removal and reinstallation of a competitors generator results in contracts often being extended or renewed for the entire life of mine or until an alternate energy is sourced. The primary reason a contract would be terminated prior to the end of a mine's life is if the supplier fails to deliver a continuous supply of electricity to meet the site's demands. The nature of the industry in which remote generators are installed requires a constant supply of energy, with significant costs occurring for power blackouts. The successful operation and completion of a contract therefore relies upon the operational efficiency of the installed generators.

3.2.2 Energy Contracts

Energy contracts are usually in the form of a BOO, MOM and EPC agreements. In a BOO contract, the power station is financed, built, owned, operated and maintained by the remote energy company for the life of the contract. BOO contracts can include a purchase agreement clause, which can result in the transfer of the generation facility if both parties are in agreement. Typically the BOO contractor charges a fixed fee related to the capacity of the power plant and a variable fee based on the energy consumption.

In a MOM contract, the energy company does not own the power plant, however it undertakes the day to day operational management and maintenance of the client's existing power generation system and receives an ongoing charge for this service. Revenue on these contracts is usually stable over the life of the contract and the fuel is typically supplied by the counterparty, removing any risk to the energy company associated with fluctuations in the fuel price.

Another type of contract is the EPC contract under which the EPC contractor is responsible for all activities from design to procurement and construction under a predetermined budget to deliver the asset to the end user and ownership is transferred upon construction being completed.

3.2.3 Generation Options

The choice of fuel utilised in remote power generation is dependent on a number of considerations. The key considerations are the availability and the economic viability of each fuel type. Larger resource projects are typically powered by natural gas, with more remote and smaller projects powered by liquid fuels. Natural gas generators typically require pipeline infrastructure at the mine to transport gas to the mine site, whereas there is a lower infrastructure requirement for diesel generation. There is increasing usage of renewable energy due to improvements in the technology, and significant reduction in costs, combined with government incentive programs to encourage greater use of renewable energy.

³⁶ <https://arena.gov.au/renewable-energy/hybrid/>



Natural gas has a number of competitive advantages as a fuel in power generation, which together with the development of additional gas resources and expansion of gas infrastructure has seen its use in off-grid power generation. These advantages include lower greenhouse gas emissions, a lower unit cost compared to diesel and the ability to transport gas via pipelines. However its use is presently constrained by the economic viability of constructing pipeline infrastructure and hence smaller and more remote sites are typically fueled by liquids.

Liquid fuels consist predominantly of diesel but also includes heavy fuel, kerosene and biodiesel. Diesel fueled generation is typically suited to off-grid communities plus remote and smaller resource projects (less than 1MW) that do not justify the construction of gas infrastructure. The use of renewable energy technologies in off-grid power generation is at an early stage of its life cycle, with only a small number of projects currently in production.

3.2.4 Risks

The primary risk for remote energy providers is the reliance on the success of the mining industry to generate new contract opportunities. A downturn in commodity prices over the short term may result in mines reducing their production and entering a care and maintenance phase, potentially triggering clauses to reduce their energy requirement and contractual monthly supply fee. A prolonged fall in commodity prices will also deter new investment in the exploration for new mining opportunities, reducing the number of new tenders available.

A repeat of the 2013 fall in gold price that resulted in numerous mines reducing production and entering care and maintenance would limit the future potential earnings of remote energy suppliers. This creates a risk for businesses operating in the industry, that if commodity prices fall significantly or new trade restrictions impact the profitability of a mine, customers with assumed long term revenues can be lost. In addition the availability of funding for mine production can influence the new opportunities that may be available.

A further risk affecting future profitability is the installation of high pressure gas pipelines directly to the township or mine site, which will help the counterparty save on fuel costs. This creates the possible risk of obsolesce of pipelines and generators if an existing contract will not be renewed as a result of a counterparty looking for alternative fuel solutions with a lower cost base. Despite this potential risk of obsolesce, many generators can be adapted or replaced to accommodate a gas source, with a relatively low level of additional capital expenditure required. Installation of a gas pipeline only becomes viable for sites with a significant power requirement over an extended mine life over which there would be an expected recovery from cost savings, and is not a suitable alternative for smaller sites.

A majority of remote power is supplied through diesel and gas fuelled power generators, however in an attempt to lower costs, businesses are beginning to investigate the viability of renewables. If more mines insist on the installation of renewable or hybrid generators, whilst there is the risk of a reduction in existing gas or diesel earnings, it is unlikely the equipment would be fully replaced by renewable generation. There have been examples where existing diesel and gas generators have been installed in conjunction with a renewable energy source to provide a reliable and lower cost supply of electricity, however the renewable source is only supplementary to the existing diesel or gas facility.

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3.2.5 Competitive Landscape

There are few participants in the Australian remote energy industry, with the top three players, Zenith Energy, PEA and EDL operating the majority of remote sites in Western Australia, the key market segment. Recent events have impacted the level of competition businesses face upon applying for contracts, being the listing of Zenith Energy, the acquisition of Contract Power Australia by Pacific Energy and the acquisition of Pacific Energy by QIC Private Capital. These factors have improved the availability of capital to fund projects competitively.

Since listing in 2017, Zenith Energy has been rapidly growing market share, successfully bidding and securing a larger percentage of new tenders to increase the level of competition in the industry. The acquisition of Pacific Energy by QIC Private Capital (Government owned investment manager) in December 2019 and Energy Developments operating as a subsidiary of CKI (largest publicly listed infrastructure company in Hong Kong) gives these companies competitive strength as a result of the lower cost of capital base.

3.3 Australian Resources and Energy Industry

The Australian resources and energy sector contributed approximately 8.5% of Australia's total GDP and 35% of GDP growth in the year to September 2019, with many commodity exports falling from the 7-year highs set in the September quarter 2019³⁷. A majority of Australia's resources are exported to Asia, and hence their success is in part determined by Asian economic growth and the Australian Dollar exchange rate.

Recent growth was primarily driven by a persistently weak Australia Dollar boosting export earnings and an increase in price for two of Australia's most abundant resources, coal and gold. As the second largest producer of gold, Australia has received benefit from the global economic slowdown and the COVID-19 pandemic, with the price of gold continuing to rise as further economic uncertainties develop (see below graph for gold price movements) and the AUD falling significantly against the USD. The price of gold is expected to further increase³⁸ in the coming years, providing incentives for the further exploration of existing mine sites and the search for new mineral deposits.

Australian miners are likely to directly benefit from rising gold prices, which in February 2020 reached the highest level since March 2013 at over US\$1,600 per ounce³⁹. However, on 16 March 2020, there was a significant selloff by profit taker investors which decreased the price of gold to a low of approximately US\$1,470 per ounce.⁴⁰ The gold price recovered by 31 March 2020 to US\$1,609.

³⁷ Resources and Energy Quarterly – December 2019

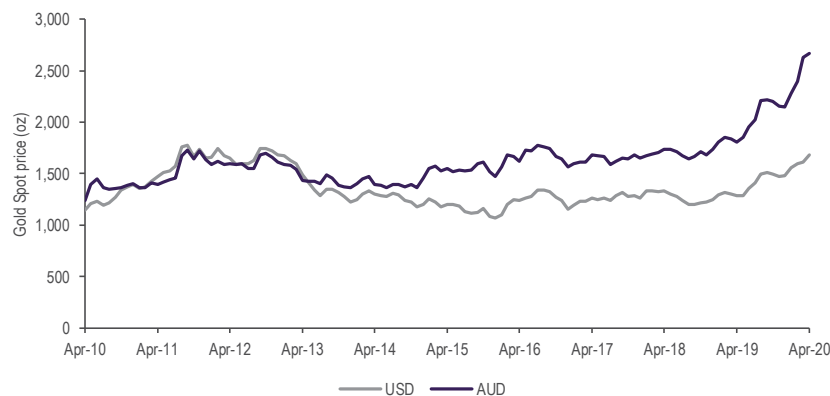
³⁸ Resources and Energy Quarterly – December 2019

³⁹ IBIS World – Coronavirus update fast facts

⁴⁰ IBIS World – Coronavirus update fast facts



Gold spot price per ounce



Source: <https://www.marketindex.com.au/gold>

Additional consideration must be given to the ongoing trade tensions between China and the USA, with the full trade implications relatively unknown. In January 2020, the USA and China agreed to the US-China Phase One trade deal, easing some tensions and tariffs in place, however there is still the potential for a delay in future investment until further agreements can be reached.

3.4 COVID-19

COVID-19 is a new strain of coronavirus⁴¹ that has not been previously identified in humans. It was first identified in December 2019 in Wuhan, Hubei Province, China, where it has caused a large and ongoing outbreak. Cases have since been identified in many other regions including South Korea, Europe and USA. The situation escalating in the first two weeks of March 2020, and on 11 March 2020, the World Health Organisation ("WHO") declared the COVID-19 outbreak to be characterised as a pandemic⁴². Subsequently, a number of Australian State Governments have declared a State of Emergency and the Federal Government has commenced exercising its powers under the Biosecurity Act 2015 (Cth).

Due to the lack of a valid vaccination and the incredibly contagious nature of the virus, many Governments around the world are introducing strict measures to limit the spread of the virus. Those measures aim to guarantee social distancing and includes but not limited to the forced closure of business, travels bans and quarantine requirements. As a result, several industries such as tourism, hospitality, retail and many others are experiencing an extreme downturn resulting in redundancies and companies' closure. Overall, the prolonged enforcement of those social distancing measures may result in many economies, including Australia, entering in to recession.

⁴¹ Coronaviruses are a large family of viruses which may cause illness in animals or humans. In humans, several coronaviruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS).

⁴² Adjective that defines a worldwide spread of a new disease.



The impact of COVID-19 on the broader Australian mining sector is expected to be significant and direct. The curtailment of manufacturing activity in China has led to a slump in commodity prices, particularly for crude oil, copper, iron ore, and other industrial commodities. COVID-19 could also disrupt the demand for steel through hindering manufacturing activity. The supply of steel could also be disrupted by a potential closure of Chinese smelters due to quarantine needs. Both factors could significantly reduce the demand for iron ore and black coal, presenting a major threat to Australian miners. Furthermore, COVID-19 is threatening for Australian natural gas exporters, which may struggle to find alternative buyers resulting in an oversupply in the global market. Natural gas is trading at its lowest price since March 2016. Energy Quest's March 2020 quarterly report has indicated that the COVID-19 had an immediate impact on oil prices and spot LNG prices. Brent crude oil started January at US\$67.05/bbl (A\$96.03/bbl) and rose to US\$70.25/bbl (A\$101.34/bbl) on 6 January but then fell steadily to US\$49.67/bbl (A\$76.41/bbl) on 2 March. The fall in the oil price will affect prices realised under oil-linked LNG contracts. This is unlikely to become apparent until Q2 2020 due to delays in contract prices but lower prices due to lower oil prices were already apparent in Q4 2019⁴³.

⁴³ Energy Quest's March 2020 quarterly report



4 Profile of Zenith Energy

4.1 Introduction

Zenith Energy is an ASX-listed energy supply business specialising in the generation and provision of power to remote sites mainly in Australia. It was founded in 2006 by Doug Walker and fellow former executive Gavin Great.

Zenith Energy's first major contract was signed in 2008 with Chevron, for its Barrow Island facilities for a 20MW facility on a BOO and MOM contract basis. Since that time, Zenith Energy has secured contracts with a number of resource and energy companies as shown below:

Zenith Energy – Timeline



Source: Management

4.2 Business Overview

Zenith Energy provides power generation solutions incorporating a range of fuel types including diesel, natural gas, solar and hybrid systems primarily for clients operating in the resources and energy sectors in remote areas of Australia. Zenith Energy's clients are typically operating in locations that are "off-grid", which are not connected to the National Electricity Market (NEM) or the South West Interconnected Systems (SWIS)⁴⁴.

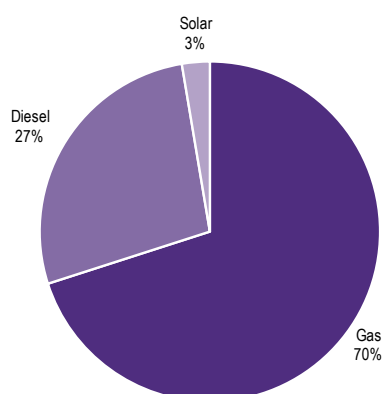
Companies that are specialists in resource extraction typically want to focus their full attention on these extractive activities and contract out the provision of power to Independent Power Producers ("IPPs"), such as Zenith Energy.

⁴⁴ We note that Zenith operates at one mine, Ok Tedi, which is located on Papua New Guinea.



The type of generation equipment used for these energy projects are dictated by the selected fuel sources available, with natural gas typically the lowest cost source of energy. However, the use of gas is constrained by the presence or otherwise of gas pipeline infrastructure. Diesel is the most common fuel used in remote locations due to a high energy density, which lends itself to road transportation. As illustrated by the below chart, over 70% of Zenith energy's BOO capacity are gas fired generators.

BOO fuel type breakdown by MW – Zenith Energy



Source: ASX Release Zenith Energy FY20 Interim Results

Zenith Energy currently has 11 BOO contracts ongoing for a total of approximately 232 MW of owned installed capacity, with an average remaining term of 5.7 years. A further 163MW of power generation capacity is managed by Zenith Energy on behalf of their counterparty under MOM contracts.

Under the BOO model, Zenith Energy funds the costs associated with designing, procuring, constructing, installing and commissioning the power generation facility to ensure it is maintained to meet minimum power requirements. At the end of the contract the facility is disassembled and Zenith Energy retains all equipment. The majority of Zenith Energy's off-grid sites have been developed on this basis. Under a BOO contract Zenith Energy undertakes the following:

- Designs the plant, making optimum fuel selections from available options, including the use of hybrid systems and renewable energy sources where appropriate;
- Undertakes the construction (in-house), installation and commissioning of the plant;
- Takes full responsibility for ongoing operation, management and maintenance; and
- Charges the customer for the provision of power under long term PPAs.

The MOM model is an alternative business model for Zenith Energy to take on the management, operation and maintenance of existing plant. Under a MOM contract, Zenith Energy undertake the day to day operational management and maintenance of an existing power generation system for an ongoing charge for this service.

A summary of key projects for which Zenith Energy currently has BOO or MOM contracts are set out in table below.

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Zenith Energy contracted portfolio						Installed
Counterparty	Mine Site	Commodity	Contract Type	Contract Start	Contract end	Capacity (MW)
Chevron	Barrow Island	Oil	BOO/MOM	2018	2028	20
Silver Lake Resources	Daisy Milano	Gold	BOO	2019	2023	18.3
Adaman Resources	Kirkalocka	Gold	BOO	2019	2030	14.5
Gascoyne Resources	Dalgaranga	Gold	BOO	2018	2024	15
Pantoro	Halls Creek	Gold	BOO	2017	2022	6
Northern Star Resources	Jundee	Gold	BOO/MOM	2016	2026	37
Northern Star Resources	Kundana	Gold	BOO	2016	2020	14
Superior Gold Inc	Plutonic	Gold	BOO/MOM	2014	2024	38
Dacian Gold	Mt Morgans	Gold	BOO	2018	2026	17
OK Tedi Mining ¹	OK Tedi	Copper/Gold	MOM	2014	2020	142
Independence Group	Nova	Nickle/Copper	BOO	2016	2026	25
Newmont	Tanami	Gold	BOO	2019	2028	62
Total						408.8

Source: Management

Note: (1) Ok Tedi Mining is a state-owned company that operated an open-pit copper, gold and silver mine located in the Star Mountains of Western Province, Papua New Guinea.

BOO contracts are usually issued for a substantial term (5-10+ years) over which the capital cost and a suitable return are recovered.

Zenith Energy's revenue is underpinned by a 'take or pay' component in the form of a capacity charge (charge to guarantee the capital deployed on equipment), and an energy charge. The energy charge is a variable charge depending on the amount of power usage by the client.

Zenith Energy aims to mitigate its counter party risk by contracting with high quality customers and ensuring where possible its contracts are executed with the client's parent company and not with the subsidiary or special purpose vehicles ("SPVs"). A summary of Zenith Energy's counterparty profiles are outlined below.

Zenith Energy - Counterparties	Mkt. Cap		
BOO Counterparties	(A\$ million)	Commodity	Contract Type
Chevron	192,231	Oil	BOO/MOM
Newmont	56,417	Gold	BOO
Northern Star Resources	8,118	Gold	BOO/MOM
Independence Group	2,056	Nickle/Copper	BOO
Silver Lake Resources	1,047	Gold	BOO
Dacian Gold	320	Gold	BOO
Pantoro	81	Gold	BOO
Superior Gold Inc	47	Gold	BOO/MOM
Gascoyne Resources	4	Gold	BOO
Adaman Resources	NA	Gold	BOO

Source: Management

Notes: (1) Market capitalisation as at 22 March 2020; (2) Gascoyne Resources is currently in voluntary administration; (3) The tables above excludes Ok Tedi Mining which is related to a full MOM contract.

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As illustrated in the above table Zenith Energy has established long term customer relationships with tier one clients and approximately 70% of BOO contracted customers have market capitalisation above A\$1 billion.

Zenith Energy primarily relies on the successful tendering of new contracts as well as the rolling forward and expansions of existing contracts to maintain and grow their revenue and to offset contracted mines that reach the end of their life. Zenith Energy currently have a Pipeline consisting of over 450MW of qualified future projects and at least another 700MW of identified further growth opportunities not included in the Pipeline, demonstrating the potential for growth in the form of successful proposals.

4.3 Financial Information

4.3.1 Financial Performance

The table below illustrates the Company's audited consolidated statement of comprehensive income for the financial years ended 30 June 2017 ("FY17"), 30 June 2018 ("FY18"), 30 June 2019 ("FY19") and the half year ending 31 December 2019 ("1H FY20").

Consolidated statement of financial performance	FY17	FY18	FY19	1H FY20
A\$'000	Audited	Audited	Audited	Reviewed
Contract revenue - MOM/EPC	8,909	26,295	16,958	3,541
Contract revenue - BOO	22,062	25,134	38,079	25,680
Other income	426	384	160	152
Total revenue	31,397	51,813	55,197	29,373
Cost of sales	(13,489)	(22,882)	(23,715)	(9,869)
Gross profit	17,908	28,931	31,482	19,504
Employee expenses	(5,217)	(7,255)	(5,671)	(2,114)
Insurance expenses	(677)	(830)	(977)	(752)
Occupancy expenses	(344)	(566)	(562)	(117)
Foreign exchange losses	(138)	(104)	(278)	-
Other expenses	(1,688)	(1,960)	(3,268)	(1,721)
EBITDA	9,844	18,216	20,726	14,800
Depreciation and amortisation expense	(2,041)	(3,808)	(7,208)	(5,986)
Loss on cancellation of JV	(1,638)	-	-	-
Loss (gain) on disposal of assets	(19)	(42)	(924)	(547)
EBIT	6,146	14,366	12,594	8,267
Finance costs	(1,520)	(2,153)	(3,950)	(3,529)
Income tax expense	(1,503)	(3,740)	(2,830)	(1,379)
NPAT	3,123	8,473	5,814	3,359
<i>EBITDA margin</i>	31%	35%	38%	50%
<i>EBIT margin</i>	20%	28%	23%	28%
<i>NPAT margin</i>	10%	16%	11%	11%

Source: Zenith Energy Financial Reports

Note: Financial statements for FY20 YTD are in accordance with the new AASB 16 Leases Standard.

With regard to the financial performance, we note the following:

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- Over the years, Zenith Energy has focussed on its strategic objective of increasing the proportion of revenue being derived from BOO projects which has also resulted in an increase in their EBITDA margin, from c. 31% in FY17 to c. 50% in FY20 YTD. We note that 1HFY20 financial performance is reported under AASB16 *Leases* ("AASB16") which could lead to an increase in EBITDA as lease expenses are being capitalised under AASB16. However, we note that the impact on Zenith Energy is limited (estimated at approximately between A\$100k and A\$200k⁴⁵ over the 6 months up to 31 December 2019).
- The significant increase in BOO revenue observed in FY20 YTD is largely reflective of Zenith Energy successful completion of the 62MW power station to supply electricity to the Newmont Tanami mine site. At the time this represented a 43% increase to Zenith Energy's BOO capacity⁴⁶.
- The fall in NPAT from c. A\$8.5 million in FY18 to c. A\$5.8 million in FY19 is largely attributable to Zenith's strategic decision to transition towards BOO projects, and the associated higher depreciation expenses incurred from having ownership of a larger proportion of the generating assets.
- The decrease in employee expenses from c. A\$7.3 million in FY18 to c. A\$5.7 million in FY19 was a result of a reallocation of a portion of staff wages from employee expenses to cost of sales.

⁴⁵ We note that over FY19, the Company incurred in circa A\$600k of operating lease expenses.

⁴⁶ Zenith Energy Limited ASX Announcement – 21 February 2019



4.3.2 Financial Position

The consolidated statement of financial position of Zenith Energy as at 30 June 2017, 30 June 2018, 30 June 2019 and 31 December 2019 is summarised in the table below:

Consolidated statement of financial position	30-Jun-17	30-Jun-18	30-Jun-19	31-Dec-19
A\$'000	Audited	Audited	Audited	Reviewed
Current Assets				
Cash and cash equivalents	19,291	1,994	7,293	673
Trade and other receivables	3,781	11,161	8,363	12,231
Inventories	649	2,686	6,962	8,503
Current tax asset	-	755	991	2,310
Contract assets	1,384	-	1,610	2,258
Other assets	1,502	1,128	1,078	2,267
Total current assets	26,607	17,724	26,297	28,242
Non-current assets				
Property, plant and equipment	39,426	75,944	148,146	163,616
Right of use asset	-	-	-	624
Deferred tax assets	772	836	129	21
Intangible assets	11	11	13	13
Other receivables	1,878	-	1,928	-
Other assets	469	1,903	2,882	1,483
Total non-current assets	42,556	78,694	153,098	165,757
Total assets	69,163	96,418	179,395	193,999
Current liabilities				
Trade and other payables	3,393	7,674	6,339	5,856
Borrowings	16,334	7,405	20,626	18,608
Current tax liabilities	96	1,578	-	-
Contract liability	1,120	812	805	515
Lease liability	-	-	-	57
Provisions	1,150	1,398	1,560	1,679
Total current liabilities	22,093	18,867	29,330	26,715
Non-current liabilities				
Borrowings	8,174	30,729	75,420	81,855
Deferred revenue	2,602	-	-	-
Contract liability	-	2,105	1,971	1,869
Lease liability	-	-	-	580
Deferred tax liabilities	-	-	-	542
Provisions	246	161	288	302
Total non-current liabilities	11,022	32,995	77,679	85,148
Total liabilities	33,115	51,862	107,009	111,863
Net assets	36,048	44,556	72,386	82,136

Source: Zenith Energy Financial Reports

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We note the following in relation to Zenith Energy's financial position:

- The significant increase in property, plant & equipment from c. A\$39.4 million at 30 June 2017 to c. A\$163.6 million as 31 December 2019 is reflective of the transition from MOM/EPC projects to BOO projects, where Zenith Energy retains ownership of the generating assets.
- Zenith Energy's working capital has steadily increased over recent periods. The increase in inventory has been contributed to by the construction of new generating assets awaiting installation at new BOO contract mine sites. The increase in receivables is a result of the significant growth experienced by Zenith Energy, leading to a higher level of customers with outstanding payments. Gascoyne Resources is currently being managed by a voluntary administrator, however, Zenith Energy continue to receive their full payments which is expected to continue for the remainder of the contract given the essential services provided by the Company.
- The trade and other receivables balance includes a related party receivable of circa A\$2 million as at 31 December 2019 in relation to loans provided by the Company to certain key management.
- The right of use asset and lease liability reflect the new requirement of AASB 16 to recognised all leases on the balance sheet that have a material balance and a term of greater than 12 months.
- The increase in borrowings from c. A\$24.5 million at 30 June 2017 to c. A\$100.5 million at 31 December 2019 is largely attributable to the significant capital required to begin construction on the various contracts recently won by Zenith Energy. We have set out below a breakdown of the net debt of Zenith Energy:

Zenith Energy - Net Debt				
A\$'000	30-Jun-17	30-Jun-18	30-Jun-19	31-Dec-19
Total borrowings	24,508	38,134	96,046	100,463
Less: Cash and cash equivalents	19,291	1,994	7,293	673
Net Debt of Zenith Energy Limited	5,217	36,140	88,753	99,790

Source: Zenith Energy Financial Reports

Zenith Energy's total borrowings is comprised of a facility with the Commonwealth Bank of Australia ("CBA") and an amortising note with FIIG Securities Limited ("FIIG"). The CBA facility has a limit of A\$80 million with A\$56.6 million drawn as at 31 January 2020. The FIIG financing is a A\$40 million amortising note issued in August 2018 with a 7.55% coupon rate with term 7 years. Management have advised that they are in the process of negotiating new facilities to fund their planned growth.

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4.3.3 Cash Flow Statement

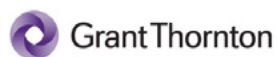
The cash flow statements for Zenith Energy for FY17, FY18, FY19 and 1H FY20 are set out below:

Consolidated statement of cash flows	FY17	FY18	FY19	1H FY20
A\$'000	Audited	Audited	Audited	Reviewed
<u>Cash flows from operating activities</u>				
Receipts from customers	36,204	52,381	59,616	31,405
Payments to suppliers and employees	(28,481)	(41,656)	(41,156)	(18,933)
Interest received	7	14	73	17
Borrowing costs paid	(1,520)	(2,153)	(2,658)	(3,068)
Income tax	(993)	(1,694)	(3,605)	(2,047)
Net cash provided by operating activities	5,217	6,892	12,270	7,374
<u>Cash flows from investing activities</u>				
Payments of property, plant and equipment	(9,518)	(37,824)	(86,732)	(24,036)
Proceeds on sale of property, plant and equipment	-	9	-	24
Proceeds from related parties	8	-	-	-
Loans to related parties	-	-	-	(358)
Net cash used in investing activities	(9,510)	(37,815)	(86,732)	(24,369)
<u>Cash flows from financing activities</u>				
Proceeds from issue of shares (net of transaction costs)	23,414	-	21,994	6,363
Dividends	(223)	-	-	-
Borrowing costs	-	-	(1,454)	-
Proceeds from borrowings	3,647	19,445	77,728	17,742
Repayments of borrowings	(5,773)	(5,819)	(18,507)	(13,730)
Net cash provided by financing activities	21,065	13,626	79,761	10,375
Net increase (decrease) in cash held	16,772	(17,297)	5,299	(6,620)
Cash and cash equivalents at beginning of financial year	2,519	19,291	1,994	7,293
Cash and cash equivalents at end of financial year	19,291	1,994	7,293	673

Source: Zenith Energy Financial Reports

- Overall there was a net decrease in cash from c. A\$7.3 million at the end of FY19 to A\$673 thousand as at 31 December 2019. This was primarily a result of utilising cash reserves to partially fund the construction of new projects.
- The proceeds from the issue of shares in FY17, FY19 and FY20 YTD were in relation to their initial listing on 9 May 2017 and subsequent share issues to strengthen the Company's balance sheet, provide financial flexibility to undertake additional BOO contracts and for general working capital purposes⁴⁷.
- Capex has increased from c. A\$9.5 million in FY17 to c. A\$86.7 million in FY19, reflecting the large investment that Zenith Energy has made in developing its generation assets required to fulfil their recently secured BOO energy supply contracts.

⁴⁷ Zenith Energy ASX announcement – 23 May 2019



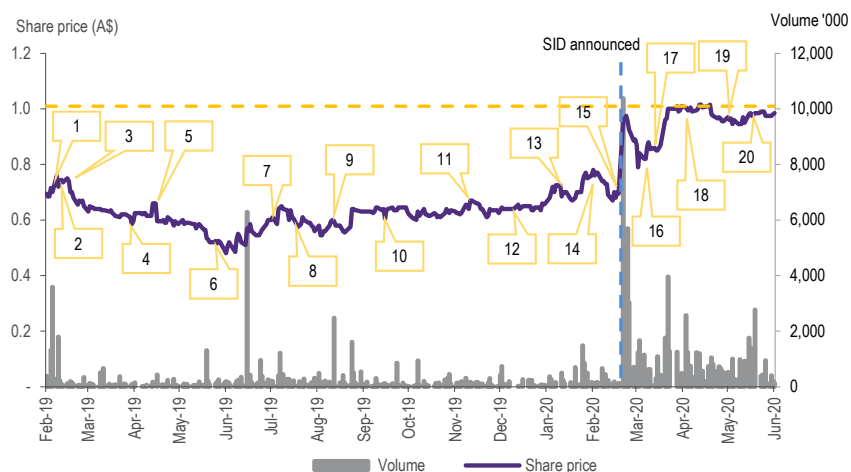
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4.4 Share capital structure

As at the date of this report, the Company has 149,496,586 shares outstanding. We note that there are 322,575 Performance Rights issued on 24 April 2020 that will be converted to shares upon court approval of the Scheme at the Second Court Hearing and (subject to the occurrence of the necessary procedural steps).

4.5 Share price and market analysis

Our analysis of the daily movements in Zenith Energy's trading share prices and volume for the period from 18 February 2019 to 18 June 2020 is set out below:



Source: S&P Global, GTCF Analysis

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The following table describes the key events which may have impacted the share price volume movements shown above.

Event	Date	Comments
1	Feb-19	Zenith Energy announced it had entered into a power purchase agreement (PPA) with Kirkalocka Gold SPV Pty Ltd, for a 14.5MW BOO gas fired power station expected to commence in Q1 FY20.
2	Feb-19	Zenith Energy released its FY19 half year accounts, showing significant growth in BOO operations and EBITDA, while NPAT was lower than the same period last financial year.
3	Feb-19	Zenith Energy announced it had received certificate of full diesel completion for the 62MW power station at Newmont's Tanami gold mine.
4	Apr-19	Zenith Energy announced it had executed a new PPA with Silver Lake Resources to extend its BOO gas fired power station at Daisy Milano gold mine to 18.3MW.
5	Apr-19	Zenith Energy announced the full completion of the 62MW power station at Newmont's Tanami gold mine, the largest Zenith Energy had constructed to date and it increased their BOO capacity by 30%.
6	Jun-19	Zenith Energy revised the guidance on FY20 EBITDA from \$26.5-28.5 million to \$24.5-26.5 million.
7	Jul-19	Zenith Energy announced the completion of a 6MW BOO expansion at Northern Star Resources' Jundee gold mine, adding to the existing 19.2 MW power plant.
8	Jul-19	Zenith Energy announced that it had ceased negotiations with Incitex Pivot to extend the MOM contract for the Phosphate Hill Project. The estimated impact on EBITDA was c. \$200,000, with Zenith Energy advising no change to their FY20 guidance.
9	Aug-19	Zenith Energy released its FY19 preliminary financial results, with revenue and EBITDA both being at the top end of its forecasted ranged. In addition, EBITDA margin improved by 2.5% from FY18, to 37.5%.
10	Oct-19	Zenith Energy announced the expansion of its BOO power station for Northern Star Resources' Jundee gold mine by 3MW.
11	Nov-19	2019 AGM discussing the growth of the company, in particular the completion of the Newmont Tanami mine power plant.
12	Dec-19	Zenith Energy announced its solar PV power plant was now live and producing zero emission energy to IGO's Nova Nickel-Copper-Cobalt Operation.
13	Feb-20	Zenith Energy released its FY20 half yearly financial reports, with revenue and EBITDA outperforming forecasts and highlighting the creation of a strong pipeline of over 450MW.
14	Feb-20	ASX begins to react to the COVID-19 outbreak. From 20 February 2020 to 23 March 2020, the ASX All Ordinaries will fall by over 37%.
15	Mar-20	Zenith Energy board recommends a proposal by Elemental to acquire Zenith Energy for \$1.01 per share.
16	Mar-20	Zenith Energy announced the expansion of its BOO power station for Billabong Golds' Plutonic Project by 6MW.
17	Mar-20	The Australian Government announced a \$130 billion stimulus package in response to COVID-19, which will encourage companies to retain their employees throughout the economic downturn.
18	Apr-20	Zenith Energy confirmed their ability and intention to pay a Special Dividend of \$0.13 per share.
19	May-20	Zenith Energy deferred the first court hearing until at least 18 May 2020, in response to Apex Opportunities Fund Pty Limited increasing their shareholding to 17.61% as at 24 April 2020.
20	May-20	Zenith Energy's largest shareholder Apex Opportunities Fund Pty Limited joined the proposal from Elemental to acquire Zenith Energy for \$1.01 per share.

Source: ASX announcements, GTCF analysis

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The monthly share price performance of Zenith Energy from May 2019 to 18 June 2020 and the weekly share price performance of Zenith Energy over the last 16 weeks is summarised below:

Zenith Energy Limited	Share Price			Average
	High	Low	Close	weekly volume
	\$	\$	\$	000'
Month ended				
May 2019	0.615	0.560	0.585	464
Jun 2019	0.570	0.470	0.520	977
Jul 2019	0.680	0.510	0.635	2,752
Aug 2019	0.630	0.540	0.580	1,293
Sep 2019	0.650	0.555	0.635	1,136
Oct 2019	0.645	0.590	0.615	694
Nov 2019	0.675	0.600	0.670	773
Dec 2019	0.670	0.610	0.640	628
Jan 2020	0.730	0.630	0.700	690
Feb 2020	0.800	0.645	0.690	1,705
Mar 2020	0.990	0.665	0.850	7,380
Apr 2020	1.035	0.845	1.015	4,724
May 2020	1.020	0.935	0.950	2,768
Week ended				
28 Feb 2020	0.760	0.690	0.690	1,788
6 Mar 2020	0.715	0.665	0.695	552
13 Mar 2020	0.990	0.890	0.925	24,207
20 Mar 2020	0.915	0.780	0.840	4,458
27 Mar 2020	0.900	0.790	0.855	2,892
3 Apr 2020	0.885	0.820	0.870	2,182
10 Apr 2020	1.010	0.880	1.000	8,035
17 Apr 2020	1.030	0.990	1.010	2,303
24 Apr 2020	1.035	0.985	0.990	5,218
1 May 2020	1.020	0.990	1.005	3,977
8 May 2020	1.020	0.970	0.975	3,054
15 May 2020	0.980	0.950	0.955	3,045
22 May 2020	0.975	0.940	0.960	2,101
29 May 2020	0.970	0.935	0.950	2,856
5 Jun 2020	0.995	0.970	0.985	8,248
12 Jun 2020	0.995	0.975	0.975	1,800

Source: S&P Global, GTCF calculations

We have considered the recent trading share prices of Zenith Energy for the purpose of our valuation. Refer to Section 6.3.2 for further details and analysis on the trading price of Zenith Energy.

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4.5.1 Top 10 shareholders

We have provided in the table below the top 10 shareholders of Zenith Energy as recorded in Zenith Energy's register of shareholders as at 18 June 2020.

Significant shareholders of ordinary shares as at 18 June 2020			
Rank	Name	Number of Shares	Interest (%)
1	Apex Opportunities Fund Pty Ltd ATF The Apex Opportunities Fund	26,309,402	17.6%
2	PEP Entities ¹	26,309,402	17.6%
3	Mr William Walker	25,267,586	16.9%
4	Westoz Funds Mgt	17,784,087	11.9%
5	MicroEquities Asset Management Pty Ltd	12,930,426	8.7%
Significant shareholders total		108,600,903	72.7%
Remaining shareholders		40,785,683	27.3%
Total ordinary shares outstanding		149,386,586	100.0%

Source: Sharetrak

Notes: (1) The PEP Entities have a relevant interest in the 26,309,402 Zenith Shares held by the Apex Trust by virtue of the Co-operation and Process Deed dated 29 May 2020. A complete copy of which was attached to the substantial holder notice lodged with ASX by the PEP Entities on 1 June 2020 and can be obtained from www.asx.com.au.

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5 Valuation methodologies

5.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Scheme Consideration of A\$1.01 per Zenith Energy Share to the fair market value of Zenith Energy Shares on a control and fully diluted basis.

Grant Thornton Corporate Finance has assessed the value of Zenith Energy using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets ("DCF Method").
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- Amount available for distribution to security holders on an orderly realisation of assets ("NAV Method").
- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

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5.3 Selected valuation methods

In our assessment of the fair value of Zenith Energy, Grant Thornton Corporate Finance has relied on three valuation methodologies as outlined below:

- **DCF Method:** For the purpose of our valuation assessment of Zenith Energy utilising the DCF method, Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on the long-term cash flow projections prepared by management of Zenith Energy ("Zenith Energy Forecast"). We have run two different scenarios. Under the As-Is Scenario we have assumed a finite life of the business while under the Extended Scenario is modelled under the assumption of Company operating in perpetuity and hence include a terminal value at a point in time.

We believe the DCF Method is appropriate due to the following:

- Zenith Energy has a long history of profitability.
- The revenue streams are supported by long term contract most of them already signed and being going for several years.
- Capital expenditure requirements are directly tied to forecasted growth, and hence known and able to be modelled in a robust way.
- Working capital requirements are minimal and able to be modelled in a robust way.
- The DCF Method is one of the most commonly used methodologies for the valuation of companies operating with finite life projects and contracts.
- **EBITDA Multiple Method:** We have cross-checked our valuation assessment based on the DCF having regard to the EBITDA multiple implied in our valuation assessment which we have compared with listed peers and comparable transactions. We have adopted the EBITDA multiple approach due to the following key considerations:
 - EBITDA is a frequently used valuation metric to assess the value of a company as it is not affected by differences in earnings caused by varying capital structures and depreciation and amortisation policies.
 - Investment analysts and other market commentators in the remote power, energy, and mining services sectors typically adopt EBITDA metrics to assess the value of companies. Zenith Energy is also covered by one investment analysts who provides forecast consensus EBITDA.
 - Zenith Energy has grown significantly since 2015 with a history of profitability, which is expected to continue over the long term.
 - Availability of transactional evidence and listed comparable companies for the calculation and analysis of implied EBITDA multiples.

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- *Quoted Security Price Method:* We have also had regard to the Quoted Security Price Method which is based on the Efficient Market Hypothesis which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.

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6 Valuation Assessment of Zenith Energy Shares

6.1 DCF Method

6.1.1 Introduction and the GT Model

For the purpose of our valuation assessment of Zenith Energy, utilising the DCF method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of Zenith Energy.
- Board approved budget for FY20 and year-to-date performance.
- Management long term projections contained in the Internal Model, which is based on a “bottom-up” forecast by contract, including organic growth and extension of current contracts, and a pipeline of new contracts.
- Market updates from investment analysts who provide coverage of Zenith Energy, including the historical and expected financial and operating performance and that of the industry as a whole.
- Key industry risks, growth prospects and general economic outlook.
- We have considered the potential impact of the COVID-19 pandemic and the related Government policies to combat the pandemic would have on the operations of Zenith Energy and we note the following:
 - Zenith Energy's client base is composed of significant large companies (market cap over A\$1 billion) with solid balance sheets. Moreover, the majority of clients operate in gold mines that are experiencing favourable market conditions due to the high gold prices and declining AUD against the USD.
 - Notwithstanding the above, there are certain risks in terms of supply chain disruption causing delays in new projects and additional costs associated with the an increase in operating costs as a consequence of the market uncertainty.

Overall, the combination of the solid client base with the proactive strategy of the Company to significantly mitigate the potential short term impact of COVID -19 has resulted in no adjustment to the cash flows. We note that any forecast adjustment associated with COVID-19 will have a negative impact on our concluded valuation.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 “*Prospective Financial Information*”.

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In accordance with the requirement of RG 111, we have undertaken a critical analysis of the FY19 and 1H FY20 actual financials, as well as the Zenith Energy Forecast before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

- Conducted high level checks, including limited procedures in relation to the mathematical accuracy of the Internal Model.
- Performed a broad review, critical analysis and benchmarking with the historical performance of Zenith Energy and current trends in the industry.
- Held discussions and interviews with Management of the Company and its advisor to discuss the Internal Model and the key underlying assumptions.
- Reviewed and benchmarked revenue growth rates and earnings margins with listed peers.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of Zenith Energy could vary materially based on changes to certain key assumptions.

As discussed in the Executive Summary, in our assessment of Zenith Energy, based on the DCF, we have considered the As-Is Scenario and the Extended Scenario which are summarised in the sections below.

6.1.2 Key valuation assumptions - As-Is Scenario

We have outlined below the key assumptions which we have adopted for the purpose of our valuation assessment for the As-Is Scenario:

- *Existing Projects* – As at the date of this report, Zenith Energy is operating on 12 sites with different types of generation facilities and PPAs. We note that certain PPAs include options for renewal and each of the mine sites have different estimated remaining mine lives depending on the available reserves and resources. Overall, we have assumed that the existing PPAs will be extended beyond the current expiry date until the full extraction of the mine reserves⁴⁸ as well as a portion of the mine resources⁴⁹ in order to take into account the risk of conversion from resources to reserves. We are of the opinion this is reasonable given the extensive costs and lost production incurred upon altering the current power solution, providing Zenith Energy with confidence that they will be able to retain their current contracts until the end of the mine lives. Historically Zenith Energy has had a track record of renewals following expiry of existing contracts.

⁴⁸ Mineral reserves are mineral deposit defined as valuable and legally, economically, and technically feasible to extract.

⁴⁹ Mineral resource are mineral deposits defined as potentially valuable and for which reasonable prospects exist for eventual economic extraction



Among the Exiting Projects of Zenith Energy, we note that on 5 June 2019, the operator of the Dalgara mine site, Gascoyne Resources Limited went into voluntary administration. Since then, the Voluntary Administrators have continued to raise purchase orders in order maintain energy supply to the mine while they progress towards trading the company out of administration or completing a sale. All of the above scenarios are likely to allow the PPA to continue under the original terms. We note that Zenith Energy's infrastructure is essential to the Dalgara mine site thus it is highly unlikely the Voluntary Administrators will terminate the PPA.

In addition to the above, Dacian Gold Limited suspended trading on the ASX on 5 February 2020 and has since announced that it is undertaking a recapitalisation to reduce debt, improve working capital and de-risk the business⁵⁰. As at the date of this report, there has been no changes to the PPA between Zenith Energy and Dacian Gold Limited.

- *Short-term Organic Growth* – Zenith Energy has historically received requests to increase the capacity of energy provided to the mine sites as result of existing mine expansions and investment in new infrastructure projects by counterparties. Accordingly, for existing contracts, we have factored into our valuation assessment the agreed, or already in advanced discussion, capacity increases that would be delivered by Zenith Energy before FY22.
- *New Growth Opportunities* – In addition to the short-term organic growth and in line with the Zenith Energy Forecast, we have assumed an additional increase in MW capacity in order to reflect further potential organic growth and the conversion of projects in the 450 MW Pipeline. Due to the inherent difficulty in making long-term forecasts, these opportunities have been modelled based on a standard BOO contract with a 10 year PPA and a capacity of 25 MW ("New Growth Contracts"). Over the forecast period, we have assumed an additional 150 MW of capacity based on the existing Pipeline. The terms of the New Contracts including power pricing and capex assumptions have been modelled based on the Company's historical performance as well as Management's expectations in order to closely resemble a standard project going forward. We note that future projects are expected to be gas fired in line with the fact that more than 75% capacity in the existing Pipeline are related to gas fired power plant opportunities.

Based on the above assumptions, the Company is expected to reach peak generation FY27 which is maintained for several years before generation capacity gradually reduces in line with the expiry of the PPAs.

Other relevant assumptions:

- *Pricing* – As described in Section 4, Zenith Energy charges a fixed capacity charge to guarantee the recovery of the capital costs incurred in building the power plant and a usage charge based on the energy provided. Both charges are computed on a monthly basis, expressed as A\$/kWh and subject to a proportion of CPI indexation based on the PPA. The pricing varies according to the type of generation facility, length of the contract and capacity installed.

⁵⁰ Dacian Gold Limited ASX announcement, 7 April 2020.



- **Operating costs** – Corporate costs have been forecast based on historical costs observed per month on a A\$/kWh basis. These costs grow in line with inflation and they are grossed up by 5% upon contract renewal to reflect the increase in operating costs due to the aging of equipment and associated increased maintenance costs.
- **EBITDA Margin** – EBITDA margins are forecast to be in line with the historical levels observed in FY19 and 1H FY20 with a slight increase during the peak capacity due to Zenith Energy achieving certain economies of scale.
- **Tax rate** – We have applied a tax rate for Zenith Energy's forecast cash flows from FY20 onwards in line with the statutory Australian corporate tax rate of 30%.
- **CPI** – Given the current monetary policy in place in Australia and around the world, we have selected a CPI rate of 2% which is at the low-end of the target inflation of the RBA.
- **Capital expenditure** – Two categories of capital expenditure have been considered, as follows:
 - **Growth Capex** – Growth capex is assumed to be the cost of building new power generating assets. For the purpose of the DCF analysis, we have assumed that growth capex is required before the start of every new contract, generally in the 12 months prior to the commencement of generation, and the capex forecast is reflective of historical costs on A\$/MW basis escalated at a rate of CPI.
 - **Major and minor rebuild capex** – They represent the on-going capital expenditure that is required to keep the assets in working condition and avoid downtime, expressed on an A\$/MW basis. For each of the Existing Projects, the rebuild capex has been forecast in line with the historically incurred maintenance costs. Zenith Energy Management undertook a review of the costs of both mid-life rebuilds and full rebuilds for each type of generator. Major rebuild costs are a comprehensive set of rebuild works often in association with a contract renewal and they are usually only required for projects with a longer life. Minor rebuild capex is associated with a mid-life project capex investment.
- **Changes in working capital** – In calculating the net working capital ("NWC") we have considered the historical NWC to revenue ratios for both Zenith Energy and its peers. We note that Zenith Energy's trade receivables are generally due for settlement within 30 days while trade and other payables usually have 30 to 60 day payment terms.
- **Net debt** – We have adopted a net debt after cash adjustments of circa A\$101.6 million⁵¹ as at 30 April 2020. We note that the net debt position of the Company did not change materially since 31 December 2019 when the net debt was A\$99.7 million.
- **Surplus asset** – As at 30 April 2019 Company has circa A\$2.3 million⁵² of related party receivables in relation to loans provided by the Company to certain key management personnel for the acquisition of shares, which we have considered as a surplus asset in our valuation assessment.

⁵¹ As per management accounts.

⁵² As per management accounts.



- **Shares on issue** – We have assessed the valuation of Zenith Energy on a fully diluted basis of 149,792,161. We have included the 149,469,586 Zenith Energy Shares on issue as the date of this report and the 322,575 Performance Rights that will be converted into shares before the implementation of the Scheme.
- **Discount rate** – Zenith Energy's cash flow assumptions have been prepared on a nominal, ungeared post-tax basis. Grant Thornton Corporate Finance has selected a nominal, post tax weighted average cost of capital (WACC) between 8.0% and 8.5%.

Our valuation of Zenith Energy under the As-Is Scenario is set out below.

DCF Method - As-Is Scenario A\$ '000 (except where stated otherwise)	Section Reference	Low	High
Enterprise value on a control basis	6.1.2	209,417	218,750
Less: Net debt as at 30 April 2019	6.1.2	(101,642)	(101,642)
Add: Surplus asset as at 30 April 2019	6.1.2	2,417	2,417
Equity Value (control basis)		110,192	119,525
Number of outstanding shares ('000s) (fully diluted)	6.1.2	149,792	149,792
Value per share (control basis) (A\$ per Share)		0.74	0.80

Source: GTCF analysis

Our value per share of Zenith Energy under the As-Is Scenario is between A\$0.74 and A\$0.80.

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It should be noted that the enterprise value of Zenith Energy could vary materially based on changes in certain key assumptions. Accordingly, we have conducted a sensitivity analysis below to highlight the impact on the value of Zenith Energy's equity value based on the DCF Method caused by movements in certain key assumptions. The following table summarises our results.

Sensitivity analysis (\$ per share)			% Change	
	Low	High	Low	High
Value per Zenith Share (As-Is Scenario)	0.74	0.80		
<u>Discount rate - WACC</u>				
Decreased by 1.5%	0.93	1.01	26.8%	26.1%
Increased by 1.5%	0.57	0.62	(22.9%)	(22.3%)
<u>Inflation Rate</u>				
Decreased by 0.5%	0.72	0.78	(2.4%)	(2.4%)
Increased by 0.5%	0.75	0.82	2.5%	2.5%
<u>Discount in fixed capacity charge due to extension (Existing Projects)</u>				
Discount equal to 0.0%	0.79	0.86	8.0%	7.8%
Discount equal to 5.0%	0.77	0.83	4.0%	3.9%
<u>Major/Minor Rebuilding capex for Existing Projects</u>				
Decreased by 15%	0.78	0.85	6.6%	6.3%
Increased by 15%	0.69	0.75	(6.6%)	(6.3%)
<u>Growth Capex - New Growth</u>				
Decreased by 15%	0.75	0.81	2.1%	1.9%
Increased by 15%	0.72	0.78	(2.1%)	(1.9%)
<u>Increase on Opex due to aging</u>				
Decreased by 2.5%	0.74	0.81	0.9%	0.9%
Increased by 2.5%	0.73	0.79	(0.9%)	(0.9%)
<u>PPA fixed capacity rate Rate - New Growth</u>				
Decreased by 10.0%	0.68	0.74	(7.8%)	(7.5%)
Increased by 10.0%	0.79	0.86	7.8%	7.5%
<u>PPA usage capacity charge - New Growth</u>				
Decreased by 10.0%	0.70	0.76	(5.4%)	(5.2%)
Increased by 10.0%	0.78	0.84	5.4%	5.2%

Source: GTCF analysis

6.1.3 Key valuations assumption - Extended Scenarios

- The Extended Scenarios are based on the As-Is Scenario up to 2030⁵³ when we have then calculated a terminal value assuming a maintainable MW capacity between 250 MW and 300 MW. In determining a reasonable maintainable level of capacity, we considered the capacity of the existing projects and their contractual profile, as well the commencement and duration new projects. Under the As-Is scenario, we note that Company's MW capacity fluctuates mostly between 200 and 300 MW before declining in line with the termination of the contracts. Further, in our assessment we have had regard

⁵³ When Zenith Energy reaches a reasonable maintainable MW capacity which we have assumed in 2030.



to the Pipeline of qualified opportunities which is in excess of 450 MW as well the additional 700 MW of identified growth opportunities which are not included in the Pipeline. In order to deliver and maintain this level of capacity, it is possible that the Company would be required to raise additional capital.

- The pricing, operating expenses and EBITDA margin for the terminal year have been assumed in line with the contracts modelled to capture the New Growth in the As-Is Scenario. From our conversations with Management, we understand that such contracts closely resemble a future potential contract and are based on historical observations of existing PPAs. The resulting EBITDA margin before corporate costs is consistent with the EBITDA margin of previous forecast years as well as with the margins historically achieved in FY19 and 1H FY20 of between 68% and 73%, respectively.

The table below summarises our value per share under the Extended Scenario's with 250 MW and 300 MW capacity assumptions.

DCF Method - Extended Scenario A\$ '000 (except where stated otherwise)	Section Reference	250 MW		300 MW	
		Low	High	Low	High
Enterprise value on a control basis		225,055	248,697	255,985	285,550
Less: Net debt as at 30 April 2019	6.1.2	(101,642)	(101,642)	(101,642)	(101,642)
Add: Surplus asset as at 30 April 2019	6.1.2	2,417	2,417	2,417	2,417
Equity Value (control basis)		125,830	149,472	156,760	186,325
Number of outstanding shares ('000s) (fully diluted)	6.1.2	149,792	149,792	149,792	149,792
Value per share (control basis) (A\$ per Share)		0.84	1.00	1.05	1.24

Source: GTCF analysis

It should be noted that the enterprise value of Zenith Energy could vary materially based on changes in certain key assumptions. Accordingly, we have conducted a sensitivity analysis below to highlight the impact on the value of Zenith Energy's equity based on the DCF Method caused by movements in certain key assumptions. The following table summarises our results.

Sensitivity analysis (A\$ per share)			% Change	
	Low	High	Low	High
Value per Zenith Share (Extended Scenario - 250 MW)	0.84	1.00		
<u>Discount rate - WACC</u>				
Decreased by 1.5%	1.32	1.61	57.2%	61.6%
Increased by 1.5%	0.56	0.66	(33.1%)	(33.7%)
<u>Inflation Rate</u>				
Decreased by 0.5%	0.90	1.06	7.0%	6.4%
Increased by 0.5%	0.77	0.92	(8.0%)	(7.4%)
<u>Terminal growth rate</u>				
Decreased by 1.0%	0.64	0.75	(24.0%)	(24.8%)
Increased by 1.0%	1.12	1.35	32.9%	34.8%
<u>Fixed Capacity charge indexation proportion %</u>				
Increased by 20%	0.89	1.06	6.5%	6.2%
Increased by 50%	0.98	1.15	16.2%	15.4%

Source: GTCF analysis

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Sensitivity analysis (A\$ per share)		% Change	
	Low	High	
Value per Zenith Share (Extended Scenario - 300 MW)	1.05	1.24	
<u>Discount rate - WACC</u>			
Decreased by 1.5%	1.66	2.03	58.7%
Increased by 1.5%	0.70	0.82	(33.5%)
<u>Inflation Rate</u>			
Decreased by 0.5%	1.11	1.31	5.7%
Increased by 0.5%	0.98	1.17	(6.6%)
<u>Terminal growth rate</u>			
Decreased by 1.0%	0.80	0.94	(23.8%)
Increased by 1.0%	1.39	1.67	32.6%
<u>Fixed Capacity charge indexation proportion %</u>			
Increased by 20%	1.11	1.32	6.2%
Increased by 50%	1.21	1.43	15.6%

Source: GTCF analysis

6.1.4 Value summary based on the DCF approach

We have set out below a summary of our valuations scenarios and the assessed valuation range.

Valuation assessment summary	Section		
A\$ per share	Reference	Low	High
DCF - As-Is Scenario	6.1.2	0.74	0.80
DCF - Extended Scenario - 250MW	6.1.3	0.84	1.00
DCF -Extended Scenario - 300MW	6.1.3	1.05	1.24
Assessed fair market value per share (control basis)		0.87	1.01

Source: GTCF analysis

We have assessed the value per share of Zenith Energy under the DCF approach between A\$0.87 and A\$1.01.

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6.2 Cross Check – Implied EBITDA Multiple Method

6.2.1 Implied EBITDA Multiple

We have set out in the table below the historical (FY19) and forecast (FY20, and FY21) EBITDA multiples implied in our valuation assessment of Zenith Energy based on our DCF valuation.

Implied EBITDA multiple		
A\$ '000 (except where stated otherwise)	Low	High
Enterprise value (control basis)	232,569	253,416
EBITDA		
FY19 EBITDA (Actual)	20,726	20,726
FY20 EBITDA (FY20 Guidance)	30,000	30,000
FY20 EBITDA (Broker Forecast)	30,700	30,700
FY21 EBITDA (Broker forecast)	33,800	33,800
Implied EV/EBITDA		
FY19 EV/EBITDA (Actual)	11.2x	12.2x
FY20 EV/EBITDA (FY20 Guidance)	7.8x	8.4x
FY20 EV/EBITDA (Broker Forecast)	7.6x	8.3x
FY21 EV/EBITDA (Broker forecast)	6.9x	7.5x

Sources: S&P Global, Management, GTCF Analysis

Notes: (1) Enterprise value on a control basis is based on the average of our calculated values in the DCF

6.2.2 EV/EBITDA Multiple of listed peers and comparable transactions

The selection of the appropriate EBITDA multiple to apply is a matter of professional judgement and involves consideration of a number of factors including the stability and quality of earnings, the nature of the business, the financial structure of the company and gearing levels, future prospects of the business, and the nature of the industry.

For the purpose of our benchmarking analysis we have put greater reliance on the EBITDA multiple implied by comparable transactions instead that the multiple of trading peers due to the following.

- **Limited amount of trading comparable companies** – Between FY19 and FY20, several trading companies had been acquired, reducing the basket of comparable trading companies. We note that the trading peers, despite building and operating trading power plants similarly to Zenith Energy, primarily sell their generated electricity on the NEM instead of to remote sites like the Company.
- **COVID-19 out-break** – The outbreak of COVID-19 has had a significant impact on the global economy, with many countries going into lockdown to prevent the spread. As a result, the ASX All Ordinaries Index has fallen more than 37% from 20 February 2020 to 23 March 2020. In our opinion, it is not necessarily appropriate to reflect in the underlying value of Zenith Energy on a control basis reflecting short-term market volatility due to the outbreak of COVID-19.

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6.2.3 Transaction Multiples

We have set out below the pool of comparable transactions considered in our valuation assessment. A brief description of each transactions and the comparable companies is provided in Appendix B and C.

Date	Target Company	Country	Bidder Company	Stake (%)	Deal Value (\$m)	EBITDA Multiple ¹
Jan-20	Windlab Limited	Australia	Federation Asset Management Pty Ltd; Squadron Wind Energy Development Pty Ltd	81%	69	NM
Jul-19	Pacific Energy Limited	Australia	QIC Private Capital Pty Ltd	100%	545	8.1x
Aug-19	ERM Power Limited	Australia	Shell Energy Australia Pty Ltd	100%	853	6.6x
Aug-18	Tilt Renewables Limited	Australia	Infratil Limited; Mercury NZ Limited	14%	96	12.0x
May-18	Tilt Renewables Limited	Australia	Mercury NZ Limited	20%	144	12.1x
Apr-18	Infigen Energy Limited	Australia	BIF III Logan Aggregator L.P.	9%	50	7.3x
Mar-18	Snowy Hydro Limited	Australia	NA	87%	7,069	11.1x
Mar-17	Redbank Energy Limited	Australia	Chow Tai Fook Enterprises Limited	100%	4,100	9.8x
Dec-16	DUET Group	Australia	Power Assets Holdings Limited; Cheung Kong Infrastructure Holdings Limited (nka:CK Infrastructure Holdings Limited); Cheung Kong Property Holdings Limited (nka:CK Asset Holdings Limited)	100%	14,123	14.5x
Mar-16	Diamantina Power Station Pty Ltd	Australia	APA Group	50%	151	8.0x
Jul-15	Energy Developments Limited	Australia	DUET Group	100%	1,955	9.0x
Sep-14	Infratil Energy Australia Pty Ltd. (nka:Lumo Generation SA Pty Ltd)	Australia	Snowy Hydro Limited	100%	648	12.0x
Average						10.0x
Median						9.8x

Sources: S&P Global, GTCF analysis

Note: (1) EBITDA multiples calculated based on the historical EBITDA

In relation to the multiples implied by the comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special value paid for by acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers.
- Economic and market factor may be materially different at the respective transaction dates from those that are at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses. In particular, we note that the Zenith Energy transaction is taking place in a volatile market, which is being impacted by the COVID-19 outbreak and an oil price war between Russia and Saudi Arabia. The selected comparable transactions occurred when there was more stability in the global economy.
- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated).

In our valuation assessment, we have mainly relied on the recent acquisition of Pacific Energy Limited.

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Pacific Energy Limited

Pacific Energy Limited ("PEA") is Zenith Energy's most significant competitor and it was recently acquired by funds managed or advised by QIC Private Capital Pty Ltd via a scheme of arrangement. PEA is an Australian energy supply business, generating energy for mining sites and remote communities via gas, diesel and hydro fuelled electricity generation. Similar to Zenith Energy, it is heavily focussed on BOO contracts which accounted for c. 72% of their operating revenues for FY19⁵⁴. As of FY19, PEA had 360 MW of generation capacity which is greater than Zenith Energy which has 226 MW capacity under BOO.

The BOO operating model allows both Zenith Energy and PEA to retain ownership of the generating assets, which incentivises the counterparty to extend their existing contracts to avoid the costly process of constructing a new power station. As a result, both Zenith Energy and PEA enter into contracts comprising of a minimum monthly fee and an additional variable supply charge.

One of the key differences is that Zenith Energy primarily focus on the construction of power stations that utilise gas (c. 70%⁵⁵ of BOO MW's fuelled by gas) as the main fuel source, while approximately 66%⁵⁶ of PEA's power stations are fuelled with diesel. The installation of gas pipelines requires a large initial outlay, which is usually associated with longer PPAs. Consequently, we note that Zenith Energy typically enters into contracts of typically 5-10 years, versus less than 5 years for PEA.

Zenith Energy has historically operated with an EBITDA margin between 31% and 38%, however their FY20 YTD margin has significantly improved to c. 50%, as a result of the strategic shift to BOO. PEA have historically operated at EBITDA margins of circa 53%⁵⁷ and it is considerably larger than Zenith Energy, recording c. A\$121 million revenue in FY19, compared to Zenith Energy's A\$55.2 million.

The two businesses were also in a different stage of their life cycle, with Zenith Energy currently experiencing substantial growth whereas PEA is a more established player in the remote energy industry. This is also reflective in the higher level of gearing of Zenith Energy which is expected to normalised over time once scale is achieved

Other transactions

We have set out below a brief overview of the other transactions, however we have placed limited reliance on them due to the reasons outlined below:

- **EDL** – It is an electricity generator which operates a portfolio of remote and renewable/clean energy power stations and it was acquired by DUET Group in 2015. Whilst the business operations of EDL are relatively comparable to Zenith Energy, the former is considerably larger than Zenith Energy, with more than 1,070MW⁵⁸ capacity and a global presence with more diversified operations, including land fill gas.

⁵⁴ Pacific Energy Scheme Booklet – September 2019

⁵⁵ Zenith Energy Management

⁵⁶ Pacific Energy Scheme Booklet – September 2019

⁵⁷ In FY19.

⁵⁸ <https://edlenergy.com/>



- *Tilt Renewables Limited* – Tilt Renewables Limited generates and supplies renewable energy to the NEM, entering contracts with retailers to guarantee the price of electricity. In May 2018, Tilt Renewables were approached by Mercury NZ Limited and Infratil Limited to acquire the remaining 29% of shares in the company they did not already own. We consider this transaction as of limited comparability given that Tilt sells electricity into the NEM.
- *ERM Power Limited* – ERM Power Limited ("ERM Power") is an Australian energy management business, specialising in electricity retailing for large commercial businesses, while also generating electricity through their operation of 662MW of low-emission, gas fired peaking power stations⁵⁹. Their core focus on the energy retailing market results in a low margin of (c. 3% for FY19), and consequently we consider this transaction not relevant for Zenith Energy.
- *Windlab Limited* – The recently announced acquisition of Windlab by Federation Asset Management Pty Ltd and Squadron Wind Energy Development Pty Ltd is not considered relevant given that Windlab only recently began generating electricity at its windfarms following a period of significant investment in developing their assets. As such, they recorded an operating loss in FY19 (December year-end), and hence their enterprise value to EBITDA multiple is non-meaningful.
- *Remaining transactions* – we have not considered the remaining transactions outlined in the table above in our analysis due to the limited comparability of the target companies in terms of operations (grid connected generation facilities), and the fact that a number of these transactions were for minority interests.

6.2.4 EV/EBITDA multiple of listed peers

Having regard to the current economic situation caused by the global outbreak of COVID-19, we have assessed the trading multiples of comparable companies using the VWAP for a period of three months prior to the SID Announcement Date. We believe this accounts for the short term volatility in the share price of listed peers caused by the impact of the COVID-19 outbreak.

In the selection of the listed peers, we have considered comparable companies in the energy generation and mining services industries. The energy generation companies typically supply their energy to Australian electricity grids under long term contracted agreements. Whilst operating under long term PPAs, we do not consider these companies to be adequately comparable to Zenith Energy as they sell energy into the NEM. The mining services companies provide services such as mine development and drilling to the mining and resources industry. Despite their business operations being different from Zenith Energy, the growth opportunities and risk profile of Australian mining services providers is inherently similar to that of Zenith Energy, due to their shared dependence and significant reliance on the performance of the mining industry.

⁵⁹ ERM Scheme Booklet – 4 October 2019



Summarised below are the trading multiples of the selected Australian listed companies.

Company	Country	Market	Enterprise	EV/EBITDA					
		Cap	Value	FY18	FY19	LTM	FY20	FY21	FY22
		A\$ millions	A\$ millions	Actual	Actual	Actual	Projected	Projected	Projected
Contrated Power Generation Companies									
Zenith Energy Limited	Australia	107	207	11.6x	9.9x	7.7x	6.9x	6.1x	NA
Tilt Renewables Limited	Australia	1,437	1,202	11.6x	9.0x	8.7x	10.4x	14.0x	11.3x
Infigen Energy Limited	Australia	679	1,196	7.9x	7.2x	6.9x	7.4x	7.8x	9.3x
Genex Power Limited	Australia	84	192	NM	NM	NM	NM	14.3x	12.8x
Mining Services Provider Companies									
Perenti Global Limited	Australia	1,062	1,615	11.9x	5.3x	4.0x	3.7x	3.5x	3.4x
Macmahon Holdings Limited	Australia	615	722	6.4x	4.4x	3.7x	3.1x	2.9x	2.8x
NRW Holdings Limited	Australia	1,260	1,425	16.2x	9.9x	11.2x	5.5x	4.9x	4.7x
MACA Limited	Australia	265	187	2.5x	2.4x	2.3x	1.7x	1.7x	1.6x
Average (Excl. Zenith)				9.4x	6.4x	6.2x	5.3x	7.0x	6.6x
Median (Excl. Zenith)				9.8x	6.3x	5.5x	4.6x	4.9x	4.7x

Source: S&P Global, GTCF Analysis

Notes: (1) Market Capitalisation and Enterprise Value are determined based on a share price equal to the 3 month VWAP up to the Initial SID Announcement Date. (2) EV/EBITDA multiples for LTM are based on an EBITDA figure which is adjusted to remove the impact of the new AASB 16 Leasing standard. (3) Enterprise Value is calculated using a net debt exclusive of AASB 16 operating leases.

A brief description of the selected comparable companies is set out in Appendix C.

As previously discussed, we have not placed reliance on the listed peers as the level of comparability is limited. We have outlined their multiples in the table above for completeness of our analysis and because they overall provide directional support for the EBITDA multiple implied in the DCF assessment.

6.2.5 Multiple conclusion

Based on the above analysis, we are of the opinion that the FY20 EBITDA multiples implied in our assessment based on the DCF between 7.8 times and 8.4 times for FY20 based on Company's FY20 Guidance Update and between 7.6 times and 8.3 times for FY20 based on broker estimates is not unreasonable based on the Pacific Energy Transaction which implied a FY19 EBITDA multiple of 8.1 times. We note that the growth prospects in the short term of Zenith Energy are superior to Pacific Energy which support the slightly higher EBITDA multiple.

In addition, the EBITDA multiple implied in the acquisition of EDL in 2015 is not inconsistent with the Average FY20 EBITDA Multiples implied in our valuation assessment based on the DCF.

6.3 Quoted Security Pricing Method

In our assessment of the fair market value of Zenith Energy shares, we have also had regard to the trading price of the listed securities on the ASX in the period prior to 9 March 2020 when the Company made the Initial SID Announcement, on the basis that the share prices observed after this time are influenced by the terms of the Initial Scheme and subsequent Scheme.

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In accordance with the requirements of RG111, we have analysed the liquidity of Zenith Energy shares before relying on them for the purpose of our valuation assessment. We have set out below the monthly trading volume of Zenith Energy shares since September 2018 as a percentage of the total shares outstanding as well as free float shares outstanding⁶⁰.

Liquidity analysis							
Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of total shares	Cumulative Volume traded as % of free float shares
Sep 2018	6,527	0.88	5,743	6.7%	8.9%	6.7%	8.9%
Oct 2018	3,778	0.76	2,889	3.9%	5.2%	10.5%	14.1%
Nov 2018	4,321	0.74	3,216	4.4%	5.9%	14.9%	20.0%
Dec 2018	1,561	0.66	1,025	1.6%	2.1%	16.5%	22.2%
Jan 2019	2,926	0.67	1,967	3.0%	4.0%	19.5%	26.2%
Feb 2019	9,735	0.70	6,780	9.9%	13.3%	29.4%	39.5%
Mar 2019	2,743	0.66	1,804	2.8%	3.8%	32.2%	43.3%
Apr 2019	1,651	0.62	1,018	1.7%	2.3%	33.9%	45.6%
May 2019	2,135	0.59	1,259	2.2%	2.9%	36.1%	48.5%
Jun 2019	3,909	0.52	2,032	3.5%	4.7%	39.6%	53.1%
Jul 2019	12,660	0.56	7,133	9.2%	12.3%	48.8%	65.5%
Aug 2019	5,687	0.58	3,321	3.8%	5.1%	52.6%	70.6%
Sep 2019	4,770	0.62	2,942	3.2%	4.3%	55.8%	74.9%
Oct 2019	3,191	0.62	1,986	2.1%	2.9%	57.9%	77.7%
Nov 2019	3,248	0.63	2,048	2.2%	2.9%	60.1%	80.7%
Dec 2019	2,875	0.63	1,816	1.9%	2.6%	62.0%	83.3%
Jan 2020	3,035	0.67	2,033	2.0%	2.7%	64.0%	86.0%
Feb 2020	6,819	0.73	4,976	4.6%	6.1%	68.6%	92.1%
Min				1.59%	2.14%		
Average				3.81%	5.12%		
Median				3.09%	4.15%		
Max				9.93%	13.34%		

Source: S&P Global, GTCF analysis

Note: The analysis is based on the period prior to 9 March 2020, when the company announced it entered into the SID.

We make the following observations in relation to the table above:

- The level of the free float of Zenith Energy shares is c.75%⁶¹. From September 2018 to February 2020, approximately 92.1% of the free float shares were traded with an average monthly volume of 4.38% of the total free float shares. This indicates that the level of liquidity is robust.

⁶⁰ Free float shares exclude those owned by Company employees, individual insiders, related parties and other strategic investors.

⁶¹ This comprises of the total shares outstanding 149,469,586 less the shares held by company employees and strategic corporate investors



- A relatively higher level of trading can be noticed in February 2019 and June 2019. The increased volume in February 2019 was likely a result of numerous positive announcements that Zenith Energy made throughout the month, including the signing of a new 14.5 MW BOO PPA, the full diesel completion of their 62MW Newmont Tanami and positive earnings and growth news in their FY19 half year accounts. The increased volume in July 2019 was primarily caused by Pandal Group Limited becoming a substantial shareholder with the purchase of c. 7.7 million shares, and Thorney Opportunities Limited ceasing to be a substantial shareholder with the sale of c. 1.9 million shares. It is likely that the announcement of Zenith Energy's main competitor, Pacific Energy, entering into a scheme implementation deed on 24 July 2019 also contributed to the increase in volume observed in July, with a volume of c. 1.21 million for the day of that announcement.
- The difference between the cumulative volume of free float and total shares traded is primarily due to Founder and Executive Chairman Doug Walker having a sizeable shareholding of 16.9% of total shares.
- In the absence of a takeover or other transactions, the trading price represents the value at which minority shareholders could realise their portfolio investment.
- Zenith Energy complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Zenith Energy.

Zenith Energy stock is covered by one investment analyst, who provides updates to the market on a regular basis. In addition, Zenith Energy Management releases periodic statements regarding their expected level of revenue and EBITDA for the following financial year.

As part of our liquidity assessment, we have benchmarked Zenith Energy's liquidity level to its peers as set out in the table below.

Liquidity analysis			Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Company	Country	Free float (%)				
Zenith Energy Limited	Australia	74.5%	3.8%	5.1%	68.6%	92.1%
Tilt Renewables Limited	Australia	14.3%	0.2%	1.3%	3.5%	24.5%
Infigen Energy Limited	Australia	72.2%	4.1%	5.6%	70.9%	98.2%
Genex Power Limited	Australia	69.8%	2.5%	3.6%	37.6%	53.8%
Low		14.3%	0.2%	1.3%	3.5%	24.5%
Average		57.7%	2.6%	3.9%	45.1%	67.2%
Median		71.0%	3.2%	4.3%	53.1%	73.0%
High		74.5%	4.1%	5.6%	70.9%	98.2%

Source: S&P Global, GTCF analysis

Note: (1) For the 18 months prior to 9 March 2020, when the Company entered in the Initial SID.

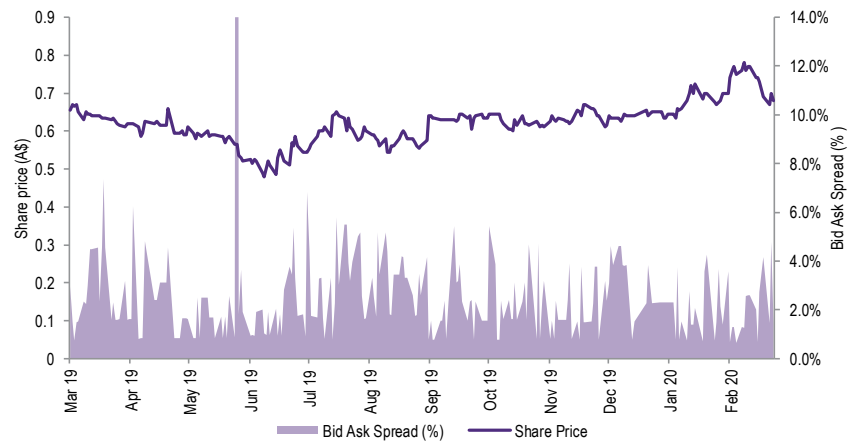
In relation to the above we note that the liquid of Zenith Energy shares is above that of a majority of their peers. Infigen Energy Limited shares display a similar level of liquidity, while Tilt Renewables Limited and Genex Power Limited have a significantly lower level of liquidity.

Overall, the volume traded over the period from September 2018 in Zenith Energy's shares of 69% based on total shares on issue or 92% based on the free float shares is at the higher end of its peers.

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In addition to the above, where a company's stock is not heavily traded or relatively illiquid, the market typically observes a sizeable difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, we note that the historical average bid-ask spread has not been material (2.8%) in the twelve months prior to the company announcing the Initial Scheme, being at a comparable level to its peers.



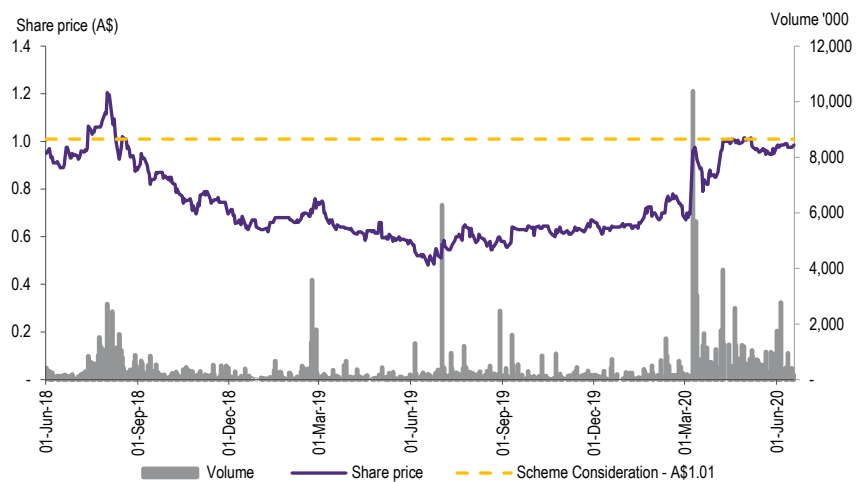
Source: S&P Global, GTCF analysis

Based on the analysis above, we believe that it is not unreasonable to adopt the Quoted Share Price security method as a reference point for the fair market value of Zenith Energy.

6.3.1 Valuation assessment of Zenith Energy based on the trading price

As part of our valuation procedures based on the trading price, we have analysed the performance of Zenith Energy's share price since June 2018.

Historical share price of Zenith Energy:



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Source: S&P Global, GTCF analysis.

We make the following observations in relation to the chart above:

- Zenith Energy reached their all-time share price high of A\$1.025 on 1 August 2018⁶², following several significant market announcements throughout the first half of 2018, including the signing of a PPA for Newmont's 62MW Tanami gold mine, the commissioning of the 17MW BOO power station at Mt Morgan for Dacian Gold and the commissioning of the 15MW BOO power station at Dalgara for Gascoyne Resources. All three projects would impact Zenith Energy's financial performance materially, and contributed to their strong growth and transition towards BOO projects.
- Following the high in August 2018, the share price steadily fell for the subsequent 6 months. This decline in share price was consistent with the performance of the market.
- In June 2019, Zenith Energy reaching their lowest price for the period of A\$0.501 on 17 June 2019. This decline in share price was contributed to by Zenith Energy revising its EBITDA and revenue guidance level down.
- Zenith Energy has not paid dividends since listing in 2017.
- Since the announcement of the Initial SID on 8 March 2020, the Zenith Energy share price initially rose to be primarily in line with the Scheme Consideration of \$1.01. A subsequent decline is observed in the later part of March, consistent with the broader market performance in response to the COVID-19 outbreak, before a recovery to align with the Scheme Consideration. The Zenith Energy share price has remained at a level primarily in line with or just below the Scheme Consideration of \$1.01 since April 2020.

6.3.2 Conclusion on the selected valuation range

Set out below is a summary of the VWAP of Zenith Energy shares before the SID announcement on 9 March 2020.

VWAP			
A\$ per share	Low	High	VWAP
Prior to 9 March 2020			
1 day prior	0.68	0.70	0.69
5 days prior	0.67	0.73	0.69
10 days prior	0.67	0.77	0.72
30 days prior	0.66	0.80	0.73
2 months prior	0.63	0.80	0.71
3 months prior	0.61	0.80	0.70
4 months prior	0.60	0.80	0.68
5 months prior	0.60	0.80	0.67
6 months prior	0.56	0.80	0.66
9 months prior	0.47	0.80	0.62

⁶² ASX website



Source: S&P Global, GTCF analysis

Based on the above and the discussions/analysis in the previous sections, we have assessed the fair market value of Zenith Energy's shares based on the trading price before 9 March 2020⁶³ between A\$0.70 and A\$0.73 on a minority basis.

6.3.3 Premium for control

Evidence from studies suggests that successful takeovers in Australia have completed based on the premium for control in the range of 20% to 40% (see Appendix F).

In addition, we have considered the premium for control paid by acquirers in the Australian energy industry. The analysis below indicated a control premium paid between 31.8% and 59.8% based on the 1 Month VWAP prior to announcement. We have considered transactions from comparable Australian energy generation companies, and hence are of the belief that these transactions provide good directional evidence of the premium for control paid in the remote energy industry.

Date	Target Company	Bidder Company	Stake (%)	Status	Trading price premium	
					1 Day Price	1 Month VWAP
Jan-20	Windlab Limited	Federation Asset Management Pty Ltd; Squadron Wind Energy Development Pty Ltd	81%	Announced	38.9%	40.1%
Jul-19	Pacific Energy Limited	QIC Private Capital Pty Ltd	100%	Closed	50.7%	59.8%
Aug-19	ERM Power Limited	Shell Energy Australia Pty Ltd	100%	Closed	40.7%	35.8%
Dec-16	DUET Group	Power Assets Holdings Limited; Cheung Kong Infrastructure Holdings Limited (nka:CK Infrastructure Holdings Limited); Cheung Kong Property Holdings Limited (nka:CK Asset Holdings Limited)	100%	Closed	28.9%	31.8%
Low					28.9%	31.8%
Average					39.8%	41.9%
Median					39.8%	38.0%
High					50.7%	59.8%

Source: S&P Global, GTCF analysis

Given the distribution of the control premium in the Australian market in general and in the above transactions in particular, we have applied in our valuation assessment based on the trading prices a control premium in the range of 30% to 40% as set out in the table below. We note that the premium paid in the PEA Transaction was impacted by the highly competitive nature of the transaction which is unlikely to manifest in the case of Zenith Energy given the current market conditions affected by COVID-19.

Quoted Security Price Method	Section	Low		High
A\$ per share	Reference			
Value per share (on a minority basis)	6.3.2	0.70		0.73
Control premium	6.3.3	30.0%		40.0%
Value per share (on a control basis)		0.91		1.02

Source: GTCF analysis

⁶³ The Initial SID was lodged with the ASX on 6 March 2020, however the announcement was released publicly on the 9 March 2020.



We note that our valuation assessment based on the trading prices plus a premium for control is in line with our valuation assessment based on the DCF approach.

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7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Scheme Booklet.
- Annual reports / consolidated accounts of Zenith Energy for FY16 to 1H FY20.
- FY20 budget pack and minutes of Board meetings.
- Management Presentation and Projections.
- Press releases and announcements by Zenith Energy on the ASX.
- Management accounts related to FY20.
- Management reports for the last 6 months before the announcement of the Scheme.
- S&P Global / Capital IQ
- Zenith Energy customer contracts
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Zenith Energy and its advisers.

7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to provide an independent opinion as to whether the Scheme is in the best interests of the Zenith Energy Shareholders. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of Zenith Energy shareholders.

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Zenith Energy has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to Zenith Energy shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Comparable transactions' target company descriptions

Target	Description
Windlab Limited	Windlab Limited develops, finances, constructs, and operates wind farms in Australia, Africa, and North America. It also provides asset management services to various operating wind farms. The company has development projects with a capacity of approximately 7,500 megawatts. Windlab Limited was founded in 2003 and is headquartered in Canberra, Australia.
Pacific Energy Limited	Pacific Energy Limited, together with its subsidiaries, develops, builds, operates, and manages electricity generation facilities in Australia. It owns and operates approximately 40 power stations with a total power generation capacity of 400 MW utilizing gas, diesel, dual fuel, or water. The company is based in Landsdale, Australia.
ERM Power Limited	ERM Power Limited, a diversified energy company, engages in the generation and sale of electricity in Australia. It operates through Business Energy Australia, Generation Assets, Energy Solutions, and Other segments. The company operates 662 megawatts of low emission gas-fired power stations in Western Australia and Queensland. It also provides energy advices and services that uses smart data and advanced analytics. In addition, the company is involved in the gas business, as well as retailing of electricity. It sells electricity to the commercial and industrial customers, and small to medium enterprises. ERM Power Limited was founded in 1980 and is headquartered in Brisbane, Australia. As of November 26, 2019, ERM Power Limited operates as a subsidiary of Shell Energy Australia Pty Ltd.
Tilt Renewables Limited	Tilt Renewables Limited, together with its subsidiaries, develops, owns, and manages renewable energy generation assets. It generates electricity from renewable energy sources, such as wind and solar energy sources. The company owns 440 MW of wind generation assets in Australia and 196 MW of wind generation assets in New Zealand. It also offers financial services. The company is headquartered in Melbourne, Australia. Tilt Renewables Limited is a subsidiary of Infratil Limited.
Infigen Energy Limited	Infigen Energy Limited develops, owns, and operates renewable energy generation assets in Australia. It has 557 megawatts of installed generation capacity in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,100 megawatts of wind and solar projects in Australia. Infigen Energy Limited was founded in 2003 and is headquartered in Sydney, Australia.
Snowy Hydro Limited	Snowy Hydro Limited generates and markets renewable electrical energy in Australia. It owns, operates, and maintains gas-fired power stations and gas-fired generator, and owns and operates diesel fired peakers. The company operates and maintains the Snowy Mountains Scheme, an integrated water and hydro-electric power utility located in Australia's Southern Alps. It operates 16 power stations with a generation capacity of approximately 5,500 megawatts across New South Wales, Victoria, and South Australia. The company also provides peak, renewable electricity and risk management financial hedge products to the National Electricity Market. It retails electricity and gas to retail customers, small to medium enterprises, and commercial and industrial customers. Snowy Hydro Limited is based in Cooma, Australia.
Redbank Energy Limited	Redbank Energy Limited owns and manages Redbank power station in Australia. The company's Redbank power station is a 151MW coal fired base load power station located near Singleton in the Hunter Valley, New South Wales. It also offers an interactive energy house to provide consumers with the information they need to take action to reduce their energy consumption and bills using natural gas. The company was formerly known as Alinta Energy Limited and changed its name to Redbank Energy Limited in March 2011. Redbank Energy Limited is based in Sydney, Australia.
DUET Group	DUET Group, together with its subsidiaries, owns and operates energy utility assets. It operates through Dampier Bunbury Pipeline, DBP Development Group, Energy Developments, United Energy, and Multinet Gas segments. The company's asset portfolio includes a 100% interest in the Dampier Bunbury Pipeline, which connects natural gas reserves of the Carnarvon and Browse basins on Western Australia's North West Shelf with customers in Perth and the surrounding regions; DBP Development Group, which owns and operates the Wheatstone Ashburton West Pipeline that connects the domestic Wheatstone LNG complex to the DBNGP; and Energy Developments that manages approximately 900 MW of power generation facilities in remote energy, natural gas and diesel, landfill gas, and waste coal mine gas areas in Australia, the United States, the United Kingdom, and Europe. Its asset portfolio also comprises a 100% interest in the Multinet Gas, a gas distribution company, which covers an area of 1,860 square kilometers of eastern and south-eastern suburbs of Melbourne; and 66% interest in the United Energy distribution that covers an area of approximately 1,472 square kilometers of south-east Melbourne and Mornington Peninsula. The company serves industrial, commercial, and residential customers. DUET Group is based in Sydney, Australia.

Source: S&P Global

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Target	Description
Diamantina Power Station Pty Ltd	Diamantina Power Station Pty Ltd. operates a natural gas-fired power generation plant. It supplies electricity to consumers in North West Queensland. The company was incorporated in 2011 and is based in Sydney, Australia. Diamantina Power Station Pty Ltd operates as a subsidiary of APA Group.]]
Energy Developments Limited	Energy Developments Limited engages in the development and operation of power generation projects. It is involved in project development, finance, design, operation, and maintenance of power generating and energy delivery projects. The company generates power using a range of fuel sources, such as remote energy, natural gas, liquefied natural gas, compressed natural gas, diesel, landfill gas, and waste coal mine gas. In addition, it generates and sells environmental credits in international, national, and state-based schemes; and provides greenhouse gas emissions energy and remote energy solutions. The company owns and operates various power stations with a generation capacity of approximately 900 MW in Australia, the United States, and Europe. Energy Developments Limited sells its electricity to direct customers, including electricity retailers and mining companies; public companies or government bodies; and landfill site owners. The company is headquartered in Eight Mile Plains, Australia. As of October 22, 2015, Energy Developments Ltd. operates as a subsidiary of DUET Group.
Infratil Energy Australia Pty Ltd. (nka: Lumo Generation SA Pty Ltd)	Lumo Generation SA Pty Ltd generates electricity by operating diesel power stations. Lumo Generation SA Pty Ltd was formerly known as Infratil Energy Australia Pty Ltd and changed its name to Lumo Generation SA Pty Ltd in September, 2014. The company was incorporated in 2005 and is based in Sydney, Australia. As of September 30, 2014, Lumo Generation SA Pty Ltd operates as a subsidiary of Snowy Hydro Limited.

Source: S&P Global

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Appendix C – Comparable companies

Company	Description
Tilt Renewables Limited	Tilt Renewables Limited, together with its subsidiaries, develops, owns, and manages renewable energy generation assets. It generates electricity from renewable energy sources, such as wind and solar energy sources. The company owns 440 MW of wind generation assets in Australia and 196 MW of wind generation assets in New Zealand. It also offers financial services. The company is headquartered in Melbourne, Australia. Tilt Renewables Limited is a subsidiary of Infratil Limited.
Infigen Energy Limited	Infigen Energy Limited develops, owns, and operates renewable energy generation assets in Australia. It has 557 megawatts of installed generation capacity in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,100 megawatts of wind and solar projects in Australia. Infigen Energy Limited was founded in 2003 and is headquartered in Sydney, Australia.
Genex Power Limited	Genex Power Limited engages in the generation and storage of renewable energy in Australia. It generates power through hydro and solar projects. The company was formerly known as Allied Resources Limited and changed its name to Genex Power Limited in August 2013. Genex Power Limited was incorporated in 2011 and is based in Sydney, Australia.
Perenti Global Limited	Perenti Global Limited operates as a mining services company worldwide. It operates through Surface Mining, Underground Mining, and Investment segments. The Surface Mining segment offers exploration drilling, production drilling, blasting, and geotechnical services, as well as end-to-end contract surface mining, including mine planning and exploration, development, production, and reclamation. The Underground Mining segment provides underground mining services specializing in mine development, production, diamond drilling, vertical development, design planning and scheduling, and equipment supply and maintenance. The Investments segment is involved in mining supplies; and products and services, including equipment rental, equipment parts and sales, and energy drilling and mineral analysis. The company was formerly known as Ausdrill Limited and changed its name to Perenti Global Limited in October 2019. Perenti Global Limited was founded in 1987 and is headquartered in Perth, Australia.
Macmahon Holdings Limited	Macmahon Holdings Limited provides mining and consulting services to mining companies in Australia, Southeast Asia, and South Africa. It offers surface mining services, including mine planning and analysis, drill and blast, bulk and selective mining, crushing and screening, fixed plant maintenance, water management, and equipment operation and maintenance. The company also provides underground mining services, such as mine development and production, raise drilling, cablebolting, shotcreting, remote shaft lining, production drilling, and shaft sinking. In addition, it offers civil and rehabilitation services comprising topsoil and overburden stripping, bulk earthworks, road design and construction, and train loading facilities; water infrastructure, including dams, creek diversions, flood levies, and drainage structures; and revegetation, as well as rehabilitation monitoring and maintenance. Further, the company provides equipment maintenance and management support services; and performance enhancement services comprising operator coaching and training, and cultural change programs for employees, as well as advisory and assistance services with mine planning, maintenance, and employee engagement. Macmahon Holdings Limited was founded in 1963 and is headquartered in Perth, Australia.
NRW Holdings Limited	NRW Holdings Limited, through its subsidiaries, provides civil and mining contracting, urban development, and drilling and blasting services in Australia. It operates through four business segments: Civil, Mining, Drill and Blast, and Mining Technologies. The Civil segment delivers private and public civil infrastructure, mine development, bulk earthworks, and commercial and residential projects. Its civil construction projects include roads, bridges, tailings storage facilities, rail formations, ports, water infrastructure, and concrete installations. The Mining segment engages in the mine management, contract mining, load and haul, dragline, and coal handling prep plants operations; maintenance activities; and fabrication of water and service vehicles. The Drill and Blast segment offers integrated end to end production drill and blast services to the mining and civil construction sectors. The Mining Technologies segment supplies mining technologies; and provides thermal engineering and heat treatment services. NRW Holdings Limited was founded in 1994 and is headquartered in Belmont, Australia.
MACA Limited	MACA Limited engages in contract mining and crushing, civil construction, infrastructure, and mineral processing equipment business in Australia, Brazil, and South America. The company offers loading and hauling services; and drilling and blasting services, including production drilling and blasting for surface mining operations or quarries, pre-split drilling, contour drilling and pioneering, blast hole sample drilling, probe drilling, pre-split and final wall blasting, drill and blast design, blasting solutions for civil construction, and controlled blasting. It also provides crushing and screening services to deliver tailored screening and sizing solutions, as well as materials handling solutions. In addition, the company provides a range of civil works, including construction of roads and bridges, bulk earthworks, aerodromes, drainage, and marine works. Further, it engages in the parks and gardens, verge, and safety barriers activities, as well as provision of specialist services. Further, it engages in mineral processing equipment business, including the delivery of small to large scale structural, mechanical, and piping projects. MACA Limited was incorporated in 2002 and is headquartered in Welshpool, Australia.

Source: S&P Global

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Appendix D – Discount rate

Introduction

The cash flow assumptions underlying the DCF Approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows. As discussed in section 6, we have assessed the Australian and African operations separately, selecting different WACCs for each to best reflect their risk profile.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$WACC = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

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The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f) + SRP$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium
- SRP = Specific Risk Premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years.

Australia Government Debt - 10 Year as at 18 June 2020			Daily average	
	Range		Nominal	
Previous 5 trading days	0.87%	- 0.92%	0.91%	
Previous 10 trading days	0.87%	- 1.10%	0.97%	
Previous 20 trading days	0.86%	- 1.10%	0.94%	
Previous 30 trading days	0.86%	- 1.10%	0.94%	
Previous 60 trading days	0.68%	- 1.10%	0.90%	
Previous 1 year trading	0.60%	- 1.48%	1.05%	
Previous 2 years trading	0.60%	- 2.79%	1.68%	
Previous 3 years trading	0.60%	- 2.93%	2.02%	
Previous 5 years trading	0.60%	- 3.12%	2.23%	
Previous 10 years trading	0.60%	- 5.76%	3.08%	

Source: S&P Global, GTCF analysis

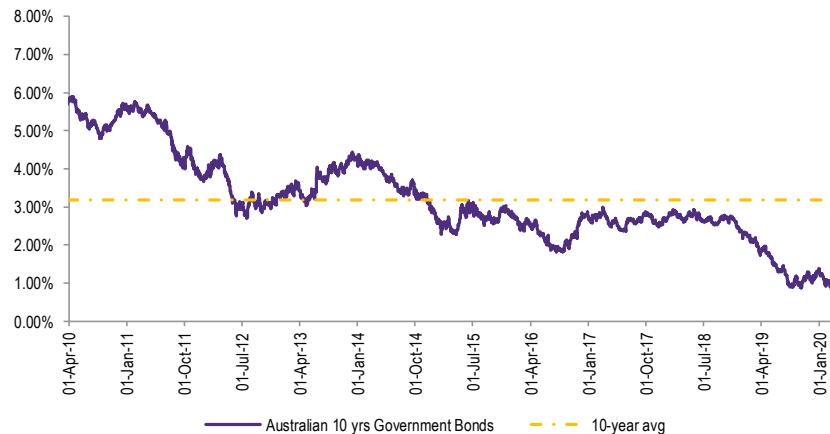
Currently, global financial markets are witnessing significant volatility with the outbreak of COVID-19 and several geopolitical factors (like the ongoing US-China trade war and the Russia-Saudi Arabia oil price war) adding to the fluctuation of bond rates. This has caused the US Federal Reserve to lower interest rates from 1.75% to 0.25% in March 2020, with the possibility of a further reduction to 0%. Similarly, the Reserve Bank of Australia ("RBA") made the first out-of-cycle interest rate reduction since 1997, lowering the rate from 0.50% to 0.25%. We do not consider the extreme volatility caused by the current economic and

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political conditions to be representative of the Australian risk free rate over an extended period of time, and have hence placed emphasis on the 10-year average and median Australian risk free rate. The movement of the Australian risk free rate is shown in the graph below.

Australian 10 years Government Bond yield



Source: S&P Global

Having regard to the above, we have adopted a risk-free rate of 3.5% for calculating an Australian dollar discount rate.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium of 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

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Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

Grant Thornton Corporate Finance has observed the betas of the comparable companies of Zenith Energy by reference to the local index of each company (based on country of domicile) over 5 years based on monthly observations, as this best represents the beta over a longer term.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for companies operating in the agriculture industry, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable company, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-g geared using the average historical gearing levels observed for each company and then re-g geared based on an optimal capital structure of 40% debt to 60% equity (see Capital Structure Section below for further discussions).

Based on the above, the regear ed betas for the comparable companies for Zenith Energy are set out in the table below:

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Beta analysis		Market Cap ¹	Equity		Gearing	Ungear	Regeared
Company name	Country	(A\$m)	beta	R-squared	Ratio ²	Beta	Beta
Contracted Power Generation Companies							
Tilt Renewables Limited	Australia	1,395	0.90	0.24	62.1%	0.63	0.92
Infigen Energy Limited	Australia	534	1.68	0.23	92.4%	1.02	1.50
Genex Power Limited	Australia	72	1.67	0.13	79.3%	1.08	1.58
Average			1.42	0.20	77.9%	0.91	1.33
Median			1.67	0.23	79.3%	1.02	1.50
Mining Services Provider Companies							
Perenti Global Limited	Australia	614	2.08	0.20	76.8%	1.35	1.98
Macmahon Holdings Limited	Australia	450	1.08	0.10	(8.8%)	1.08	1.58
NRW Holdings Limited	Australia	681	2.25	0.05	25.6%	1.91	2.80
MACA Limited	Australia	206	0.93	0.12	(11.1%)	0.93	1.37
Average			1.59	0.12	0.21	1.32	1.93
Median			1.58	0.11	0.08	1.22	1.78
Overall Average			1.52	0.15	45.2%	1.14	1.68
Overall Median			1.67	0.13	62.1%	1.08	1.58

Source: S&P Global and GTCF calculations

Note: (1) Market cap as at 1 May 2020; (2) The gearing is computed as net debt over market cap; (3) Equity betas are calculated using data provided by S&P Global. The betas are based on a five year period with monthly observations and have been degear based on the average gearing ratio over five years

We note the following:

- We consider that there are limited comparable listed companies, however of the observed listed companies, the most comparable company to provide directional support for a beta is Tilt Renewables. We observe that Tilt Renewable's betas, when regeared using the optimal 40% debt, 60% equity capital structure, is equal to 0.92.
- Whilst we have observed a higher beta for Infigen, we consider that the contracted nature of Zenith Energy's revenue base supports a beta towards the lower end of the range. Further, the higher beta observed for Infigen has been influenced by its high growth between FY15 and FY17 and the subsequent volatility in its share price over that period. Recalculating the beta for Infigen on a 2 year weekly basis would results in a regeared beta of approximately 1.07.
- Genex is a selected comparable company operating in the power generation industry supplying to the national grid. We note Genex is only in its infancy and as such, is likely to have a higher risk profile than Tilt Renewables and Infigen Energy who also operate in the same sector. Hence we have placed little reliance on the beta observed for Genex.
- We have also considered a range of Australian Mining Services Providers in our analysis, however, placed limited reliance on these companies given that they are heavily dependent on the mining industry under committed arrangements, which has been reasonably volatile over the past 2-5 years.

While a majority of these companies have significant differences in comparison to Zenith Energy, the contracted power generation companies provide directional support for a measure of the industry beta. When considering the individual company operations and history, exposure to development and relative risk profiles, we believe that it is appropriate for the beta of Zenith Energy to be at the low end of the

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observed range. Accordingly, we have selected a beta range of 1.00 to 1.10 to be reflective of the risk profile for a company operating a portfolio of contracts in the remote energy generation sector.

Specific risk premium

When assessing the specific risk premium, we have considered a number of factors including:

- The nature and size of Zenith Energy compared to the selected comparable companies.
- The uncertainty associated with cash flow forecasts, in particular the cash flow forecasts include a significant amount of growth and recontracting in the cash flows which is not yet proven.
- The current competition in the market placing pressure on Zenith Energy's ability to secure future contracts.

Based on our analysis, we have adopted a specific risk premium of 2.0% for Zenith Energy.

Cost of debt

For the purpose of estimating the cost of debt applicable to Zenith Energy, Grant Thornton Corporate Finance has considered the following:

- The average borrowing cost incurred by Zenith Energy on its debt facilities, in particular the interest rate of its CBA facility of 4-5%.
- The margin implicit in corporate bond yields over the Australian Government bond yields. Given the relatively low interest rate environment, this is likely to yield a low interest rate, which, in our opinion, does not reflect the long-term interest rate that is likely to be paid by companies borrowing debt in Australian dollars.
- The average yield on Australian BBB corporate bonds over the last 10 years as published by the Reserve Bank of Australia.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of 4.0% to 5.0% on a pre-tax basis.

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which

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stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.
- The quality and variability of earnings and cash flows.
- Working capital.
- Level of capital expenditure.
- The risk profile of the company.

In determining the appropriate capital structure for Zenith Energy, we have also had particular consideration to the following:

- The average gearing ratio of comparable companies over the last five year period as set out in the beta section of this report.
- The historic, forecast, and target gearing for comparable companies.
- Discussions with Management on their targeted capital structure going forward.

Based on the above observations, for the purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure of 40% debt and 60% equity for Zenith Energy.

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WACC calculation

The discount rate for Zenith Energy on a standalone basis is determined as set out below:

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.5%	3.5%
Beta	1.00	1.10
Market risk premium	6.0%	6.0%
Specific risk premium	2.0%	2.0%
Cost of equity	11.5%	12.1%
Cost of debt		
Cost of debt (pre tax)	4.0%	5.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	2.8%	3.5%
Capital structure		
Proportion of debt	40%	40%
Proportion of equity	60%	60%
	100%	100%
WACC (post tax)	8.0%	8.7%
Rounded	8.0%	8.5%

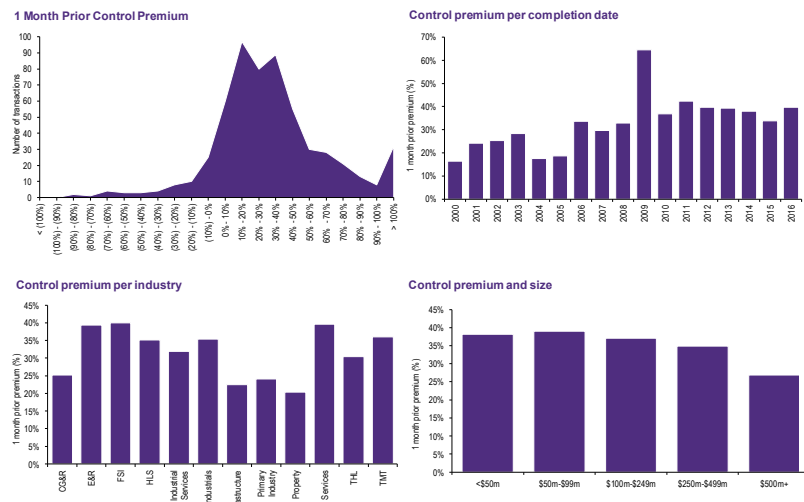
Source: S&P Global and GTCF analysis

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Appendix F – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF analysis.

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Appendix H – Glossary

A\$	Australian Dollar
1H FYxx	1 st half of FYxx
AASB16	Australian Accounting Standard Board 16 "Leases"
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ARENA	Australian Renewable Energy Agency
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Average FY20 EBITDA Multiple	FY20 EBITDA multiple of Zenith Energy between 7.7 times and 8.3 times
Bidder	Elemental
Binomial Model	Cox-Ross-Rubenstein Binomial Model
BOO	Build, own, operate
Cash Consideration	\$1.01 per Zenith Energy Share
CBA	Commonwealth Bank of Australia
CEFC	Clean Energy Finance Corporation
Corporations Act	Corporations Act 2001
Court	Supreme Court of Western Australia
DCF	Discounted Cash Flow
DCF Method	Discounted Cash Flow and the estimated realisable value of any surplus assets
Deed of Amendment and Restatement of the Scheme	See "SID".
Delivery Time	The time being two hours before the commencement of the hearing of the Court on the Second Court Date as defined in the Scheme Booklet
EBITDA	Earnings before, interest, tax, depreciation and amortisation
EBITDA Multiple	Enterprise Value divided by EBITDA
EDL	Energy Developments Limited
Elemental	Elemental Infrastructure BidCo Pty Ltd
EPC	Engineering, procurement and construction
EPS	Earnings per share
ERM Power	ERM Power Limited
EV	Enterprise Value
FIIG	FIIG Securities Limited
FIRB	Foreign Investment Review Board
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Services Guide
FYxx	12 month financial year ended 30 June 20xx
FY20 Guidance Update	The FY20 Guidance update release by the Company on 29 April 2020
GDP	Gross Domestic Product
Gearing Ratio	Net Debt over Equity
GST	Goods and Services Tax
GT Model	Financial model prepared by GTCF, projecting the post-tax free cash flows of Zenith Energy based on the Zenith Energy Forecast.

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Grant Thornton

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GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert Report
Initial Scheme / Initial SID	Scheme Implementation Deed dated 6 March 2020 entered into between Zenith and Elemental
IPPs	Independent Power Producers
kWh	Kilowatt hour
LTM	Last twelve months
Management	Senior management and directors of Zenith
MOM	Manage, Operate and Maintain
MW	Megawatt
NA	Not Available
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
NEM	National Electricity Market
New Growth Contracts	A standard BOO contract with a 10 year PPA and a capacity of 25 MW to model future companies opportunities
NM	Not Meaningful
NWC	Net working Capital
Off the grid generation	Electricity generation in remote areas not linked to the national grid.
Pacific Energy Transaction	The acquisition via a scheme of arrangement of PEA by QIC
PEA	1Pacific Energy Limited
Peer Index	Comprising of listed contracted power generation companies in the Australian market
PEP	Pacific Equity Partners
Pipeline	The circa 450 MW of identified opportunities by Zenith. An opportunity to be included in the Pipeline needs to be a BOO project, within current geographies, FID within 24 months and at a bid or actively engaged negotiation
PPA	Power Purchase Agreement
QIC	QIC Private Capital Pty Ltd
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RET	Renewable Energy Target
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
Rollover Shareholder Consideration	The Rollover Shareholders may elect to receive between 66% and 100% of the Scheme Consideration as a scrip consideration on a 1:1 basis in Elemental Infrastructure Holdco Pty Ltd , with the remainder as cash consideration
Rollover Shareholder Scheme	The Scheme related to the Rollover Shareholders
Rollover Shareholders	The Executive Chairman (Doug Walker), the Managing Director (Hamish Moffat) and the Chief Operating Officer (Graham Cooper) of the Company
Rollover Shares	Mr Walker, Mr Moffat and Mr Cooper may elect to receive at least 66% of their Scheme Consideration in the form of shares in Elemental
Scheme	Scheme of Arrangement whereby all the Target Shares will be transferred to the Bidder
Scheme Booklet	The Scheme Booklet, including each attachment
Scheme Consideration	Under the Scheme the total cash consideration equal to A\$1.01 for each Zenith Energy Share
Scheme Meeting	The meetings of Target Shareholders ordered by the Court to consider and vote on the Scheme and includes any meetings convened following any adjournment or postponement of those meetings.
SID	Deed of Amendment and Restatement of the Initial SID, dated 29 May 2020.
Special Dividend	Subject to the Board deciding to pay a special dividend, a fully franked special dividend up to A\$0.13 per Zenith Energy Share
SPVs	Special purpose vehicles
SWIS	South Western Interconnected System
Target	Zenith Energy Limited

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Target Break Fee	\$1.51 million (plus GST)
Target Performance Right	A performance right granted by the Target pursuant to the Target Performance Rights Plan
USA	United States of America
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
WHO	World Health Organisation
Zenith Energy Forecast	The long-term cash flow projections prepared by management of Zenith Energy
Zenith Energy or the Company	Zenith Energy Limited
Zenith Energy Shareholder	An individual/entity beneficially holding Zenith share(s)
Zenith Energy Share	1 outstanding ordinary share in Zenith Energy

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ANNEXURE B – SCHEME

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Scheme of Arrangement pursuant to section 411 of the Corporations Act 2001 (Cth)**Between**

Zenith Energy Limited (ACN 615 682 203) incorporated in Australia of 24 Brennan Way, Belmont WA 6104 (**Target**).

And

Each Scheme Shareholder.

Recitals

- A Target is a public company limited by shares incorporated in Australia, and has been admitted to the official list of ASX.
- B Bidder is a proprietary company incorporated in Australia.
- C Target and Bidder have entered into the Scheme Implementation Deed, pursuant to which, amongst other things, Target has agreed to propose the Scheme to Target Shareholders, and each of Target and Bidder has agreed to take certain steps to give effect to the Scheme.
- D If the Scheme becomes Effective, then:
 - (a) Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of the Scheme and the Scheme Deed Poll;
 - (b) after the above step occurs, all the Scheme Shares will be transferred to the Bidder; and
 - (c) Target will enter the name and address of Bidder in the Target Register as the holder of the Scheme Shares.
- E Bidder has entered into the Scheme Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under the Scheme.

It is agreed as follows.

1 Definitions and Interpretation**1.1 Definitions**

In this document, unless the context requires otherwise:

ACCC means the Australian Competition and Consumer Commission.

Apex Holder means the registered holder of 26,309,402 Target Shares held for the benefit of the Apex Opportunities Trust, the trustee of which is, as at the Amendment Date, Apex Opportunities Fund Pty Limited ACN 634 981 409.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Bidder means Elemental Infrastructure BidCo Pty Ltd (ACN 639 583 538).

Business Day means a business day as defined in the ASX Listing Rules, but not including any

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day that is a public holiday or bank holiday in Perth, Western Australia.

Cash Consideration means \$1.01 per Scheme Share less the amount per Target Share of any Permitted Dividend Deduction Amount (but for the avoidance of doubt is not reduced by any amount of franking credits that may be attached to the Permitted Dividend).

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Conditions Precedent means the conditions precedent to the Scheme set out in clause 2.1.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Western Australia or such other court of competent jurisdiction under the Corporations Act agreed by Bidder and Target.

Delivery Time means the time being 2 hours before the commencement of the hearing of the Court on the Second Court Date.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Election means a valid election by a Relevant Shareholder to receive their Scheme Consideration either:

- (a) in the form of Scrip Consideration in respect of all Scheme Shares held by that Relevant Shareholder on the Record Date; or
- (b) partly in the form of Cash Consideration for not more than 34% of the Scheme Shares held by that Relevant Shareholder on the Record Date and in the form of Scrip Consideration in respect of the remaining Scheme Shares held by that Relevant Shareholder on the Record Date,

made in accordance with the provisions of the Scheme Implementation Deed.

Election Form means a form issued by or on behalf of Target for the purposes of a Relevant Shareholder making an Election in a form agreed to by Target and Bidder.

Election Time means 5.00pm on the third Business Day before the date of the Scheme Meetings, or such other date as is agreed in writing between Bidder and Target.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any Security Interest or any agreement to create any of them or allow them to exist.

End Date means the date that is 6 months from the date of the Scheme Implementation Deed, or such other date as is agreed by Bidder and Target in writing.

FIRB means the Foreign Investment Review Board.

HoldCo means Elemental Infrastructure HoldCo Pty Ltd (ACN 639 582 737).

HoldCo Register means the register of members of HoldCo maintained by or on behalf of HoldCo in accordance with section 168(1) of the Corporations Act.

HoldCo Share means a fully paid ordinary share in the capital of Elemental Infrastructure HoldCo Pty Ltd (ACN 639 582 737) and **HoldCo Share** means any one of them.

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HoldCo Shareholders' Deed means the shareholders' agreement to be entered into by the shareholders of HoldCo on or after the Implementation Date which governs the affairs of HoldCo.

Implementation Date means, in relation to the Scheme, the date being 5 Business Days after the Record Date or such other Business Day agreed in writing by Target and Bidder or as may be required by the ASX.

Permitted Dividend means a fully-franked special dividend payable on Target Shares that the Target Board decides to pay in accordance with the Scheme Implementation Deed, provided that the maximum aggregate amount of such dividend does not exceed the retained earnings of the Target as at 31 January 2020 or result in the franking account of the Target being in deficit after the payment of such dividend.

Permitted Dividend Deduction Amount means the amount of the Permitted Dividend payable per Scheme Share.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means 7.00pm on the date being 5 Business Days after the Effective Date or such other Business Day agreed in writing between Target and Bidder or as may be required by the ASX.

Registered Address means, in relation to a Target Shareholder, the address of that Target Shareholder shown in the Target Register.

Regulatory Authority means:

- (a) a government or governmental, semi-governmental or judicial entity or authority;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (c) any regulatory organisation established under statute,

in each case in Australia, and includes ASX, ACCC, ASIC, the Takeovers Panel and FIRB.

Relevant Shareholder means:

- (a) Zanea Pty Limited (ACN 009 396 623);
- (b) Eneritech Pty Ltd (ACN 009 080 899);
- (c) Mr Hamish Moffat;
- (d) Mr Hamish Robert Moffat and Mrs Susan Cassandra Moffat;
- (e) ACN 635 089 717 Pty Ltd;
- (f) Graham Cooper; and
- (g) the Apex Holder.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and Target Shareholders under which all of the Target Shares will be transferred to Bidder as set out in this document, subject to any amendment or modification made pursuant to section 411(6) of the Corporations Act and agreed to by the Target and the Bidder in writing.

Scheme Consideration means the Cash Consideration and/or Scrip Consideration payable per Scheme Share held by a Scheme Shareholder on the Record Date, as determined in accordance with clause 5.

Scheme Deed Poll means the deed poll dated 5 June 2020 executed by Bidder in favour of the Scheme Shareholders.

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Scheme Implementation Deed means the Scheme Implementation Deed dated 6 March 2020 between Bidder and Target, as amended and restated on 29 May 2020.

Scheme Meetings means the meetings of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meetings convened following any adjournment or postponement of those meetings

Scheme Shareholder means each person who is a Target Shareholder at the Record Date.

Scheme Share means a Target Share held by a Scheme Shareholder.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

Scrip Consideration means one HoldCo Share per Scheme Share.

Second Court Date means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the hearing of such application is adjourned for any reason, the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the PPSA.

Target Board means the board of directors of Target.

Target Performance Right means a performance right granted by Target pursuant to the Target Performance Rights Plan.

Target Performance Rights Plan means the Target's Incentive Option And Performance Rights Plan in the form announced by Target to ASX on 5 May 2017.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Share means a fully paid ordinary share in the capital of Target.

Target Share Registry means Link Market Services Ltd.

Target Shareholder means each person registered in the Target Register as a holder of Target Shares.

Trust Account means an Australian dollar denominated trust account operated by Target or the Target Share Registry as trustee for the benefit of Scheme Shareholders.

Unclaimed Money Act means the *Unclaimed Money Act 2008* (Vic).

1.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.
- (c) The following rules apply unless the context requires otherwise.
 - (i) The singular includes the plural, and the converse also applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

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- (v) A reference to a clause is a reference to a clause of this document.
- (vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
- (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (x) A reference to *dollars* or \$ is to Australian currency.
- (xi) A reference to time is to Perth, Australia time.
- (xii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on or by the immediately succeeding Business Day.
- (xiii) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

2 Conditions Precedent

2.1 Conditions Precedent to the Scheme

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at the Delivery Time, each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(f) of the Scheme Implementation Deed) has been satisfied or waived in accordance with the Scheme Implementation Deed;
- (b) as at the Delivery Time, the Scheme Implementation Deed has not been terminated;
- (c) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to the Target and Bidder (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Target and Bidder (each acting reasonably) have been satisfied; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

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2.2 Certificate

- (a) Target and Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all the conditions precedent in clauses 2.1(a) and 2.1(b) have been satisfied or waived as at the Delivery Time.
- (b) The certificate referred to in clause 2.2(a) constitutes conclusive evidence that such conditions precedent were satisfied or waived.

2.3 Termination of Scheme Implementation Deed

Without limiting any rights under the Scheme Implementation Deed, in the event that the Scheme Implementation Deed is terminated in accordance with its terms before the Delivery Time, Target and Bidder are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3 Scheme Becoming Effective

3.1 Lodgement of Court orders

Target must lodge with ASIC office copies of the orders of the Court under section 411(4)(b) of the Corporations Act in relation to the Scheme as soon as possible and in any event no later than by 5.00pm on the first Business Day after the date on which the Court approves this Scheme, or such later date as the Target and the Bidder agree in writing.

3.2 Effective Date of the Scheme

Subject to clause 3.3, the Scheme will take effect on and from the Effective Date.

3.3 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

4 Implementation of Scheme

4.1 Transfer of Scheme Shares

On the Implementation Date, subject to and after the provision of the Scheme Consideration in the manner contemplated by clauses 6.1(a) and 6.2(a) and after payment by Target of the Cash Consideration in the manner contemplated by clause 6.1(b), all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Shareholders under the Scheme), by Target effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- (a) Target delivering to Bidder for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Shares to Bidder, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 9.3;

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- (b) Bidder executing the Scheme Transfers as transferee and delivering them to Target for registration; and
- (c) Target, immediately after receipt of the Scheme Transfers under clause 4.1(b), entering, or procuring the entry of, the name and address of Bidder in the Target Register as the holder of all of the Scheme Shares.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clauses 5.2 to 5.5 and the Deed Poll.

5.2 Determination of Scheme Consideration

- (a) If a Scheme Shareholder is not a Relevant Shareholder, then the Scheme Consideration applicable for that Scheme Shareholder is the Cash Consideration for each Scheme Share held by that Scheme Shareholder on the Record Date.
- (b) If a Scheme Shareholder is a Relevant Shareholder who has not made an Election before the Election Time, then the Scheme Consideration applicable for that Scheme Shareholder is the Scrip Consideration for each Scheme Share held by that Scheme Shareholder on the Record Date.
- (c) If the Scheme Shareholder is a Relevant Shareholder who has made an Election before the Election Time, then the Scheme Consideration applicable for that Scheme Shareholder for each Scheme Share held by that Scheme Shareholder on the Record Date is:
 - (i) the Cash Consideration per Scheme Share in respect of that number of Scheme Shares held by the Relevant Shareholder on the Record Date for which the Relevant Shareholder has made an Election (in the Election Form) to receive the Cash Consideration (provided always that the Relevant Shareholder will not receive the Cash Consideration in respect of more than 34% of the Scheme Shares held by that Relevant Shareholder on the Record Date); plus
 - (ii) the Scrip Consideration per Scheme Share in respect of the Scheme Shares held by the Relevant Shareholder on the Record Date for which the Relevant Shareholder has not made an Election (in the Election Form) to receive the Cash Consideration.

5.3 Election Procedure

- (a) Target must provide or procure the provision of an Election Form to each Relevant Shareholder, with the Scheme Booklet that is sent to them.
- (b) Subject to clauses 5.3(c), 5.3(d) and 5.3(e), each of the Relevant Shareholders will be entitled to make an Election. All Elections will take effect in accordance with the Scheme (provided that any Relevant Shareholder who makes an Election is also a Scheme Shareholder).
- (c) For an Election to be valid:

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- (i) the Relevant Shareholder must complete and sign the Election Form in accordance with the terms and conditions of the Election Form, the instructions in the Scheme Booklet, the Scheme and this clause 5.3;
- (ii) the Relevant Shareholder must not elect in the Election Form to receive the Cash Consideration in respect of any more than 34% of the Scheme Shares held by that Relevant Shareholder on the Record Date; and
- (iii) the Election Form must be received by the Registry at the address specified on the Election Form before the Election Time, unless Bidder and Target agree otherwise in writing, in their absolute discretion.
- (d) If a Relevant Shareholder makes an Election, that Election will apply in respect of that percentage (as specified in the Election Form) of the Relevant Shareholder's entire registered holding of Target Shares at the Record Date, regardless of whether the Relevant Shareholder's holding at the Record Date is greater or less than the Relevant Shareholder's holding at the time it made its Election, unless Bidder and Target agree otherwise in writing, in their absolute discretion.
- (e) A Relevant Shareholder who makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form so that it is received by the Registry at the address specified on the Election Form before the Election Time. After the Election Time, an Election made by a Relevant Shareholder will be irrevocable unless Bidder and Target agree in writing, in their absolute discretion, to the revocation of the Election.
- (f) The Election Form must include the relevant matters set out in the Scheme and must otherwise be in a form agreed by Bidder and Target in writing.

5.4 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or a fractional entitlement to a HoldCo Share, the fractional entitlement will:

- (a) in the case of a HoldCo Share, be rounded down to the nearest whole number; and
- (b) in the case of Cash Consideration, be rounded up to the nearest whole cent.

5.5 Shareholding splitting or division

If Bidder is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares that results in rounding in accordance with clause 5.4) have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, Bidder may give notice to those Scheme Shareholders:

- (a) setting out their names (as shown in the Target Register) and Registered Addresses;
- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of the Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and Registered Addresses are set out in the notice will, for the purposes of the other provisions of the Scheme, be taken to hold no Scheme Shares. Bidder,

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in complying with the other provisions of the Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of the Scheme.

5.6 Ranking of HoldCo Shares

The HoldCo Shares issued pursuant to the Scheme must, upon issue, have the rights set out in the HoldCo Shareholders' Deed and be fully paid and free from any Encumbrance and rank equally in all respects with all other HoldCo Shares of the same class.

6 Provision of Scheme Consideration

6.1 Payment of cash amounts

- (a) Bidder must, no later than 5.00pm on the Business Day before the Implementation Date, deposit (or procure the deposit of) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Shareholders, such amount to be held by Target or the Target Share Registry (as applicable) on trust for the Scheme Shareholders and for the purpose of sending the aggregate amount of the Cash Consideration to the Scheme Shareholders (except that any interest on the amount, less bank fees and other charges, will be for the account of Bidder).
- (b) On the Implementation Date and subject to funds having been deposited in accordance with clause 6.1(a), Target must pay or procure the payment of the Cash Consideration to each Scheme Shareholder from the Trust Account by either (in the sole discretion of Target):
 - (i) despatching, or procuring the despatch, to that Scheme Shareholder of a pre-printed cheque in the name of that Scheme Shareholder and for the relevant amount (denominated in \$) drawn on the Trust Account, with such despatch to be made by pre-paid post to that Scheme Shareholder's Registered Address (as at the Record Date); or
 - (ii) making, or procuring the making of, a deposit for the relevant amount (denominated in \$) in an account with any Australian ADI in Australia notified by that Scheme Shareholder to Target and recorded in or for the purposes of the Target Register as at the Record Date.
- (c) In the event that a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 6.1(b)(ii) or a deposit into such an account is rejected or refunded, Target or the Target Share Registry (as applicable) as the trustee for the Scheme Shareholders, may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the money is dealt with in accordance with the Unclaimed Money Act. For the avoidance of doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with the Unclaimed Money Act.
- (d) Until such time as the amount is dealt with in accordance with the Unclaimed Money Act, Target must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An

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amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable).

- (e) To the extent that, following satisfaction of Target's obligations under this clause 6.1, there is any remaining amount held in the Trust Account, Target must pay, or procure the payment of, that amount promptly to Bidder.

6.2 Provision of Scrip Consideration

- (a) On the Implementation Date, Bidder must:
 - (i) issue to each Relevant Shareholder who is entitled to receive Scrip Consideration pursuant to the Scheme, such number of HoldCo Shares to which that Relevant Shareholder is entitled as Scrip Consideration pursuant to the Scheme; and
 - (ii) procure the entry in the HoldCo Register of the name and Registered Address (as at the Record Date) of that Relevant Shareholder in respect of the HoldCo Shares issued to that Relevant Shareholder.
- (b) On the Implementation Date, Bidder must send or procure the sending of a certificate to each Relevant Shareholder to whom HoldCo Shares are issued under this Scheme, reflecting the issue of such HoldCo Shares.

6.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders; and
- (b) any holding statements for HoldCo Shares required to be issued to Relevant Shareholders will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

6.4 Binding instruction or notifications

Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and Target relating to Scheme Shares as at the Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Target) will, from the Record Date, be deemed (except to the extent determined otherwise by Bidder in its sole discretion) to be a similarly binding instruction or notification to, and accepted by, Bidder in respect of the HoldCo Shares issued to the Scheme Shareholder pursuant to the Scheme, until that instruction or notification is revoked or amended in writing addressed to Bidder through the Bidder Registry, provided that any such instructions or notifications accepted by Bidder will apply to and in respect of the issue of HoldCo Shares as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

6.5 Orders of a Governmental Agency

In the case of notice having been given to the Target (or the Target Share Registry) of an order or direction made by a Regulatory Authority:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme

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Shareholder in accordance with this clause 6, then the Target must procure that payment is made in accordance with that order or direction; or

- (b) which would prevent the Target from dispatching payment to any particular Scheme Shareholder in accordance with this clause 6, the Target must retain an amount in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the applicable Scheme Consideration until such time as payment in accordance with this clause 6 is permitted by the order or direction or otherwise permitted at law,

and the payment or retention by the Target will constitute full discharge of the Target's obligations under this clause 6 with respect to the amount so paid or retained until it is no longer required to be retained under clause 6.5(b).

7 Dealings in Target Shares

7.1 Dealings in Target Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Target Register is maintained by 5pm on the day which is the Record Date (in which case Target must register such transfers or transmission applications before 7pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in registrable form.

7.2 Target Register

Target will, until the Scheme Consideration has been provided and the name and address of Bidder has been entered in the Target Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 7, and the Target Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidder following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

7.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares will cease to have effect as documents of title in respect of those Scheme Shares.

7.4 Information to be given to Bidder

Target must procure that, as soon as practicable after the Record Date and in any event at least

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three Business Days before the Implementation Date, details of the names, Registered Addresses and holdings of Target Shares of every Scheme Shareholder as shown in the Target Register as at the Record Date are given to Bidder (or as it directs) in such form as Bidder may reasonably require.

7.5 No disposals after Record Date

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

8 Suspension and Termination of Quotation of Target Shares

- (a) Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of normal trading on ASX on the Effective Date.
- (b) Target must apply to ASX for termination of official quotation of the Target Shares on ASX and the removal of Target from the official list of ASX with effect from a date after the Implementation Date to be determined by the Bidder and only after the transfer of the Scheme Shares to the Bidder has been registered in accordance with this Scheme.

9 General Provisions

9.1 Further assurances

- (a) Each Scheme Shareholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.
- (b) Without limiting Target's other powers under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Deed.

9.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Scheme;
- (b) irrevocably consents to Target and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it; and
- (c) to whom HoldCo Shares are to be issued pursuant to the Scheme:
 - (i) irrevocably agrees to become a member of HoldCo for the purposes of clause 6.2 and the Corporations Act, and to have their name and address entered in the HoldCo Register; and
 - (ii) irrevocably accepts the HoldCo Shares issued pursuant to the Scheme on the terms and conditions of the constitution of HoldCo and agrees to be bound by the constitution of HoldCo and the HoldCo Shareholders' Deed, each being substantially in the form provided to each Relevant Shareholder with the Election Form or such later time as agreed by the Relevant Shareholders,

without the need for any further act by that Scheme Shareholder.

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9.3 Appointment of Target as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Target as that Scheme Shareholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4.1(a), the communication of that Scheme Shareholder's instructions and notifications under clause 6.4, and the execution of any form of application required for HoldCo Shares to be issued to that Scheme Shareholder under clause 6.2(a); and
- (b) enforcing the Deed Poll against Bidder,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 9.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

9.4 Warranty by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Bidder, and, to the extent enforceable, to have appointed and authorised Target as that Scheme Shareholder's agent and attorney to warrant to Bidder, that:
 - (i) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - (ii) that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to the Scheme; and
 - (iii) it has no existing right to be issued any Target Shares, Target Performance Rights or any other Target securities.
- (b) Target undertakes in favour of each Scheme Shareholder that it will provide each such warranty in clause 9.4(a), to Bidder on behalf of that Scheme Shareholder.

9.5 Title to Scheme Shares

Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidder in the Target Register as the holder of the Scheme Shares.

9.6 Appointment of Bidder as attorney for Scheme Shares

- (a) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 6, and until Bidder is registered in the Target Register as the holder of all Scheme Shares, each Target Shareholder:
 - (i) without the need for any further act by that Target Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder as its agent and attorney for the purpose of appointing any director or officer of Bidder as that

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Target Shareholder's proxy and, where appropriate, its corporate representative to):

- (A) attend shareholders' meetings of Target;
- (B) exercise the votes attaching to the Target Shares registered in the name of the Target Shareholder; and
- (C) sign any Target Shareholders' resolution; and
- (ii) must take all other action in the capacity of a Target Shareholder as Bidder reasonably directs.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 6, and until Bidder is registered in the Target Register as the holder of all Scheme Shares, no Target Shareholder may attend or vote at any meetings of Target Shareholders or sign any Target Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 9.6.

9.7 Alterations and conditions to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior consent of Bidder, consent on behalf of all persons concerned, including each Target Shareholder, to those alterations or conditions.

9.8 Binding effect of Scheme

The Scheme binds Target and all of the Target Shareholders from time to time (including those who did not attend the Scheme Meeting, did not vote at that meeting or voted against the Scheme) and, to the extent of any inconsistency, overrides the constitution of Target.

9.9 Enforcement of Scheme Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Scheme Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

9.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the Target Share Registry, as the case may be.

9.11 Costs and duty

- (a) Subject to clause 9.11(b), each of Bidder and Target will pay their share of the costs of the Scheme in accordance with the Scheme Implementation Deed.
- (b) Bidder will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme.

9.12 Governing law and jurisdiction

This Scheme is governed by the laws of Western Australia. Each party submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

For personal use only

ANNEXURE C – DEED POLL

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Elemental Infrastructure BidCo Pty Ltd

Deed Poll in Favour of Scheme Shareholders

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250 St Georges Terrace
Perth WA 6000 Australia
T +61 8 9488 3700
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www.allens.com.au

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Deed Poll in Favour of Scheme Shareholders

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This Deed Poll is made on 5 June 2020

Parties

Elemental Infrastructure BidCo Pty Ltd (ACN 639 583 538) registered in Australia of Level 31, 126 Phillip Street, Sydney NSW 2000 Australia (the **Bidder**).

In favour of

Each Scheme Shareholder

Recitals

- A Bidder and Zenith Energy Limited (ACN 615 682 203) (**Target**) have entered into a Scheme Implementation Deed dated 6 March 2020 (as amended and restated) (**Scheme Implementation Deed**).
- B Under the Scheme Implementation Deed, Target has agreed that it will propose and implement the Scheme on, and subject to, the terms and conditions of the Scheme Implementation Deed, pursuant to which Bidder will acquire all of the Scheme Shares.
- C Under the Scheme Implementation Deed, Bidder has agreed to assist Target in proposing and implementing the Scheme on, and subject to, the terms and conditions of the Scheme Implementation Deed.
- D Bidder is entering into this Deed Poll for the purpose of:
 - (a) covenanting in favour of Scheme Shareholders to perform its obligations under the Scheme Implementation Deed;
 - (b) covenanting in favour of the Scheme Shareholders to perform the steps attributed to it under the Scheme; and
 - (c) ensuring that the Scheme Consideration is paid to the Scheme Shareholders.
- E The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Bidder in exchange for the Scheme Consideration.

It is agreed as follows.

1 Defined terms and interpretation

1.1 Defined terms

Words and phrases defined in the Scheme Implementation Deed have the same meanings in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The rules in clauses 1.2 and 1.3 of the Scheme Implementation Deed apply in interpreting this Deed Poll (unless the context makes it clear that a rule is not intended to apply), save that references to 'deed' in that clause will be taken to be references to 'Deed Poll'.

2 Nature of Deed Poll

- (a) Bidder acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

- (b) Bidder acknowledges that under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against Bidder.

3 Condition

3.1 Condition

The obligations of Bidder under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

Subject to clause 6, unless Bidder and Target agree otherwise, the obligations of Bidder under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if and only if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective on or before the End Date.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations to further perform this Deed Poll except for any obligations under clause 7.6; and
- (b) each Scheme Shareholder retains the rights, powers and remedies they have against Bidder in respect of any breach of this Deed Poll which occurs before it is terminated.

4 Performance of Scheme Obligations

4.1 Generally

Subject to clause 3, Bidder covenants in favour of each Scheme Shareholder to perform the steps attributed to Bidder under, and otherwise comply with, the Scheme as if Bidder were a party to the Scheme.

4.2 Payment of Scheme Consideration

Subject to clause 3, in consideration for the transfer to Bidder of all of the Scheme Shares and all rights and entitlements attaching to them by each Scheme Shareholder, Bidder undertakes in favour of each Scheme Shareholder to provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder, in accordance with the terms of the Scheme.

5 Warranties

Bidder represents and warrants to each Scheme Shareholder that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll has been duly and validly executed and delivered by it and is valid and binding upon it; and

- (e) the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll will not result in a breach of, or default under any provision of:
- (i) a Law, judgment, ruling, order or decree binding on it;
 - (ii) its constitution or other constituent documents; and
 - (iii) any material agreement to which it is a party.

6 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Bidder having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.2.

7 Miscellaneous

7.1 Assignment

- (a) The rights and obligations of Bidder and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of Bidder and Target.
- (b) Any purported dealing in contravention of clause 7.1(a) is invalid.

7.2 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

7.3 Further assurances

Bidder will, at its own expense, do all things reasonably required of it by Law to give full effect to this Deed Poll and the transactions contemplated by it.

7.4 Governing law

- (a) This deed is governed by and will be construed according to the laws of Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

7.5 Notices

Any communication to Bidder under or in connection with this Deed Poll must be in writing and:

- (a) sent to Bidder at:
Address: Level 31, 126 Phillip Street, Sydney NSW 2000 Australia
E-mail: tony.duthie@pep.com.au and andrew.charlier@pep.com.au
For the attention of: Tony Duthie and Andrew Charlier
With a copy to: Michael Gajic and Chris Allen
Email: michael.gajic@minterellison.com and chris.allen@minterellison.com
(or as otherwise notified by Bidder to Target from time to time);

- (b) must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;
- (c) must be delivered or posted by prepaid post to the address or emailed to the email address of the addressee in accordance with clause 7.5(a); and
- (d) will be deemed to be received by the addressee:
- (i) **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) **(in the case of email)** the earlier of:
 - (A) the time that the sender receives an automated message from the intended recipient's information system confirming deliver of the email;
 - (B) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
 - (C) two hours after the email is sent (as recorded in the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day; and
 - (iii) **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 7.5(a), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, in which case that communication will be deemed to be received at 9.00am on the next Business Day.

7.6 Stamp Duty

Bidder must:

- (a) bear its own costs arising out of the negotiation, preparation and execution of this Deed Poll;
- (b) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme or this Deed Poll; and
- (c) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.6(b).

7.7 Variation

A provision of this Deed Poll may not be varied, altered or otherwise amended unless the variation is agreed by Bidder and:

- (a) before the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target (which such agreement may be given or withheld without reference to or approval by any Target Shareholder); or

- (b) on or after the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target (which such agreement may be given or withheld without reference to or approval by any Target Shareholder) and is approved by the Court,

in which event Bidder will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

7.8 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by Law or under this Deed Poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by Law or under this Deed Poll.
- (b) Any waiver or consent given by any party under this Deed Poll will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed will operate as a waiver of another breach of that term or of a breach of any other term of this Deed Poll.
- (d) Nothing in this deed obliges a party to exercise a right to waive any conditional term of this Deed Poll that may be in its power.

7.9 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this Deed Poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this Deed Poll.

Executed and delivered as a deed poll

Executed as a deed in accordance with
section 127 of the *Corporations Act 2001* by
Elemental Infrastructure BidCo Pty Ltd:



Director Signature

ANDREW CHARLIER

Print Name



Director/Secretary Signature

MATTHEW ROBINSON

Print Name

Notice of General Scheme Meeting

ZENITH ENERGY LIMITED ACN 615 682 203 (ZENITH) (ASX CODE: ZEN)

Notice is hereby given that, by order of the Supreme Court of Western Australia (**Court**) made on 25 June 2020 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of General Shareholders will be held at 10.00am (Perth time) on Friday, 31 July 2020 electronically through an online platform at <https://agmlive.link/ZEN20> (**General Scheme Meeting**).

To join the General Scheme Meeting, visit <https://agmlive.link/ZEN20>.

Important information regarding participation at the General Scheme Meeting in light of COVID-19

As a result of the health risks created by the coronavirus (COVID-19) pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁵³ regarding electronic shareholder meetings, the General Scheme Meeting is scheduled to be held electronically. General Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical General Scheme Meeting.

General Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the General Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>. The online platform enables participants to view the General Scheme Meeting live, vote on the relevant resolution in real time and ask questions online. Details are provided in the explanatory notes to this Notice of General Scheme Meeting and Zenith Online Platform Guide.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available at www.zenithenergy.com.au/investor-centre/scheme-of-arrangement.

General Shareholders are encouraged to consider appointing a proxy to attend and vote at the General Scheme Meeting via the online platform on their behalf. Further details on how to appoint a proxy are provided in the explanatory notes to this Notice of General Scheme Meeting.

If it becomes necessary to make further alternative arrangements for holding the General Scheme Meeting, we will ensure General Shareholders are given as much notice as possible.

Any changes to the dates and the conduct of the General Scheme Meeting will be announced to the ASX and will be available under Zenith's profile on the ASX at www.asx.com.au.

Business of the General Scheme Meeting

The purpose of the General Scheme Meeting is to consider and, if thought fit, agree to a scheme of arrangement (with or without modification or any alterations or conditions required by the Court to which Zenith and BidCo agree) proposed to be entered into between Zenith and Zenith Shareholders, at the Scheme Record Date, pursuant to Part 5.1 of the Corporations Act (the **Scheme**).

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which forms part of the Scheme Booklet which includes this Notice of General Scheme Meeting.

⁵³ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

General Scheme Resolution

To consider, and, if thought fit, pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme (the terms of which are contained in and more particularly described in the Scheme Booklet of which the Notice of General Scheme Meeting forms part) is agreed to (with or without alterations or conditions as approved by the Court to which Zenith and BidCo agree) and the Zenith Board is authorised, subject to the terms of the Scheme Implementation Deed, to (a) agree to any such alterations or conditions, and (b) subject to approval of the Scheme by the Court, implement the Scheme with any such alterations or conditions.

There are no relevant voting exclusions that apply to this General Scheme Meeting.

Chairman

The Court has directed that Peter Torre is to act as chair of the General Scheme Meeting (and that, if Mr Torre is unable or unwilling to attend, David Riekie is to act as chair of the General Scheme Meeting) and has directed the chair to report the result of the resolution to the Court.

By Order of the Court and the Zenith Energy Limited Board



Peter Tazewell
Chief Financial Officer and Company Secretary

25 June 2020

Explanatory Notes to the Notice of General Scheme Meeting

These notes should be read in conjunction with the Notice of General Scheme Meeting and the information in the Scheme Booklet (of which the Notice of General Scheme Meeting forms part). The Scheme Booklet contains important information to assist you to decide how to vote at the General Scheme Meeting.

Unless the context requires otherwise, terms used in the Notice of General Scheme Meeting and in these notes have the same meaning as set out in Section 10 (*Glossary and interpretation*) of the Scheme Booklet.

A copy of the Scheme is set out in Annexure B to the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(iii) of the Corporations Act, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of General Shareholders present and voting at the General Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the General Scheme Meeting electronically on your behalf); and
- at least 75% of the total number of votes cast on the Scheme Resolution by General Shareholders present and voting at the General Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the General Scheme Meeting electronically on your behalf).

Entitlement to vote

The time for the purposes of determining voting entitlements in respect of the General Scheme Meeting will be 5.00pm (Perth time) on Wednesday, 29 July 2020.

Voting at the Scheme Meeting

As a result of the health risks created by the coronavirus (COVID-19) pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁵⁴ regarding electronic shareholder meetings, the General Scheme Meeting is scheduled to be held electronically. General Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical General Scheme Meeting.

If you are eligible to vote at the General Scheme Meeting, you may:

- vote during the electronic General Scheme Meeting via the online platform using the instructions below;
- appoint one or two proxies to attend the electronic General Scheme Meeting via the online platform and vote online at the General Scheme Meeting on your behalf (if you would like to appoint more than one proxy please contact the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia);
- appoint an attorney to attend the electronic General Scheme Meeting via the online platform and vote online at the General Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend the electronic General Scheme Meeting via the online platform and vote online at the General Scheme Meeting on your behalf.

Voting will be conducted by poll.

Jointly held securities

If you hold Zenith Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote online at the meeting, only the vote of the holder whose name appears first on the Zenith Register will be counted.

How to participate in the General Scheme Meeting

The General Scheme Meeting will be held electronically.

General Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the General Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>. The online platform enables participants to

⁵⁴ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

view the General Scheme Meeting live, vote on the relevant resolution in real time and ask questions online.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available at www.zenithenergy.com.au/investor-centre/scheme-of-arrangement.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the General Scheme Meeting using the instructions below:

- enter the link <https://agmlive.link/ZEN20> into your web browser on an online device;
- if you are a Zenith Shareholder, you will need your Shareholder Number and postcode; and
- if you are a proxyholder, you will need your Proxy Number issued by the Zenith Registry.

Online voting will be open between the commencement of the General Scheme Meeting at 10.00am (Perth time) on Friday, 31 July 2020 and the time at which the Chair announces the closure of voting.

Voting by proxy

If you wish to appoint a proxy or you are unable to attend the meeting via the online platform, you may appoint one or two proxies to attend and vote at the General Scheme Meeting on your behalf. You can do this online at www.linkmarketservices.com.au or, if you received a hardcopy proxy form, by following the instructions on the proxy form (i.e. by ticking the relevant boxes next to the General Scheme Resolution on the proxy form (being 'for', 'against' or 'abstain').

If you wish to appoint a proxy online at www.linkmarketservices.com.au you should follow the below instructions:

- Select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'.
- Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so please contact the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia.

A proxy does not need to hold Zenith Shares. A proxy may be an individual or a body corporate. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy, discussed below.

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the General Scheme Meeting. If the chair of the General Scheme Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the chair of the General Scheme Meeting in favour of the General Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Zenith Shareholders.

Any directed proxies that are not voted on a poll at the General Scheme Meeting by the appointed proxy will automatically default to the chair of the General Scheme Meeting who is required to vote proxies as directed on a poll.

If you choose to appoint a proxy to attend and vote on your behalf, you may still attend and participate in the General Scheme Meeting via the online platform but you will not be entitled to vote at the meeting unless you have revoked the proxy instructions as set out below. Zenith Shareholders should note that, although this is not the default position under Zenith's constitution, it is the way the online platform operates.

Proxy instructions must be received by the Zenith Registry, Link Market Services Limited or lodged online by 10.00am (Perth time) on Wednesday, 29 July 2020. If the General Scheme Meeting is adjourned, proxy instructions must be received by the Zenith Registry or lodged online at least 48 hours before the resumption of the General Scheme Meeting in relation to the resumed part of the General Scheme Meeting.

Proxy instructions validly received will remain valid, and votes cast by the proxy at the General Scheme Meeting in accordance with the instructions will be valid, unless notice of the revocation of the instructions is received by the Zenith Registry by 10.00am (Perth time) on Wednesday, 29 July 2020 or at least 48 hours before the resumption of the General Scheme Meeting in relation to the resumed part of the General Scheme Meeting.

Proxy instructions can be revoked, provided that revocation of the instructions is received by the Zenith Registry by the times and dates stated above, by sending a letter to the Zenith Registry which:

- sets out your registered name, address, the relevant Scheme Meeting for which you wish to revoke your proxy, and the statement "I wish to revoke my proxy"; and
- is signed in accordance with the signing instructions set out in the proxy form.

If you wish to amend your proxy, you may lodge a replacement proxy online at www.linkmarketservices.com.au by following the below instructions:

- select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'; and
- select the 'Voting' tab and then follow the prompts,

or by contacting the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia (in each case provided that the replacement proxy instructions are received by the Zenith Registry by the times and dates stated above).

For those shareholders who are submitting a hardcopy proxy form rather than using the online proxy facility, the completed proxy form may be:

- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Zenith Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

If a proxy form is completed, whether using a hardcopy proxy form or using the online proxy facility, under power of attorney or other authority, the original or certified copy of the power of attorney or other authority must accompany the completed hardcopy proxy form or be mailed, faxed or delivered by hand per the details above, unless the power of attorney or other authority has previously been given to the Zenith Registry.

Voting by power of attorney

You may appoint an attorney to attend and vote at the General Scheme Meeting via the online platform on your behalf.

If you choose to appoint an attorney to attend and vote on your behalf, you may still attend and participate in the General Scheme Meeting via the online platform but you will not be entitled to vote at the meeting unless you have revoked the appointment of the attorney as set out below. Zenith Shareholders should note that, although this is not the default position under Zenith's constitution, it is the way the online platform operates.

Certified copies of powers of attorney must be received by the Zenith Registry by no later than 10.00am (Perth time) on Wednesday, 29 July 2020. If the General Scheme Meeting is adjourned, certified copies must be received by the Zenith Registry at least 48 hours before the resumption of the General Scheme Meeting in relation to the resumed part of the General Scheme Meeting. Certified copies may be:

- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

Attorney appointments of which notice has been validly received will remain valid, and votes cast by the attorney at the General Scheme Meeting will be valid, unless notice of the revocation of the appointment is received by the Zenith Registry by 10.00am (Perth time) on Wednesday, 29 July 2020 or at least 48 hours before the resumption of the General Scheme Meeting in relation to the resumed part of the General Scheme Meeting.

Attorney appointments can be revoked, provided that revocation of the appointment is received by the Zenith Registry by the times and dates stated above, by sending a letter to the Zenith Registry which:

- sets out your registered name, address, the relevant Scheme Meeting for which you wish to revoke your appointment, and the statement "I wish to revoke my power of attorney"; and
- is signed in accordance with the signing instructions set out in the proxy form.

A validly appointed attorney wishing to attend and vote at the General Scheme Meeting via the online platform will require your name, Shareholder Number and postcode in order to access the online platform.

Voting by corporate representative (in the case of a body corporate)

If you are a body corporate, you may appoint a corporate representative to attend and vote at the General Scheme Meeting via the online platform on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative can be appointed via the online platform or by downloading an 'Appointment of Corporate Representative Form' from https://www.linkmarketservices.com.au/corporate/forms/holding-management/App_Corp_Rep_140312.pdf.

A corporate representative must provide written evidence of their appointment to the Zenith Registry (which would include an 'Appointment of Corporate Representative Form') which must be received by Zenith Registry by no later than 10.00am (Perth time) on Wednesday, 29 July 2020. If the General Scheme Meeting is adjourned, written evidence of an appointment must be received by the Zenith Registry at least 48 hours before the resumption of the General Scheme Meeting in relation to the resumed part of the General Scheme Meeting. Evidence (including any authority under which the document appointing them as corporate representative was signed) may be:

- provided to the Zenith Registry via the online platform at the time you appoint a corporate representative;
- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Zenith Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

A validly appointed corporate representative wishing to attend and vote at the General Scheme Meeting via the online platform will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online platform.

Court approval

If the General Scheme Resolution put to this General Scheme Meeting and the Rollover Shareholders Scheme Resolution (set out in the Notice of Rollover Shareholders Scheme Meeting contained in the Scheme Booklet) are passed by the Requisite Majorities and the other conditions to the Scheme are satisfied or waived (if applicable) in accordance with the Scheme, Zenith intends to apply to the Court for the necessary orders to approve the Scheme.

In order for the Scheme to become effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

Further details in respect of the General Scheme Resolution to be put to the General Scheme Meeting are set out in the Scheme Booklet.

Notice of Rollover Shareholders Scheme Meeting

ZENITH ENERGY LIMITED ACN 615 682 203 (ZENITH) (ASX CODE: ZEN)

Notice is hereby given that, by order of the Supreme Court of Western Australia (**Court**) made on 25 June 2020 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of Rollover Shareholders will be held immediately following the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am (Perth time), electronically through an online platform at <https://agmlive.link/ZEN20> (**Rollover Shareholders Scheme Meeting**).

To join the Rollover Shareholders Scheme Meeting, visit <https://agmlive.link/ZEN20>.

Important information regarding participation at the Rollover Shareholders Scheme Meeting in light of COVID-19

As a result of the health risks created by the coronavirus (COVID-19) pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁵⁵ regarding electronic shareholder meetings, the Rollover Shareholders Scheme Meeting is scheduled to be held electronically. Rollover Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Rollover Shareholders Scheme Meeting.

Rollover Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Rollover Shareholders Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>. The online platform enables participants to view the Rollover Shareholders Scheme Meeting live, vote on the relevant resolution in real time and ask questions online. Details are provided in the explanatory notes to this Notice of Rollover Shareholders Scheme Meeting and Zenith Online Platform Guide.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available at www.zenithenergy.com.au/investor-centre/scheme-of-arrangement.

Rollover Shareholders are encouraged to consider appointing a proxy to attend and vote at the Rollover Shareholders Scheme Meeting via the online platform on their behalf. Further details on how to appoint a proxy are provided in the explanatory notes to this Notice of Rollover Shareholders Scheme Meeting.

If it becomes necessary to make further alternative arrangements for holding the Rollover Shareholders Scheme Meeting, we will ensure Rollover Shareholders are given as much notice as possible.

Any changes to the dates and the conduct of the Rollover Shareholders Scheme Meeting will be announced to the ASX and will be available under Zenith's profile on the ASX at www.asx.com.au.

Business of the Rollover Shareholders Scheme Meeting

The purpose of the Rollover Shareholders Scheme Meeting is to consider and, if thought fit, agree to a scheme of arrangement (with or without modification or any alterations or conditions required by the Court to which Zenith and BidCo agree) proposed to be entered into between Zenith and Zenith Shareholders, at the Scheme Record Date, pursuant to Part 5.1 of the Corporations Act (the **Scheme**).

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which forms part of the Scheme Booklet which includes this Notice of Rollover Shareholders Scheme Meeting.

⁵⁵ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

Rollover Shareholders Scheme Resolution

To consider, and, if thought fit, pass the following resolution in accordance with section 411(4)(a)(iii) of the Corporations Act:

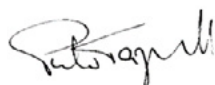
That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme (the terms of which are contained in and more particularly described in the Scheme Booklet of which the Notice of Rollover Shareholders Scheme Meeting forms part) is agreed to (with or without alterations or conditions as approved by the Court to which Zenith and BidCo agree) and the Zenith Board is authorised, subject to the terms of the Scheme Implementation Deed, to (a) agree to any such alterations or conditions, and (b) subject to approval of the Scheme by the Court, implement the Scheme with any such alterations or conditions.

There are no relevant voting exclusions that apply to this Rollover Shareholders Scheme Meeting.

Chairman

The Court has directed that Peter Torre is to act as chair of the Rollover Shareholders Scheme Meeting (and that, if Mr Torre is unable or unwilling to attend, David Riekie is to act as chair of the Rollover Shareholders Scheme Meeting) and has directed the chair to report the result of the resolution to the Court.

By Order of the Court and the Zenith Energy Limited Board



Peter Tazewell
Chief Financial Officer and Company Secretary

25 June 2020

Explanatory Notes to the Notice of Rollover Shareholders Scheme Meeting

These notes should be read in conjunction with the Notice of Rollover Shareholders Scheme Meeting and the information in the Scheme Booklet (of which the Notice of Rollover Shareholders Scheme Meeting forms part). The Scheme Booklet contains important information to assist you to decide how to vote at the Rollover Shareholders Scheme Meeting.

Unless the context requires otherwise, terms used in the Notice of Rollover Shareholders Scheme Meeting and in these notes have the same meaning as set out in Section 10 (*Glossary and interpretation*) of the Scheme Booklet.

A copy of the Scheme is set out in Annexure B to the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of the Rollover Shareholders present and voting at the Rollover Shareholders Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf); and
- at least 75% of the total number of votes cast on the Scheme Resolution by Rollover Shareholders present and voting at the Rollover Shareholders Scheme Meeting (either electronically or by appointing a proxy, attorney or representative to attend and vote at the Rollover Shareholders Scheme Meeting electronically on your behalf).

Entitlement to vote

The time for the purposes of determining voting entitlements in respect of the Rollover Shareholders Scheme Meeting will be 5.00pm (Perth time) on Wednesday, 29 July 2020.

Voting at the Scheme Meeting

As a result of the health risks created by the coronavirus (COVID-19) pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁵⁶ regarding electronic shareholder meetings, the Rollover Shareholders Scheme Meeting is scheduled to be held electronically. Rollover Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Rollover Shareholders Scheme Meeting.

If you are eligible to vote at the Rollover Shareholders Scheme Meeting, you may:

- vote during the electronic Rollover Shareholders Scheme Meeting via the online platform using the instructions below;
- appoint one or two proxies to attend the electronic Rollover Shareholders Scheme Meeting via the online platform and vote online at the Rollover Shareholders Scheme Meeting on your behalf (if you would like to appoint more than one proxy please contact the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia);
- appoint an attorney to attend the electronic Rollover Shareholders Scheme Meeting via the online platform and vote online at the Rollover Shareholders Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend the electronic Rollover Shareholders Scheme Meeting via the online platform and vote online at the Rollover Shareholders Scheme Meeting on your behalf.

Voting will be conducted by poll.

Jointly held securities

If you hold Zenith Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote online at the meeting, only the vote of the holder whose name appears first on the Zenith Register will be counted.

⁵⁶ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

How to participate in the Rollover Shareholders Scheme Meeting

The Rollover Shareholders Scheme Meeting will be held electronically.

Rollover Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Rollover Shareholders Scheme Meeting through an online platform at <https://agmlive.link/ZEN20>. The online platform enables participants to view the Rollover Shareholders Scheme Meeting live, vote on the relevant resolution in real time and ask questions online.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available at www.zenithenergyltd.com/investor-centre/scheme-of-arrangement.

The Rollover Shareholders Scheme Meeting will commence immediately following the General Scheme Meeting on Friday, 31 July 2020, but not before 10.30am. You are encouraged to login to the online platform using the instructions below for a start time of 10.30am:

- enter the link <https://agmlive.link/ZEN20> into your web browser on an online device;
- if you are a Zenith Shareholder, you will need your Shareholder Number and postcode; and
- if you are a proxyholder, you will need your Proxy Number issued by the Zenith Registry.

If the Rollover Shareholders Scheme Meeting has not yet commenced, please wait until the meeting is opened by the chair.

Online voting will be open between the commencement of the Rollover Shareholders Scheme Meeting (immediately following the General Scheme Meeting on Friday, 31 July 2020) and the time at which the Chair announces the closure of voting.

Voting by proxy

If you wish to appoint a proxy or you are unable to attend the meeting via the online platform, you may appoint one or two proxies to attend and vote at the Rollover Shareholders Scheme Meeting on your behalf. You can do this online at www.linkmarketservices.com.au or, if you received a hardcopy proxy form, by following the instructions on the proxy form (i.e. by ticking the relevant boxes next to the Rollover Shareholders Scheme Resolution on the proxy form (being 'for', 'against' or 'abstain').

If you wish to appoint a proxy online at www.linkmarketservices.com.au you should follow the below instructions:

- Select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'.
- Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so please contact the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia.

A proxy does not need to hold Zenith Shares. A proxy may be an individual or a body corporate. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy, discussed below.

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the Rollover Shareholders Scheme Meeting. If the chair of the Rollover Shareholders Scheme Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the chair of the Rollover Shareholders Scheme Meeting in favour of the Rollover Shareholders Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Zenith Shareholders.

Any directed proxies that are not voted on a poll at the Rollover Shareholders Scheme Meeting by the appointed proxy will automatically default to the chair of the Rollover Shareholders Scheme Meeting who is required to vote proxies as directed on a poll.

If you choose to appoint a proxy to attend and vote on your behalf, you may still attend and participate in the Rollover Shareholders Scheme Meeting via the online platform but you will not be entitled to vote at the meeting unless you have revoked the proxy instructions as set out below. Zenith Shareholders should note that, although this is not the default position under Zenith's constitution, it is the way the online platform operates.

Proxy instructions must be received by the Zenith Registry, Link Market Services Limited or lodged online by 10.00am (Perth time) on Wednesday, 29 July 2020. If the Rollover Shareholders Scheme Meeting is adjourned, proxy instructions must be received by the Zenith Registry or lodged online at least 48 hours before the resumption of the Rollover Shareholders Scheme Meeting in relation to the resumed part of the Rollover Shareholders Scheme Meeting.

Proxy instructions validly received will remain valid, and votes cast by the proxy at the Rollover Shareholders Scheme Meeting in accordance with the instructions will be valid, unless notice of the revocation of the instructions is received by the Zenith Registry by 10.00am (Perth time) on Wednesday, 29 July 2020 or at least 48 hours before the resumption of the Rollover Shareholders Scheme Meeting in relation to the resumed part of the Rollover Shareholders Scheme Meeting.

Proxy instructions can be revoked, provided that revocation of the instructions is received by the Zenith Registry by the times and dates stated above, by sending a letter to the Zenith Registry which:

- sets out your registered name, address, the relevant Scheme Meeting for which you wish to revoke your proxy, and the statement "I wish to revoke my proxy"; and
- is signed in accordance with the signing instructions set out in the proxy form.

If you wish to amend your proxy, you may lodge a replacement proxy online at www.linkmarketservices.com.au by following the below instructions:

- select 'Investor Login' and in the 'Single Holding' section enter Zenith Energy Limited or the ASX code ZEN in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'; and
- select the 'Voting' tab and then follow the prompts,

or by contacting the Zenith Registry by telephone on 1800 237 687 within Australia or +61 1800 237 687 outside Australia (in each case provided that the replacement proxy instructions are received by the Zenith Registry by the times and dates stated above).

For those shareholders who are submitting a hardcopy proxy form rather than using the online proxy facility, the completed proxy form may be:

- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Zenith Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

If a proxy form is completed, whether using a hardcopy proxy form or using the online proxy facility, under power of attorney or other authority, the original or certified copy of the power of attorney or other authority must accompany the completed hardcopy proxy form or be mailed, faxed or delivered by hand per the details above, unless the power of attorney or other authority has previously been given to the Zenith Registry.

Voting by power of attorney

You may appoint an attorney to attend and vote at the Rollover Shareholders Scheme Meeting via the online platform on your behalf.

If you choose to appoint an attorney to attend and vote on your behalf, you may still attend and participate in the Rollover Shareholders Scheme Meeting via the online platform but you will not be entitled to vote at the meeting unless you have revoked the appointment of the attorney as set out below. Zenith Shareholders should note that, although this is not the default position under Zenith's constitution, it is the way the online platform operates.

Certified copies of powers of attorney must be received by the Zenith Registry by no later than 10.00am (Perth time) on Wednesday, 29 July 2020. If the Rollover Shareholders Scheme Meeting is adjourned, certified copies must be received by the Zenith Registry at least 48 hours before the resumption of the Rollover Shareholders Scheme Meeting in relation to the resumed part of the Rollover Shareholders Scheme Meeting. Certified copies may be:

- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

Attorney appointments of which notice has been validly received will remain valid, and votes cast by the attorney at the Rollover Shareholders Scheme Meeting will be valid, unless notice of the revocation of the appointment is received by the

Zenith Registry by 10.00am (Perth time) on Wednesday, 29 July 2020 or at least 48 hours before the resumption of the Rollover Shareholders Scheme Meeting in relation to the resumed part of the Rollover Shareholders Scheme Meeting.

Attorney appointments can be revoked, provided that revocation of the appointment is received by the Zenith Registry by the times and dates stated above, by sending a letter to the Zenith Registry which:

- sets out your registered name, address, the relevant Scheme Meeting for which you wish to revoke your appointment, and the statement "I wish to revoke my power of attorney"; and
- is signed in accordance with the signing instructions set out in the proxy form.

A validly appointed attorney wishing to attend and vote at the Rollover Shareholders Scheme Meeting via the online platform will require your name, Shareholder Number and postcode in order to access the online platform.

Voting by corporate representative (in the case of a body corporate)

If you are a body corporate, you may appoint a corporate representative to attend and vote at the Rollover Shareholders Scheme Meeting via the online platform on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative can be appointed via the online platform or by downloading an 'Appointment of Corporate Representative Form' from https://www.linkmarketservices.com.au/corporate/forms/holding-management/App_Corp_Rep_140312.pdf.

A corporate representative must provide written evidence of their appointment to the Zenith Registry (which would include an 'Appointment of Corporate Representative Form') which must be received by the Zenith Registry by no later than 10.00am (Perth time) on Wednesday, 29 July 2020. If the Rollover Shareholders Scheme Meeting is adjourned, written evidence of an appointment must be received by the Zenith Registry at least 48 hours before the resumption of the Rollover Shareholders Scheme Meeting in relation to the resumed part of the Rollover Shareholders Scheme Meeting. Evidence (including any authority under which the document appointing them as corporate representative was signed) may be:

- provided to the Zenith Registry via the online platform at the time you appoint a corporate representative;
- mailed to the Zenith Registry at Zenith Energy Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Zenith Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

A validly appointed corporate representative wishing to attend and vote at the Rollover Shareholders Scheme Meeting via the online platform will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online platform.

Court approval

If the Rollover Shareholders Scheme Resolution put to this Rollover Shareholders Scheme Meeting and the General Shareholders Scheme Resolution (set out in the Notice of General Scheme Meeting contained in the Scheme Booklet) are passed by the Requisite Majorities and the other conditions to the Scheme are satisfied or waived (if applicable) in accordance with the Scheme, Zenith intends to apply to the Court for the necessary orders to approve the Scheme.

In order for the Scheme to become effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

Further details in respect of the Rollover Shareholders Scheme Resolution to be put to the Rollover Shareholders Scheme Meeting are set out in the Scheme Booklet.

Corporate Directory

Registered office and principal place of business

24 Brennan Way
Belmont WA 6104

Stock exchange listing

Zenith Energy Limited shares are listed on the Australian Securities Exchange (ASX code: ZEN)

Company website

www.zenithenergylimited.com

Shareholder information line

1800 237 687 (within Australia) or
+61 1800 237 687 (outside Australia)

Share registry

Link Market Services Ltd

QV1 Building
Level 12, 250 St Georges Terrace
Perth WA 6000

Legal adviser

Allens

QV1 Building
250 St Georges Terrace
Perth WA 6000

Financial adviser

PricewaterhouseCoopers Securities Ltd

Brookfield Place
125 St Georges Terrace
Perth WA 6000

Taxation adviser

PricewaterhouseCoopers

Brookfield Place
125 St Georges Terrace
Perth WA 6000

For personal use only



www.zenithenergyltd.com

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Zenith Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: 1800 237 687

Overseas: +61 1800 237 687



X99999999999

PROXY FORM

I/We being a member(s) of Zenith Energy Limited (**Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Scheme Meeting of the Company to be held at **10:00am (Perth time) on Friday, 31 July 2020 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting only and you can participate online at: <https://agmlive.link/ZEN20> (refer to details in the Online Platform Guide available at www.zenithenergyld.com.au/investor-centre/scheme-of-arrangement).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

For Against Abstain*

General Scheme Resolution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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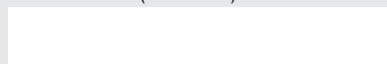
* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.


SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)





Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Perth time) on Wednesday, 29 July 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Zenith Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



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Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



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Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: 1800 237 687

Overseas: +61 1800 237 687



X99999999999

PROXY FORM

I/We being a member(s) of Zenith Energy Limited (**Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Rollover Shareholders Scheme Meeting of the Company to be held on **Friday 31 July 2020**, commencing immediately following the General Scheme Meeting on Friday, 31 July 2020, **but not before 10:30am (Perth time)** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting only and you can participate online at: <https://agmlive.link/ZEN20> (refer to details in the Online Platform Guide available at www.zenithenergy.com.au/investor-centre/scheme-of-arrangement).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

For Against Abstain*

Rollover Shareholders Scheme Resolution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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ZEN PRX2002A

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