

September 17, 2019

## **ZENITH ENERGY LTD.**

("Zenith" or the "Company")

### **Reduction of Debt**

Zenith Energy Ltd., ("Zenith" or the "Company"), (LSE: **ZEN**; TSX.V: **ZEE**; OSE: **ZENA-ME**), the international oil & gas production company operating the largest onshore oilfield in Azerbaijan, is pleased to provide an update regarding its debt position.

#### **Debt Reduction**

The Company is pleased to confirm that it has reduced its short-term debt by approximately US\$2,175,000 during the past 14 months.

#### **Loan Facility for US\$1,485,000 and accrued interest**

As announced on August 5, 2019, the Company was notified by the guarantor of the facility, Mr. Andrea Cattaneo, who serves as Chief Executive Officer of Zenith, that he had received legal advice towards initiating a process of litigation against the lender in view of the fact that his guarantee may have been obtained unlawfully.

The full amount of the principal, and related accrued interest, of the Loan Facility is represented and accounted as a liability in the audited Annual Financial Report of the Company as of March 31, 2019, and most recently in the unaudited Q1 Financial Statements as of June 30, 2019 for a total amount of US\$2,080,523.

The result of the potential litigation could be a reduction or cancellation of the liability in relation to the Loan Facility.

The Company can confirm that it has begun negotiations with the lender to settle the liability at a significant discount in consideration of the aforementioned.

#### **Debt Settlement**

The Company has agreed to issue 1,245,904 common shares (the "**Settlement Shares**"), which consist of: (1) 923,323 Settlement Shares at a deemed price of **CAD\$0.11** (approximately £0.068) per Settlement Share to settle a debt of 75,213 Swiss Francs owed by the Company; and (2) 322,581 Settlement Shares at a deemed price of CAD\$0.052 per Settlement Share (equivalent to approximately £0.031 per Settlement Share) to settle a debt of £10,000 owed by the Company (collectively, the "**Share Settlements**"). The Settlement Shares, issued pursuant to the Share Settlements, will be subject to a **four-month hold period** under the rules and

regulations of the TSX Venture Exchange and applicable Canadian securities laws. The Share Settlements are subject to the acceptance of the TSX Venture Exchange.

### Conversion of Convertible Loan Facility

The Company has received a Conversion Notice ("**Conversion**") from the consortium of lenders (the "**Lenders**") for the US\$1,500,000 Convertible Loan Facility ("**Convertible Loan**") announced on September 5, 2018.

The Conversion has been made for a total of 5,343,774 common shares (the "**Conversion Shares**") at a price of £0.021 per Conversion Share equivalent to a total amount of US\$140,000.

Zenith can confirm that the total outstanding liability in relation to the Convertible Loan will now stand at **US\$560,000** following the Conversion.

On March 11, 2019, the Company announced that it had favourably renegotiated the Convertible Loan to include a fixed conversion price of £0.0505 ("**Fixed Conversion Price**") for the Convertible Loan Facility which expired on September 1, 2019.

The Company also announced that it had agreed with the Lenders to amend the terms of the Convertible Loan to include the possibility of optional redemptions (the "**Optional Redemption**") to be made by the Company in lieu of conversion of the Convertible Loan by the Lenders for set redemption amounts (the "**Redemption Amounts**") amortised across the duration of the Facility.

Zenith can confirm that it has paid a total of US\$600,000 in Optional Redemptions to reduce the total outstanding liability in relation to the Convertible since the aforementioned revised terms were agreed.

### Total Voting Rights

The Company wishes to announce, in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, the following information following Admission of the Common Shares issued in the Placing:

Class of share	Total number of shares	Number of voting rights per share	Total number of voting rights per class of share
Common Shares in issue and admitted to trading on the Main Market of the London Stock Exchange	265,982,454	1	265,982,454

Common Shares in issue and admitted to trading on the TSXV	368,122,107	1	368,122,107
Common Shares in issue and admitted to trading on the Merkur Market of the Oslo Børs	368,122,107	1	368,122,107

No Common Shares are held in treasury. The above figure for total number of Common Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

**Andrea Cattaneo, Chief Executive Officer of Zenith, commented:**

"I am very pleased that we are significantly reducing our debt position by taking a number of steps to strengthen our balance sheet.

Beyond the evident benefits, this should also help Zenith improve its issuer credit rating of B+ with Positive Outlook to secure debt financing at more favourable terms to support its future development.

Our near-term operational progress will play a determining role towards enabling the Company towards further achieving this goal."

**Further Information:**

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### Notes to Editors:

Zenith Energy Ltd. is an international oil and gas production company, listed on the TSX Venture Exchange (TSX.V:ZEE) and London Stock Exchange (LSE:ZEN). In addition, the Company's common share capital was admitted to trading on the Merkur Market of the Oslo Børs (ZENA:ME) on November 8, 2018. The Merkur Market is a multilateral trading facility owned and operated by the Oslo Børs.

The Company was assigned a medium to long-term issuer credit rating of "B+ with Positive Outlook" on October 8, 2018 by Arc Ratings, S.A.

The Company operates the largest onshore oilfield in Azerbaijan following the signing of a 25-year REDPSA, (Rehabilitation, Exploration, Development and Production Sharing Agreement), with SOCAR, State Oil Company of the Republic of Azerbaijan, in 2016.

The Company's primary focus is the development of its Azerbaijan operations by leveraging its technical expertise and financial resources to maximise low-cost oil production via a systematic field rehabilitation programme intended to achieve significantly increased revenue. Zenith also operates, or has working interests in, a number of natural gas production concessions in Italy. The Company's Italian operations produce natural gas, condensate and electricity.

Zenith's development strategy is to identify and rapidly seize value-accretive hydrocarbon production opportunities in the onshore oil & gas sector. The Company's Board of Directors and senior management team have the experience and technical expertise to develop the Company successfully.