

December 24, 2019

ZENITH ENERGY LTD.

("Zenith" or the "Company")

First Acquisition in Africa

Zenith Energy Ltd., ("Zenith" or the "Company"), (LSE: ZEN; TSX.V: ZEE; OSE: ZENA-ME), the international oil & gas production company, is delighted to announce that it has signed a conditional share purchase agreement ("SPA") with AIM quoted Anglo African Oil & Gas plc ("AAOG") for the acquisition of an 80 percent interest in AAOG's fully owned subsidiary in the Republic of the Congo, Anglo African Oil & Gas Congo S.A.U ("AAOG Congo") ("Acquisition").

The SPA is conditional, inter alia, on the passing of an ordinary resolution of shareholders in AAOG in a General Meeting approving the Acquisition and certain regulatory requirements in the Republic of the Congo including consent of the Minister of Hydrocarbons ("Completion").

Acquisition Highlights

- Zenith will enrich, as well as diversify, its asset portfolio by completing its first African acquisition in the form of a highly prospective oil production and development asset. This is in line with the Company's strategy of identifying and acquiring assets with significant untapped production potential.
- Following Completion of the Acquisition, Zenith will own 80 percent of AAOG Congo which has a 56 percent majority interest in, and is operator of, the Tilapia oilfield in the Republic of the Congo (the "License"). The remaining 44 percent is held by the national oil company, Société Nationale des Pétroles du Congo ("SNPC").
- The License is located in the Lower Republic of the Congo Basin, West African Atlantic Margin, which extends from Gabon down to Angola, a prolific hydrocarbon region in which certain individual wells have recorded production rates of up to 5,000 barrels of oil per day. It is situated 1.8km offshore and entered into production in 2008. Having been drilled from onshore, there is no requirement for offshore drilling equipment. Oil storage and processing facilities are a 45-minute drive from Point Noire and 17km from the nearest refinery.
- Major operators including Eni, SOCO International and Oryx operate in neighbouring fields producing from the Djeno horizon with production rates of between 1,000 to 5,000 barrels of oil per day from individual wells.
- Successful recent drilling undertaken during 2018 and 2019 has identified multiple potential productive reservoirs within the License across a number of formations including the regionally proven Mengo and Djeno reservoirs. This has confirmed the transformational potential productivity to be obtained from the License. Recent expert wireline log analysis commissioned by AAOG Congo after drilling activities in the Djeno formation has indicated that reservoir quality is "between good and excellent".
- AAOG Congo currently produces approximately 30 barrels of oil per day.

- SNPC owes AAOG Congo approximately US\$5.3 million as a result of the work conducted to date on the License. Zenith has met with SNPC and expects to obtain the full repayment of the aforementioned amount. Upon completion of the Acquisition and repayment of the credit by SNPC, Zenith will retain 80 percent of the aforementioned amount.
- Zenith plans to commission a new Competent Person's Report in compliance with Canadian securities laws, specifically the COGE Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.
- Zenith intends to begin preparations for drilling activities in well TLP-103C as soon as it assumes operational control of the License.
- The Company intends to complete negotiations with the Congolese Ministry of Hydrocarbons to obtain a new 25-year license for the Tilapia oilfield once the SPA is effective.

Pursuant to the terms of the SPA, Zenith has agreed to acquire 80% of the issued share capital of AAOG Congo for a consideration of £1 million, of which £500,000 is to be satisfied in cash to be paid in six equal monthly instalments with the first instalment due on completion and the last being six months later, and £500,000 to be satisfied by the issue of ordinary shares in the share capital of Zenith to be issued at the volume weighted average price of a Zenith common share for a period of 14 trading days prior to Completion ("**Consideration Shares**").

AAOG has agreed that it will not dispose of the Consideration Shares for a period of six months from completion and thereafter will dispose of the Consideration Shares in an orderly manner.

In addition, Zenith will fund AAOG's share of an up to US\$5.5 million work programme to be agreed post-Completion, and the amount of any signature bonus required for the renewal of the License as agreed with the Congolese Ministry of Hydrocarbons, subject to a cap of US\$2 million if the signature bonus is payable in a single instalment and otherwise at an amount to be agreed between the AAOG and Zenith if the signature bonus is payable in multiple instalments.

As at June 30, 2019, the unaudited balance of the intercompany debt owing to the Company by AAOG Congo was approximately £12.47 million at the GBP/USD exchange rate on that date. Under the terms agreed for the Acquisition, at completion AAOG will novate 80% of this debt to Zenith and will retain 20% on its balance sheet.

The SPA contains commercial warranties being given by AAOG which are commensurate for a transaction in the nature and size of the Acquisition. Zenith is also making warranties concerning itself and its shares to AAOG which are commensurate for a transaction of this nature and size. AAOG will also be required to sign up to a tax covenant upon Completion, pursuant to which AAOG shall indemnify Zenith for certain pre-Completion tax liabilities which are not fully provided for in the accounts of AAOG Congo.

The Company has also agreed to standard provisions which govern the day-to-day and usual operations of AAOG Congo in the period from signing to Completion and the SPA contains a

standard provision that allows Zenith to not complete if there is a material adverse change in the net asset value of AAOG Congo before Completion.

In addition, the Company and AAOG will sign up to a shareholders' agreement upon Completion which will govern their future relationship as shareholders of AAOG Congo.

The Acquisition is also subject to final regulatory approval from the TSX Venture Exchange.

Andrea Cattaneo, Chief Executive Officer, commented:

"We are delighted to have signed this exciting SPA to acquire AAOG Congo which represents our first African acquisition and our entry into the attractive jurisdiction of the Republic of the Congo.

The Acquisition enriches, as well as diversifies, our asset portfolio by adding significant reserves and prospective production potential. This is line with our company strategy of acquiring assets with significant untapped production potential.

The License has excellent production upside, specifically from the Mengo and Djeno horizons. This has been confirmed by wireline investigations performed following recent drilling activities, thereby materially de-risking the asset.

Upon assumption of operational control, we shall look to begin preparations for deepening activities in well TLP-103C, obtain full repayment of the funds owed by SNPC, as well as successfully complete negotiations for a new 25-year license."

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 9, 2019 by Arc Ratings, S.A. On November 18, 2019, the Company was assigned a "B+" with Stable Outlook debt issuer credit rating by Rating-Agentur Expert RA.

The Company operates the largest onshore oilfield in Azerbaijan by cumulative acreage 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.