

January 12, 2020

ZENITH ENERGY LTD.

("Zenith" or the "Company")

Put and Call Option Agreement with AAOG

Zenith Energy Ltd., ("Zenith" or the "Company"), (LSE: **ZEN**; TSX.V: **ZEE**; OSE: **ZENA-ME**), the international oil & gas production company, is pleased to announce that it has entered into a term sheet for a Put and Call Option Agreement with Anglo African Oil & Gas plc ("**AAOG**") over the residual holding of 20 percent in Anglo African Oil & Gas Congo SAU ("**AAOG Congo**") that AAOG will retain ("**the Residual Shares**") following the signing of a conditional share purchase agreement ("**SPA**") for Zenith's acquisition of an 80 percent interest in AAOG Congo (the "**Acquisition**").

As announced on December 27, 2019, the SPA is conditional, inter alia, on the passing of an ordinary resolution of shareholders in AAOG in a General Meeting, to be held on January 13, 2020, approving the Acquisition and certain regulatory requirements in the Republic of the Congo, including consent of the Minister of Hydrocarbons ("**Completion**").

The term sheet for the put and call option provides for the following key provisions:

Call Option

The Call Option over the Residual Shares may only be exercised by Zenith on January 16, 2021, and can only be exercised if, as at January 15, 2021, the total production from the Tilapia oilfield has never exceeded an average of at least 2,000 bopd for any period of 30 consecutive days prior to January 15, 2021.

If the Call Option is exercised, the consideration payable by Zenith for the Residual Shares shall be an amount of £1,000,000 ("**Call Option Consideration**"). The Call Option Consideration is to be settled by the issue of common shares in Zenith, the number of common shares to be issued being calculated on a 15-day VWAP (volume-weighted average price) of Zenith's common shares admitted to trading on the London Stock Exchange Main Market for listed securities in the 15-day period immediately prior to exercise of the Call Option.

Put Option

The Put Option over the Residual Shares may only be exercised by AAOG on January 16, 2021 and can only be exercised if, as at January 15, 2021, the total production from the Tilapia oilfield has been an average of at least 4,000 bopd for any period of 30 consecutive days prior to January 15, 2021.

If the Put Option is exercised, the consideration payable by Zenith for the Residual Shares shall be an amount of £2,500,000 ("**Put Option Consideration**"). The Put Option Consideration is to be settled by the issue of common shares in Zenith, the number of common shares to be issued being calculated on a 15-day VWAP of Zenith's common shares admitted to trading on the London Stock Exchange Main Market for listed securities in the 15-day period immediately prior to exercise of the Put Option.

The Company is in the process of agreeing and entering into the final form of the Put and Call Option Agreement and a further announcement will be made on this in due course.

Andrea Cattaneo, Chief Executive Officer, commented:

"We are pleased to have agreed these terms with AAOG for its residual 20 percent holding in AAOG Congo. The Tilapia asset has, we believe, potentially transformational production potential. Indeed, our primary operational goal shall be to source a fully inspected and functional rig to begin drilling operations at the earliest opportunity in TLP-103C to test the productivity of the Mengo and Djeno horizons.

The aforementioned terms will further ensure that, in the event of future success, both Zenith and AAOG shareholders will enjoy the fruits of victory.

We look forward with excitement to the challenge ahead."

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.