

March 2, 2020

## **ZENITH ENERGY LTD.**

("Zenith" or the "Company")

### **Changes to REDPSA in Azerbaijan**

Zenith Energy Ltd., ("Zenith" or the "Company"), (LSE: ZEN; TSX.V: ZEE; OSE: ZENA-ME), the international oil & gas production company, provides the following update on its strategic direction in Azerbaijan.

#### **Handover of Contract Rehabilitation Area to SOCAR**

In view of Zenith's strategic focus on pursuing large-scale oil production and development opportunities in Africa, the Company will handover the Contract Rehabilitation Area ("CRA") to SOCAR.

Zenith expects to shortly define the handover process of the CRA. It will continue to operate the CRA and maintain oil production activities in Azerbaijan without interruption until the handover is completed.

The Company expects to achieve a near total reduction of operating expenses in Azerbaijan upon completion of the handover of the CRA.

In addition, the Company's local subsidiary is owed approximately US\$700,000 from sales of produced oil which Zenith expects to receive in the near future.

Current production from the CRA is approximately 180 barrels of oil per day.

As a consequence, Zenith will not proceed with previously planned well interventions in relation to wells C-37 and C-30 of the Jafarli oilfield, which is expected to increase the Company's free cash base.

The Company will provide further updates as appropriate.

#### **Exploration – 25-Year REDPSA**

The Company confirms that, once the handover of the CRA is completed, its sole operational focus in Azerbaijan will be in relation to performing exploration activities.

#### **Andrea Cattaneo, Chief Executive Officer, commented:**

"The transformational development oil production and revenue generation opportunities we are currently completing in Africa require a strategic review of our focus to optimise the deployment of our financial resources and management attention.

Zenith has deployed significant financial and technical resources since the beginning of the Azerbaijan project in order to achieve material increases in oil production. Results have underwhelmed management and market expectations for a number of reasons including the complexity of the geological formations and oil reservoirs, the poor condition of many existing wells, as well the inaccuracy of historical well records.

We shall continue with our 25-year REDPSA, which remains intact, with regards to exploration activities to be undertaken during 2020 and potentially beyond.”

**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. 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.

