

November 11, 2020

ZENITH ENERGY LTD.

("Zenith" or the "Company")

Update on legal claim against SMP

Zenith Energy Ltd. ("Zenith" or the "Company") (LSE: ZEN; OSE: ZENA-ME), the listed international oil & gas production company focused on pursuing African development opportunities, is pleased to provide an update on the legal claim (the "**Claim**") initiated during 2019 by its subsidiary in the Republic of the Congo, Anglo African Oil & Gas Congo S.A.U ("**AAOG Congo**"), against Société de Maintenance Pétrolière ("**SMP**"), the rig contractor employed for drilling services in wells TLP-103 and TLP-103C of the Tilapia oilfield, following a series of significant performance failures by the SMP 102 rig (the "**Rig**") during drilling activities.

Background

On July 15, 2019, AIM quoted Anglo African Oil & Gas plc ("**AAOG**"), the previous owner of AAOG Congo prior to its acquisition by Zenith, made an announcement confirming that AAOG Congo had made the Claim following poor performance by SMP in the drilling of wells TLP-103 and TLP-103C, and the refusal of SMP to engage in negotiations to cover the significant cost overruns that had been incurred by AAOG Congo as a result of this.

The Claim was launched in the Paris commercial court against SMP to recover costs of US\$3.1 million relating to SMP's unsatisfactory performance.

In taking the decision to launch the Claim for costs against SMP the following reasons were considered significant at the time:

- AAOG Congo had maintained extensive, contemporaneous technical records of the failures of the Rig and the losses and delays that were caused as a result;
- SMP had not put forward evidence, of any kind, to suggest that Rig performance was not the cause for cost overruns; and
- Advice from International counsel in London, Paris and the Congo was that the Claim had merit.

To strengthen its position, in addition to the commencement of the Claim, AAOG Congo also withheld payment of SMP's final invoice for an amount of approximately US\$650,000, and exercised a retention right over the Rig which, at the time, was positioned within the Tilapia oilfield.

SMP subsequently retaliated by obtaining a number of unjustified seizure orders over the fixed assets of AAOG Congo in the Republic of the Congo, as well as over its local bank accounts.

As detailed in AAOG's above-mentioned announcement dated July 15, 2019, the seizure orders were unenforceable because AAOG Congo's fixed assets were owned in partnership with SNPC, the National Oil Company, and consequently could not be seized.

Further, the granting of these orders had no bearing on the merits of the claim launched in the Paris courts by AAOG Congo against SMP.

Under the rules and conventions of the Paris commercial court, mediation between the parties engaged in a dispute is a recommended course of action. As a result, a supervised mediation meeting took place during the Autumn of 2019.

On December 11, 2029, AAOG announced that mediation efforts had proven unsuccessful and that, as a result, AAOG Congo would continue to vigorously pursue its Claim in the Paris courts.

Update

The Company can confirm that it has recently been successful in obtaining a revocation of the court order that had wrongfully blocked its bank accounts. An amount of approximately **US\$36,000** has now been unfrozen and made available to provide additional funding for AAOG Congo.

Zenith believes the Claim launched by AAOG Congo has merit, especially on account of the significant evidence collected at the time to substantiate its position.

Following interactions with its French legal advisers, the Company has decided to continue vigorously pursuing the Claim to recover costs of approximately US\$3.1 million. The possibility of increasing the Claim amount is also being explored in consideration of the commercial damages suffered by AAOG Congo as direct result of SMP's drilling performance.

The Company has not provided for the potential recovery of such costs in its cashflow projections. Therefore, any success in this matter would enhance the Company's cash position.

Andrea Cattaneo, Chief Executive Officer, commented:

"We are pleased to have successfully obtained the revocation of the court order that had resulted in AAOG's bank accounts being frozen. The recovery of approximately US\$36,000 has a symbolic significance because it shows that we are steadily achieving the gradual recovery of moneys rightfully held by, as well as owed to, AAOG Congo.

The Company has consulted with its French legal advisers and, having evaluated the merits of the case and the significant potential compensation payment of at least US\$3.1 million, intends to zealously pursue AAOG Congo's Claim. To this end, we plan to reach out to third party financing providers, specialised in legal cases such as these, in order to avoid any cash burden being incurred by the Company in pursuing the Claim going forward.

I look forward to updating the market regarding further progress in the Republic of the Congo in the period ahead."

Further Information:

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Notes to Editors:

Zenith Energy Ltd. is an international oil and gas production company, listed on the London Stock Exchange (LSE:ZEN) and the Merkur Market of the Oslo Stock Exchange (ZENA:ME).

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

