

February 14, 2020

ZENITH ENERGY LTD.

("Zenith" or the "Company")

Institutional investment in Zenith

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 completed an offering in the United Kingdom with a significant existing institutional shareholder, as well as a selection of high net-worth private investors. ("UK Financing")

Following the UK Financing, the Company has issued 9,000,000 new common shares in the capital of the company ("UK Financing Shares") to raise gross proceeds of £135,000 (approximately CAD\$232,000).

The issue price of the UK Financing is £0.015, representing a premium of 5.26% over the closing mid-market price of Zenith's common shares admitted to trading on the London Stock Exchange on February 13, 2020.

An application will be made for the UK Financing Shares to be listed on the standard segment of the FCA Official List and to be admitted for trading on the London Stock Exchange Main Market for listed securities ("Admission").

It is expected that Admission will become effective and that unconditional dealings in the UK Financing Shares will commence on or around 8.00 a.m. (BST) on February 19, 2020.

UK Financing Use of Proceeds

The proceeds of the UK Financing will be used to provide additional funding for the development of Zenith's production portfolio, the identification and acquisition of new oil & gas production assets, as well as for general working capital purposes.

Equity Sharing Agreement

Zenith is pleased to announce that it has entered into an equity sharing agreement ("ESA") with a consortium of institutional investors ("Investors") for a total amount of NOK 9,700,000 (approximately £810,000 or US\$1,051,000).

Highlights

- Subscription for 50,000,000 new common shares in the Company (the "ESA Shares") by the Investors at an issue price of NOK 0.194 per ESA Share (the "Issue Price") to raise gross proceeds of NOK 9,700,000, representing approximately 9.86% of the Company's enlarged issued share capital (the "ESA").
- The NOK 9,700,000 gross proceeds of the ESA will be pledged by the Company pursuant to the ESA with the Investors. The ESA, details of which are set out below, entitles the Company to receive back those proceeds on a *pro rata* monthly basis over a period of 12 months, structured to commence one month following the subscription

of the ESA, subject to adjustment upwards or downwards each month depending on the Company's share price at the time.

- The ESA provides the opportunity for the Company to benefit from positive future share price performance.

US\$2.5 million Convertible Loan Facility

The Company can confirm that its current total outstanding liability in relation to the US\$2.5 Convertible Loan Facility (the "**Facility**") currently stands at US\$1.05 million.

Use of ESA Proceeds

The Company plans to use a proportion of ESA proceeds to progressively close its liability in relation to the aforementioned Facility.

Andrea Cattaneo, Chief Executive Officer, commented:

"It is encouraging to see continued support from large, existing UK institutional shareholders as well as renewed investment from our institutional lenders.

We expect the proceeds of the ESA to provide additional funding for our activities into 2021, as well as help us to reduce our convertible debt exposure. The innovative mechanics of the ESA are expected to enable Zenith to potentially benefit significantly from future share price appreciation.

I look forward to making further announcements in the near future concerning our exciting progress."

Introduction

The Investors have conditionally agreed to subscribe for 50,000,000 ESA Shares at the issue price of NOK 0.194 for gross proceeds of NOK 9,700,000. The ESA proceeds will be pledged to the Investors under the ESA pursuant to which the Company is entitled to receive back those proceeds on a pro rata monthly basis over a period of 12 months, subject to adjustment upwards or downwards each month depending on the Company's share price at the time. As a result of entering into the ESA, the aggregate amount received by the Company under the ESA may be more or less than NOK 9,700,000, as further explained below.

A significant factor in Zenith's decision to enter into the ESA is that it provides the opportunity for the Company to benefit from positive future share price performance. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements and the amount available in subsequent months is not affected. At the same time, the Company notes the corresponding risk that a fall in Zenith's share price could reduce the amount of proceeds received by the Company. Zenith expects its development activities and

operational progress to achieve considerable positive advancements over the 12 month term of the ESA. If these advancements are successful, and if the success of these advancements is reflected in Zenith's share price, the Company expects the proceeds to be received back from the Investors to exceed the amount pledged under the ESA.

Further information on the Equity Sharing Agreement

Pursuant to the ESA between the Company and the Investors, 50,000,000 ESA Shares will be issued to the Investors at NOK 0.194 per ESA Share for an aggregate subscription of NOK 9,700,000 before expenses.

The ESA proceeds of NOK 9,700,000 will be pledged to the Investors under the ESA under which the Investors will then make, subject to the terms and conditions of the ESA, monthly settlements (subject to adjustment upwards or downwards) to the Company over 12 months, as detailed below. As a result of entering into the ESA, the aggregate amount received by the Company under the ESA may be more or less than NOK 9,700,000, as further explained below.

The Equity Sharing Agreement

In accordance with the terms of the ESA, the Company will enter into the ESA, pursuant to which Zenith will return the NOK 9,700,000 proceeds of the ESA to the Investors. The ESA will enable the Company to benefit from any share price appreciation over the Benchmark Price of NOK 0.2231 (as defined below). However, if the Company's share price is less than the Benchmark Price then the amount received by the Company under the ESA will be less than the gross proceeds of the ESA which were pledged by the Company to the Investors at the outset.

The ESA provides that the Company will receive 12 equal monthly settlement amounts as measured against a benchmark share price of NOK 0.2231 per ESA Share (the "**Benchmark Price**"). The monthly settlement amounts for the Sharing Agreement are structured to commence one month following the signature of the Sharing agreement.

If the measured share price (the "**Measured Price**"), calculated as the average of the 10 lowest daily VWAP of the Company's ordinary shares for the calendar month of each settlement date, exceeds the Benchmark Price, the Company will receive more than 100 per cent. of that monthly settlement due on a *pro rata* basis according to the excess of the Measured Price over the Benchmark Price. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements and the amount available in subsequent months is not affected. Should the Measured Price be below the Benchmark Price, the Company will receive less than 100 per cent. of the monthly settlement calculated on a *pro rata* basis and the Company will not be entitled to receive the shortfall at any later date.

In no event will fluctuations in the Company's share price result in any increase in the number of ESA Shares issued by the Company or received by the Investors. A decline in the Company's share price would not result in any advantage accruing to the Investors and the ESA allows both the Investors and the Company to benefit from future share price appreciation.

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 the aforementioned transactions.

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	286,403,856	1	286,403,856
Common Shares in issue and admitted to trading on the TSXV	566,072,921	1	566,072,921
Common Shares in issue and admitted to trading on the Merkur Market of the Oslo Børs	566,072,921	1	566,072,921

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.

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.

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.