

January 3, 2023

ZENITH ENERGY LTD.

("Zenith" or the "Company")

Signing of SPA for acquisition of OMV Yemen

Zenith Energy Ltd. (**LSE: ZEN; OSE: ZENA**), the energy company with proven revenue generating production, exploration and development assets in Africa and Europe, is pleased to announce that a company in which it holds a 49% interest, Zenith Energy Netherlands B.V. ("**Zenith Netherlands**") has entered into a share purchase agreement ("**SPA**") with OMV Exploration and Production GmbH ("**OMV**" or the "**Seller**") to acquire 100% of the outstanding share capital of OMV (Yemen Block S 2) Exploration GmbH, OMV Jordan Block 3 Upstream GmbH and OMV Block 70 Upstream GmbH (collectively "**OMV Yemen**"), which are all companies incorporated and existing under the laws of Austria.

About OMV Yemen

Production Assets

Block S-2

- ▶ OMV Yemen is one of the largest oil producers in the country with a highly prospective portfolio including a balance of immediate production, as well as a balance of short and long-term growth opportunities.
- ▶ Block S-2 was discovered in 1992 by Oxy and declared commercial in 2005 by OMV following its acquisition of Preussag Energie International in 2003.
- ▶ OMV (Yemen Block S 2) Exploration GmbH operates and holds a 44% working interest, with partners including SINOPEC (37.5% working interest), YOGC (12.5% working interest) and YRL (6% working interest).
- ▶ OMV Yemen holds a financial interest of 57.14% in production from Block S-2.
- ▶ Gross production during 2021 averaged approximately 7,400 barrels of oil per day ("**BOPD**") and the field remains in the 'primary depletion' stage with highly material unexploited potential.
- ▶ Historical production from S-2 was maintained at approximately 15,000 BOPD through sustained drilling activity until 2015.
- ▶ No new wells have been drilled since 2015 when force majeure was declared due to regional instability and production was temporarily suspended.
- ▶ Production activities were resumed in 2018 at an average gross rate of 17,500 barrels of oil per day and have declined, in view of no new drilling activities, to a gross average of approximately 6,000 barrels of oil per day as of January 1, 2022.
- ▶ Production costs of approximately US\$28 per barrel.

- ▶ Gross 1P Reserves (Proved) have been estimated as **13.15** million barrels of oil using the independent DeGolyer & McNaughton reserves evaluation dated December 31, 2017, as reference and subtracting confirmed oil production during the period 2018-2021.
- ▶ Gross 2P Reserves (Proved + Probable) have been estimated as **30.74** million barrels of oil using the independent DeGolyer & McNaughton reserves evaluation dated December 31, 2017, as reference and subtracting confirmed oil production during the period 2018-2021.
- ▶ Crude oil production is transported by truck 80km to Block 4, then 200km by pipeline for export at the Al Nushaima port. Construction of a new central processing facility (“**CPF**”) has been largely completed with a storage capacity of approx. 100,000 barrels of crude oil.
- ▶ Strong management team and highly competent personnel with over 300 staff.
- ▶ A number of ready to execute near-term growth opportunities are available, by way of an already formulated workover and a phased infill drilling and sidetrack programme for six new wells, to enable production to potentially return to 15,000 BOPD.

Exploration Assets

OMV Yemen holds a balanced exploration portfolio comprising Block 3 (34% working interest) and Block 70 (19.24% working interest).

- ▶ Prospects range from easily monetised low-risk exploration to high-risk, high-reward exploration.
- ▶ Current exploration activities have identified significant potential near-term development opportunities.

Block 3

- ▶ OMV Jordan Block 3 Upstream GmbH holds a financial interest of 36.17% in Block 3.
- ▶ Gross oil resources have been estimated at about 60 million barrels unrisks by OMV.
- ▶ 1035 km² 3D and 2,100 km² 2D seismic is held in respect of Block 3.
- ▶ No remaining work commitments for Block 3.

Block 70

- ▶ OMV Block 70 Upstream GmbH holds a financial interest of 20.25% in Block 70.
- ▶ Gross oil resources have been estimated at about 70 million barrels unrisked by OMV.
- ▶ 1,200 km 2D seismic (410 km reprocessed) is held in respect of Block 70.
- ▶ No remaining work commitments for Block 70.

Natural Gas Production Potential

Significant associated gas volumes have been recorded with oil production across OMV Yemen's portfolio giving evidence of substantial natural gas production potential from S-2, Block 3, and Block 70.

A gas discovery has been made in Block 3, representing a major opportunity for the monetisation of OMV's Yemen natural gas production, all of which is currently flared.

Several gas production offtake options are already under discussion including the possibility of a connection being made to a local power station or to Yemen LNG.

Zenith may also explore the construction of a 'Gas-to-Power' ("GTP") plant, as successfully carried out in Italy, to commercialize gas production and provide additional electricity supply to the local economy.

Gross total recoverable gas volumes have been estimated by OMV, across the OMV Yemen portfolio, to be approximately 571 BSCF.

Andrea Cattaneo, Chief Executive of Zenith, commented:

"The acquisition of OMV Yemen represents a very significant milestone for Zenith Energy.

The existing production from the asset and, more importantly, the near-term future oil and natural gas production indicated by the size of the reserves, position Zenith on an extremely exciting organic growth trajectory.

I take the chance to thank OMV and its management for its cooperation in this transaction. Our technical teams shall continue to work closely together as we enter the handover phase and welcome our new colleagues in Yemen to the Zenith family.

Finally, we look forward with enthusiasm to establishing ourselves in Yemen and contributing to the prosperity of the local economy. It is our belief that the country has extraordinary economic potential, especially in respect of its oil and gas industry, and we shall seek to maximise our relationship with the local authorities to achieve our development objectives."

Terms of the SPA

Under the terms of the SPA, Zenith Netherlands will, subject to the conditions set forth in the SPA, acquire 100% of OMV's shares in OMV Yemen at completion for a total consideration of US\$ 21,619,000 (the "Base **Purchase Price**").

Zenith Netherlands has paid a deposit of US\$4,323,800 which shall be credited by the Seller to Zenith Netherlands as part of the Purchase Price upon completion.

The obligations set out in the SPA of the Seller and Zenith Netherlands to consummate the sale and purchase of the shares in OMV Yemen at completion are subject to, inter alia, the approval of the authorities in Yemen, and the approval by the Federal Ministry of the Republic of Austria for Labour and Economy in respect of the transfer of shares from OMV to Zenith Netherlands ("**Completion**"). The SPA has a longstop date of nine months from the date of signing.

A Transitional Services Agreement ("**TSA**") may be signed between OMV and Zenith Netherlands at or around completion to govern certain services to be provided by OMV or its affiliates to Zenith Netherlands after completion if OMV and Zenith Netherlands determine that such agreement shall be required to optimise the handover of OMV Yemen.

About Yemen

- Yemen is located on the southern end of the Arabian Peninsula, sharing a border with Saudi Arabia and Oman.
- The country has significant oil and natural gas reserves sufficient for both domestic demand and international exports, however, it is not currently a major hydrocarbon producer relative to several other Middle Eastern countries.
- Yemen sits on proved hydrocarbon reserves of c. 3 billion barrels of crude oil and 17 trillion cubic feet of gas (US Energy Information Administration). Its main crude export grade is light sweet Masila, with an API gravity of 34.10.
- Until 2009, Yemen reinjected most of its gas production to aid in oil recovery, but has since become an LNG exporter, with the government aiming to increase the use of natural gas in many sectors, including in electricity generation.

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Further Information:

Zenith Energy Ltd Andrea Cattaneo, Chief Executive Officer	Tel: +1 (587) 315 9031 E: info@zenithenergy.ca
BlytheRay - Financial PR/IR Tim Blythe, Megan Ray, Matt Bowld	Tel: +44 207 138 3204 E: zenith@blytheray.com
Alternative Resource Capital - Broker Alex Wood Keith Dowsing	Tel: +44 (0) 207 186 9004 Tel: + 44 (0) 207 186 9005

Notes to Editors:

Zenith Energy Ltd. is a revenue generating, independent energy company with production, exploration and development assets in Tunisia, Italy, and the Republic of the Congo, including electricity generation in Italy. The Company is listed on the London Stock Exchange Main Market (LSE: ZEN) and the Euronext Growth of the Oslo Stock Exchange (OSE: ZENA).

Zenith's strategic focus is on pursuing transformational opportunities in the Middle East, Africa, and Europe through the development of proven revenue generating oil, gas, and electricity production assets, as well as low-risk exploration activities in assets with existing production.

For more information, please visit: www.zenithenergy.ca

Twitter: @zenithenergyLtd

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Market Abuse Regulation (MAR) Disclosure

The information included in this announcement is defined as inside information pursuant to MAR article 7 and is publicly disclosed in accordance with MAR article 17 and section 5 -12 of the Norwegian Securities Trading Act. The announcement is made by the contact person.