

September 6, 2017

**ZENITH ENERGY LTD.**

("Zenith" or the "Company")

**Azerbaijan Field Rehabilitation Operational Update**

Zenith Energy Ltd. ("Zenith" or the "Company") (LSE: ZEN; TSX.V: ZEE), the dual listed international oil & gas production company operating the largest onshore oilfield in Azerbaijan, is pleased to release an operational update regarding the progress of its field rehabilitation activities in Azerbaijan.

Zenith's field rehabilitation activities in Azerbaijan will focus on three areas with the final goal of achieving 1000 BOPD by March 31, 2018. These include a systematic electrical submersible pump upgrade programme, high impact well workovers in the Zardab field and the perforation of new productive zones in wells with significant unexploited potential.

**Electrical Submersible Pump ("ESP") Upgrade Programme**

As announced by the Company on August 22, 2017, the ESP upgrade programme involves the progressive replacement of obsolete and unreliable electrical submersible pumps across 11 wells. Zenith Aran's operational team has forecast a total increase of 219 BOPD over existing production across these 11 wells.

These 11 ESP(s) will be procured from Baker Hughes and Schlumberger, two of the world's leading oilfield technology companies. This will enable a comparative assessment of the respective advantages presented by the latest generation ESP technology manufactured by each company, and will also mitigate the risk of potential delays in their production and transportation.

The Company will employ Zenith Aran's upgraded A-80 workover rig to perform these operations in addition to a similar sized workover rig operated by an experienced local oilfield service company. It is anticipated that the ESP upgrade programme will continue until the end of November 2017 and the Company will provide a final update once the upgrade programme is completed.

As announced by the Company on August 11, 2017, Zenith is awaiting delivery of a Schlumberger ESP, custom-built according to the specifications of well M-195. Delivery is now expected to take place in late October 2017 with the last consignment of ESPs due to delays incurred in the procurement process.

The total number of new ESPs installed across the field, once the ESP upgrade programme is completed and including the new ESPs installed at wells M-45 and M-195, will therefore be 13.

## **Zardab High Impact Field Rehabilitation**

Zardab is the least developed oilfield in Zenith's REDPSA area. No significant well interventions have taken place in this field during the last 20 years.

Zenith's rehabilitation activities will focus on two wells: Z-28 and Z-21, with the possibility of a third well intervention at well Z-4 in the case of success at either Z-28 or Z-21. These three wells each produced in excess of 500 BOPD for a very short period of time before they became plugged-up with sand and ceased producing.

Z-28 has been selected as the first well in the Zardab field that Zenith will workover. A number of problems affecting the well have been identified by Zenith's petroleum engineers in the pre-workover analysis of Z-28. It has been observed that the tubing has parted with the tubing top at a depth of 1214 metres and that it will be necessary to pull the tubing, clean out the well down to the liner top at a depth of 3692 metres, and subsequently clean out the liner.

Historically, well Z-28 has experienced significant flow rates at high pressure. High pressure well interventions require specific well control equipment such as a blowout preventer ("BOP"), as well as other well control equipment.

Following a formal tender process in Azerbaijan, the Company has rented a Chinese manufactured truck mounted ZJ30 workover and drilling rig with a lifting power of 180 tonnes from an experienced local drilling company to complete the Z-28 well intervention. This will be fitted with the required BOP, mud system and fishing tools.

Zenith's field staff is currently engaged in road construction and well location improvement works to enable the workover rig and ancillary equipment to be transported to the Z-28 wellsite.

The workover is scheduled to begin in late September 2017 and will have a duration of approximately one month. All operations at well Z-28 will be directed by Zenith's newly recruited Canadian petroleum engineers, who specialise in complex workover operations.

Once the workover of well Z-28 is completed, the Company will move the same workover rig and team to well Z-21 for a similar well intervention. If successful, a workover of well Z-4 will follow thereafter.

## **Identifying and Perforating New Productive Zones**

The third part of Zenith's field rehabilitation activities is identifying and perforating new productive zones across a number of underexploited wells with the objective of increasing production. These operations require a significant amount of well data analysis and preparatory work to be undertaken prior to each perforation. Preparatory work includes such tasks as road construction for the transportation of equipment to remote field locations, the cleaning out of old shut-in wells using a coiled tubing unit (CTU), logging newly recorded well data, and determining if there is cement behind the casing. Well perforations will be carried out if it is determined that there are commercial volumes of oil to produce, following well data analysis and the identification of new productive zones.

Zenith's petroleum engineers have identified 3 wells with strong production potential following such well interventions. These operations will take place in the period until March 31, 2018.

## **Production Update**

Zenith's current production of oil in Azerbaijan averages approximately 350 BOPD. This figure takes into account downtime at a number of producing wells resulting from Zenith's field rehabilitation programme.

## **Mike Palmer, Chief Operating Officer, Zenith Aran, the Company's Azerbaijan-based fully owned subsidiary, commented:**

"These are very exciting times for Zenith Aran, we are learning more and more about the field every day, and determining not only where we can find the oil to produce, but how this can be achieved economically. The ESP installations will stabilize our base production. The work in Zardab, if successful, would not only significantly increase our production but also help to identify multiple new drilling locations, as Zardab is sparsely drilled. The search for new productive zones is a successful strategy that has been used in other rehabilitation projects in Azerbaijan and is an economic way to utilize our existing wellbores. However, such work has never been done in our fields. We have already begun implementing our three-pronged programme announced today, and I look forward to the next several months that could prove transformational towards achieving our operational objectives in Azerbaijan."

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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### **Disclaimer – Forward-Looking Statements**

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Company or its officers with respect to the potential to significantly increase oil production using the latest generation ESP technology with anticipated production increases of up to 219 BOPD over existing production across 11 wells, and the objective to achieve a total production of 1000 BOPD in Azerbaijan by March 31, 2018. When used in this document, the words "expects," "deems," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements including risks and uncertainties with respect to the potential of each well.

No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity and shareholders of the Company are cautioned not to place undue reliance on the forward-looking statements. Save as required by applicable law, the Company does not undertake to update or change any forward-looking statements to reflect events occurring after the date of this announcement.