Advisory – Forward-Looking Information

Forward-Looking Statements: This presentation offers our assessment of Zargon’s future plans and operations as at April 18, 2013, and contains forward-looking statements. Such statements are generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “believe” and similar expressions (including the negatives thereof). Such statements are generally based on certain estimates and assumptions made by us in light of our experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors we believe to be appropriate in the circumstances. Such estimates and assumptions may prove to be incorrect and as such, undue reliance should not be placed on forward-looking statements. Our ability to execute our business plans and realize our objectives are subject to numerous risks and uncertainties, some of which are beyond our control, including such as those relating to future commodity prices, visibility of capital market conditions, access to capital, the amount of capital available for years and the availability of capital on acceptable terms, the impact of existing and new debt covenants and restrictions on our ability to incur additional indebtedness, and the impact of general business and market conditions, and risks related to the exploration and development of reserves. Risks are described in more detail in our Annual Information Form, which is available on our website. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

You are cautioned that the assumptions, including, among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; the ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; our ability to successfully execute our business plans; our ability to maintain sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form, which is available on our website. Forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including such as those relating to future commodity prices, visibility of capital market conditions, access to capital, the amount of capital available for years and the availability of capital on acceptable terms, the impact of existing and new debt covenants and restrictions on our ability to incur additional indebtedness, and the impact of general business and market conditions, and risks related to the exploration and development of reserves. Risks are described in more detail in our Annual Information Form, which is available on our website. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

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**Little Bow ASP**

Enhanced Oil Recovery Project

Oil rate today: **400 bpd**

ASP Capital (Non Chemical): $**60 Million**

Forecast Oil Rate in 2016: **1,500 bopd**

Forecast Oil Rate in 2018: **1,800 bopd**

Forecast Oil Recovery: **4.9 Million Barrels**

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**Project Evolution**

2009  Little Bow assets acquired from Masters Energy Inc.
2010  Reservoir Studies
2011  Lab Work, Facilities Scoping Studies
2012  Well workovers, Detailed Engineering, Key Equipment Orders; Reservoir Study Update
2013  Construction: Facilities and Pipelines, Chemical Supply
2014  Startup
**Little Bow Mannville “I” and “P” Pools**

- High Quality Upper Mannville Reservoir
- Zargon WI: 100%
- First Production: 1974
- Mature Waterflood (initiated 1983)
- Permeability (Avg): 1,500 mD
- Depth: 3,600 ft
- Porosity (Avg.): 23%
- Phased ASP Development

**What is ASP?**

*A dilute chemical blend (Alkali, Surfactant and Polymer)*

Added to an existing waterflood to “scrub” out oil that waterflooding alone cannot recover

**Contact more reservoir, and get more oil from reservoir that is contacted.**

- Surfactants (Detergent): mobilizes trapped oil
- Alkali: Increases effectiveness of the surfactant
- Polymer: Thickener. Thickened water is able to contact more reservoir

![Diagram of ASP process]

Alkali and Surfactant act together to mobilize oil trapped in the reservoir. The injected fluids must contact the trapped oil to be effective.

Polymer “thickens” the injected fluid to increase the volume of reservoir contacted.
**ASP Chemical Flooding – Injection Sequence**

1) ASP: A blend of Alkali, Surfactant and Polymer mobilizes trapped oil
2) Polymer "Push": Polymer solution displaces mobilized oil to producing wells
3) Terminal Waterflood: Completes the displacement

**Canadian ASP Projects**
Husky Taber and Zargon Little Bow Mannville Pools
Analogous Production History

Husky Taber Mannville “B” ASP Flood
Maintaining Strong Performance
Husky Taber Mannville “B” ASP Flood

ASP Flood Reserves

- Cumulative Oil Produced (% DPIIP)
- Oil Cut (%)
- Data to Jan-2013

ERCB Assigned DPIIP: 43.1 MMbbl

Terminal Waterflood ASP Polymer
12% DPIIP

Base Waterflood Decline

ASP Flood Decline

12% DPIIP

Little Bow ASP Development Optimization Study

- 1,276 cases run
- Updated reservoir simulation model used to optimize Little Bow ASP Flood design
- Multiple development scenarios modeled based on:
  - ASP chemical concentration and injection volume
  - Drilling & workover locations
  - Pattern design
- Study nearing completion
- Runs predict up to 7 million barrels of incremental ASP recovery
Little Bow ASP Project Description

ASP Facility Site
Phases 1&2 Capital and Chemical

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>($MM)</td>
<td>($MM)</td>
<td>($MM)</td>
</tr>
<tr>
<td>ASP Facility</td>
<td>30.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Battery</td>
<td>9.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Pipelines</td>
<td>2.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Water Disposal/Source</td>
<td>1.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Subsurface/Surface/other</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>47.5</td>
<td>12.3</td>
</tr>
<tr>
<td>ASP Chemical</td>
<td>32.6</td>
<td>34.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80.1</strong></td>
<td><strong>46.3</strong></td>
</tr>
</tbody>
</table>

- Phase 1 costs include: $ 6.5 million from 2012
- Phase 2 costs occur in 2014 and 2015.
- Capital reported in “as spent” dollars.
- On a PV_{10} basis: Capital = $ 58.0 MM, Chemical = $ 49.5 MM.

Key Project Suppliers

- **SURTEK** (Golden, Colorado) ASP Formulation
- **Weatherford Labs** (Calgary, Canada) ASP Formulation
- **CMG** (Calgary, Canada) Reservoir Simulation
- **Wood Group PSN** (Calgary, Canada) Engineering, Procurement & Construction Management
- **SNF, Ecodyne, Anderson Water Systems** (Various) Polymer Injection and Water Treatment Equipment
Project Execution

Q1 2013 Project Highlights

January 2013
- ASP Development Optimization Study preliminary results
- ASP Facility 3D model Operability and Safety review

February 2013
- Class III cost estimate completed
- Civil Earthworks engineering package at "Issued For Bid" status
- Design frozen

March 2013
- ASP Chemical Supply proposals received and reviewed
- Utility Electrical: Fortis proposal accepted by Zargon
- Groupline Project Underway
- Civil Construction Packages prepared (Earthworks and Piling)
Upcoming Milestones

April 2013
- ERCB regulatory approval for construction
- Award Civil earthworks and piling contracts
- Civil earthworks commences
- Groupline project completed
- Positioned to award ASP chemical contracts

May 2013
- Award Mechanical/Electrical contact
- Piling commences

Project Economics
Phases 1&2 Economics
Production and Metrics (Before Tax)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Phases 1&amp;2</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROR (%)</td>
<td>18.5</td>
</tr>
<tr>
<td>PV_{10} (SMM)</td>
<td>36.1</td>
</tr>
<tr>
<td>PI_{10}*</td>
<td>0.34</td>
</tr>
<tr>
<td>F&amp;D ($/bbl)*</td>
<td>25.9</td>
</tr>
<tr>
<td>Netback ($/bbl)*</td>
<td>52.2</td>
</tr>
<tr>
<td>Recycle Ratio</td>
<td>2.0</td>
</tr>
<tr>
<td>Payout (yr)</td>
<td>7.2</td>
</tr>
<tr>
<td>Reserves (mbbl)</td>
<td>4,874</td>
</tr>
</tbody>
</table>

$85 Flat Edmonton Pricing

* Chemical booked as Capital
Chemical as Opex: PI_{10} = 0.62 and Recycle Ratio = 3.2

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Phases 1&2 Economics
Price Sensitivity

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Little Bow Realization = Edmonton Light Less 17 $/bbl
Followup Development: Phases 3&4

<table>
<thead>
<tr>
<th>ZAR W.I. (%)</th>
<th>W.I. DPIIP* (mmbbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phases 1 &amp; 2</td>
<td></td>
</tr>
<tr>
<td>LB &quot;T&quot; Pool</td>
<td>100</td>
</tr>
<tr>
<td>LB &quot;P&quot; Pool</td>
<td>100</td>
</tr>
<tr>
<td>Followup</td>
<td></td>
</tr>
<tr>
<td>U&amp;W Unit</td>
<td>68</td>
</tr>
<tr>
<td>MM Unit</td>
<td>100</td>
</tr>
<tr>
<td>CBC / X8X</td>
<td>81</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
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</tbody>
</table>

Little Bow Phases 1 - 4 Injection Schedule

Phases 3&4 Benefit From Existing Facility

Little Bow ASP: Phases 1&2 and 1-4

<table>
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<th>Phases 1-4</th>
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<tr>
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<td>36.1</td>
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<tr>
<td></td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td>67.0</td>
</tr>
<tr>
<td></td>
<td>0.46</td>
</tr>
<tr>
<td></td>
<td>23.8</td>
</tr>
<tr>
<td></td>
<td>53.0</td>
</tr>
<tr>
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<td>2.2</td>
</tr>
<tr>
<td></td>
<td>7.9</td>
</tr>
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<td></td>
<td>8,189</td>
</tr>
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* Injektion booked as Capital
EDM Flat 85 Pricing
Zargon Net W.I.

Phases 3&4

IRR (%) 21.1 23.8
PV$_1$ (MM) 67.0 53.0
PI$_w$* 0.46 0.22
F&D ($/bbl)* 23.8 12.5
Netback ($/bbl)* 53.0 39.6
Recycle Ratio* 2.2 2.2
Payout (yr) 7.9 10.0
Reserves (mmbbl) 8,189 4,874

Working Interest Capital and Chemical Costs ($ Millions)

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<th>Phases 3&amp;4</th>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>59.8</td>
</tr>
<tr>
<td>Chemical</td>
<td>66.6</td>
</tr>
<tr>
<td></td>
<td>15.6</td>
</tr>
<tr>
<td></td>
<td>53.4</td>
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Upside Potential

Little Bow ASP
Undiscounted Cash Flow
(Net Zargon WI - Before Tax)

<table>
<thead>
<tr>
<th>Millions of Dollars</th>
</tr>
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<td>-100</td>
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Little Bow ASP Upside
- Phases 3&4 Development
- 2% DPIP Recovery
- $10/bbl Edmonton Price
- EOR Royalty Reform

Little Bow ASP Phases 1&2

Conclusions

• The number of commercial ASP projects, and industry’s experience with the technology is increasing
• Construction of Phase 1 of the Little Bow ASP Project is proceeding for 2014 startup
• Oil Recovery: 4.9 mmbbl (Phases 1&2)
• This will be the central facility in a development program encompassing multiple oil pools and providing a decade of development opportunity to Zargon