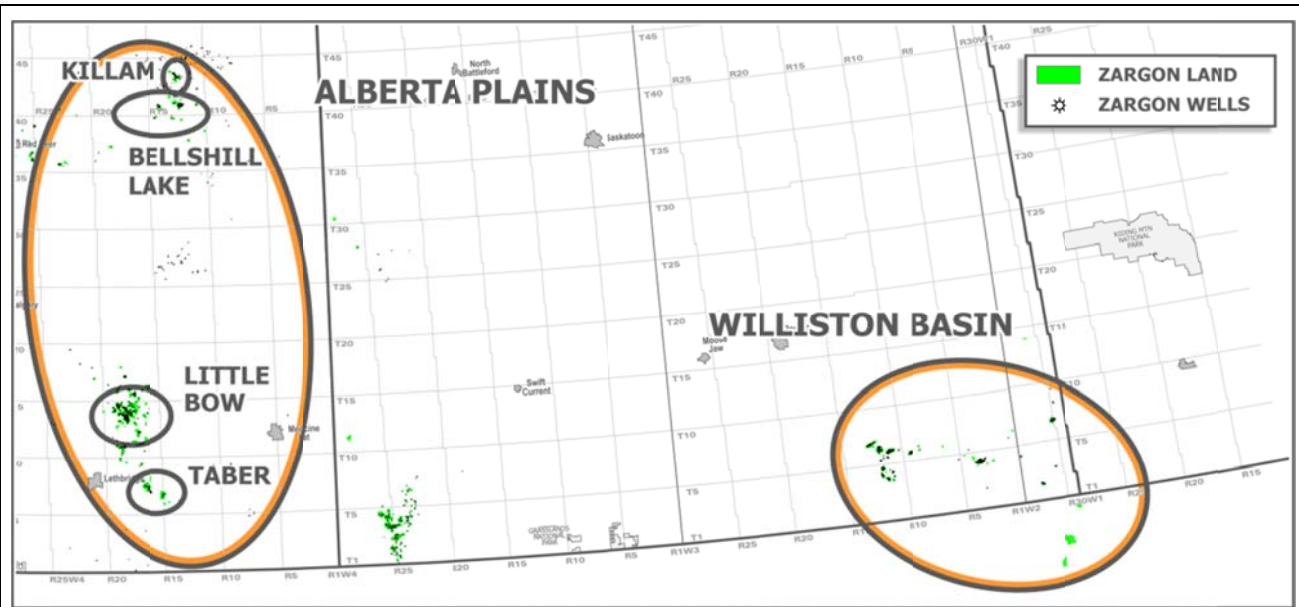


Zargon Oil & Gas Ltd. (“Zargon”) has initiated a process for the potential sale of the company and has retained Scotia Waterous Inc. as its exclusive financial advisor.

Zargon’s assets consist of low-decline, operated oil production with significant oil exploitation opportunities.

Corporate Summary



Corporate Highlights

- Q4 2015 production of 4,340 boe/d (84% Liquids, 83% Average W.I.)
 - 12% annual base oil decline (excluding growing ASP)
- 200,000 net WI acres (38% undeveloped) with low expiry rate
- Proved reserves of 13.1 MMboe (89% liquids) and P+P reserves of 20.9 MMboe (89% liquids)
- Net operating income of \$75.6 MM in 2014 and \$21.7 MM in 2015
 - Netbacks of \$33.84/boe in 2014 and \$13.04/boe in 2015
 - 17% reduction in total opex forecast in 2016
- Over 75 locations (33 horizontal locations booked)
- Zargon holds ~\$279 MM of tax pools including \$144 MM of non-capital losses

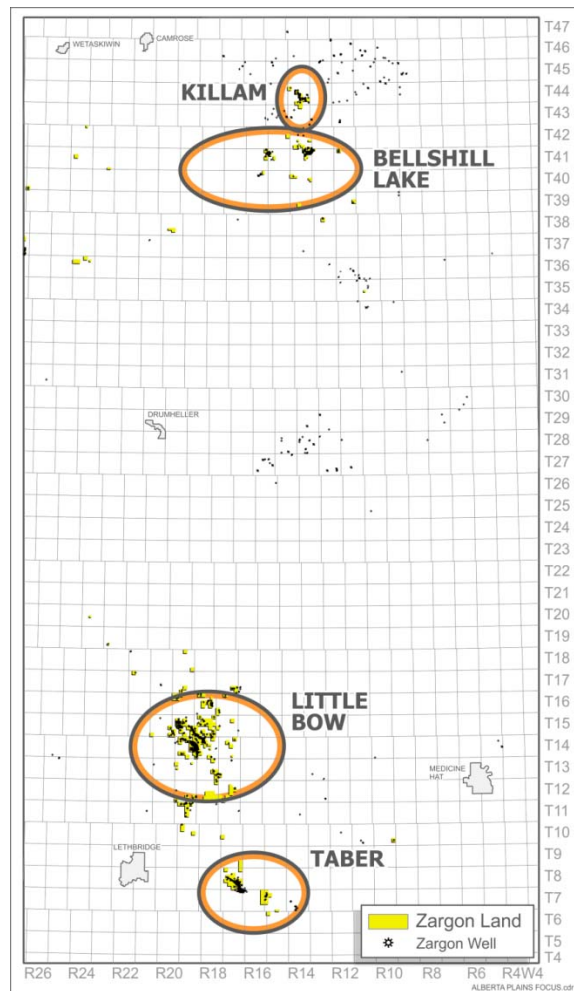
Properties Summary

	Q4 2015 Average Production				Average WI %	Average Decline %	Dec. 31, 2015 Reserves			
	Liquids <i>bb/d</i>	Gas <i>Mcf/d</i>	Total <i>boe/d</i>	% Liquids %			PDP <i>Mboe</i>	Proved <i>Mboe</i>	2PDP <i>Mboe</i>	P+P <i>Mboe</i>
Alberta Plains (Excl. ASP)	1,533	3,590	2,132	72%	72%	16%	3,826	4,577	5,104	6,873
Little Bow ASP	423	360	482	88%	100%	n.a.	1,433	2,524	1,874	6,166
Williston Basin	1,679	280	1,726	97%	85%	7%	5,177	5,978	6,624	7,860
Total	3,635	4,230	4,340	84%	83%	12%	10,436	13,079	13,602	20,899

Property Highlights

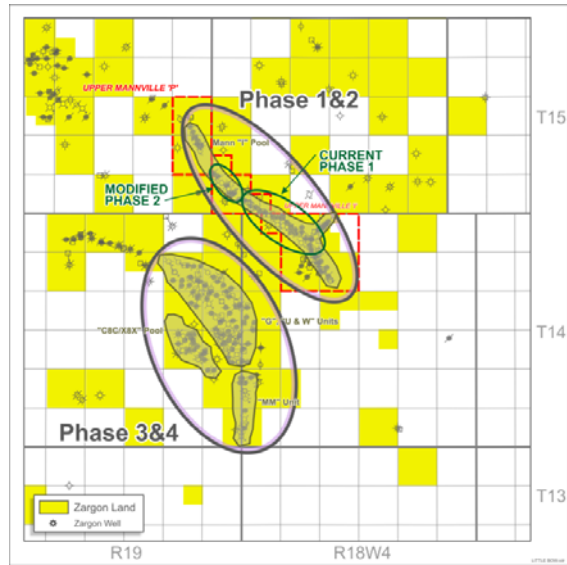
Alberta Plains (Excl. ASP)

- Q4 2015 production of 2,132 boe/d
 - 72% liquids-weighted (16 - 32° API)
 - Average WI ~72%,
 - ~98% operated
- Oil production decline of ~16% over the last 12 months (moderating)
 - No drilling in 2015 due to capital allocation considerations
- Multiple exploitation and development opportunities have been identified throughout Zargon's asset base
 - 14 booked infill and exploitation drilling locations with average per well parameters of 49 Mbbbl oil reserves, 44 bbl/d initial rate and \$0.76 MM DCET costs
 - Good 3D seismic coverage over key properties supports an additional 11+ un-booked locations



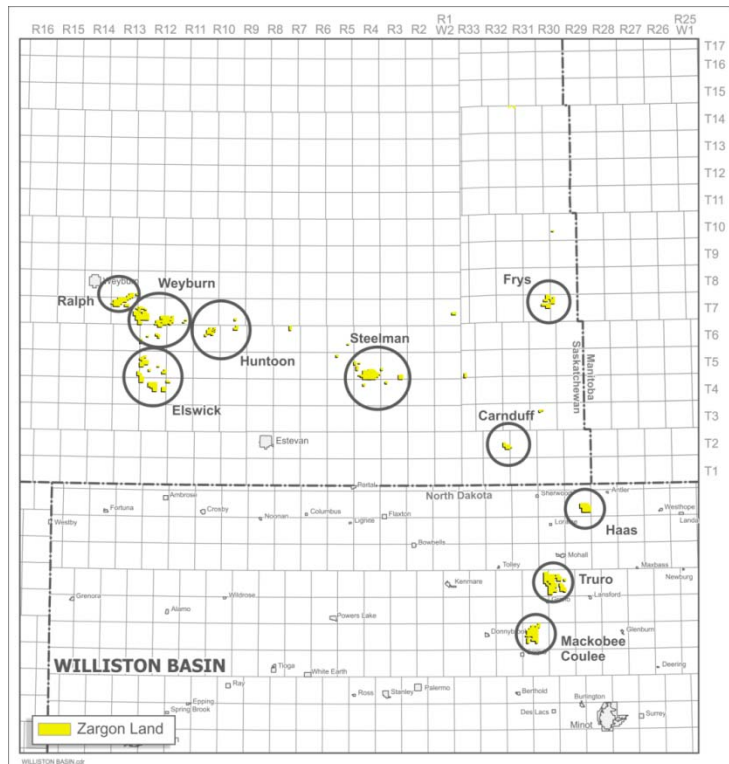
Little Bow ASP

- Q4 2015 production of 482 boe/d
 - 88% liquids-weighted (21° API)
 - Oil production in late April 2016 has climbed to 540 bbl/d, up from 210 bbl/d in October 2014 prior to response
- North and Central regions of the scheme are now responding well and are anticipated to deliver 12% incremental recovery of the 15 MMbbl of oil-in-place



Williston Basin

- Q4 2015 production of 1,726 boe/d
 - 97% liquids-weighted (26 - 36° API)
 - ~85% average WI
 - ~94% operated
 - 7% per year base oil production decline
 - Includes 11 operated Units
- Major producing zones include Midale, Frobisher, Alida and Tilston
- 19 booked infill and exploitation locations with average per well parameters of 67 Mbbbl oil reserves, 47 bbl/d initial rate and \$1.11 MM DCET costs
- No drilling in 2015 due to capital allocation considerations
 - More than 50 drilling locations have been identified
- All locations are associated with upgraded central battery and water disposal/injection facilities



Process

Timetable

Virtual Data Room Available
Week of May 9, 2016

**Additional details on process and timing
will be communicated to parties that
execute a confidentiality agreement**

Transaction Structure

Although all transaction structures will be considered, a corporate solution is preferred.

Confidential Information

Confidential data relating to the assets is expected to be available the week of May 9, 2016 to parties that have executed a Confidentiality Agreement. Interested parties should execute and deliver two copies of the Confidentiality Agreement to Scotia Waterous. Confidential information will be available in the on-line Virtual Data Room and through a management presentation.

To access the Confidentiality Agreement, please [click here](#) or contact one of the individuals listed below.

Contacts

Interested parties are asked to refrain from directly contacting Zargon's employees or affiliates. Any questions related to this offering can be directed to a Scotia Waterous representative listed below:

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**Denotes key contacts*