



# OVERVIEW MEMORANDUM NON-CORE DISPOSITION

JANUARY 2018

## ZARGON 2018 NON-CORE DISPOSITION

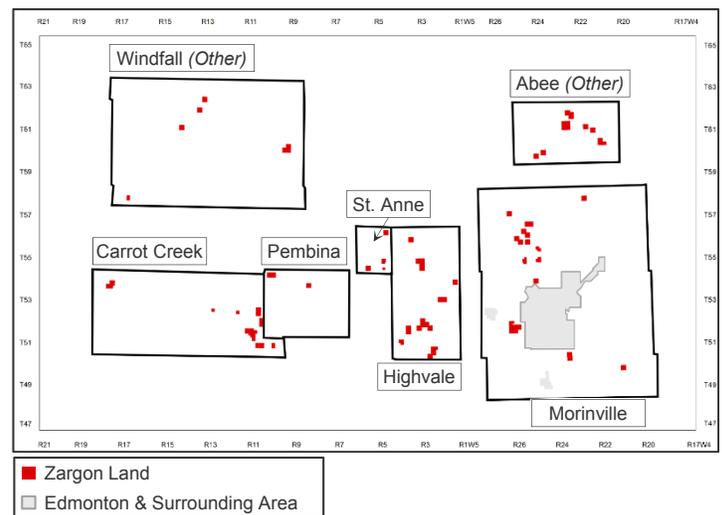
Zargon Oil & Gas Ltd. (“Zargon”) has engaged the Advisory and Capital Markets division of Macquarie Capital Markets Canada Ltd. (“Macquarie Capital”) as financial advisor for the sale of its non-core properties located in the Edmonton West area of central Alberta, (the “Edmonton West Assets”). The proposed disposition is a continuation of the previously announced strategic alternatives process.



### HIGHLIGHTS

- Trailing 12-month (ending September 30, 2017) production of 227 boe/d (37% light oil) and net operating income of \$0.4 MM
- Year end 2016 P+P reserves of 1.0 MMboe valued at \$6.4 MM NPV10
- The majority of production, net operating income and reserves volumes and values are associated with the Morinville, Carrot Creek, Highvale, and St. Anne properties
- The Edmonton West Assets include 12.9 (net) producing wells, 35.4 (net) inactive wells and 27.7 (net) abandoned wells
- Base production is primarily from the Leduc, Glauconitic and Cardium zones with potential development opportunities including:
  - Morinville: Leduc “C” pool development
  - Carrot Creek: non-unit Cardium oil well reactivation (stimulation/repair)
  - St. Anne: Banff/Nordeg oil pool reactivation
- Recent operational activities in the Highvale area have resulted in a significant increase in production levels
- The Edmonton West Assets have a LMR of 0.77 (\$4.9 MM assets, \$4.4 MM well liability, \$2.0 MM facilities liability)
- The Edmonton West Assets are intended to be sold on a white-map basis, pursuant to a transaction in which the acquirer will acquire a corporate entity which owns the Edmonton West Assets, associated tax pools and no liabilities (i.e. a working capital balance of approximately zero) other than those associated with the Edmonton West Assets

### EDMONTON WEST ASSETS – OVERVIEW MAP



### EDMONTON WEST ASSETS – PRODUCTION & RESERVES

Area	Trailing 12-Month Production				Reserves (Dec. 31, 2016)				Reserves Life Index	
	W.I. Oil (bbl/d)	W.I. Gas (Mcf/d)	W.I. boe (boe/d)	Light Oil Wgt. (%)	TP @6:1 (Mboe)	P+P @6:1 (Mboe)	TP @10% (PV, \$M)	P+P @10% (PV, \$M)	TP (Years)	P+P (Years)
Morinville	41	168	69	59%	207	242	\$1,850	\$2,149	8.3	9.7
Carrot Creek	35	43	42	83%	118	179	\$879	\$1,575	7.7	11.6
Highvale	6	493	88	7%	173	321	\$653	\$1,437	5.4	10.0
Pembina & Others	4	149	28	12%	18	23	\$100	\$127	1.7	2.2
St. Anne	0	0	0	na	134	258	\$501	\$1,121	na	na
<b>Total</b>	<b>85</b>	<b>853</b>	<b>227</b>	<b>37%</b>	<b>650</b>	<b>1,023</b>	<b>\$3,983</b>	<b>\$6,409</b>	<b>7.8</b>	<b>12.3</b>

Note: Trailing 12-month production based on period from October 1, 2016 to September 30, 2017. Summary of oil and gas reserves and net present values of future net revenue as per the McDaniel & Associates Consultants Ltd. (“McDaniel”) report dated December 31, 2016 and using McDaniel December 31, 2016 forecast prices and costs. LMR data per AER as at December 2, 2017.

## IMPORTANT DISCLOSURE INFORMATION

- Presented reserves are based upon year end reserves databases filtered to assets being marketed
- Future production and cash flow estimates provided herein are the estimates as provided in the year-end reserve evaluation
- Land is presented as of December 31, 2017

## ADDITIONAL INFORMATION

### Confidentiality Agreement

- Confidential information is available in the Virtual Data Room. Qualified Interested Parties wanting access to the confidential information are required to execute and deliver a signed digital copy or TWO signed hard copies of the Confidentiality Agreement.
- Please contact Shelly Hopp at [shelly.hopp@macquarie.com](mailto:shelly.hopp@macquarie.com) for a copy of the Confidentiality Agreement

### Virtual Data Rooms

- Once Macquarie Capital has received the signed Confidentiality Agreement Shelly Hopp will contact you to set up access to the Virtual Data Room

### Additional Questions and Inquiries

- Submit to [zargon@macquarie.com](mailto:zargon@macquarie.com)

### Proposals Due

- Bid date will be communicated in due course to those parties that have executed a Confidentiality Agreement

## FOR FURTHER INFORMATION

### Chad Dundas

Sr. Vice President, Advisory & Capital Markets

Telephone: (403) 218-6668

Email: [chad.dundas@macquarie.com](mailto:chad.dundas@macquarie.com)

### Andrew Roorda

Associate, Advisory & Capital Markets

Telephone: (403) 539-8530

Email: [andrew.roorda@macquarie.com](mailto:andrew.roorda@macquarie.com)

### Scott Seelhof

Associate, Acquisitions & Divestitures

Telephone: (403) 218-6673

Email: [scott.seelhof@macquarie.com](mailto:scott.seelhof@macquarie.com)

### Jason Abt

Analyst, Advisory & Capital Markets

Telephone: (403) 539-4345

Email: [jason.abt@macquarie.com](mailto:jason.abt@macquarie.com)

## MACQUARIE CAPITAL DISCLAIMER

This Overview Memorandum is based on information provided by our client, Zargon Oil & Gas Ltd. (the "Company") and is delivered on behalf of the Company by the Advisory and Capital Markets division of Macquarie Capital Markets Canada Ltd. ("Macquarie Capital"). This Overview Memorandum is delivered to interested parties ("Interested Parties") for the sole purpose of providing an overview of asset opportunities with the Company ("Transaction(s)"). This document may not be reproduced, copied or retransmitted by any means without the prior written consent of Macquarie Capital.

The Company and Macquarie Capital have the right to qualify Interested Parties. Interested Parties who are not known to Macquarie Capital or the Company may be requested to supply references and/or information, including with respect to financial capability, prior to, or concurrent with, delivery of an executed Confidentiality Agreement. Confidentiality Agreements will not be accepted from agents acting for undisclosed parties. The offering procedure and other conditions of the Transaction are available in the Data Room or from Macquarie Capital. The Company or Macquarie Capital may modify the offering procedure or terminate the process at any time without notice to, or liability to, any Interested Party.

The information contained in this Overview Memorandum and in any Data Room coordinated by Macquarie Capital in connection with this Transaction ("Data Room") (collectively, the "Information") is for informational purposes only, and does not under any circumstances constitute (a) an offer to buy, sell, issue or subscribe for, or the solicitation of an offer to buy, sell or issue, or subscribe for any securities; (b) a recommendation to purchase, sell, or hold any securities; (c) an offering memorandum as contemplated by applicable securities laws; (d) an obligation by the Company to enter into any proposed transaction; or (e) investment, legal, financial, tax, accounting or other advice of any kind. The Information should not be relied upon by the recipient in considering the merits of any particular transaction. The recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the Information, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate.

The Information has been prepared on the basis of publicly available information and information made available to Macquarie Capital by the Company. Macquarie Capital has relied upon and assumed, without independent verification, the accuracy or completeness of all such Information. It contains selected information and does not purport to be all-inclusive or to contain all of the information that may be relevant to the Transaction. The recipient acknowledges that circumstances may change and that the Information may become outdated as a result. Macquarie Capital is under no obligation to update or correct the Information. The Company and Macquarie Capital are under no obligation to provide the recipient with access to any additional information.

Neither the Company (including its directors and employees) nor Macquarie Capital, its affiliates, and its and their respective directors, employees, consultants and agents ("Macquarie Capital Group") make any representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this Overview Memorandum or any Information contained in any Data Room. To the maximum extent permitted by law, neither the Company nor any member of the Macquarie Capital Group accepts any liability (including, without limitation, any liability arising from fault or negligence on the part of any of them) for any loss or damage whatsoever arising or suffered as a result of any omission, inadequacy, or inaccuracy in this Overview Memorandum or in any Information contained in any Data Room or otherwise arising in connection with the use of this Overview Memorandum or its contents or from the use of any Information contained in any Data Room. Only those warranties and representations that are made by the Company in any final transaction documentation, when, as and if it is executed and subject to such limitations and restrictions as may be specified therein, shall have any legal effect. The estimated reserves (proved, probable or otherwise) included herein are subjective and are provided as a convenience to potential purchasers without any representation or warranty as to their accuracy or completeness. Such reserve estimates have been determined in accordance with the methodologies and definitions of National Instrument 51-101 ("NI 51-101"), although may not be compliant with all requirements of 51-101.

This Overview Memorandum may contain forward-looking statements which involve risks and uncertainties that could cause actual events or results to differ materially from the estimated or anticipated events or results implied or expressed in such forward-looking statements. In particular, statements concerning oil and gas reserves may involve the implied assessment that the resources described can be profitably produced in the future, based on certain estimates and assumptions. No independent third party has reviewed the reasonableness of any such statements, estimates or assumptions. No member of the Macquarie Capital Group represents or warrants that such forward-looking statements will be achieved or will prove to be correct. Actual future results and operations could vary materially from the forward-looking statements. Similarly, no representation or warranty is made that the assumptions on which the forward-looking statements are based may be reasonable. Given these uncertainties, you should not place undue reliance on such forward-looking statements. No audit, review or verification has been undertaken by the Macquarie Capital Group or an independent third party of the assumptions, data, results, calculations and forecasts presented or referred to herein.

The recipient acknowledges that neither it nor Macquarie Capital intends that Macquarie Capital act or be responsible as a fiduciary to the recipient, its management, shareholders, creditors or any other person. By accepting this document you and, by providing this document Macquarie Capital, each, expressly disclaim any fiduciary relationship and agrees that the recipient is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this Overview Memorandum.

The Macquarie Capital Group may have interests in the securities and other investment products referred to herein, including being directors of, or may have or may in the future act in various roles including as underwriter, dealer, broker, lender or financial advisor to their issuers and may receive fees, brokerage or commission for acting in those capacities. Further, the Macquarie Capital Group may act as a market maker or buy or sell those securities and other investment products as principal or agent and as such may effect transactions which are not consistent with this information.

None of the entities noted in this presentation are authorised deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Capital Bank Limited (ABN 46 008 583 542). Macquarie Capital Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.