



2017 ANNUAL INFORMATION FORM

March 15, 2018

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GLOSSARY OF SELECTED TERMS

Capitalized terms in this Annual Information Form have the meanings set forth below:

Entities

Board of Directors means our board of directors.

Debenture Trustee means Computershare Trust Company of Canada.

Exchangeable Shareholders means holders of Exchangeable Shares.

Newco means 1563101 Alberta Ltd.

Oakmont means Oakmont Energy Ltd.

Old Zargon means Zargon Oil & Gas Ltd., prior to completion of the Arrangement.

Shareholders mean holders of Common Shares.

TSX means Toronto Stock Exchange.

Trust means Zargon Energy Trust.

Unitholders means holders of Trust Units.

Zargon, we, us or our means Zargon Oil & Gas Ltd. and its controlled entities on a consolidated basis, and where the context requires, also means our predecessor issuer, the Trust and its controlled entities on a consolidated basis prior to the completion of the Arrangement.

ZEC means 1563101 Alberta Ltd.

ZEI means Zargon ExchangeCo Inc.

ZEL means Zargon Energy Ltd.

ZUSH means Zargon U.S. Holdings Ltd.

Independent Engineering

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook.

CSA 51-324 means Staff Notice 51-324 – *Glossary to NI 51-101 – Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

McDaniel means McDaniel & Associates Consultants Ltd., independent petroleum consultants of Calgary, Alberta.

McDaniel Report means the report prepared by McDaniel dated February 9, 2018 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to our oil and natural gas assets at December 31, 2017.

NI 51-101 means National Instrument 51-101 – *Standards of Disclosure for Oil and Natural Gas Activities*.

Securities and Other Terms

2016 Dispositions means the disposition of all of our Southeast Saskatchewan assets and our assets located in Killam, Alberta for total cash consideration of \$92.04 million (after adjustments) which were completed in the third quarter of 2016

Arrangement means the arrangement among the Trust, Old Zargon, Newco, ZEI, Oakmont, ZEL, Zargon Acquisition Corp., Zargon Oil & Gas Partnership, the holders of Trust Units and the holders of Exchangeable Shares pursuant to Section 193 of the *Business Corporations Act* (Alberta) which commenced on December 31, 2010 and was completed on January 1, 2011.

Credit Agreement means the credit agreement dated as of January 1, 2011 as amended, which was repaid and terminated in 2016.

Common Shares means our issued and outstanding common shares.

Convertible Debentures means the \$41.94 million aggregate principal amount of our 8.00% convertible unsecured subordinated debentures due December 31, 2019 which are currently convertible at the option of the holder, at any time, into fully paid Common Shares at a conversion price of \$1.25 per Common Share and which may also be redeemed by us on maturity with cash or through the issuance of Common Shares priced at 95 percent of the current market price of the Common Shares on the maturity date.

Debenture Indenture means the indenture, as amended, between us and the Debenture Trustee governing the terms of the Convertible Debentures.

Exchangeable Shares means exchangeable shares of Old Zargon.

SEC means the United States Securities and Exchange Commission.

Shareholders mean holders of Common Shares.

Trust Unit means trust units of the Trust.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
bb/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
NGLs	natural gas liquids

Natural Gas

gj	gigajoule
Mcf	thousand cubic feet
MMcf	million cubic feet
bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMbtu	million British Thermal Units

Other

ASP	means alkaline surfactant polymer
BOE or boe	means barrel of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousand barrels of oil equivalent
Mmboe	million barrels of oil equivalent
Psi	pounds per square inch
WTI	West Texas Intermediate
°API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
\$000s	thousands of dollars

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	Bbls	6.289
feet	Metres	0.305
metres	Feet	3.281
miles	Kilometres	1.609
kilometres	Miles	0.621
acres	Hectares	0.405
hectares	Acres	2.471
gigajoules	MMbtu	0.948
MMbtu	Gigajoules	1.0551

We have adopted the standard of 6 mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 mcf when converting oil to natural gas. **Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.**

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

NOTICE TO READER

Special Note Regarding Forward-Looking Statements

Certain statements contained in this Annual Information Form, and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions (including the negative thereof). In addition, there are forward-looking statements in this Annual Information Form under the headings: "*General Development of Our Business*" relating to the goals of our strategic review process; "*Description of Our Business*" relating to our business plan, focus and strategy and our acquisition and disposition plans; "*Description of Our Business – Disclosure of Reserves Data and Other Oil and Natural Gas Information*" as to our reserves, future net revenues from our reserves, anticipated after-tax value of such revenues, pricing and inflation and exchange rates, future development costs and the sources of funding of our future development costs, our reclamation and abandonment obligations and the sources of funding such obligations, and the development of our proved undeveloped reserves and probable undeveloped reserves; "*Description of Our Business – Other Oil and Gas Information*" as to our future development activities and the results therefrom, drilling inventory, land expiries, hedging policies, tax horizon, production estimates, our development plans, and anticipated future production and oil recovery from our ASP project; and "*Dividends*" with respect to our dividend policy. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including such as those relating to results of operations and financial condition, general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, regulatory approvals required in connection

with our Little Bow ASP project, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access 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. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future to allow investors to have a greater understanding of our business. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

You are cautioned that the assumptions, including among other things, future oil and natural gas prices; future capital expenditures levels; future production levels; future exchange rates; the cost of developing and expanding our assets; our ability to obtain equipment in a timely manner to carry out development activities; our 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; and our ability to add production and reserves through our development and acquisition activities used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is that we disclaim, except as required by law, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

In addition to the forward-looking statements identified above, this Annual Information Form, and the documents incorporated by reference, contains forward-looking statements pertaining to the following:

- our business plan and strategy;
- the performance characteristics of our oil and natural gas properties;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under governmental regulatory regimes and tax laws.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous known and unknown risks and uncertainties and other factors set forth below and elsewhere in this Annual Information Form, many of which are beyond our control. Such factors include, but are not limited to:

- declines in oil and natural gas prices;
- variations in interest rates and foreign exchange rates;
- uncertainties relating to the global economy and access to capital, stock market volatility, market valuations and increased borrowing costs;
- refinancing risk for existing debt and debt service costs;
- access to external sources of capital, borrowings and equity sales;
- risks associated with our hedging activities;
- geological, technical, drilling and processing problems;
- third party credit risk;
- risks associated with the exploitation of our properties and our ability to acquire reserves;
- government regulation and control and changes in governmental legislation;

- changes in income tax laws, royalty rates and other incentive programs;
- uncertainties associated with estimating oil and natural gas reserves;
- risks associated with acquiring, developing and exploring for natural gas and other aspects of our operations;
- risks associated with the marketability of oil and natural gas;
- changes in climate change laws and other environmental regulations;
- risks associated with the exploitation of our properties and our ability to acquire reserves;
- the failure to realize anticipated benefits of acquisitions and dispositions or to manage growth;
- competition in the oil and natural gas industry;
- depletion of our reserves;
- risks associated with large projects or expansion of our activities;
- risks associated with retention of key personnel;
- risks associated with securing and maintaining our properties;
- seasonality; and
- risks associated with the timing of payment of dividends.

In addition, statements relating to "reserves" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable law.

Access to Documents

Any document referred to in this Annual Information Form and described as being filed on SEDAR at www.sedar.com (including those documents referred to as being incorporated by reference in this Annual Information Form) may be obtained free of charge from us at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

Drilling Locations

This Annual Information Form discloses drilling locations in four categories: (i) proved undeveloped locations; (ii) probable undeveloped locations; (iii) unbooked locations; and (iv) an aggregate total of (i), (ii) and (iii). Of the 32 drilling locations referred to in this Annual Information Form, five are proved undeveloped locations, eight are probable undeveloped locations, and 19 are unbooked locations. Proved undeveloped locations and probable undeveloped locations are booked and derived from the McDaniel Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on our prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that we will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Oil and Gas Metrics

This Annual Information Form contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate our performance however, such measures are not reliable indicators of our future performance and future performance may not compare to our performance in previous periods and therefore such metrics should not be unduly relied upon.

ZARGON OIL & GAS LTD.

General

Pursuant to the January 1, 2011 Arrangement, we continued as "Zargon Oil & Gas Ltd." upon the amalgamation of Old Zargon, Newco, ZAC, ZEI and Oakmont. The Arrangement involved an internal reorganization of the Trust and certain of its subsidiaries through which the trust structure was replaced with a corporate structure and the Trust was dissolved. Pursuant to the Arrangement: (i) on December 31, 2010, the Trust Units were exchanged for common shares of Newco on a one-for-one basis, the Exchangeable Shares were exchanged for common shares of Newco on the basis of 1.84716 common shares of Newco for each outstanding Exchangeable Share, and Newco acquired all of the assets and assumed all of the liabilities of the Trust; and (ii) on January 1, 2011, the Trust was dissolved and Old Zargon, Newco, ZAC, ZEI and Oakmont amalgamated. Following the Arrangement, we, together with our subsidiaries, owned, directly or indirectly, the same assets that were owned by the Trust and its subsidiaries immediately prior to the Arrangement. The Arrangement has been accounted for as a continuity of interests and, unless otherwise indicated, all information presented for the pre-Arrangement period in this Annual Information Form relates to the Trust.

On January 1, 2014, our wholly owned subsidiary, Ashton Oil & Gas Ltd., was amalgamated into us.

Our registered, head and principal office is located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

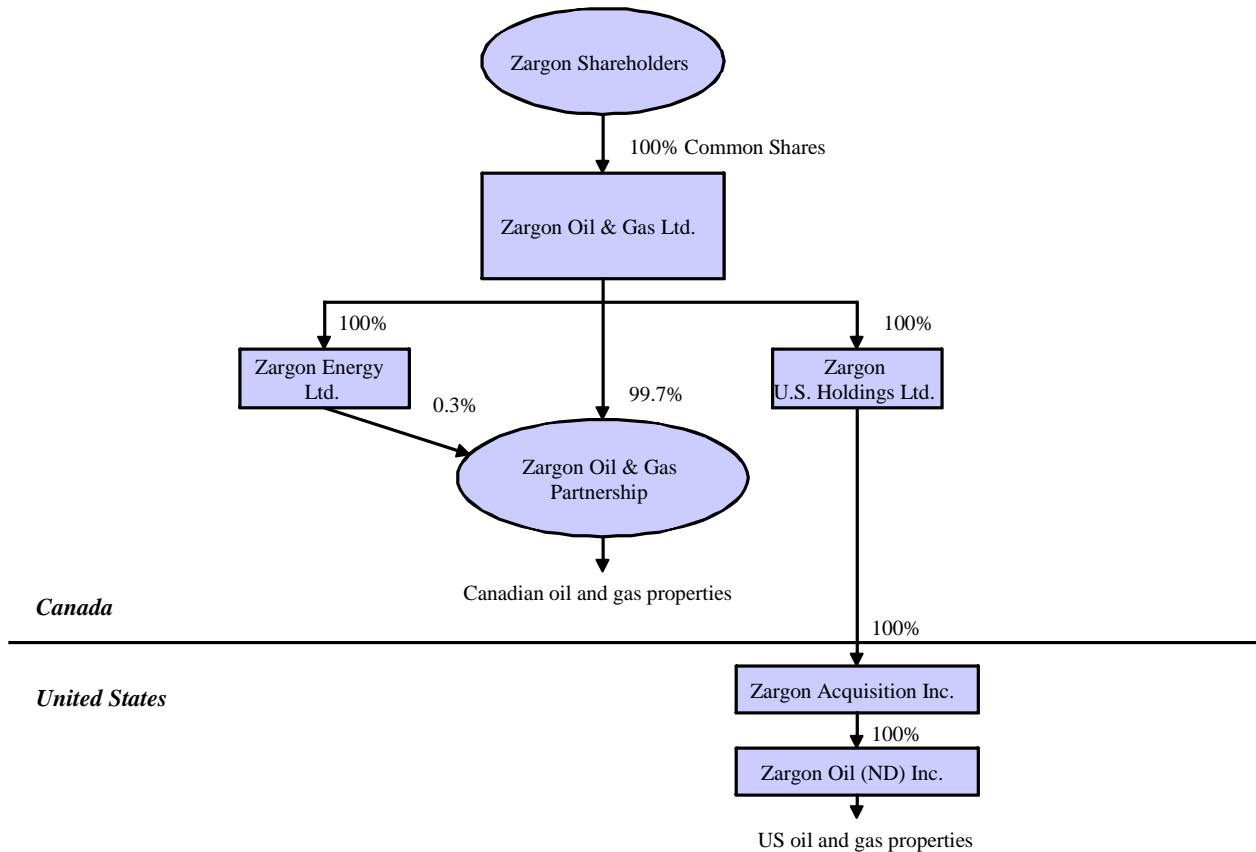
Inter-Corporate Relationships

The following are the names and percentages of voting securities that we own and the jurisdiction of incorporation, continuance or formation of our subsidiaries and partnership either, direct and indirect, as at the date hereof.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/ Formation
Zargon Energy Ltd.	100%	Corporation	Alberta
Zargon Oil & Gas Partnership	100%	General Partnership	Alberta
Zargon U.S. Holdings Ltd.	100%	Corporation	Alberta
Zargon Acquisition Inc.	100%	Corporation	Wyoming
Zargon Oil (ND) Inc.	100%	Corporation	Delaware

Our Organization Structure

The following diagram describes the inter-corporate relationships between us and our material subsidiaries and partnership.



GENERAL DEVELOPMENT OF OUR BUSINESS

History and Development

The following provides a summary of how our business has developed over the last three years.

Developments in 2015

On May 14, 2015, we promoted Jeffrey Post to the position of our Chief Financial Officer. Mr. Post joined us in 2009 and had served as our Corporate Controller since February 2014.

On June 18, 2015, we amended our Credit Agreement and reduced the borrowing base to \$110 million, a reduction from the previous amount of \$130 million.

In June of 2015, we lowered our monthly dividend to \$0.01 per Common Share beginning with the July 2015 dividend, payable in August 2015.

On July 20, 2015, Ron Wigham was appointed to our Board of Directors. Mr. Wigham is currently President of Wigham Resources Limited and a director of Spur Resources Ltd., both private oil and gas companies and a director

of Tourmaline Oil Corp., a TSX listed public oil and gas company. He retired in 2014 as Vice-Chairman of Peters & Co. Limited, a Calgary investment dealer specializing in oil and gas and oilfield services equities.

On August 13, 2015, our Board of Directors initiated a process to identify and consider strategic and financial alternatives available to us with the ultimate goal of maximizing shareholder value in a manner that would recognize our fundamental inherent value related to our long-life, low-decline conventional oil assets and the significant long term oil potential related to the Little Bow ASP project.

On November 10, 2015, following the semi-annual review of our syndicated credit facilities, the borrowing base of the Credit Agreement was reduced to \$88 million from \$110 million.

On November 11, 2015, we announced that as a result of volatile, uncertain and exceptionally low oil prices, we had decided to suspend our monthly dividend until further notice after the November 16, 2015 dividend payment.

Developments in 2016

On May 4, 2016, we announced that Scotia Waterous Inc. had initiated a broad corporate marketing process, on our behalf.

On June 21, 2016, we amended our Credit Agreement and reduced the borrowing base to \$70 million, a reduction from the previous amount of \$88 million and to provide that the facilities would continue to be revolving until September 22, 2016, with the provision for a nine month extension at the option of the lenders and upon our request.

On July 25, 2016, we entered into a definitive agreement for the sale of all of our Southeast Saskatchewan assets for cash consideration of \$89.5 million, subject to normal closing adjustments, which included net production to us of approximately 1,211 boe/d of low decline production (approximately 95% oil and NGLs) and proved plus probable reserves (effective December 31, 2015) of 5.14Mboe. We completed the sale of our Southeast Saskatchewan assets on September 1, 2016. The proceeds from the disposition were used to eliminate our bank debt and the Credit Agreement was terminated.

On the same day, we announced that we had entered into a definitive agreement for the sale of all of our Killam, Alberta assets for \$4.0 million, subject to normal closing adjustments, which included net production to us of approximately 133 boe/d of production (approximately 58 percent oil and NGLs) and proved plus probable reserves (effective December 31, 2015) of 0.67Mboe. This sale was completed in mid-September.

The realization of \$92.04 million of cash proceeds from the 2016 Dispositions (after adjustments) was a partial outcome of our strategic alternatives process. The bank was fully repaid on October 25, 2016 and the credit facility was terminated. With the elimination of the Credit Agreement, the strategic alternatives process was refocused to include, among other alternatives, a restructuring of our capital structure, the addition of capital to further develop the potential of our assets, the sale by of us or a portion of our assets, a merger, a farm-in or joint venture, or such other options as may be determined by our Board of Directors to be in our best interests and our stakeholders. We engaged Macquarie Capital Markets Canada Ltd. as our exclusive financial advisor related to this component of our strategic alternatives process.

On October 17, 2016, we announced that Mr. Jeffrey Post had tendered his resignation as Chief Financial Officer effective November 14, 2016 to pursue other opportunities. At this time, we also completed a comprehensive corporate reorganization to align our staff with our smaller operational base. Pursuant to the reorganization, Brian Kergan, Vice President, Corporate Development; Rob Moriyama, Vice President, Enhanced Recovery; and Pete Janjua, Vice President, Williston Basin resigned, but agreed to provide consulting services to us when required.

On November 30, 2016, we announced the appointment of Mr. William T. (Bill) Cromb as our Interim Chief Financial Officer. At the same time, we announced that we had entered into hedges to fix the WTI price of oil on 650 bbl/d of oil production at an average of \$66.98 in Canadian dollars for 2017.

Developments in 2017

On January 12, 2017, we announced that we had entered into hedges to fix the WTI price of oil on 650 bbl/d of oil production at an average of \$71.50 in Canadian dollars for the period February to December 2017 bringing the total volumes hedged from February to December 2017 to 1,300 bbl/d at an average price of \$69.24 Canadian.

On February 14, 2017, following an extraordinary meeting of the holders of our Convertible Debentures, we amended the terms of the Debenture Indenture and the Convertible Debentures to: (i) extend the maturity date of the Convertible Debentures from June 30, 2017 to December 31, 2019; (ii) increase the interest rate of the Convertible Debentures from 6.00% per annum to 8.00% per annum effective April 1, 2017; (iii) change the interest payment dates applicable to the Convertible Debentures under the Debenture Indenture from June 30, and December 31 to March 31, and September 30; (iv) reduce the conversion price in effect for each Common Share to be issued upon the conversion of the Convertible Debentures from \$18.80 to \$1.25; (v) amend the redemption provisions of the Convertible Debentures to provide holders with a right (the "**Put Right**") to require us to redeem up to \$19 million aggregate principal amount of Convertible Debentures (or such other amount as determined by us) (the "**Maximum Redemption Amount**") at a cash price determined by a "Dutch auction" process (the "**Redemption Auction**"); and (vi) amend the redemption provisions to provide that (other than in connection with the Put Right) the Convertible Debentures were not redeemable by us before January 1, 2019, and for the 12 months following January 1, 2019 and to provide that the Convertible Debentures could only be redeemed by us if the Current Market Price (as defined in the Debenture Indenture) of the Common Shares exceeds 125% of the reduced conversion price.

On February 27, 2017, we entered into a hedge to fix the differential between WTI and WCS (Western Canadian Select) at \$19.50 Canadian dollars for the period April to December 2017.

On April 1, 2017, pursuant to the Redemption Auction, we redeemed \$15.56 million aggregate principal amount of the Convertible Debentures at tender prices ranging from \$890 to \$1,000 per \$1,000 principal amount, for total cash consideration of \$14.84 million, which is equivalent to an average cost of \$954 per \$1,000 principal amount of Convertible Debentures redeemed. After giving effect to the Redemption Auction, approximately \$41.94 million aggregate principal amount of the Convertible Debentures remained outstanding. On the same day, the changes to the Convertible Debentures described above took effect and the Convertible Debentures not redeemed pursuant to the Redemption Auction commenced trading on the Toronto Stock Exchange under the new symbol "ZAR.DB.A" at the open of markets on April 3, 2017.

On May 30, 2017, Mr. K. James Harrison retired from our Board and Mr. Kyle Kitagawa became our new Chairman.

During November and December 2017, we entered into WTI hedges to fix the price on 1,000 bbl/d of oil at an average price of \$70.15 Canadian for the first quarter of 2018 and a WTI hedge to fix the price on 1,000 bbl/d of oil at a price of \$70.50 Canadian for the second quarter of 2018.

Significant Acquisitions

We have not completed any significant acquisitions during our most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

DESCRIPTION OF OUR BUSINESS

General

We are an Alberta based corporation engaged in the business of oil and natural gas exploration, exploitation, development, acquisition and production in Canada and the United States.

Our business plan is to deliver sustainable and profitable oil and natural gas property exploitation and production activities in the oil and natural gas industry. In recent years we have refocused our business on our long-life and low-decline conventional oil exploitation properties plus our Little Bow ASP tertiary oil project.

Capital Expenditures

Future capital expenditures on our properties will generally be of the type that are intended to maintain or improve production from our properties. We may finance capital expenditures from production revenues, the proceeds of the issue of additional Common Shares or other securities or from the proceeds of disposition of properties, borrowings, and farmouts or with working capital.

We may acquire additional properties and related tangible equipment and fund such acquisitions from production revenues, the net proceeds of any issue of additional Common Shares or other securities or from the proceeds of disposition of properties, or from borrowings, farmouts or with working capital. We may sell any of our interests in properties. In connection with the sale of any interests in our properties, we will determine whether the net proceeds of the sale should be reinvested in additional properties or capital expenditures, used to repay debt or distributed to our Shareholders.

Potential Acquisitions

We evaluate potential acquisitions of all types of oil and natural gas and other energy-related assets as part of our ongoing acquisition program. We are normally in the process of evaluating several potential acquisitions at any one time which individually or together could be material. We are not able to predict whether any opportunities will result in one or more acquisitions.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. We compete with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Our competitors include resource companies, which may have greater financial resources, staff and facilities than ours. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Cyclical and Seasonal Impact of Industry

Our operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on our financial condition. We mitigate such price risk through closely monitoring the various commodity markets and establishing price risk management programs, as deemed necessary and through maintaining financial flexibility. See "*Risk Factors – Risks Relating to Our Business and Operations – Declines in oil and natural gas prices will adversely affect our financial condition*" and "*Risk Factors – Risks Relating to Our Business and Operations – Our hedging activities may negatively impact our income and our financial condition*".

Renegotiation or Termination of Contracts

As at the date hereof, we do not anticipate that any aspect of our business will be materially affected in the remainder of 2018 by the renegotiation or termination of contracts or subcontracts. See "*Risk Factors – Risks Relating to Our Business and Operations*".

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against us, or any voluntary receivership, bankruptcy or similar proceeding by us within the three most recently completed financial years or proposed for us for our current financial year.

Material Restructuring Transactions

There have been no material restructuring transactions involving us within the three most recently completed financial years or currently proposed for us for our current financial year.

Human Resources

At December 31, 2017, we employed 18 full-time employees and 16 consultants, including 12 office and 6 field employees.

Disclosure of Reserves Data and Other Oil and Natural Gas Information

This statement of reserves data and other oil and gas information set forth below is dated February 9, 2018. The effective date of the statement is December 31, 2017 and the preparation date of the statement is February 9, 2018. Readers should also refer to the Report of Management and Directors on Oil and Gas Disclosure attached hereto as Appendix A and the Report on Reserves Data by McDaniel attached hereto as Appendix B.

The reserves data set forth below is based upon an evaluation by McDaniel with an effective date of December 31, 2017 contained in the McDaniel Report. The reserves data summarizes our crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs. The McDaniel Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. We engaged McDaniel to provide an evaluation of our proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

Our reserves are in Canada in the province of Alberta, and in the United States in North Dakota.

We determined the future net revenue and present value of future net revenue after income taxes by utilizing McDaniel's before income tax future net revenue and our estimate of income tax. Our estimate of cash income tax makes use of the following assumptions: corporate income tax at the current legislated rate; annual general and administrative expenses at the current rate; interest expense at the current rate; tax pool deductions utilizing our existing estimated \$197 millions of tax pools and forecasted additions to our tax pools from capital expenditures as forecast by McDaniel and any such other additional deductions and adjustments as is and would be consistent with the manner in which we file and would file future tax returns. The after-tax net present value of our oil and gas properties reflects the tax burden of our properties on a stand-alone basis. It does not provide an estimate of the value of us as a business entity, which may be significantly different.

Future net revenue is a forecast of revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs and abandonment and reclamation costs. Estimated values of future net revenues presented in the tables below do not represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein. Readers should review the definitions and information contained in "*Definitions and Notes to Reserves Data Tables*" below in conjunction with the following tables and notes. For more information as to the risks involved, see "*Risk Factors – Risks Relating to Our Business and Operations*".

Reserves Data (Forecast Prices and Costs)

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

CANADA

RESERVES CATEGORY	LIGHT AND MEDIUM CRUDE OIL		HEAVY CRUDE OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
	Proved							
Developed Producing	1,089	930	3,147	2,962	5,537	5,272	95	72
Developed Non-Producing	87	86	371	357	1,034	923	14	10
Undeveloped	-	-	100	91	3	3	-	-
Total Proved	1,176	1,016	3,618	3,410	6,574	6,198	109	82
Probable	581	501	2,635	2,430	3,216	2,974	54	45
Total Proved Plus Probable	1,757	1,517	6,253	5,840	9,790	9,172	163	127

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAX EXPENSES DISCOUNTED AT (%/year)				
	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	90,064	74,119	62,510	53,970	47,488
Developed Non-Producing	6,798	5,298	4,003	2,981	2,191
Undeveloped	1,824	1,372	1,017	740	525
Total Proved	98,686	80,789	67,530	57,691	50,204
Probable	84,897	47,906	28,119	16,587	9,431
Total Proved Plus Probable	183,583	128,695	95,649	74,278	59,635

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAX EXPENSES DISCOUNTED AT (%/year)				
	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	90,064	74,119	62,510	53,970	47,488
Developed Non-Producing	6,798	5,298	4,003	2,981	2,191
Undeveloped	1,824	1,372	1,017	740	525
Total Proved	98,686	80,789	67,530	57,691	50,204
Probable	84,897	47,906	28,119	16,587	9,431
Total Proved Plus Probable	183,583	128,695	95,649	74,278	59,635

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAX EXPENSES DISCOUNTED AT (%/year)**

RESERVES CATEGORY	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	25,008	20,480	16,720	13,955	11,928
Developed Non-Producing	7	40	49	48	44
Undeveloped	3,084	1,868	979	353	(91)
Total Proved	28,099	22,388	17,748	14,356	11,881
Probable	17,032	9,595	5,956	4,008	2,867
Total Proved Plus Probable	45,131	31,983	23,704	18,364	14,748

**NET PRESENT VALUES OF FUTURE NET REVENUE
AFTER INCOME TAX EXPENSES DISCOUNTED AT (%/year)**

RESERVES CATEGORY	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	17,881	15,260	12,661	10,656	9,158
Developed Non-Producing	5	30	36	36	33
Undeveloped	2,140	1,179	445	(81)	(455)
Total Proved	20,026	16,469	13,142	10,611	8,736
Probable	13,022	7,292	4,454	2,934	2,046
Total Proved Plus Probable	33,048	23,761	17,596	13,545	10,782

**BY PRODUCT TYPE
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

UNITED STATES

RESERVES CATEGORY	PRODUCTION GROUP	NET PRESENT VALUE OF FUTURE NET REVENUE BEFORE INCOME TAX EXPENSES (discounted at 10%/year) (\$000s)	UNIT VALUE ⁽¹⁾ BEFORE INCOME TAX EXPENSES (discounted at 10%/year) (\$/bbl or \$/Mcf)
Proved	Light and Medium Crude Oil ⁽²⁾	17,748	12.13
	Heavy Crude Oil ⁽²⁾	-	
	Conventional Natural Gas ⁽³⁾	-	
	Total	17,748	
Proved plus Probable	Light and Medium Crude Oil ⁽²⁾	23,704	11.82
	Heavy Oil ⁽²⁾	-	
	Conventional Natural Gas ⁽³⁾	-	
	Total	23,704	

Notes:

- (1) Unit values are based on net reserve volumes.
- (2) Including solution gas and other by-products.
- (3) Including by-products, but excluding solution gas and by-products from oil wells.

**SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

AGGREGATE

RESERVES CATEGORY	LIGHT AND MEDIUM CRUDE OIL		HEAVY CRUDE OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved								
Developed Producing	2,763	2,192	3,147	2,962	5,537	5,272	95	72
Developed Non-Producing	100	96	371	357	1,034	923	14	10
Undeveloped	254	191	100	91	3	3	-	-
Total Proved	3,117	2,479	3,618	3,410	6,574	6,198	109	82
Probable	1,290	1,043	2,635	2,430	3,216	2,974	54	45
Total Proved Plus Probable	4,407	3,522	6,253	5,840	9,790	9,172	163	127

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAX EXPENSES DISCOUNTED AT (%/year)**

RESERVES CATEGORY	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	115,072	94,599	79,230	67,925	59,416
Developed Non-Producing	6,805	5,338	4,052	3,029	2,235
Undeveloped	4,908	3,240	1,996	1,093	434
Total Proved	126,785	103,177	85,278	72,047	62,085
Probable	101,929	57,501	34,075	20,595	12,298
Total Proved Plus Probable	228,714	160,678	119,353	92,642	74,383

**NET PRESENT VALUES OF FUTURE NET REVENUE
AFTER INCOME TAX EXPENSES DISCOUNTED AT (%/year)**

RESERVES CATEGORY	0	5	10	15	20
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved					
Developed Producing	107,945	89,379	75,171	64,626	56,646
Developed Non-Producing	6,803	5,328	4,039	3,017	2,224
Undeveloped	3,964	2,551	1,462	659	70
Total Proved	118,712	97,258	80,672	68,302	58,940
Probable	97,919	55,198	32,573	19,521	11,477
Total Proved Plus Probable	216,631	152,456	113,245	87,823	70,417

**BY PRODUCT TYPE
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

AGGREGATE

RESERVES CATEGORY	PRODUCTION GROUP	NET PRESENT VALUE OF FUTURE NET REVENUE BEFORE INCOME TAX EXPENSES (discounted at 10%/year) (\$000s)	UNIT VALUE ⁽¹⁾ BEFORE INCOME TAX EXPENSES (discounted at 10%/year) (\$/bbl or \$/Mcf)
Proved	Light and Medium Crude Oil ⁽²⁾	33,175	12.95
	Heavy Crude Oil ⁽²⁾	51,494	15.10
	Conventional Natural Gas ⁽³⁾	609	0.10
Total		85,278	
Proved plus Probable	Light and Medium Crude Oil ⁽²⁾	48,171	13.20
	Heavy Oil ⁽²⁾	69,647	11.93
	Conventional Natural Gas ⁽³⁾	1,535	0.17
Total		119,353	

Notes:

- (1) Unit values are based on net reserve volumes.
(2) Including solution gas and other by-products.
(3) Including by-products, but excluding solution gas and by-products from oil wells.

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	(\$000s) REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	ABANDONMENT AND RECLAMATION COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
Proved Reserves								
Canada	352,008	29,319	195,418	10,453	18,132	98,686	-	98,686
United States	147,575	36,356	70,995	5,131	6,994	28,099	8,073	20,026
Total	499,583	65,675	266,413	15,584	25,126	126,785	8,073	118,712
Proved Plus Probable Reserves								
Canada	611,026	53,086	298,115	54,469	21,773	183,583	-	183,583
United States	214,929	52,375	102,533	6,681	8,209	45,131	12,083	33,048
Total	825,955	105,461	400,648	61,150	29,982	228,714	12,083	216,631

Definitions and Notes to Reserves Data Tables:

1. Columns may not add due to rounding.
2. The crude oil, natural gas liquids and natural gas reserve estimates presented in the McDaniel Report are based on the definitions and guidelines contained in the COGE Handbook, NI 51-101 and CSA 51-324. A summary of certain of those definitions is set forth below.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions.

Reserves are classified according to the degree of certainty associated with the estimates.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into the following developed and undeveloped categories:

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Forecast Prices and Costs

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, as at December 31, 2017, inflation and exchange rates utilized in the McDaniel Report were as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF DECEMBER 31, 2017 FORECAST PRICES AND COSTS

Year	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Bow River Hardisty API (\$Cdn/bbl)	Alberta Heavy 12° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas AECO Price (\$Cdn/MMBTU)	Natural Gas Liquids FOB Field Gate (\$Cdn/bbl) ⁽³⁾	Inflation Rate ⁽¹⁾ %/year	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
Forecast									
2018	58.50	70.10	52.60	45.20	65.20	2.25	50.90	-	0.790
2019	58.70	71.30	57.80	49.60	66.30	2.65	50.30	2.0	0.790
2020	62.40	74.90	62.20	53.60	69.70	3.05	49.80	2.0	0.800
2021	69.00	80.50	66.80	57.60	74.90	3.40	52.80	2.0	0.825
2022	73.10	82.80	68.70	59.20	77.00	3.60	52.90	2.0	0.850
2023	74.50	84.40	70.10	60.30	78.50	3.65	53.10	2.0	0.850
2024	76.00	86.10	71.50	61.60	80.10	3.75	54.20	2.0	0.850
2025	77.50	87.80	72.90	62.80	81.70	3.80	55.20	2.0	0.850
2026	79.10	89.60	74.40	64.10	83.30	3.90	56.40	2.0	0.850
2027	80.70	91.40	75.90	65.40	85.00	3.95	57.50	2.0	0.850
2028	82.30	93.20	77.40	66.60	86.70	4.05	58.70	2.0	0.850
2029	83.90	95.00	78.90	67.90	88.40	4.15	59.80	2.0	0.850
2030	85.60	97.00	80.50	69.40	90.20	4.25	61.10	2.0	0.850
2031	87.30	98.90	82.10	70.70	92.00	4.30	62.30	2.0	0.850
2032	89.10	100.90	83.70	72.10	93.80	4.35	63.50	2.0	0.850
Thereafter:	Escalate at 2.0%/year	Escalate at 2.0%/year	Escalate at 2.0%/year	Escalate at 2.0%/year	Escalate at 2.0%/year	Escalate at 2.0%/year	Escalate at 2.0%/year	2.0	0.850

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.
- (3) NGL mix calculated from McDaniel Report based on 45 percent propane, 35 percent butane and 20 percent natural gasoline of Edmonton propane, Edmonton butanes and Edmonton condensate and natural gasoline reference prices, respectively.

Weighted average historical prices realized by us (before the impact of financial risk management contracts) for the year ended December 31, 2017, were \$1.99/Mcf for conventional natural gas, \$55.00/bbl for light and medium crude oil, \$47.05/bbl for natural gas liquids and \$36.49/bbl for heavy crude oil.

Future Development Costs

The following tables set forth development costs deducted in the estimation of our future net revenue attributable to the reserve categories noted below.

CANADA

Year (\$000s)	Forecast Prices and Costs	
	Proved Reserves	Proved Plus Probable Reserves
2018	5,152	8,517
2019	5,226	16,779
2020	-	19,110
2021	-	5,715
2022	-	3,228
Thereafter	75	1,120
Total Undiscounted	10,453	54,469
Total Discounted at 10%	9,400	44,562

UNITED STATES

Year (\$000s)	Forecast Prices and Costs	
	Proved Reserves	Proved Plus Probable Reserves
2018	1,280	2,830
2019	3,851	3,851
2020	-	-
2021	-	-
2022	-	-
Thereafter	-	-
Total Undiscounted	5,131	6,681
Total Discounted at 10%	4,602	6,051

AGGREGATE

Year (\$000s)	Forecast Prices and Costs	
	Proved Reserves	Proved Plus Probable Reserves
2018	6,432	11,347
2019	9,077	20,630
2020	-	19,110
2021	-	5,715
2022	-	3,228
Thereafter	75	1,120
Total Undiscounted	15,584	61,150
Total Discounted at 10%	14,002	50,613

Notes:

- (1) We fund the development costs of our reserves through a combination of internally generated cash flow, debt and the issuance of Common Shares or other securities. Our capital spending in 2018 may be less than the development costs deducted in the estimation of the future net revenue attributable to our reserves due to our restricted cash flow and there is no certainty that sufficient funds will be available or that our Board of Directors will allocate funding to develop all of the reserves attributed in the McDaniel Report. Failure to develop those reserves would have a negative impact on our future cash flow and a reduction in our reserves. See "*Risk Factors – If oil and natural gas prices remain at their current levels or decrease further, our estimates of total reserves and present values thereof may be reduced*".

- (2) At this time, there are no expectations that the costs of funding would make development of a property uneconomic.
- (3) The interest or other costs of external funding are not included in the reserves and future net revenue estimates. This would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. We do not anticipate that interest or other funding costs would make development of any property uneconomic.
- (4) Estimated future abandonment and reclamation costs related to a property have been taken into account by McDaniel in determining reserves that should be attributed to a property. Reasonable estimated future well abandonment costs were deducted in determining the aggregate future net revenue. No allowance was made, however, for reclamation of well sites not assigned reserves or the abandonment and reclamation of any facilities.
- (5) The forecast price and cost assumptions assume the continuance of current laws and regulations.
- (6) The extent and character of all factual data supplied to McDaniel were accepted by McDaniel as represented. No field inspection was conducted.

Reconciliation of Changes in Reserves

**RECONCILIATION OF
GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS
CANADA**

FACTORS	LIGHT AND MEDIUM CRUDE OIL			HEAVY CRUDE OIL			CONVENTIONAL NATURAL GAS		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)
December 31, 2016	1,256	604	1,860	3,841	2,795	6,636	6,381	3,985	10,366
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	101	(23)	78	159	(160)	(1)	1,162	(824)	338
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	249	55	304
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	(181)	-	(181)	(382)	-	(382)	(1,218)	-	(1,218)
December 31, 2017	1,176	581	1,757	3,618	2,635	6,253	6,574	3,216	9,790

**RECONCILIATION OF
GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS**

UNITED STATES

FACTORS	LIGHT AND MEDIUM CRUDE OIL			HEAVY CRUDE OIL			CONVENTIONAL NATURAL GAS		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (MMcf)	Probable (MMcf)	Proved Plus
			Probable (Mbbbl)			Probable (Mbbbl)			Probable (MMcf)
December 31, 2016	1,974	586	2,560	-	-	-	-	-	-
Extensions & Improved									
Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	80	119	199	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	25	4	29	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	(138)	-	(138)	-	-	-	-	-	-
December 31, 2017	1,941	709	2,650	-	-	-	-	-	-

**RECONCILIATION OF
GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS**

AGGREGATE

FACTORS	LIGHT AND MEDIUM CRUDE OIL			HEAVY CRUDE OIL			CONVENTIONAL NATURAL GAS		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus	Proved (MMcf)	Probable (MMcf)	Proved Plus
			Probable (Mbbbl)			Probable (Mbbbl)			Probable (MMcf)
December 31, 2016	3,230	1,190	4,420	3,841	2,795	6,636	6,381	3,985	10,366
Extensions & Improved									
Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	181	96	277	159	(160)	(1)	1,162	(824)	338
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	25	4	29	-	-	-	249	55	304
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	(319)	-	(319)	(382)	-	(382)	(1,218)	-	(1,218)
December 31, 2017	3,117	1,290	4,407	3,618	2,635	6,253	6,574	3,216	9,790

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by McDaniel in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. In our practice, proved undeveloped reserves tend to be those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from our gathering systems. In addition, such reserves may relate to planned infill drilling locations. Probable undeveloped reserves may be reserves tested or indicated by analogy to be productive, infill drilling location and lands contiguous to production. In either case, the majority of undeveloped reserves are planned to be on stream within a two-year time frame. Undeveloped proved and probable reserves represent only about 19 percent of our proved and probable reserves.

There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see "*Risk Factors – Risks Relating to Our Business and Operations*".

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of proved undeveloped reserves that were attributed in each of our most recent three financial years and, in the aggregate, before that time.

Year	Light and Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Natural Gas (MMcf)		NGLs (Mbbbl)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2015	118	877	-	1,188	16	307	1	1
2016	-	254	-	100	16	8	1	-
2017	-	254	-	100	16	3	1	-

A total of 354 Mbbbl of oil, three MMcf of gas and no NGLs were assigned as proved undeveloped reserves in the McDaniel Report at December 31, 2017, representing five percent of our total proved reserves. In estimating future net revenue McDaniel reviewed our future development plans in order to estimate and deduct future development costs. Therefore the future development costs as set out under "*Future Development Costs*" are consistent with our future development plans if future prices meet or exceed the McDaniel price forecast. The proved undeveloped reserves are generally associated with infill/development drilling locations supported by recent drilling results and offset well data. The largest portion of the capital associated with developing proved undeveloped reserves is expected to be spent in 2018, with carry over into 2019. Within the McDaniel Report, 100 percent of the capital is scheduled to be spent over the next two years.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of probable undeveloped reserves that were first attributed in each of our most recent three financial years and, in the aggregate, before that time.

Year	Light and Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Natural Gas (MMcf)		NGLs (Mbbl)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2015	94	790	-	3,110	8	1,526	-	13
2016	-	301	-	1,448	-	838	-	11
2017	100	401	-	1,448	-	838	-	11

A total of 1,849 Mbbl of oil, 838 MMcf of gas and 11 Mbbl of NGLs were assigned as gross probable undeveloped reserves in 2017, representing approximately 29 percent of our total probable reserves or 18 percent of our total proved plus probable reserves. The majority of the probable reserves assignment relates to properties which have proved producing reserves assigned. The bulk of the probable undeveloped reserves are assigned to projects which are actively underway or are contemplated in our forecasted capital program based on the McDaniel price forecast. Of the total future development costs assigned in the McDaniel Report for probable undeveloped reserves 35 percent are forecast to be spent in 2018 and 2019.

Significant Factors or Uncertainties Affecting Reserves Data

Our reserves have been evaluated in accordance with NI 51-101 by McDaniel, an independent engineering firm, effective December 31, 2017. Our audit and reserves committee has reviewed the scope and methodology of McDaniel's evaluation; any significant new discoveries, additions, revisions and acquisitions, and reviewed the assumptions and consistency with prior years.

Our reserves are characterized by a high developed producing component. This reflects our core competencies of oil exploitation, increasing oil production and reserves from existing reservoirs. It is a technically complex business and each oil reservoir is treated differently depending on the interrelationships of the reservoir rock, fluids, pressures, wells and surface facilities. As circumstances change and additional data becomes available, our reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information.

Changes in future commodity prices relative to the forecasts provided under "*Pricing Assumptions*" above could have a negative impact on our reserves and in particular the development of our undeveloped reserves unless future development costs are adjusted in parallel. Other than the foregoing and the factors disclosed or described in the tables above our evaluated oil and gas properties have no material extraordinary risks or uncertainties beyond those which are inherent in an oil and gas producing company as described in our management's discussion and analysis relating to our 2017 annual audited consolidated financial statements under the heading "*Risk Factors*" and "*Outlook*", which is incorporated herein by reference. See also "*Risk Factors – Risks Relating to Our Business and Operations*" below.

Abandonment and Reclamation Costs

In connection with our operations, we will incur abandonment and reclamation costs for surface leases, wells, facilities and pipelines. We budget for and recognize as a liability the estimated present value of the future decommissioning liabilities associated with our property, plant and equipment. Our overall abandonment and reclamation costs include all costs associated with the process of restoring a property that has been disturbed by oil and gas activities to the standard imposed by the applicable government or regulatory authorities. These costs were estimated using our experience conducting abandonment and reclamation programs. We review suspended or standing wells for reactivation, recompletion or sale and conduct systematic abandonment programs for those wells that do not meet our criteria. A portion of our liability issues are retired every year and facilities are decommissioned when all the wells producing to them have been abandoned. All of our liability reduction programs take into account seasonal access, high priority and stakeholder issues, and opportunities for multi-location programs to reduce costs. There are no unusually significant abandonment and reclamation costs associated with our properties with attributed reserves.

We will be liable for our share of ongoing environmental obligations and for the ultimate reclamation of the surface leases, wells, facilities, and pipelines held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow.

We estimate the costs to abandon and reclaim all of our producing and shut in wells, facilities, and pipelines. Using public data and our own experience, we estimate the amount and timing of future abandonment and reclamation expenditures at an operating area level. Wells within each operating area are assigned an average cost per well to abandon and reclaim the well. The estimated expenditures are based on current regulatory standards and actual abandonment cost history.

As at December 31, 2017, we had 625.0 net wells capable of production for which we expect to incur abandonment and/or reclamation costs.

Estimated future abandonment and reclamation costs related to well abandonment and reclamation of 265.6 existing and future net wells have been taken into account by McDaniel in determining reserves that should be attributed to a property and in determining the aggregated future net revenue therefrom. No allowance was made, however, for the abandonment and reclamation of any pipelines, facilities or wells without reserves.

The additional liability associated with the 359.4 net wells not assigned reserves by McDaniel in the McDaniel Report, pipelines and facility reclamation costs, which were estimated to be \$39.02 million (undiscounted) as at December 31, 2017, were not deducted in estimating future net revenue in the McDaniel Report.

The total amount of abandonment and reclamation costs, net of estimated salvage values, from the McDaniel Report that we expect to incur are summarized in the following table.

Period	Abandonment and Reclamation Costs Escalated at 2% Undiscounted (\$000s)	Abandonment and Reclamation Costs Escalated at 2% Discounted at 10% (\$000s)
Total liability as at December 31, 2017	29,981	4,967
Anticipated to be paid in 2018	-	-
Anticipated to be paid in 2019	-	-
Anticipated to be paid in 2020	-	-

We have estimated the net present value of our total asset retirement obligations to be \$64.81 million as at December 31, 2017 based on a total future liability of \$69.0 million. The future net revenues disclosed in this Annual Information Form based on the McDaniel Report do not contain an allowance for abandonment and reclamation costs for batteries, nor do they provide for offsetting salvage values. The McDaniel Report deducted \$29.98 million (undiscounted) and \$4.97 million (10 percent discount using forecast prices and costs for proved and probable reserves) for abandonment and reclamation costs in estimating the future net revenue disclosed in this Annual Information Form.

Other Oil and Gas Information

Oil and Gas Properties

The following is a description of our principal oil and natural gas properties on production or under development as at December 31, 2017. The term "net", when used to describe our share of production, means the total of our working interest share before deduction of royalties owned by others. Unless otherwise specified, gross and net acres and well count information are as at December 31, 2017. **Estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.**

Our major properties are concentrated within Alberta in Canada and in North Dakota in the United States. Each region offers a large undeveloped land base, a vast seismic database, and significant ownership and operatorship in production facilities.

Alberta Plains

Our Alberta Plains core area holds 76 percent of our proved and probable oil and liquids reserves at year end 2017 and provided for 81 percent of our 2017 oil and liquids production, primarily from the Taber South, Little Bow, and Bellshill Lake properties.

The Bellshill Lake and Taber South properties are expected to require additional wells to optimally exploit. The McDaniel Report has booked five undeveloped Bellshill Lake vertical development locations and three horizontal locations in Taber South. Based on our geological, geophysical and reservoir engineering work, we have identified three additional undeveloped Bellshill Lake locations and five additional undeveloped Taber locations that have not been recognized in the McDaniel Report.

Our largest and most important property in this core area is Little Bow with its tertiary oil recovery opportunities plus a number of waterflood and production optimization projects. Over the last few years, we have assembled assets at Little Bow through a number of property and corporate acquisitions, which also consolidated our position in the ASP project. The Little Bow ASP tertiary oil recovery project entails the injection of chemicals in a dilute water solution into a partially depleted reservoir to recover incremental oil reserves.

In 2012, we received Alberta Energy Regulator approval and substantially completed the detailed engineering and the procurement of long-lead-time equipment for the Little Bow Upper Mannville I and P pool ASP project. During 2013, substantially all of the field construction was completed and final project commissioning commenced in the first quarter of 2014. The McDaniel Report has assigned 3.92 MMbbl of proved and probable oil and liquids reserves to the Little Bow ASP (Phase 1 and 2) project.

In March 2014, we commenced the injection of large volumes of dilute chemical solution into the partially depleted Little Bow Mannville I pool to recover incremental oil reserves. At December 31, 2017 a total of 7.0 million barrels of ASP solution has been injected into the first phase of the project. This injection volume represents approximately three quarters of target ASP volume. Due to low commodity pricing, full ASP injection was suspended in March 2016. Since then approximately 6.7 million barrels of polymer solution has been injected. A polymer solution is utilized to maintain the integrity of oil banks in anticipation of return to full ASP injection when financial conditions improve sufficiently.

In late April 2015, we received formal approval from the Alberta Department of Energy for royalty relief under the *Enhanced Oil Recovery Royalty Regulations* for the Little Bow ASP Project. With this approval, wells within the Little Bow phase 1 scheme area receive a five percent Alberta Crown oil royalty rate for a period of up to 10 years. The Alberta Modernized Royalty Framework released on January 29, 2016 does not directly affect the prior approvals under the existing Enhanced Oil Recovery Program. The Government of Alberta has committed to developing cost allowance programs for enhanced oil recovery schemes initiated after January 1, 2017. See "*Industry Conditions – Royalties and Incentives – Alberta – Alberta Enhanced Oil Recovery Program*".

In March 2016, we suspended the alkali and surfactant injections into the Little Bow ASP Project in an effort to conserve funds. In the third quarter of 2016, we modified the ASP project's depletion strategy by shutting in higher water cut producers in under treated areas in order to reduce the polymer costs required to treat the re-injected water volumes. This strategy will maintain and produce the oil banks that have already been formed in the reservoir while preserving our ability to re-initiate the alkaline surfactant injections in the under treated areas, once higher oil prices and improved financial conditions permit.

Williston Basin

We have a long and profitable history in our Williston Basin core area, which encompassed the Southeast Saskatchewan assets that were sold in the Saskatchewan Disposition, and three counties of North Dakota. Our remaining assets in the Williston Basin located in North Dakota hold 24 percent of our proved and probable oil and liquids reserves.

Based on our geophysical, geological and reservoir engineering work, we have identified 16 undeveloped Mississippian locations in the Williston Basin of which five locations have been recognized in the McDaniel Report. These locations are characterized by lower permeability reservoirs that are generally partially pressure supported by either weak aquifers or, in some cases, by mature waterfloods, and production from these locations will be characterized by relatively low initial rates, moderately high water cuts, and shallow production declines. In recent years, we have allocated most of our capital budget to the Little Bow ASP project, and virtually no drilling capital has been directed to the drainage locations at the North Dakota, properties.

Oil and Gas Wells

The following table sets forth the number and status of wells in which we had a working interest as at December 31, 2017.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada								
British Columbia	-	-	-	-	-	-	3.0	1.4
Alberta	210.0	170.1	220.0	182.3	87.0	47.2	129.0	67.3
Saskatchewan	1.0	0.2	8.0	4.1	-	-	128.0	60.6
United States								
North Dakota	87.0	85.6	7.0	6.5	-	-	-	-
Total	298.0	255.9	235.0	192.9	87.0	47.2	260.0	129.3

Notes:

- (1) Well counts are based on wellbores.
- (2) We have no offshore wellbores.

Properties with no Attributable Reserves

The following table sets out our undeveloped land holdings as at December 31, 2017.

(thousand acres)	Undeveloped Acres ⁽¹⁾	
	Gross	Net
Alberta	62	24
British Columbia	3	3
Saskatchewan	5	2
United States	3	3
Total	73	32

Notes:

- (1) None of our undeveloped lands have reserves attributed to them.
- (2) Rights to explore, develop and exploit 1,255 net acres of our undeveloped land holdings in Canada and nil net acres of our undeveloped land holdings in the United States are scheduled to expire by December 31, 2017.
- (3) When determining gross and net acreage for two or more leases covering the same lands but different rights, the acreage is reported for each lease. Where there are multiple discontinuous rights in a single lease, the acreage is reported only once.

Significant Factors or Uncertainties Relevant to Properties with no Attributed Reserves

Our business model focuses on sustainable low decline production with little capital allocated to the acquisition, exploration or development of our properties with no attributed reserves. However, our decision to develop our properties with no attributed reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs and royalty regimes all of which are beyond our control. See "*Significant Factors and Uncertainties Affecting Reserves Data – Abandonment and Reclamation Costs*" and "*Risk Factors*".

Forward Contracts

We are exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates, electricity rates and interest rates in the normal course of our operations. A variety of derivative instruments are used to reduce exposure to fluctuations in commodity prices and foreign exchange rates. We are exposed to losses in the event of default by the counterparties to these derivative instruments. We manage this risk by diversifying our derivative portfolio amongst a number of financially strong counterparties. For information in relation to our marketing arrangements, see "*Marketing Arrangements*".

For details of our material commitments to sell natural gas and crude oil that were outstanding at December 31, 2017 see Note 25 to our 2017 annual audited consolidated financial statements, which is incorporated herein by reference.

Tax Horizon

We did not pay Canadian or United States income taxes in 2017.

Based on the current forward commodity strip, we do not expect to pay cash taxes in Canada before 2019.

Costs Incurred

The following table summarizes capital expenditures related to our activities for the year ended December 31, 2017.

(\$ million)	Canada	United States	Total
Property Acquisition/(Disposition) Costs:			
Proved Properties ⁽¹⁾	0.18	0.03	0.21
Unproved Properties	1.67	0.14	1.81
Corporate Acquisitions	0.11	(0.04)	0.07
Development Costs ⁽²⁾	4.95	0.53	5.48
Exploration Costs ⁽³⁾	0.75	0.54	1.29
Total	7.66	1.20	8.86

Notes:

- (1) Acquisitions are net of disposition of properties.
- (2) Development and facilities expenditures.
- (3) Cost of land acquired, geological and geophysical capital expenditures and drilling costs for 2017 exploration wells drilled.

Exploration and Development Activities

We did not participate in any exploratory or development wells during the year ended December 31, 2017. For more details regarding our most important current exploration and development opportunities for 2018 see, "*Other Oil and Gas Information – Oil and Gas Properties*" above.

Production Estimates

The following table sets out the volumes of 2018 gross production estimated in the McDaniel Report for the year ended December 31, 2017, which is reflected in the estimate of future net revenue disclosed in the tables contained under "*Disclosure of Reserves Data and Other Oil and Natural Gas Information*".

CANADA	Light and Medium Crude Oil	Conventional Natural Gas	Natural Gas Liquids	Heavy Crude Oil	BOE
	(bbl/d)	(Mcf/d)	(bbl/d)	(bbl/d)	(boe/d)
Total Proved	479	3,383	50	1,051	2,144
Total Probable	75	199	2	31	141
Total Proved Plus Probable	554	3,582	52	1,082	2,285

UNITED STATES	Light and Medium Crude Oil	Conventional Natural Gas	Natural Gas Liquids	Heavy Crude Oil	BOE
	(bbl/d)	(Mcf/d)	(bbl/d)	(bbl/d)	(boe/d)
Total Proved	400	-	-	-	400
Total Probable	22	-	-	-	22
Total Proved Plus Probable	422	-	-	-	422

Production History and Prices Received

The following tables summarize certain information in respect of our production, product prices received, royalties paid, production expenses and resulting netbacks for the periods indicated.

CANADA

	Quarter Ended			
	2017			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production:				
Conventional Natural Gas (Mcf/d)	2,949	3,547	3,473	3,382
Light and Medium Crude Oil (bbl/d)	475	506	493	521
Heavy Crude Oil (bbl/d)	1,019	1,071	1,016	1,072
Natural Gas Liquids (bbl/d)	39	62	41	69
Combined (boe/d)	2,024	2,230	2,128	2,225
Average Price Received: ⁽¹⁾				
Conventional Natural Gas (\$/Mcf)	1.57	1.34	2.59	2.45
Light and Medium Crude Oil (\$/bbl)	58.62	51.50	54.96	62.28
Heavy Crude Oil (\$/bbl)	53.60	45.77	46.33	42.67
Natural Gas Liquids (\$/bbl)	47.20	31.46	29.95	38.89
Combined (\$/boe)	43.92	36.66	39.64	40.06
Royalties Paid:				
Conventional Natural Gas (\$/Mcf)	0.07	0.09	0.20	0.12
Light and Medium Crude Oil (\$/bbl)	8.60	8.63	8.84	6.11
Heavy Crude Oil (\$/bbl)	2.78	2.58	2.89	2.58
Natural Gas Liquids (\$/bbl)	3.57	3.03	(9.78)	2.02
Combined (\$/boe)	3.58	3.43	3.57	2.92
Production Costs:				
Conventional Natural Gas (\$/Mcf)	3.45	2.38	2.92	2.68
Light and Medium Crude Oil (\$/bbl)	23.37	25.46	26.46	28.30
Heavy Crude Oil (\$/bbl)	22.22	21.23	22.64	20.49
Natural Gas Liquids (\$/bbl)	19.57	14.59	14.64	18.67
Combined (\$/boe)	22.07	20.16	21.97	21.14
Netback Received: ⁽²⁾				
Conventional Natural Gas (\$/Mcf)	(1.95)	(1.13)	(0.53)	(0.35)
Light and Medium Crude Oil (\$/bbl)	26.66	17.41	19.66	27.86
Heavy Crude Oil (\$/bbl)	28.61	21.95	20.80	19.60
Natural Gas Liquids (\$/bbl)	24.06	13.84	25.10	18.20
Combined (\$/boe)	18.26	13.07	14.11	15.99

Notes:

- (1) Average price received is calculated before the impact of realized risk management gains or losses.
- (2) Netbacks are calculated by subtracting royalties and operating costs from revenues before realized risk management gains or losses.

UNITED STATES

	Quarter Ended			
	2017			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production:				
Conventional Natural Gas (Mcf/d)	-	-	-	-
Light and Medium Crude Oil (bbl/d)	392	398	372	354
Heavy Crude Oil (bbl/d)	-	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Combined (boe/d)	392	398	372	354
Average Price Received: ⁽¹⁾				
Conventional Natural Gas (\$/Mcf)	-	-	-	-
Light and Medium Crude Oil (\$/bbl)	59.08	47.91	50.99	52.31
Heavy Crude Oil (\$/bbl)	-	-	-	-
Natural Gas Liquids (\$/bbl)	-	-	-	-
Combined (\$/boe)	59.08	47.91	50.99	52.31
Royalties Paid:				
Conventional Natural Gas (\$/Mcf)	-	-	-	-
Light and Medium Crude Oil (\$/bbl)	14.61	11.73	12.47	12.90
Heavy Crude Oil (\$/bbl)	-	-	-	-
Natural Gas Liquids (\$/bbl)	-	-	-	-
Combined (\$/boe)	14.61	11.73	12.47	12.90
Production Costs:				
Conventional Natural Gas (\$/Mcf)	-	-	-	-
Light and Medium Crude Oil (\$/bbl)	25.62	20.22	25.45	27.48
Heavy Crude Oil (\$/bbl)	-	-	-	-
Natural Gas Liquids (\$/bbl)	-	-	-	-
Combined (\$/boe)	25.62	20.22	25.45	27.48
Netback Received: ⁽²⁾				
Conventional Natural Gas (\$/Mcf)	-	-	-	-
Light and Medium Crude Oil (\$/bbl)	18.84	15.95	13.07	11.93
Heavy Crude Oil (\$/bbl)	-	-	-	-
Natural Gas Liquids (\$/bbl)	-	-	-	-
Combined (\$/boe)	18.84	15.95	13.07	11.93

Notes:

- (1) Average price received is calculated before the impact of realized risk management gains or losses.
- (2) Netbacks are calculated by subtracting royalties and operating costs from revenues before realized risk management gains or losses.

AGGREGATE

	Quarter Ended			
	2017			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production:				
Conventional Natural Gas (Mcf/d)	2,949	3,547	3,473	3,382
Light and Medium Crude Oil (bbl/d)	867	904	864	875
Heavy Crude Oil (bbl/d)	1,019	1,071	1,016	1,072
Natural Gas Liquids (bbl/d)	39	62	41	69
Combined (boe/d)	2,416	2,628	2,500	2,579
Average Price Received: ⁽¹⁾				
Conventional Natural Gas (\$/Mcf)	1.57	1.34	2.59	2.45
Light and Medium Crude Oil (\$/bbl)	58.83	49.92	53.25	58.24
Heavy Crude Oil (\$/bbl)	53.60	45.77	46.33	42.67
Natural Gas Liquids (\$/bbl)	47.20	31.46	29.95	38.89
Combined (\$/boe)	46.38	38.37	41.33	41.74
Royalties Paid:				
Conventional Natural Gas (\$/Mcf)	0.07	0.09	0.20	0.12
Light and Medium Crude Oil (\$/bbl)	11.32	10.00	10.40	8.86
Heavy Crude Oil (\$/bbl)	2.78	2.58	2.89	2.58
Natural Gas Liquids (\$/bbl)	3.57	3.03	(9.78)	2.02
Combined (\$/boe)	5.37	4.69	4.89	4.29
Production Costs:				
Conventional Natural Gas (\$/Mcf)	3.45	2.38	2.92	2.68
Light and Medium Crude Oil (\$/bbl)	24.39	23.15	26.02	27.97
Heavy Crude Oil (\$/bbl)	22.22	21.23	22.64	20.49
Natural Gas Liquids (\$/bbl)	19.57	14.59	14.64	18.67
Combined (\$/boe)	22.65	20.17	22.49	22.01
Netback Received: ⁽²⁾				
Conventional Natural Gas (\$/Mcf)	(1.95)	(1.13)	(0.53)	(0.35)
Light and Medium Crude Oil (\$/bbl)	23.12	16.77	16.83	21.42
Heavy Crude Oil (\$/bbl)	28.61	21.95	20.80	19.60
Natural Gas Liquids (\$/bbl)	24.06	13.84	25.10	18.20
Combined (\$/boe)	18.36	13.50	13.95	15.44

Notes:

- (1) Average price received is calculated before the impact of realized risk management gains or losses.
(2) Netbacks are calculated by subtracting royalties and operating costs from revenues before realized risk management gains or losses.

The following table indicates our average daily production from our core areas for the year ended December 31, 2017.

	Conventional Natural Gas (Mcf/d)	Light and Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Natural Gas Liquids (bbl/d)	BOE (boe/d)
Alberta Plains North	1,651	494	1	33	803
Alberta Plains South	1,686	5	1,044	19	1,349
Williston Basin	-	379	-	-	379
Total	3,337	877	1,044	53	2,531

Marketing Arrangements

Natural Gas

Most of our natural gas production was sold by spot sale contracts and Alberta index prices were received. In order to control and manage credit risk and ensure competitive bids, we engage with a number of reputable counterparties for our natural gas transactions. The integration and application of these strategies resulted in an average realized price (after realized risk management gains/losses) of \$1.99 per Mcf in 2017 compared to \$1.95 per Mcf in 2016.

Oil and Natural Gas Liquids

We sell our oil and natural gas liquids production to a variety of customers. This allows us to benefit from specific regional advantages while maintaining pricing and delivery flexibility. In general, we market our oil production with various purchasers under one month renewable contracts and receive posted reference prices with adjustments for quality and transportation. In 2017, our average realized oil and liquids price (after realized risk management gains/losses) was \$49.78 per bbl compared to \$41.47 in 2016.

Risk Management Activities

Our commodity price risk management policy, which is approved by the Board of Directors, allows for the sale of up to a certain percent of our estimated before royalty production volumes for each commodity for up to a 30 month period. For details of our risk management activities in 2017 see our management's discussion and analysis relating to our 2017 annual audited consolidated financial statements under the heading "*Risk Management Activities*", which is incorporated herein by reference.

Acquisitions and Dispositions

During 2016, we completed the 2016 Dispositions. See "*General Development of Our Business – History and Development – Developments in 2016*".

Social and Environmental Policy

We approach social responsibility and sustainable development by seeking a balance among economic, environmental and social issues while maintaining growth. We strive to find solutions to these issues that do not compromise the needs of future generations and place a high priority on preserving the quality of the environment, protecting the health and safety of our employees, contractors and the public in the communities in which we operate. Additionally, we actively participate in industry recognized programs that support our sustainable mindset.

We have an environmental policy in place as part of our commitment to protecting the environment while conducting our operations.

Our environmental policy states that:

- Operating in an environmentally responsible manner is key to insuring our continued growth and the industry.
- Sound environmental management is an integral component of a good business plan. Environmental stewardship reduces costs and corporate liability. It enhances shareholder value, boosts employee morale and enhances our image in the eyes of regulators and the public.
- Managing our environmental responsibilities is a team effort requiring the commitment of management, employees and contractors.
- Preventing environmental damage is cheaper than repairing damage.

- An effective environmental program helps operations staff to understand and comply with environmental laws and regulations and to minimize the costs and liabilities associated with environmental damage. It helps meet the concerns of stakeholders that environmental issues are being managed properly and will provide a due-diligence defence in the event of an environmental incident.

Our management also monitors developments related to climate change and other environmental laws and regulations.

We are not currently impacted by proposed environmental laws and regulations relating to the control of greenhouse gases (see "*Industry Conditions – Climate Change Regulation*") as none of our facilities qualify and currently, no facility production qualifies under the criteria described in the Updated Action Plan (as defined therein). We will continue to monitor the regulatory developments and any impact that they may have on our future compliance costs.

OUR CAPITAL STRUCTURE

Share Capital

Our authorized share capital consists of an unlimited number of Common Shares without nominal or par value and 10,000,000 preferred shares without nominal or par value issuable in series (the "**Preferred Shares**"). The following is a summary of the rights, privileges, restrictions and conditions which attach to our securities. The inclusion of Preferred Shares in our authorized share capital is intended to provide us with the flexibility to raise a limited amount of future capital in the form of preferred shares. At the present time, our management is not aware of any financing structures for oil and gas companies that involve the issuance of preferred shares. The Preferred Shares will not be utilized as a defence to any take-over bid.

Common Shares

Holders of our Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of our Shareholders (other than meetings of a class or series of our shares other than the Common Shares).

Holders of our Common Shares will be entitled to receive dividends as and when declared by our Board of Directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of our shares ranking in priority to the Common Shares in respect of dividends.

Holders of our Common Shares will be entitled in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our Shareholders for the purpose of winding-up our affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes ranking in priority to the Common Shares in respect of a return of capital on dissolution, to share rateably, together with the holders of shares of any other class of our shares ranking equally with the Common Shares in respect of a return of capital on dissolution, in such of our assets as are available for distribution.

Preferred Shares

The Preferred Shares may be issued in one or more series, at any time or from time to time. Before any shares of a particular series are issued, our Board of Directors will fix the number of shares that will form such series and will, subject to the limitations set out in the preferred share terms described below, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for our securities or otherwise, voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Preferred Shares or payment in respect of capital on any shares in our capital or creation or issue of debt or equity securities; the whole subject to filing of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series. Notwithstanding the foregoing: (a) our

Board of Directors may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of Preferred Shares; and (b) other than in the case of a failure to declare or pay dividends specified in any series of the Preferred Share, the voting rights attached to the Preferred Shares will be limited to one vote per Preferred Share at any meeting where the Preferred Shares and Common Shares vote together.

Credit Facility

In 2016, we repaid our bank indebtedness and our Credit Agreement was terminated and has not been replaced.

Convertible Debentures

The Convertible Debentures were issued under and pursuant to the provisions of the Debenture Indenture. The following description of the Convertible Debentures is a summary of their material attributes and characteristics and is subject to the detailed provisions of the Debenture Indenture and is qualified in its entirety by reference to the Debenture Indenture which has been filed and are available on SEDAR at www.sedar.com.

General

The Convertible Debentures mature on December 31, 2019 and bear interest at an annual rate of 8.00% payable semi-annually in arrears on March 31 and September 30 in each year.

Conversion Privilege

Each Convertible Debenture is convertible at the option of the holder into fully paid and non-assessable Common Shares at any time prior to 5:00 p.m. (Calgary time) on the earliest of: (i) the last business day immediately preceding their maturity and (ii) the last business day immediately preceding the date specified by us for redemption, in each case, at a conversion price of \$1.25 per Common Share, representing a conversion rate of approximately 800 Common Shares per \$1,000 principal amount of Convertible Debentures. The conversion price may be adjusted in certain circumstances as described in the Debenture Indenture.

Interest will be paid on conversion from up to, but not including, the date of conversion. The Convertible Debentures may not be converted on March 31 or September 30 or during the five business days preceding March 31 and September 30 in each year, as the registers of the Debenture Trustee will be closed during such periods. No fractional Common Shares will be issued on any conversion of the Convertible Debenture but in lieu thereof we will satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Redemption and Purchase

The Convertible Debentures may not be redeemed by us before January 1, 2019, except in certain limited circumstances following a change of control. On or after January 1, 2019 and prior to their maturity, the Convertible Debentures may be redeemed by us, in whole or in part from time to time, at our option on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount plus accrued and unpaid interest thereon, if any, provided that the current market price of the Common Shares on the date on which notice of redemption is given is not less than 125% of the conversion price. In the event that a holder of Convertible Debentures exercises their conversion right following a notice of redemption by us, the holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the last interest payment date up to, but not including, the date of conversion.

In the case of redemption of less than all of the Convertible Debentures, the Convertible Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to regulatory approvals.

In addition, we have the right to purchase Convertible Debentures for cancellation in the market, by tender or by private contract, at any time, subject to regulatory requirements.

Payment upon Redemption or at Maturity

On redemption or at maturity, as applicable, we are required to repay the indebtedness represented by the Convertible Debentures by paying to the Debenture Trustee an amount equal to the principal amount of the outstanding Convertible Debentures, together with accrued and unpaid interest thereon, if any, up to but not including the redemption date or the maturity date, as applicable. On redemption or at maturity, as applicable, we may, at our option, on not more than 60 days' and not less than 40 days' prior notice and subject to any required regulatory approvals, and provided that no event of default has occurred and is continuing, elect to satisfy our obligation to repay, in whole or in part, the principal amount of the Convertible Debentures which are to be redeemed or which have matured by issuing and delivering Common Shares to the holders of the Convertible Debentures in an amount equal to the principal amount of the Convertible Debentures divided by 95% of the current market price of the Common Shares. Any accrued and unpaid interest thereon will be paid in cash. In the event a holder of Convertible Debentures exercises its conversion rights following delivery of a notice of redemption by us, such holder shall be entitled to receive the applicable number of Common Shares to be received on conversion on the last business day immediately preceding the redemption.

No fractional Common Shares will be issued upon redemption or at maturity of the Convertible Debenture but in lieu thereof we will satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Rank

The Convertible Debentures are subordinate to all Senior Indebtedness as more particularly described below under "*Subordination*". In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, our assets would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay our obligations to the holders of Convertible Debentures. Accordingly, all or a substantial portion of our assets could be unavailable to satisfy the claims of the holders of Convertible Debentures.

Subordination

The payment of the principal and premium, if any, of, and interest on, the Convertible Debentures is subordinated and postponed, and subject in right of payment, to the full and final payment of all of our Senior Indebtedness. "**Senior Indebtedness**" is defined in the Debenture Indenture as all of our obligations, liabilities and indebtedness which would, in accordance with generally accepted accounting principles, be classified upon our consolidated balance sheet as our liabilities and, whether or not so classified, includes (without duplication): (a) our indebtedness for borrowed money; (b) our obligations evidenced by bonds, debentures, notes or other similar instruments; (c) our obligations arising pursuant or in relation to bankers' acceptances, letters of credit, letters of guarantee, performance bonds and surety bonds (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) our obligations under any swap, hedging or other similar contracts or arrangements; (e) our obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all of our indebtedness representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; (i) all declared but unpaid dividends or distributions; and (j) all costs and expenses incurred by or on behalf of any senior creditor in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same but "Senior Indebtedness" does not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate to or rank *pari passu* with the Convertible Debentures.

The Debenture Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to us, or to our property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of us, whether or not involving insolvency or bankruptcy, or any marshalling of our assets and liabilities, then holders of Senior Indebtedness will receive payment in full before the holders of Convertible Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Convertible Debentures or any unpaid interest accrued thereon. The Debenture Indenture also provides that we will not make any payment, and the holders of the Convertible Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any

limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Convertible Debentures: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Convertible Debentures; or (b) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of Senior Indebtedness, unless the Senior Indebtedness has been repaid in full.

Repurchase upon a Change of Control

Within 30 days following the occurrence of a Change of Control, we are required to make a cash offer to purchase all of the Convertible Debentures at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon. A "**Change of Control**" is defined in the Debenture Indenture to include: (i) an acquisition by a person or group of persons acting jointly or in concert (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("**MI 62-104**") and in Ontario, the *Securities Act* (Ontario) and Ontario Securities Commission Rule 62-504 – *Take-Over Bids and Issuer Bids*) of ownership of, or voting control or direction over, more than 50% of the issued and outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of our consolidated assets, excluding a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting control in such merged, reorganized or other continuing entity.

If Convertible Debentures representing 90% or more of the aggregate principal amount of the Convertible Debentures outstanding on the date of the giving of notice of the Change of Control are tendered for purchase following a Change of Control (other than Convertible Debentures held at the date of the take-over bid by or on behalf of the offeror, associates or affiliates of the offeror or any one acting jointly or in concert with the offeror), we have the right to redeem all of the remaining Convertible Debentures at the same price.

Cash Change of Control

In addition to the requirement for us to make a cash offer to purchase all of the Convertible Debentures in the event of a Change of Control, if a Change of Control occurs on or before maturity in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights); (ii) equity securities (including trust units, limited partnership units or other participating securities of a trust, limited partnership or similar entity) that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then subject to regulatory approvals, holders of Convertible Debentures will be entitled to convert their Debentures, subject to certain limitations, and receive, subject to and upon completion of the Change of Control, in addition to the number of Common Shares they would otherwise be entitled to receive on conversion, an additional number of Common Shares per \$1,000 principal amount of Convertible Debentures. The number of such additional Common Shares per \$1,000 principal amount of Debentures will be determined by reference to the provisions of the Debenture Indenture based on the date on which the Change of Control becomes effective and the price paid per Common Share in the transaction constituting the Change of Control.

Interest Payment Election

Unless an Event of Default (as defined below) under the Debenture Indenture has occurred and is continuing, we may elect, from time to time, subject to applicable regulatory approval, to satisfy our obligation to pay all or any portion of the interest on the Convertible Debentures by delivering sufficient Common Shares to the Debenture Trustee for sale, to satisfy such obligation, and holders of the Convertible Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares. The Debenture Indenture sets out the procedures to be followed by us and the Debenture Trustee in order to effect this election.

Events of Default

The Debenture Indenture provides that an event of default ("**Event of Default**") in respect of the Convertible Debentures will occur if certain events described in the Debenture Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to such Convertible Debentures: (i) failure

for 30 days to pay interest on the Convertible Debentures when due; (ii) failure to pay principal or premium, if any (whether by payment in cash or delivery of Common Shares), on the Convertible Debentures when due, whether at maturity, upon redemption, on a change of control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration, including any Make-Whole Premium (as defined below), payable upon conversion with respect to the Convertible Debentures, which default continues for 15 days; (iv) default in the observance or performance of any other covenant or condition of the Debenture Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% of the aggregate principal amount of the Convertible Debentures specifying such default and requiring us to rectify or obtain a waiver for same; (v) certain events of bankruptcy, insolvency or reorganization of us under bankruptcy or insolvency laws; and (vi) if an event of default occurs or exists under any agreement evidencing indebtedness for borrowed money (other than non-recourse debt) of us and as a result of such event of default (a) indebtedness for borrowed money thereunder in excess of \$10,000,000 has become due and payable before the date it would otherwise have been due and payable, and (b) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors' remedies to collect such indebtedness.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and will, upon the request of holders of not less than 25% in principal amount of the then-outstanding Convertible Debentures declare the principal of (and premium, if any) and interest on all outstanding Convertible Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of the Convertible Debentures then-outstanding may, on behalf of the holders of all Convertible Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Convertible Debentures

The Debenture Indenture contains provisions to the effect that if an offer is made for the Convertible Debentures which is a take-over bid for the Convertible Debentures within the meaning of MI 62-104 and in Ontario, the *Securities Act* (Ontario) and Ontario Securities Commission Rule 62-504 if the Convertible Debentures were considered equity securities, and not less than 90% of the principal amount of the then-outstanding Convertible Debentures (other than Convertible Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Convertible Debentures held by those who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of Convertible Debentures may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which make binding on all holders of outstanding Convertible Debentures, resolutions passed at meetings of the holders of outstanding Convertible Debentures by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the then-outstanding Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the then-outstanding Convertible Debentures. Under the Debenture Indenture, certain amendments of a technical nature or which are not prejudicial to the rights of the holders of the Convertible Debentures may be made to the Debenture Indenture without the consent of the holders of the Convertible Debentures.

DIRECTORS AND OFFICERS

Directors

The name, municipality of residence, principal occupation for the prior five years and position (including with a predecessor of us), of each of our directors is as follows:

Name and Municipality of Residence	Director Since	Principal Occupation
Craig H. Hansen Calgary, Alberta	1992	Our President & Chief Executive Officer since 1993. Mr. Hansen is also a Governor of the Canadian Association of Petroleum Producers where he is currently Chair of the Fiscal Executive Policy Group.
Kyle D. Kitagawa ^{(1) (3)} Calgary, Alberta	2001	Mr. Kitagawa is our Chairman. He brings over 25 years of experience in commodity trading, equity investing, and structured finance in energy and energy intensive industries. Prior to April 2003, he held senior executive positions in a global energy trading and capital corporation. Mr. Kitagawa has been an independent businessman since 2003. In addition, Mr. Kitagawa serves as Chairman of CES Energy Solutions Corp.
Geoffrey C. Merritt ^{(1) (3)} Calgary, Alberta	2009	Mr. Merritt has been an independent businessman since April, 2009. Mr. Merritt was the founder of Masters Energy Inc., a public exploration and production company, incorporated in 2003 and acquired by us in April 2009. From 1998 to 2003, Mr. Merritt was the President and CEO of Sunfire Energy Corporation, a public oil and gas company. Prior to 1998, Mr. Merritt was the Vice President and General Manager of the oil and gas division of Pembina Corporation. Mr. Merritt currently sits on the board of Perpetual Energy Inc.
Jim Peplinski ^{(2) (3)} Calgary, Alberta	1997	Mr. Peplinski is the founder of Jim Peplinski Leasing Inc., a commercial vehicle lessor. Mr. Peplinski is also the VP Business Development of the Calgary Flames Hockey Club as well as an investor in real estate and oil and gas.
Ron Wigham ^{(1) (2) (3)} Calgary, Alberta	2015	Mr. Wigham is an independent businessman and a director of Spur Resources Ltd. and Tourmaline Oil Corp. He retired in 2014 as Vice-Chairman of Peters & Co. Limited.
Grant A. Zawalsky ⁽²⁾ Calgary, Alberta	2000	Mr. Zawalsky is the Managing Partner of Burnet, Duckworth & Palmer LLP (Barristers and Solicitors) where he has been a partner since 1994. Mr. Zawalsky holds a B.Comm and LL.B. from the University of Alberta and is a member of the Law Society of Alberta. Mr. Zawalsky currently sits on the board of directors of a number of private and public companies, including NuVista Energy Ltd., PrairieSky Royalty Ltd. and Whitecap Resources Inc., and is Corporate Secretary of ARC Resources Ltd. and Bonavista Energy Corporation. Mr. Zawalsky is also a Governor of the Calgary Petroleum Club.

Notes:

- (1) Member of our audit and reserves committee.
- (2) Member of our governance and compensation committee.
- (3) Member of our special committee of the board.
- (4) We do not have an executive committee.
- (5) Directors hold office until the next annual meeting of Shareholders or until their successors are duly elected or appointed.

Officers

The name, municipality of residence, principal occupation for the prior five years and position (including with a predecessor of us), of each of our officers (other than Mr. Hansen) is as follows:

Name and Municipality of Residence	Officer Since	Office
Leslie E. Burden Calgary, Alberta	2013	Vice President, Land since February, 2013; prior thereto our Manager, Land Negotiations and Manager, Land since 2010 and prior thereto Manager, Land at Masters Energy Inc. from 2005.
Randolph J. Doetzel Calgary, Alberta	2011	Vice President, Operations since June, 2011; prior thereto, our Production Manager, Williston Basin since January, 2009. Prior thereto, he held various executive, management and engineering positions at Cobalt Energy Ltd., Harvest Operations Corp., Apache Canada Ltd., and Samson Canada Ltd.
Christopher M. Hustad Calgary, Alberta	2013	Vice President, Development since November, 2016; prior thereto, our Vice President, Alberta Plains South since February, 2013. Prior thereto, Manager Exploitation, Alberta Plains South since August, 2008. Prior thereto, various management and engineering positions at Talisman Energy Inc.
William T. Cromb Calgary, Alberta	2016	Interim Chief Financial Officer since November 15, 2016; prior thereto, he held financial positions with Provident Energy Trust, Beau Canada Exploration, North West Upgrading and Canterra Energy.

As at March 15, 2018, our directors and officers, as a group, beneficially owned, controlled or directed, directly or indirectly, 3,477,289 Common Shares or approximately 11.3 percent of our issued and outstanding Common Shares. Our directors and officers also beneficially owned, controlled or directed, directly or indirectly \$900,000 principal amount of Convertible Debentures.

Corporate Cease Trade Orders, Bankruptcies or Penalties or Sanctions

None of our directors or executive officers (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of our directors or executive officers (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially our control is, as of the date of this Annual Information Form, or has been, within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Zawalsky, who was a former director of Endurance Energy Ltd. (a private oil and gas company) which filed for creditor protection under the *Companies Creditors' Agreement Act* on May 30, 2016.

None of our directors or executive officers (nor any personal holding company of any such persons), or shareholder holding a sufficient number of our securities to materially affect the control of us has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In addition, none of our directors or executive officers (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Circumstances may arise where members of our Board of Directors serve as directors or officers of corporations that are in competition to our interests. No assurances can be given that opportunities identified by such board members will be provided to us.

The *Business Corporations Act* (Alberta) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Alberta). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Alberta).

AUDIT AND RESERVES COMMITTEE INFORMATION

Audit and Reserves Committee Mandate and Terms of Reference

The Mandate of our audit and reserves committee is attached hereto as Schedule "C". The members of our audit and reserves committee are Ron Wigham, Kyle D. Kitagawa and Geoffrey C. Merritt.

Composition of the Audit and Reserves Committee

The members of our audit and reserves committee are independent (in accordance with National Instrument 52-110 – Audit Committees) and are financially literate.

Relevant Education and Experience

Name	Relevant Education and Experience
Ron Wigham (Audit and Reserves Committee Chairman)	Mr. Wigham is an independent businessman and a director of Spur Resources Ltd. and Tourmaline Oil Corp. He retired in 2014 as Vice-Chairman of Peters & Co. Limited. Mr. Wigham received a B.A. Finance in 1978 from the Honors College, University of Oregon and LLB from the University of Victoria in 1981.
Kyle D. Kitagawa	Mr. Kitagawa brings over 25 years of experience in commodity trading, equity investing, and structured finance in energy and energy intensive industries. Prior to April 2003, he held senior executive positions in a global energy trading and capital corporation. Mr. Kitagawa has been an independent businessman since 2003. In addition, Mr. Kitagawa serves as Chairman of CES Energy Solutions Corp. Mr. Kitagawa holds a Master of Business Administration degree from Queen's University, a Bachelor of Commerce from the University of Calgary and is a Chartered Professional Accountant.
Geoffrey C. Merritt	Mr. Merritt has over 30 years of experience in the upstream oil and gas sector. In 2003, he founded Masters Energy Inc., a public exploration and production company, which was acquired by Zargon in April 2009. From 1998 to 2003, Mr. Merritt was the President and Chief Executive Officer of Sunfire Energy. Prior to 1998, he was the Vice President and General Manager of the oil and gas division of Pembina Corporation. He currently sits on the board of Perpetual Energy Inc. Mr. Merritt received a Bachelor of Science in Chemical Engineering from the University of Alberta in 1978 and is a graduate of the Harvard Business School.

Pre Approval Policies and Procedures

Our audit and reserves committee must pre-approve all non-audit services to be provided to us or our subsidiaries by our external auditors. Our audit and reserves committee may delegate to one or more members the authority to pre-approve non audit services, provided that the member reports to our audit and reserves committee at the next scheduled meeting and that such pre-approval and the member comply with such other procedures as may be established by our audit and reserves committee from time to time.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by our external auditors, including expenses, in each of the last two fiscal years for audit services were \$133,800 in 2017 and \$192,895 in 2016.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by our external auditors, including expenses for tax compliance, tax advice and tax planning were \$56,330 in 2017 and \$81,534 in 2016.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by our auditors other than services reported above were \$3,858 in 2017 and \$30,663 in 2016.

DIVIDENDS

We previously made monthly dividend payments to our Shareholders on the 15th day of each month or the first business day following the 15th day. The record date for any dividend was the last business day of the month preceding the dividend date or such other date as may be determined by our Board of Directors. All of these were designated as "eligible dividends" for Canadian income tax purposes.

On November 11, 2015, as a result of volatile, uncertain and exceptionally low oil prices, we suspended our monthly dividend until further notice. The following table indicate the monthly cash dividends declared by us in 2015.

<u>For the Month Ended</u>	<u>Dividends per Common Share</u>	<u>Payment Date</u>
January 31, 2015	\$0.03	February 17, 2015
February 28, 2015	\$0.03	March 16, 2015
March 31, 2015	\$0.03	April 15, 2015
April 30, 2015	\$0.03	May 15, 2015
May 31, 2015	\$0.03	June 15, 2015
June 30, 2015	\$0.03	July 15, 2015
July 31, 2015	\$0.01	August 17, 2015
August 31, 2015	\$0.01	September 15, 2015
September 30, 2015	\$0.01	October 15, 2015
October 31, 2015	\$0.01	November 16, 2015
November 30, 2015	-	-
December 31, 2015	-	-
Total	<u>\$0.22</u>	

We may reinstate dividend payments in the future. Actual future cash dividends, if any, will be subject to the discretion of our Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends. Our Board of Directors cannot provide assurance that cash flow will be available for distribution to Shareholders in the amounts anticipated or at all. See "*Risk Factors*".

The payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the *Business Corporations Act* (Alberta). Pursuant to the *Business Corporations Act* (Alberta), after the payment of a dividend, we must be able to pay our liabilities as they become due and the realizable value of our assets must be greater than our liabilities and the legal stated capital of our outstanding securities. Our ability to make cash dividends to Shareholders may be directly or indirectly affected in certain events as a result of certain restrictions, including the solvency tests in the *Business Corporations Act* (Alberta).

MARKET FOR SECURITIES**Common Shares**

The Common Shares are listed and posted for trading on the TSX under the trading symbol "ZAR". The Common Shares commenced trading on the TSX on January 7, 2011 following completion of the Arrangement. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Common Shares, as reported by the TSX for the periods indicated.

Period	High	Low	Volume
<u>2017</u>			
January	0.87	0.70	1,165,317
February	0.88	0.70	1,089,345
March	0.82	0.65	1,265,041
April	0.72	0.59	776,416
May	0.63	0.52	570,169
June	0.58	0.485	588,826
July	0.55	0.485	461,322
August	0.53	0.44	731,194
September	0.53	0.405	897,589
October	0.53	0.415	865,122
November	0.50	0.335	1,122,695
December	0.46	0.36	1,434,199
<u>2018</u>			
January	0.55	0.455	1,256,360
February	0.54	0.38	1,266,001
March (1 – 15)	0.49	0.44	131,844

Convertible Debentures

The Convertible Debentures are listed and posted for trading on the TSX symbol "ZAR.DB". The Convertible Debentures commenced trading on the TSX on May 1, 2012 under the symbol "ZAR.DB". Following the completion of the redemption pursuant to the Put Right and the Amendments to the Debenture Indenture, the Convertible Debentures began trading on the TSX under the symbol "ZAR.DB.A" on April 3, 2017. The following table sets forth the high and low trading prices and the aggregate volume of trading of the Convertible Debentures, as reported by the TSX for the periods indicated.

Period	High	Low	Volume
<u>2017</u>			
January	94.00	88.01	28,170
February	93.01	89.51	26,740
March	92.50	90.30	25,180
April	96.02	92.50	6,900
May	93.22	91.21	5,190
June	91.19	89.00	4,010
July	88.25	87.11	580
August	87.45	84.50	4,300
September	86.80	83.26	7,210
October	85.75	83.00	3,560
November	83.50	81.55	5,630
December	83.50	80.52	1,830
<u>2018</u>			
January	87.01	82.05	6,220
February	82.99	77.00	2,350
March (1 – 15)	81.99	79.50	3,080

INDUSTRY CONDITIONS

Companies carrying on business in the crude oil and natural gas sector in Canada are subject to extensive controls and regulations imposed through legislation of the federal government and the provincial governments where the companies have assets or operations. While these regulations do not affect our operations in any manner that is materially different than they affect other similarly-sized industry participants with similar assets and operations, investors should consider such regulations carefully. Although governmental legislation is a matter of public record, we are unable to predict what additional legislation or amendments governments may enact in the future.

We hold interests in crude oil and natural gas properties, along with related assets, primarily in the Canadian province of Alberta and the United States. Our assets and operations are regulated by administrative agencies deriving authority from underlying legislation. Regulated aspects of our upstream crude oil and natural gas business include all manner of activities associated with the exploration for and production of crude oil and natural gas, including, among other matters: (i) permits for the drilling of wells; (ii) technical drilling and well requirements; (iii) permitted locations and access of operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. In order to conduct crude oil and natural gas operations and remain in good standing with the applicable provincial regulatory scheme, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

The discussion below outlines certain pertinent conditions and regulations that impact the crude oil and natural gas industry in Alberta.

Pricing and Marketing

Crude Oil

Producers of crude oil are entitled to negotiate sales contracts directly with crude oil purchasers, which results in the market determining the price of crude oil. Worldwide supply and demand factors primarily determine crude oil prices; however, regional market and transportation issues also influence prices. The specific price depends, in part, on crude oil quality, prices of competing fuels, distance to market, availability of transportation, value of refined products, supply/demand balance and contractual terms of sale.

Natural Gas

The price of natural gas sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. The price received by a natural gas producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms. Spot and future prices can also be influenced by supply and demand fundamentals on various trading platforms.

Natural Gas Liquids

The price of condensate and other natural gas liquids such as ethane, butane and propane ("**NGLs**") sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. Such price depends, in part, on the quality of the NGLs, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms.

Exports from Canada

Crude oil, natural gas and NGLs exports from Canada are subject to the *National Energy Board Act* (Canada) (the "**NEB Act**") and the *National Energy Board Act Part VI (Oil and Gas) Regulation* (the "**Part VI Regulation**"). The NEB Act and the Part VI Regulation authorize crude oil, natural gas and NGLs exports under either short-term orders or long-term licences. To obtain a crude oil export licence, a mandatory public hearing with the National Energy Board (the "**NEB**") is required, which is no longer the case for natural gas and NGLs. For natural gas and NGLs, the NEB uses a written process that includes a public comment period for impacted persons. Following the comment period, the NEB completes its assessment of the application and either approves or denies the application. For natural gas, the maximum duration of an export licence is 40 years and, for crude oil and other gas substances (e.g. NGLs), the maximum term is 25 years. All crude oil, natural gas and NGLs licences require the approval of the cabinet of the Canadian federal government.

Orders from the NEB provide a short-term alternative to export licences and may be issued more expeditiously, since they do not require a public hearing or approval from the cabinet of the Canadian federal government. Orders are issued pursuant to the Part VI Regulation for up to one or two years depending on the substance, with the exception of natural gas (other than NGLs) for which an order may be issued for up to twenty years for quantities not exceeding 30,000 m³ per day.

As to price, exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain other criteria prescribed by the NEB and the federal government.

Pursuant to the draft legislation introduced by the Government of Canada on February 8, 2018, if enacted the NEB will be replaced by the Canadian Energy Regulator ("**CER**") who will take on the NEB's responsibilities with respect to exports of crude oil, natural gas and NGL exports from Canada; however, at the present time it is not proposed that the legislative regime relating to exports of crude oil, natural gas and NGL exports from Canada will substantively change under the new regime.

We do not directly enter into contracts to export our production outside of Canada.

As discussed in more detail below, one major constraint to the export of crude oil, natural gas and NGLs outside of Canada is the deficit of overall pipeline and other transportation capacity to transport production from Western Canada to the United States and other international markets. Although certain pipeline or other transportation projects are underway, many contemplated projects have been cancelled or are delayed due to regulatory hurdles, court challenges and economic and political factors. The transportation capacity deficit is not likely to be resolved quickly given the significant length of time required to complete major pipeline or other transportation projects once all regulatory and other hurdles have been cleared. In addition, production of crude oil, natural gas and NGLs in Canada is expected to continue to increase, which may further exacerbate the transportation capacity deficit.

Transportation Constraints and Market Access

Producers negotiate with pipeline operators (or other transport providers) to transport their products, which may be done on a firm or interruptible basis. Due to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low pricing relative to other markets in the last several years. Transportation availability is highly variable across different areas and regions, which can determine the nature of transportation commitments available, the numbers of potential customers that can be reached in a cost-effective manner and the price received.

Developing a strong network of transportation infrastructure for crude oil, natural gas and NGLs, including by means of pipelines, rail, marine and trucks, in order to obtain better access to domestic and international markets has been a significant challenge to the Canadian crude oil and natural gas industry. Improved means of access to global markets, especially the Midwest United States and export shipping terminals on the west coast of Canada, would help to alleviate the pressures of pricing discussed. Several proposals have been announced to increase pipeline capacity out of Western Canada, to reach Eastern Canada, the United States and international markets via export shipping terminals on the west coast of Canada. While certain projects are proceeding, the regulatory approval process as well as economic and political factors for transportation and other export infrastructure has led to the delay of many pipeline projects or their cancellation altogether.

Under the Canadian constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and require approval by both the NEB and the cabinet of the federal government. However, recent years have seen a perceived lack of policy and regulatory certainty at a federal level. Although the current federal government recently introduced draft legislation to amend the current federal approval processes, it is uncertain when the new legislation will be brought into force and whether any changes to the draft legislation will be made before the legislation is brought into force. It is also uncertain whether any new approval process adopted by the federal government will result in a more efficient approval process. The lack of regulatory certainty is likely to have an influence on investment decisions for major projects. Even when projects are approved on a federal level, such projects often face further delays due to interference by provincial and municipal governments as well as court challenges on various issues such as indigenous title, the government's duty to consult and accommodate indigenous peoples and the sufficiency of environmental review processes, which creates further uncertainty. Export pipelines from Canada to the United States face additional uncertainty as such pipelines require approvals of several levels of government in the United States.

Natural gas prices in Alberta have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. While companies that secure firm access to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing, other companies may be forced to accept spot pricing in Western Canada for their natural gas, which in the last several years has generally been depressed (at times producers have received negative pricing for their natural gas production). Required repairs or upgrades to existing pipeline systems have also led to further reduced capacity and apportionment of firm access, which in Western Canada may be further exacerbated by natural gas storage limitations. Additionally, while a number of liquefied natural gas export plants have been proposed for the west coast of Canada, government decision-making, regulatory uncertainty, opposition from environmental and indigenous groups, and changing market conditions, have resulted in the cancellation or delay of many of these projects.

The North American Free Trade Agreement and Other Trade Agreements

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, the United States and Mexico came into force on January 1, 1994. Under the terms of NAFTA, Canada remains free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of goods of Canada as compared to the proportion prevailing in the most recent 36 month period; (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply. Further, all three signatory countries are prohibited from imposing a minimum or maximum price requirement on exports (where any other form of quantitative restriction is prohibited) and imports (except as permitted in the enforcement of countervailing and anti-dumping orders and undertakings). NAFTA also requires energy regulators to ensure the orderly and equitable implementation of any regulatory changes and to ensure that the application of such changes will cause minimal disruption to contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements.

In 2017, the United States government announced its intention to renegotiate NAFTA. As a result, Canada, the United States and Mexico began renegotiating the terms of NAFTA in mid-2017. The United States has also suggested that it might give notice of the termination of NAFTA if it is not satisfied with the outcome of the renegotiations. If the United States does give notice of its intent to terminate or withdraw from NAFTA, the earliest such termination or withdrawal could occur would be six months after such notice is given. The renegotiations are still underway and the outcome of such negotiations remain unclear, but as the United States remains by far Canada's largest trade partner and the largest international market for the export of crude oil, natural gas and NGLs from Canada, any changes to, or termination of, NAFTA could have an impact on Western Canada's crude oil and natural gas industry at large, including our business.

Canada has also pursued a number of other international free trade agreements with other countries around the world. As a result, a number of free trade or similar agreements are in force between Canada and certain other countries while in other circumstances Canada has been unsuccessful in its efforts. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("CETA"), which provides for duty-free, quota-free market access for Canadian oil and gas products to the European Union. Although CETA remains subject to ratification by certain national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In addition, Canada and ten other countries recently concluded discussions and agreed on the draft text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The text of CPTPP has not been finalized or published and the agreement remains subject to ratification by the governments of each of the countries involved. While it is uncertain what effect CETA, CPTPP or any other trade agreements will have on the oil and gas industry in Canada, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Canadian oil and gas producers to benefit from such trade agreements.

Land Tenure

The respective provincial governments (i.e. the Crown), predominantly own the mineral rights to crude oil and natural gas located in Western Canada, with the exception of Manitoba (which only owns 20% of the mineral rights). Provincial governments grant rights to explore for and produce crude oil and natural gas pursuant to leases, licences and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in Western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. The leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time and other conditions are satisfied.

To develop crude oil and natural gas resources, it is necessary for the mineral estate owner to have access to the surface lands as well. Each province has developed its own process for obtaining surface access to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage.

The province of Alberta has implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence. Additionally, the province of Alberta has shallow rights reversion for shallow, non-productive geological formations for new leases and licences.

In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (i.e. freehold mineral lands) also exist in the province of Alberta. In Alberta approximately 19% of the mineral rights are owned by private freehold owners. Rights to explore for and produce such crude oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and crude oil and natural gas explorers and producers.

An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada ("**IOGC**"), which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable indigenous peoples, for exploration and production of crude oil and natural gas on indigenous reservations.

Royalties and Incentives

General

Each province has legislation and regulations that govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of oil sands projects and crude oil, natural gas and NGLs production. Royalties payable on production from lands where the Crown does not hold the mineral rights are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum substance produced.

Occasionally the governments of Western Canada's provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are often introduced when commodity prices are low to encourage exploration and development activity. In addition, such programs may be introduced to encourage producers to undertake initiatives using new technologies that may enhance or improve recovery of crude oil, natural gas and NGLs.

Producers and working interest owners of crude oil and natural gas rights may also carve out additional royalties or royalty-like interests through non-public transactions, which include the creation of instruments such as overriding royalties, net profits interests and net carried interests.

Alberta

In Alberta, the provincial government royalty rates apply to Crown-owned mineral rights. In 2016, Alberta adopted a modernized Alberta royalty framework (the "**Modernized Framework**") that applies to all wells drilled after January 1, 2017. The previous royalty framework (the "**Old Framework**") will continue to apply to wells drilled prior to January 1, 2017 for a period of ten years ending on December 31, 2026. After the expiry of this ten-year period, these older wells will become subject to the Modernized Framework.

The Modernized Framework applies to all hydrocarbons other than oil sands which will remain subject to their existing royalty regime. Royalties on production from non-oil sands wells under the Modernized Framework are determined on a "revenue-minus-costs" basis with the cost component based on a Drilling and Completion Cost Allowance formula for each well, depending on its vertical depth and/or horizontal length. The formula is based on the industry's average drilling and completion costs as determined by the Alberta Energy Regulator (the "**AER**") on an annual basis.

Producers pay a flat royalty rate of 5% of gross revenue from each well that is subject to the Modernized Framework until the well reaches payout. Payout for a well is the point at which cumulative gross revenues from the well equals the Drilling and Completion Cost Allowance for the well set by the AER. After payout, producers pay an increased post-payout royalty on revenues of between 5% and 40% determined by reference to the then current commodity prices of the various hydrocarbons. Similar to the Old Framework, the post-payout royalty rate under the Modernized Framework varies with commodity prices. Once production in a mature well drops below a threshold level where the rate of production is too low to sustain the full royalty burden, its royalty rate is adjusted downward towards a minimum of 5% as the mature well's production declines. As the Modernized Framework uses deemed drilling and completion costs in calculating the royalty and not the actual drilling and completion costs incurred by a producer, low cost producers benefit if their well costs are lower than the Drilling and Completion Cost Allowance and, accordingly, they continue to pay the lower 5% royalty rate for a period of time after their wells achieve actual payout.

The Old Framework is applicable to all conventional crude oil and natural gas wells drilled prior to January 1, 2017 and bitumen production. Subject to certain available incentives, effective from the January 2011 production month, royalty rates for conventional crude oil production under the Old Framework range from a base rate of 0% to a cap of 40%. Subject to certain available incentives, effective from the January 2011 production month, royalty rates for natural gas production under the Old Framework range from a base rate of 5% to a cap of 36%. The Old Framework also includes a natural gas royalty formula which provides for a reduction based on the measured depth of the well below 2,000 metres deep, as well as the acid gas content of the produced gas. Under the Old Framework, the royalty rate applicable to NGLs is a flat rate of 40% for pentanes and 30% for butanes and propane. Currently, producers of crude oil and natural gas from Crown lands in Alberta are also required to pay annual rental payments, at a rate of \$3.50 per hectare, and make monthly royalty payments in respect of crude oil and natural gas produced.

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage crude oil and natural gas development and new drilling. In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources, including as applied to coalbed methane wells, shale gas wells and horizontal crude oil and natural gas wells.

Freehold mineral taxes are levied for production from freehold mineral lands on an annual basis on calendar year production. Freehold mineral taxes are calculated using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. On average, in Alberta the tax levied is 4% of revenues reported from freehold mineral title properties. The freehold mineral taxes would be in addition to any royalty or other payment paid to the owner of such freehold mineral rights, which are established through private negotiation.

Freehold and Other Types of Non-Crown Royalties

Royalties on production from privately-owned freehold lands are negotiated between the mineral freehold owner and the lessee under a negotiated lease or other contract.

In addition to the royalties payable to the mineral owners, producers of crude oil and natural gas from freehold lands in each of the Western Canadian provinces are required to pay freehold mineral taxes or production taxes. Freehold mineral taxes or production taxes are taxes levied by a provincial government on crude oil and natural gas production from lands where the Crown does not hold the mineral rights. A description of the freehold mineral taxes payable in Alberta is included in the above description of the royalty regime in Alberta.

IOGC is a special agency responsible for managing and regulating the crude oil and natural gas resources located on indigenous reservations across Canada. IOGC's responsibilities include negotiating and issuing the crude oil and natural gas agreements between indigenous groups and crude oil and natural gas companies, as well as collecting royalty revenues on behalf of indigenous groups and depositing the revenues in their trust accounts. While certain standards exist, the exact terms and conditions of each crude oil and natural gas lease dictate the calculation of royalties owed, which may vary depending on the involvement of the specific indigenous group. Ultimately, the relevant indigenous group must approve the terms.

Regulatory Authorities and Environmental Regulation

General

The crude oil and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain crude oil and natural gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and greenhouse gas ("GHG") emissions, may impose further requirements on operators and other companies in the crude oil and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of both the federal and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail. However, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport including interprovincial pipelines.

On June 20, 2016, the federal government launched a review of current environmental and regulatory processes. On February 8, 2018, the Government of Canada introduced draft legislation to overhaul the existing environmental assessment process and replace the NEB with the CER. Pursuant to the draft legislation, the Impact Assessment Agency of Canada (the "**Agency**") would replace the Canadian Environmental Assessment Agency. It appears that additional categories of projects may be included within the new impact assessment process, such as large-scale wind power facilities and in-situ oilsands facilities. The revamped approval process for applicable major developments will have specific legislated timelines at each stage of the formal impact assessment process. The Agency's process would focus on: (i) early engagement by proponents to engage the Agency and all stakeholders such as the public and indigenous groups prior to the formal impact assessment process; (ii) potentially increased public participation where the project undergoes a panel review; (iii) providing analysis of the potential impacts and effects of a project without making recommendations, to support a public-interest approach to decision-making, with cost-benefit determinations and approvals made by the Minister of Environment and Climate Change or the cabinet of the federal government; (iv) analyzing further specified factors for projects such as alternatives to the project and social and indigenous issues in addition to health, environmental and economic impacts; and (v) overseeing an expanded follow-up, monitoring and enforcement process with increased involvement of indigenous peoples and communities. As to the proposed CER, many of its activities would be similar to the NEB, albeit with a different structure and the notable exception that the CER would no longer have primary responsibility in the consideration of the new major projects, instead focusing on the lifecycle regulation (e.g. overseeing construction, tolls and tariffs, operations and eventual winding down) of approved projects, while providing for expanded participation by communities and indigenous peoples. It is unclear when the new regulatory scheme will come into force or whether any amendments will be made prior to coming into force. Until then, the federal government's interim principles released on January 27, 2016 will continue to guide decision-making authorities for projects currently undergoing environmental assessment. The eventual effects of the proposed regulatory scheme on proponents of major projects remains unclear.

On May 12, 2017, the federal government introduced the *Oil Tanker Moratorium Act* in Parliament. This legislation is aimed at providing coastal protection in northern British Columbia by prohibiting crude oil tankers carrying more than 12,500 metric tonnes of crude oil or persistent crude oil products from stopping, loading, or unloading crude oil in that area. Parliament is still considering the bill, which passed second reading on October 4, 2017. If implemented, the legislation may prevent the building of pipelines to, and export terminals located on, the portion of the British Columbia coast subject to the moratorium and, as a result, negatively affect the ability of producers to access global markets.

Alberta

The AER is the single regulator responsible for all resource development in Alberta. The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure. The objective behind a single regulator is an enhanced regulatory regime that is intended to be efficient, attractive to business and investors and effective in supporting public safety, environmental management and resource conservation while respecting the rights of landowners.

The Government of Alberta relies on regional planning to accomplish its responsible resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities by incorporating the management of all resources, including energy, minerals, land, air, water and biodiversity. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy for surface land in Alberta sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans. As a result, several regional plans have been implemented and others are in the process of being implemented. These regional plans may affect further development and operations in such regions.

Liability Management Rating Program

The AER administers the Licensee Liability Rating Program (the "**AB LLR Program**"). The AB LLR Program is a liability management program governing most conventional upstream crude oil and natural gas wells, facilities and pipelines. Alberta's *Oil and Gas Conservation Act* (the "**OGCA**") establishes an orphan fund (the "**Orphan Fund**") to pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program if a licensee or working interest participant ("**WIP**") becomes insolvent or is unable to meet its obligations. The Orphan Fund is funded by licensees in the AB LLR Program through a levy administered by the AER. The AB LLR Program is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The AB LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit. The ratio of deemed assets to deemed liabilities is assessed once each month and where a security deposit is deemed to be required, the failure to post any required amounts may result in the initiation of enforcement action by the AER. The AER publishes the liability management rating for each licensee on a monthly basis on its public website.

In *Redwater Energy Corporation (Re)* ("**Redwater**"), the Court of Queen's Bench of Alberta found that there was an operational conflict between the abandonment and reclamation provisions of the OGCA, including the AB LLR Program, and the *Bankruptcy and Insolvency Act* (the "**BIA**"). This ruling meant that receivers and trustees have the right to renounce assets within insolvency proceedings, which was affirmed by a majority of the Alberta Court of Appeal. Such a conflict renders the AER's legislated authority unenforceable to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is insolvent. Effectively, this means that abandonment costs will be borne by the industry-funded Orphan Well Fund or the province in these instances because any financial resources of the insolvent licensee will first be used to satisfy secured creditors under the BIA. This decision is currently under appeal to the Supreme Court of Canada, with final resolution expected in 2018.

In response to Redwater, the AER issued several bulletins and interim rule changes to govern while the case is appealed and to allow the Government of Alberta to develop appropriate regulatory measures to adequately address environmental liabilities. The AER's *Directive 067: Eligibility Requirements for Acquiring and Holding Energy*

Licences and Approvals, which deals with licence eligibility to operate wells and facilities, was amended and now requires extensive corporate governance and shareholder information, with a particular focus on any previous companies of directors and officers that have been subject to insolvency proceedings in the last five years. All transfers of well, facility and pipeline licences in the province are subject to AER approval. As a condition of transferring existing AER licences, approvals and permits, all are assessed on a non-routine basis and the AER now requires all transferees to demonstrate that they have a liability management rating ("**LMR**"), being the ratio of a licensee's assets to liabilities, of 2.0 or higher immediately following the transfer, or to otherwise prove that it can satisfy its abandonment and reclamation obligations. The AER may make further rule changes in response to Redwater at any time, especially as the case heads towards a final determination, which means that additional obligations and/or different requirements may be forthcoming.

The AER has also implemented the Inactive Well Compliance Program (the "**IWCP**") to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under *Directive 013: Suspension Requirements for Wells* ("**Directive 013**"). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within five years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or by suspending the wells in accordance with Directive 013 or by abandoning them in accordance with *Directive 020: Well Abandonment*. The list of current wells subject to the IWCP is available on the AER's Digital Data Submission system. The AER has announced that from April 1, 2015 to April 1, 2016, the number of noncompliant wells subject to the IWCP fell from 25,792 to 17,470, with 76% of licensees operating in the province having met their annual quota. The IWCP completed its second year on March 31, 2017. Overall, the AER has announced that licensees brought 19% of non-compliant wells in the IWCP into compliance with AER requirements in the second year of the IWCP.

Climate Change Regulation

Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada.

In general, there is some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on our operations and cash flow.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**") since 1992. Since its inception, the UNFCCC has instigated numerous policy experiments with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. As of February 1, 2018, 174 of the 197 parties to the convention have ratified the Paris Agreement.

Following the Paris Agreement and its ratification in Canada, the Government of Canada pledged to cut its emissions by 30% from 2005 levels by 2030. Further, on December 9, 2016, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change (the "**Framework**"). The Framework provided for a carbon-pricing strategy, with a carbon tax starting at \$10/tonne, increasing annually until it reaches \$50/tonne in 2022. A draft legislative proposal for the federal carbon pricing system was released on January 15, 2018. This system would apply in provinces and territories that request it and in those that do not have a carbon pricing system in place that meets the federal standards in 2018. Four provinces currently have carbon pricing systems in place that would meet federal requirements (Alberta, British Columbia, Ontario and Quebec). The federal government will accept comments on the draft legislative proposals to implement the federal carbon pricing system until February 12, 2018.

On May 27, 2017, the federal government published draft regulations to reduce emissions of methane from the crude oil and natural gas sector. The proposed regulations aim to reduce unintentional leaks and intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low-emission equipment and processes, by introducing new control measures. Among other things, the proposed regulations limit how much methane upstream

oil and gas facilities are permitted to vent. These facilities would need to capture the gas and either re-use it, re-inject it, send it to a sales pipeline, or route it to a flare. In addition, in provinces other than Alberta and British Columbia (which already regulate such activities), well completions by hydraulic fracturing would be required to conserve or destroy gas instead of venting. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

Alberta

On November 22, 2015, the Government of Alberta introduced its Climate Leadership Plan (the "**CLP**"). The CLP has four areas of focus: implementing a carbon price on GHG emissions, phasing out coal-generated electricity and developing renewable energy, legislating an oil sands emission limit, and introducing a new methane emissions reduction plan. The Government of Alberta has since introduced new legislation to give effect to these initiatives. The *Climate Leadership Act* came into force on January 1, 2017 and enabled a carbon levy that increased from \$20 to \$30 per tonne on January 1, 2018. The levy is anticipated to increase again in 2021 in line with the federal legislation. On December 14, 2016, the *Oil Sands Emissions Limit Act* came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, excluding some attributable to upgraders, the electric energy portion of cogeneration and other prescribed emissions.

The *Carbon Competitiveness Incentives Regulation* (the "**CCIR**"), which replaces the *Specified Gas Emitters Regulation*, came into effect on January 1, 2018. Unlike the previous regulation, which set emission reduction requirements, the CCIR imposes an output-based benchmark on competitors in the same emitting industry. The aim is to reduce annual GHG emissions by 20 megatonnes by 2020 and 50 megatonnes by 2030, and targets facilities that emit more than 100,000 tonnes of GHGs per year and mandates quarterly and final reporting requirements. The CCIR compliance obligations will be reduced by 50% and 25% for 2018 and 2019, respectively, with no reduction for 2020 onward. In addition to the industry-specific benchmarks, each benchmark will decrease annually at a rate of 1%, beginning in 2020. The Government of Alberta intends for this strategy to align with the federal Framework.

The Government of Alberta also signaled its intention through its CLP to implement regulations that would lower annual methane emissions by 45% by 2025. Regulations are planned to take effect in 2020 to ensure the 2025 target is met.

Alberta was also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion over 15 years to fund two large-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. On December 2, 2010, the Government of Alberta passed the *Carbon Capture and Storage Statutes Amendment Act, 2010*. It deemed the pore space underlying all land in Alberta to be, and to have always been the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

Accountability and Transparency

In 2015, the federal government's *Extractive Sector Transparency Measures Act* (the "**ESTMA**") came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over CAD\$100,000 made to any level of a Canadian or foreign government (including indigenous groups), including royalty payments, taxes (other than consumption taxes and personal income taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

RISK FACTORS

An investment in our Common Shares is subject to various risks including those risks inherent to the industry in which we operate. If any of these risks occur, our production, revenues and financial condition could be materially harmed, with a resulting decrease in the market price of the Common Shares. As a result, the trading price of our Common Shares could decline, and you could lose all or part of your investment.

You should carefully consider the following risk factors, as well as the other information contained in this Annual Information Form and our other public filings before making an investment decision. If any of the risks described below materialize, our business, financial condition or results of operations could be materially and adversely affected. Additional risks and uncertainties not currently known to us that we currently view as immaterial may also materially and adversely affect our business, financial condition or results of operations. Residents of the United States and other non residents of Canada should have additional regard to the risk factors under the heading "*Certain Risks for United States and Other Non-Resident Shareholders*".

The information set forth below contains "forward looking statements", which are qualified by the information contained in the section of this Annual Information Form entitled "*Notice to Reader – Special Note Regarding Forward-Looking Statements*".

Risks Relating to Our Business and Operations

Declines in oil and natural gas prices will adversely affect our financial condition

Our operational results and financial condition is dependent on the prices received for our oil and natural gas production. Commodity prices continue to be depressed and have fallen dramatically since 2014, and while prices have recently increased they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production and increasing production by US shale producers. Any further declines or a sustained period at current prices of oil and natural gas would have an adverse effect on the carrying value of our proved and probable reserves, net asset value, borrowing capacity, revenues, profitability and funds from operations and ultimately on our financial condition.

Prices for crude oil and natural gas fluctuate in response to changes in the supply of, and demand for, crude oil and natural gas, market uncertainty and a variety of additional factors beyond our control. Crude oil prices are primarily determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organization of the Petroleum Exporting Countries ("**OPEC**"), the condition of the Canadian, United States, European and Asian economies, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the ability to secure adequate transportation for products, the availability of alternate fuel sources and weather conditions. Natural gas prices realized by us are affected primarily in North America by supply and demand, weather conditions, industrial demand, prices of alternate sources of energy and developments related to the market for liquefied natural gas. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or the parties in power, could also have a significant impact on the price of oil and natural gas. All of these factors are beyond our control and can result in a high degree of price volatility. Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in U.S. dollars, are stated in Canadian dollars. Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, increased growth of shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns.

These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax and royalty changes.

In addition, the inability to get the necessary approvals to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and gas industry in western Canada has led to additional uncertainty and reduced confidence in the oil and gas industry in western Canada.

Our financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between our light/medium oil and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions, refining demand, the availability and cost of diluents used to blend and transport product and the quality of the oil produced, all of which are beyond our control. The supply of Canadian crude oil with demand from the refinery complex and access to those markets through various transportation outlets is currently finely balanced and, therefore, very sensitive to pipeline and refinery outages, which contributes to this volatility.

The economics of producing from some wells may change as a result of lower commodity prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of our reserves. We might also elect not to produce from certain wells at lower prices. Volatile oil and natural gas prices also make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

A prolonged period of low and/or volatile commodity prices, particularly for oil, may negatively impact our ability to meet guidance targets, maintain our business and meet all of our financial obligations as they come due, it could also result in a delay or cancellation of existing or future drilling, development or construction programs, unutilized long-term transportation commitments and a reduction in the value and amount of our reserves.

In addition to possibly resulting in a decrease in the value of our economically recoverable reserves, lower commodity prices may also result in a decrease in the value of our infrastructure and facilities, all of which could also have the effect of requiring a write down of the carrying value of our oil and gas assets on our balance sheet and the recognition of an impairment charge in our income statement.

If oil and natural gas prices remain at their current levels or decrease further, our estimates of total reserves and present values thereof may be reduced.

Our reserves as at December 31, 2017 are estimated using forecast pricing escalating prices as set forth under "Description of Our Business – Disclosure of Reserves Data and Other Oil and Natural Gas Information – Forecast Prices and Costs". These prices are substantially above current oil and natural gas prices. If oil and gas prices stay at current levels or drop further our reserves may be reduced as economic limits of developed reserves are reached earlier and undeveloped reserves become uneconomic at such prices. Even if some reserves remain economic at lower price levels, sustained low prices may compel us to re-evaluate our development plans and reduce or eliminate various projects with marginal economics.

In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, our cash flow resulting in a reduced capital expenditure budget. Our capital spending in 2018 may be less than the development costs deducted in the estimation of the future net revenue attributable to our reserves due to our restricted cash flow. As a result, we may not be able to fund the future development capital necessary to develop our reserves and thereby replace our production with additional reserves and both our production and reserves could be reduced on a year over year basis.

The performance of the Little Bow ASP project will have a material impact on us

The Little Bow ASP project is one of our key assets. The performance of this asset will have a material impact on our financial performance over the coming years. Risk factors associated with our ASP project include the following, without limitation:

Production Risks

There is a risk that production and reserves relating to the existing scope of the Little Bow ASP project, and any future expansions or additions to the project will not meet forecasted oil production targets. Specific risk factors associated with the production and reserves relating to our ASP project include the following, without limitation:

- reduced oil recovery from injected chemical due to factors such as injectant performance, reservoir sweep efficiency, injectant/mineralogical interactions, thief zones, injectant degradation due to operating conditions;
- reduced injectivity and/or productivity due to pipeline or other equipment failures, loss of injection or production wells, limitations in installed equipment capacity;
- geological complexities or features in the oil reservoir unknown at the time of project implementation which affect the effectiveness of injectant in oil recovery;
- operational interruptions in our injection facility, oil processing battery, field pipelines etc. due to mechanical failure, weather related interruptions, seasonal access issues, maintenance and etc.; and
- operational interruptions due to interruptions in third party facilities and services such as pipelines, chemical suppliers, chemical transport systems and electrical power supply.

There is a risk that capital projects, undertaken to support the existing scope of the Little Bow ASP Project and future expansions or additions to the project will not be completed on time or on budget. Additionally, there is a risk that such projects may have delays, interruptions of operations or increased costs due to many factors, including, without limitation:

- inability to attract or retain sufficient numbers of qualified workers;
- construction performance falling below expected levels of output or efficiency;
- design errors;
- non-performance by, or financial failure of, third-party contractors;
- labour disputes, disruptions or declines in productivity;
- increases in materials or labour costs;
- conditions imposed by regulatory approvals;
- delays induced by weather;
- errors in construction;
- changes in project scope;
- unforeseen site surface or subsurface conditions;
- transportation or construction accidents including chemical spills or other environmental matters;
- permit requirement violation; and
- failure of existing wells, surface equipment, pipelines or other related facilities.

There is a risk that future capital costs for the chemical injectant utilized in the Little Bow ASP Project will be higher than forecast due to many factors, including without limitation:

- changes in foreign currency exchange rates;
- changes in vendor pricing;
- modifications to the project injection schedule and injection targets;
- changes in transportation charges; and
- interruptions in rail or other transport or logistical services.

Operating Costs

The operating costs of the project have the potential to vary considerably throughout the operating period and will be significant components of the cost of production of any petroleum products produced by the project. Project economics and our overall earnings may be reduced if increases in operating costs are incurred. Factors which could affect operating costs include, without limitation:

- the amount and cost of labour to operate the project;
- the cost of chemicals;
- the cost of electricity;
- power outages, particularly in winter when freeze-ups could occur;
- reliability of the facilities;
- the maintenance cost of the facilities;
- the cost of insurance; and
- catastrophic events such as fires, earthquakes, storms or explosions.

The market for heavy oil is more limited than for light and medium grades of oil, making it more susceptible to supply and demand fundamentals. Future price differentials are uncertain and any increase in heavy oil differentials could have an adverse effect on the anticipated returns from the project as well as our overall business, financial condition, results of operations and cash flows.

The amount of oil and natural gas that we can produce and sell is subject to the accessibility, availability, proximity and capacity of gathering, processing and pipeline systems

We deliver our products through gathering and processing facilities, pipeline systems and, in certain circumstances, by rail. The amount of oil and natural gas that we can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and railway lines. The lack of availability of capacity in any of the gathering and processing facilities, pipeline systems and railway lines could result in our inability to realize the full economic potential of our production or in a reduction of the price offered for our production. The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to transport produced oil and gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect our production, operations and financial results. As a result, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm our business and, in turn, our financial condition, operations and cash flows. Announcements and actions taken by the governments of British Columbia and Alberta relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward. In addition, while the federal government has recently introduced draft legislation to overhaul the existing environmental assessment process and replace the NEB with a new regulatory agency, the impact of the new proposed regulatory scheme on proponents and the timing of receipt of approvals of major projects remains unclear.

Following major accidents in Lac-Mégantic, Quebec and North Dakota, the Transportation Safety Board of Canada and the U.S. National Transportation Board have recommended additional regulations for railway tank cars carrying crude oil. In June 2015, as a result of these recommendations, the Government of Canada passed the Safe and Accountable Rail Act which increased insurance obligations on the shipment of crude oil by rail and imposed a per tonne levy of \$1.65 on crude oil shipped by rail to compensate victims and for environmental cleanup in the event of a railway accident. In addition to this legislation, new regulations have implemented the TC-117 standard for all rail tank cars carrying flammable liquids which formalized the commitment to retrofit, and eventually phase out DOT-111 tank cars carrying crude oil. The increased regulation of rail transportation may reduce the ability of railway lines to alleviate pipeline capacity issues and adds additional costs to the transportation of crude oil by rail. On July 13, 2016, the Minister of Transport (Canada) issued Protective Direction No. 38, which directed that the shipping of crude oil on DOT-111 tank cars end by November 1, 2016. Tank cars entering Canada from the United States will be monitored to ensure they are compliant with Protective Direction No. 38.

A portion of our production may, from time to time, be processed through facilities owned by third parties and over which we do not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on our ability to process our production and deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect

producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Our business is impacted by a number of factors, including volatility of prices for oil and natural gas, interest rates, sources of capital, changes in legislation and those set forth below

Our ability to add to our petroleum and natural gas reserves is highly dependent on our success in exploiting existing properties and acquiring additional reserves. Our long-term commercial success depends on our ability to find, acquire, develop and commercially produce petroleum and natural gas reserves. Future oil and natural gas exploration may involve unprofitable efforts, not only from unsuccessful wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completion (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion, operating and other costs. Drilling hazards or environmental damage could greatly increase the cost of operations (including hydraulic fracturing), and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. New wells we drill or participate in may not become productive and we may not recover all or any portion of our investment in wells we drill or participate in. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project.

Operating costs for our underlying properties will directly impact the amount of cash flow received by us. Labour costs, electricity, gas processing, well servicing and chemicals are a few of our operating costs that are susceptible to material fluctuation. There is no assurance that further commercial quantities of petroleum and natural gas will be discovered or acquired by us.

The level of production from our existing properties may decline at rates greater than anticipated due to unforeseen circumstances, many of which are beyond our control. A significant decline in production could result in materially lower revenues and cash flow.

There is no assurance we will be successful in developing additional reserves or acquiring additional reserves on terms that meet our investment objectives. Without these reserves additions, our reserves will deplete and consequently, either production from, or the average reserves life of, our properties will decline, which will result in a reduction in the value of our Common Shares.

Variations in interest rates and foreign exchange rates could affect our financial condition

There is a risk that interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount we pay to service debt and affect our ability to fund ongoing operations and could impact the market price of the Common Shares.

World oil and natural gas prices are quoted in United States dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the U.S. dollar will negatively affect our production revenue. Accordingly, Canadian/United States exchange rates could affect the future value of our as determined by our independent evaluator.

A decline in the value of the Canadian dollar relative to the United States dollar provides a competitive advantage to United States companies in acquiring Canadian oil and gas properties and may make it more difficult for us to replace reserves through acquisitions.

To the extent that we engage in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which we may contract.

Significant political events may cause uncertainty in financial and economic markets

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the 2016 presidential campaign a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. The administration has announced withdrawal of the United States from the Trans-Pacific Partnership and Congress has passed sweeping tax reform, which, among other things, significantly reduces US corporate tax rates. This may affect competitiveness of other jurisdictions, including Canada. The North American Free Trade Agreement is currently under renegotiation and the result is uncertain at this time. The administration has also taken action with respect to reduction of regulation which may also affect relative competitiveness of other jurisdictions. It is unclear exactly what other actions the administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas industry. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas companies, including us.

In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on our ability to market our products internationally, increase costs for goods and services required for our operations, reduce access to skilled labour and negatively impact our business, operations, financial conditions and the market value of the Common Shares.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and gas industry including the balance between economic development and environmental policy such as the potential impact of the recent change of government in British Columbia and announcements and actions by the government of British Columbia that may impact the completion of the Trans-Mountain Pipeline project and other infrastructure projects.

Compliance with greenhouse gas emissions regulations may result in increased operational costs

Our exploration and production facilities and other operations and activities emit greenhouse gases which may require us to comply with GHG emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of \$30 per tonne. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects. Some of our significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the affect of increasing our operating expenses and in the long-term reducing the demand for oil and gas production resulting in a decrease in our profitability and a reduction in the value of our assets or asset write-offs. See *Industry Conditions – Regulatory Authorities and Environmental Regulation – Climate Change Regulation*.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and gas industry operations. In addition, such legislation sets out the requirements

with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although we believe that we will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on our business, financial condition, results of operations and prospects.

Liability management programs enacted by regulators in the western provinces may prevent or interfere with our ability to acquire properties or require a substantial cash deposit with the regulator

Alberta, Saskatchewan and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. These programs involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is generally required. Changes to the required ratio of our deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to our compliance obligations. In addition, the liability management regime may prevent or interfere with our ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. The recent Alberta Court of Queen's Bench decision, *Redwater Energy Corporation (Re)*, found an operational conflict between the *Bankruptcy and Insolvency Act* and the AER's abandonment and reclamation powers when the licensee is insolvent, which was affirmed by a majority of the Alberta Court of Appeal, and has been appealed by the AER to the Supreme Court of Canada for final determination. In response to the decision, the AER issued interim rules to administer the liability management program and until the Government of Alberta can develop new regulatory measures to adequately address environmental liabilities. There remains a great deal of uncertainty as to what new regulatory measures will be developed by the provinces or in concert with the federal government, as the final ruling will become binding in all Canadian jurisdictions. See *Industry Conditions – Regulatory Authorities and Environmental Regulation – Liability Management Rating Programs*.

We have been historically reliant on external sources of capital, borrowings and equity sales and, if unavailable, our financial condition will be adversely affected

Amounts paid in respect of interest and principal on debt may reduce future capital expenditures. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service. Although we believe our current cash positions and cash flow from operations will be sufficient for our immediate requirements, there can be no assurance that the amount will be adequate for our future financial obligations including our future capital expenditure program, or that we will be able to obtain additional funds.

As future capital expenditures will be financed out of funds flow from operating activities, borrowings and possible future security issuances, our ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and our securities in particular.

From time to time we may enter into transactions which may be financed in whole or in part with debt. The level of our indebtedness from time to time could impair our ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. To the extent that external sources of capital become limited or unavailable or available on onerous terms, our ability to make capital investments and maintain or expand existing assets and reserves may be impaired, and our assets, liabilities, business, financial condition and results of operations.

The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing.

Shareholders may suffer dilution in connection with future issuances of Common Shares. In the normal course of making capital investments to maintain and expand our oil and gas reserves additional Common Shares may be issued. Additionally, from time to time we may issue Common Shares in order to finance significant acquisitions or development projects or to reduce debt and maintain a more optimal capital structure. Our success is, in part, dependent on our ability to raise capital from time to time by issuing additional Common Shares. Shareholders may suffer dilution as a result of these offerings if, for example, the cash flow, production or reserves from the acquired assets do not reflect the additional number of Common Shares issued to acquire those assets. Shareholders may also suffer dilution in connection with future issuances of Common Shares to complete acquisitions.

We believe that estimated funds from operations will be sufficient to substantially finance our current operations and planned capital expenditures for the ensuing year. The timing of most of our capital expenditures is discretionary and there are no material long-term capital expenditure commitments. However, if funds from operations are lower than expected or capital costs for these projects exceed current estimates, or if we incur major unanticipated expenses related to development or maintenance of our existing properties, we may be required to seek additional capital to maintain our capital expenditures at planned levels. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay in development or production on our properties.

Our hedging activities may negatively impact our income and our financial condition

We may manage the risk associated with changes in commodity prices by entering into petroleum or natural gas price hedges. If we hedge our commodity price exposure, we may forego some of the benefits we would otherwise experience if commodity prices were to increase. As at December 31, 2017, our income statement reflected \$0.8 million of unrealized gain resulting from hedges to protect our commodity risk exposure. For more information in relation to our commodity hedging program, see "*Description of our Business – Disclosure of Reserves Data and Other Oil and Natural Gas Information – Other Oil and Gas Information – Forward Contracts*".

We may initiate certain hedges to attempt to mitigate the risk of the Canadian dollar appreciating against the U.S. dollar. An increase in the Canada/U.S. foreign exchange rate will impact future dividends and the future value of our reserves as determined by independent evaluators. These hedging activities could expose us to losses and to credit risk associated with counterparties with which we contract.

Our current hedging contracts provide a benefit to us during this period of low oil and natural gas prices by providing a floor price for a significant amount of production. This benefit will only be realized for the period and for the commodity quantities in those contracts. The benefits from such derivatives contracts will be realized by the end of June, 2018. Additional hedges might not be available at prices similar to our current hedge prices, which could adversely impact our revenues.

Our obligations under our hedging contracts are secured by a floating charge on our assets. If we fail to comply with the covenants in our hedging contracts, it could result in seizure and/or sale of our assets. We are also exposed to counterparty credit risk as a result of our hedging contracts.

Failure of third parties to meet their contractual obligations to us may have a material adverse effect on our financial condition

We are exposed to third party credit risk through our contractual arrangements with our current or future joint venture partners, third party operators, marketers of our petroleum and natural gas production, hedge counterparties and other parties. We manage this credit risk by entering into sales contracts with creditworthy entities and reviewing our exposure to individual entities on a regular basis. However, in the event such parties fail to meet their contractual obligations to us, such failures may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in our ongoing capital program, potentially delaying the program and the results of such program until we find a suitable alternative partner. To the extent that any of such third parties

go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, we may be unable to collect all or portion of any money owing from such parties. Any of these factors could materially adversely affect our financial and operational results.

Our business is heavily regulated and such regulation increases our costs and may adversely affect our financial condition

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase our costs, either of which may have a material adverse effect on our business, financial condition, results of operations and prospects. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact our operations, which may affect our profitability. See *Industry Conditions – Regulatory Authorities and Environmental Regulation – Climate Change Regulations*.

In order to conduct oil and natural gas operations, we will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that we will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that we may wish to undertake. In addition, certain federal legislation such as the Competition Act and the Investment Canada Act could negatively affect our business, financial condition and the market value of the Common Shares or our assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity.

Continued uncertainty in the industry may restrict the availability or increase the cost of borrowing required for future development and acquisitions

Due to the conditions in the oil and gas industry and/or global economic volatility, we may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing. Continued depressed oil and natural gas prices have caused decreases, and may cause further decreases, in our cash flow. To the extent that external sources of capital become limited, unavailable or available on onerous terms, our ability to access sufficient capital for our capital expenditures and acquisitions could be impaired and, as a result, may have a material adverse effect on our ability to execute our business strategy and on our financial condition. There can be no assurance that financing will be available or sufficient to meet these requirements or for other corporate purposes or, if financing is available, that it will be on terms appropriate and acceptable to us. Should the lack of financing and uncertainty in the capital markets adversely impact our ability to refinance debt, additional equity may be issued resulting in a dilutive effect on current and future Shareholders.

Changing investor sentiment towards the oil and gas industry may impact our access to, and cost of, capital

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from our board of directors, management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in us or not investing in us at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, us, may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

There are numerous uncertainties inherent in estimating quantities of recoverable petroleum and natural gas reserves, including many factors beyond our control

Although we, together with McDaniel, have carefully prepared the reserves figures included in this Annual Information Form and believe that the methods of estimating reserves have been verified by operating experience, such figures are estimates and no assurance can be given that the indicated levels of reserves will be produced.

In general, estimates of economically recoverable petroleum and natural gas reserves and the future net revenues therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of petroleum and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. All such estimates are based on professional judgment and classifications of reserves, which, by their nature have a high degree of subjectivity. For those reasons, estimates of the economically recoverable petroleum and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary.

The reserves and recovery information contained in the McDaniel Report is only an estimate and the actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by McDaniel and such variations could be material. The McDaniel Report has been prepared using certain commodity price assumptions which are described in the notes to the reserves tables. If we realize lower prices for crude oil, NGLs and natural gas and they are substituted for the price assumptions utilized in the McDaniel Report, the present value of estimated future net revenues for our reserves and our net asset value would be reduced and the reduction could be significant. The estimates in the McDaniel Report are based, in part, on the timing and success of activities we intend to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the McDaniel Report will be reduced, in future years, to the extent that such activities do not achieve the level of success assumed in the McDaniel Report.

Estimates of proved and probable oil and gas reserves include undeveloped reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is still required before such wells begin production. Reserves may be recognized when plans are in place to make the required investments to convert these undeveloped reserves to producing. Circumstances such as a sustained decline in commodity prices or poorer than expected results from initial activities could cause a change in the investment or development plans which could result in a material change in our reserves estimates.

Estimates of proved undeveloped reserves are sometimes based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Acquiring, developing and exploring for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome

These risks include, but are not limited to, encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings, equipment failures and other accidents, sour gas releases, oil and natural gas spills, uncontrollable flows of oil, natural gas or well fluids, the invasion of water into producing formations, adverse weather conditions, pollution, other environmental hazards, fires, transport accidents and spills and delays in payments between parties caused by operation or economic matters which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment, personal injuries, loss of life and other hazards, all of which could result in liability. These risks will increase as we undertake more exploratory activity. Drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, the shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Although we maintain insurance in accordance with customary industry practice, we are not fully insured against all of these risks nor are all such risks

insurable and in certain circumstances we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. In addition, the nature of these risks is such that liabilities could exceed policy limits, in which event we could incur significant costs that could have a material adverse effect upon our financial condition.

There is no assurance that we will discover or acquire further commercial quantities of oil and natural gas. Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Exploration and development risks arise due to the uncertain results of searching for and producing petroleum and natural gas using imperfect scientific methods. These risks are mitigated by using highly skilled staff, focusing exploration efforts in areas in which we have existing knowledge and expertise or access to such expertise, using up to date technology to enhance methods and controlling costs to maximize returns.

Losses resulting from the occurrence of any of these risks may have a material adverse effect on our business, financial condition, results of operations and prospects.

The operation of a portion of our properties is largely dependent on the ability of third party operators, and harm to their business could cause delays and additional expenses in our receiving revenues

The continuing production from a property, and to some extent the marketing of production, is dependent upon the ability of the operators of our properties. Approximately 11.7 percent of our properties are operated by third parties, based on daily production. Our return on assets operated by others depends upon a number of factors that may be outside of our control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which we have an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which we have an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations we may be required to satisfy such obligations and to seek recourse from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, us potentially becoming subject to additional liabilities relating to such assets and us having difficulty collecting revenue due from such operators. Any of these factors could materially adversely affect our financial and operational results.

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the properties, and by the operator to our operating entities, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of properties or the establishment by the operator of reserves for such expenses. Our return on assets operated by others therefore will depend upon a number of factors that may be outside of our control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. Losses resulting from the occurrence of any of these risks may have a material adverse effect on our business, financial condition, results of operations and prospects.

Delays in business operations could adversely affect the market price of the Common Shares

Delays in business operations could adversely affect the market price of our Common Shares. In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of our properties, and the delays of those operators in remitting payment to us, payments between any of these parties may also be delayed by:

- restrictions imposed by lenders;
- accounting delays;
- delays in the sale or delivery of products;
- delays in the connection of wells to a gathering system;
- restrictions due to limited pipeline or processing capacity;
- operational problems affecting pipelines and facilities;
- blowouts or other accidents;
- adjustments for prior periods;
- recovery by the operator of expenses incurred in the operation of the properties; or
- the establishment by the operator of reserves for these expenses.

Any of these delays could expose us to additional third party credit risks.

The marketability of petroleum and natural gas that may be acquired or discovered by us will be affected by numerous factors beyond our control

These factors include demand for petroleum and natural gas, market fluctuations, the availability, proximity and capacity of oil and natural gas pipelines and processing and storage facilities and government regulations, including regulations relating to environmental protection, royalties, allowable production, pricing, taxes, importing and exporting of oil and natural gas and political events throughout the world that cause disruptions in the supply of oil and affect the marketability and price of oil and natural gas acquired or discovered by us. Any particular event could result in a material decline in prices and, therefore, result in a reduction of our net production revenue. The availability of markets is beyond our control. Our oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of our properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on our financial condition. We do not have insurance to protect against the risk from terrorism.

We rely on our reputation to continue our operations and to attract and retain investors and employees

Any environmental damage, loss of life, injury or damage to property caused by our operations could damage our reputation in the areas in which we operate. Negative sentiment towards us could result in a lack of willingness of municipal authorities being willing to grant the necessary licenses or permits for us to operate our business and in residents in the areas where we are doing business opposing further operations in the area by us. If we develop a reputation of having an unsafe work site, it may impact our ability to attract and retain the necessary skilled employees and consultants to operate our business. Further, our reputation could be affected by actions and activities of other corporations operating in the oil and gas industry, over which we have no control. In addition, environmental damage, loss of life, injury or damage to property caused by our operations could result in negative investor sentiment towards us, which may result in limiting our access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

We do not have a credit facility and any future credit facilities may not provide sufficient liquidity

We do not have a credit facility in place and any future credit facilities may not provide sufficient liquidity. There is no certainty that we will be able to obtain additional financing on economic terms attractive to us, if at all.

Hydraulic fracturing is subject to certain risks

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate the production of oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of natural gas and oil from reservoirs that were previously unproductive. We use hydraulic fracturing extensively in our operations. With the increase in the use of fracture stimulations in horizontal wells there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology as it relates to the environment. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the conduct of our business more expensive or prevent us from conducting our business as currently conducted. Any new laws, regulation or permitting requirements regarding hydraulic fracturing could lead to operational delays or increased operating costs, third party or

governmental claims, and could increase our costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that we are ultimately able to produce from our reserves.

Regulatory water use restrictions and/or limited access to water or other fluids may impact our production volumes from our waterfloods

We undertake or may undertake certain waterflooding programs which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities we need to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that we will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If we are unable to access such water we may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that we are ultimately able to produce from our reservoirs. In addition, we may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on our results of operations.

Disposal of Fluids Used in Operations

Regulations regarding the disposal of fluids used in our operations may increase our costs of compliance or subject us to regulatory penalties or litigation

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase our costs of compliance.

Changes in government regulations that affect the oil and natural gas industry could adversely affect us

Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for crude oil and natural gas, increase our costs, or delay or restrict our operations, all of which would have a material adverse impact on us.

There can be no assurance that the governments in the jurisdictions in which we have assets will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of our projects. An increase in royalties would reduce our earnings and could make future capital investments, or our operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017. See *Industry Conditions - Royalties and Incentives*.

Taxes on carbon emissions affect the demand for oil and natural gas, our operating expenses and may impair our ability to compete

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See *Industry Conditions – Regulatory Authorities and Environmental Regulation – Climate Change Regulation*. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing our operating expenses, each of which may have a material adverse effect on our profitability and financial condition. Further, the imposition of carbon taxes puts us at a disadvantage with our counterparts who operate in jurisdictions where there are less costly carbon regulations.

Income tax laws or other laws or government incentive programs or regulations relating to our industry may in the future be changed or interpreted in a manner that adversely affects us and our Shareholders

Changes in tax and other laws may adversely affect Shareholders. Income tax laws, other laws or government incentive programs relating to the oil and natural gas industry, such as resource allowance, may in the future be changed or interpreted in a manner that adversely affects us and our Shareholders. Tax authorities having jurisdiction over us or our Shareholders may disagree with the manner in which we calculate our income for tax purposes or could change their administrative practices to our detriment or the detriment of Shareholders.

The oil and natural gas industry is subject to extensive controls and regulations governing our operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta and the United States, all of which should be carefully considered by investors in the oil and natural gas industry. All of such controls, regulations and legislation are subject to revocation, amendment or administrative change, some of which have historically been material and in some cases materially adverse and there can be no assurance that there will not be further revocation, amendment or administrative change which will be materially adverse to our assets, reserves, financial condition or results of operations or prospects.

We cannot assure you that income tax laws and government incentive programs relating to the oil and natural gas industry will not change in a manner that adversely affects the market price of the Common Shares.

We file all required income tax returns and believe that we are in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of us, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

We may not be able to realize the anticipated benefits of acquisitions and dispositions or to manage growth

We make acquisitions and dispositions of businesses and assets in the ordinary course of our business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with our operations. The integration of acquired business may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. There is no assurance that we will be able to continue to complete acquisitions or dispositions of oil and natural gas properties which realize all the synergistic benefits.

We periodically dispose of non-core assets so that we can focus our efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain of our non-core assets, if disposed of, may realize less than their carrying value on our financial statements.

The price we pay for the purchase of any material properties is based on several criteria, including engineering and economic assessments made by independent engineers modified to reflect our technical and economic views. These assessments include a series of assumptions regarding such factors as recoverability and marketability of petroleum and natural gas, future prices of petroleum and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond our control. All such assessments involve a measure of geologic and engineering uncertainty which could result in lower than anticipated production and reserves. Consequently, the reserves acquired may be less than expected, which could adversely impact cash flow from operating activities.

We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to deal with this growth could have a material adverse effect on our business, financial condition, results of operations and prospects.

There is strong competition relating to all aspects of the oil and natural gas industry

There are numerous companies in the oil and natural gas industry, who are competing with us for the acquisitions of properties with longer life reserves, properties with exploitation and development opportunities and undeveloped land. As a result of such competition, it may be more difficult for us to acquire reserves on beneficial terms. Many of these other organizations have significantly greater technical, financial and operational resources than us.

We compete with other oil and gas companies to hire and retain skilled personnel necessary for running our daily operations, including planning, capitalizing on available technical advances and the execution of our exploration and development program. The inability to hire and retain skilled personnel could adversely impact certain of our operational and financial results.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to us and may delay exploration and development activities.

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before us. There can be no assurance that we will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If we do implement such technologies, there is no assurance that we will do so successfully. One or more of the technologies currently utilized by us or implemented in the future may become obsolete. In such case, our business, financial condition and results of operations could be materially adversely affected. If we are unable to utilize the most advanced commercially available technology, our business, financial condition and results of operations could be materially adversely affected.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar affect on the demand for oil and gas products. We cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows by decreasing our profitability, increasing our costs, limiting our access to capital and decreasing the value of our assets

Our petroleum and natural gas reserves are a depleting resource and decline as such reserves are produced

Absent commodity price increases or cost effective acquisition and development activities, our funds from operations will decline over time in a manner consistent with declining production from typical petroleum and natural gas reserves. Our future petroleum and natural gas reserves and production, and therefore our funds from operations, will be highly dependent on our success in exploiting our reserves base and acquiring additional reserves. Without reserves additions through acquisition or development activities, our reserves and production may decline over time as reserves are produced.

If external sources of capital, including the issuance of additional Common Shares, become limited or unavailable on commercially reasonable terms, our ability to make the necessary capital investments to maintain or expand our petroleum and natural gas reserves may be impaired. To the extent that we use funds from operations to finance capital expenditures or property acquisitions, the level of funds from operations available for distribution to Shareholders will be reduced. There can be no assurance that we will be successful in developing or acquiring additional reserves on terms that meet our investment objectives.

We may participate in larger projects and may have more concentrated risk in certain areas of our operations

We manage a variety of small and large projects in the conduct of our business. Project delays may impact expected revenues from operations. Significant project cost over runs could make a project uneconomic. Our ability to execute projects and market oil and natural gas depends upon numerous factors beyond our control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or our ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, we could be unable to execute projects on time, on budget or at all, and may be unable to effectively market the oil and natural gas that we produce effectively.

We only operate in western Canada and the United States and expansion outside of these areas may increase our risk exposure

Our operations and expertise are currently primarily focused on oil and gas production and development in the Western Canadian Sedimentary Basin and the United States. In the future we may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase our exposure to one or more existing risk factors, which may in turn result in our future operational and financial conditions being adversely affected.

Our success depends in large measure on the activities of our key personnel

Our Shareholders are entirely dependent on our management with respect to the acquisition of oil and gas properties, the development and acquisition of additional reserves, the management and administration of all matters relating to our properties, including the safekeeping of our primary workspace and computer systems. The loss of the services of key personnel may have a material adverse effect on our business, financial condition, results of operations and prospects. The contributions of the existing management team to our immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of our management.

Securing and maintaining title to our properties is subject to certain risks

Our properties are held in the form of licenses and leases and working interests in licenses and leases. If we or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of a license or lease or the working interest relating to a license or lease may have a material adverse effect on our results of operations and business. In addition title to the properties can become subject to dispute and defeat our claim to title over certain of our properties.

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada and have also made claims that certain developments, including oil and gas exploration and development, may have been proceeding without the Crown carrying out appropriate consultations in the course of allowing such developments to proceed. We are not aware of any material claims having been made in respect of our properties and assets; however, if a claim arose and was successful this may have a material adverse effect on our results of operations and business.

Although title reviews are conducted prior to any purchase of significant resource assets, such reviews cannot guarantee that an unforeseen defect in the chain of title will not arise to defeat our title to certain assets. Our actual interest in properties may, therefore, vary from our records. If a title defect does exist, it is possible that we may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on our business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties that we control that, if successful or made into law, could impair our activities on them and result in a reduction in the amount of funds from operations, which could result in a lower market price of the Common Shares.

Oil and natural gas operations are subject to seasonal and extreme weather conditions and we may experience significant operational delays as a result

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of our production if not otherwise tied-in. Certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict our ability to access our properties, cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions.

Our permitted investments may be risky

An investment in us should be made with the understanding that the value of any of our investments may fluctuate in accordance with changes in the financial condition of such investments, the value of similar securities, and other factors. For example, the prices of Canadian government securities, bankers' acceptances and commercial paper react to economic developments and changes in interest rates. Commercial paper is also subject to issuer credit risk. Investments in energy related companies and partnerships will be subject to the general risks of investing in equity securities. These include the risk that the financial condition of issuers may become impaired, or that the energy sector may suffer a market downturn. Securities markets in general are affected by a variety of factors, including governmental, environmental and regulatory policies, inflation and interest rates, economic cycles, and global, regional and national events. The value of our Common Shares could be affected by adverse changes in the market values of such investments.

A shortfall in the supply of diluent may increase our costs

Heavy oil and bitumen are characterized by high specific gravity or weight and high viscosity or resistance to flow. Diluent is required to facilitate the transportation of heavy oil and bitumen. A shortfall in the supply of diluent may cause its price to increase thereby increasing the cost to transport heavy oil and bitumen to market and correspondingly increasing our overall operating cost, decreasing our net revenues and negatively impacting the overall profitability of our heavy oil and bitumen projects.

We may become involved in, named as a party to, or be the subject of, various legal proceedings

In the normal course of our operations, we may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to us and as a

result, could have a material adverse effect on our assets, liabilities, business, financial condition and results of operations.

In addition, due to the rapid development of oil and gas technology, in the normal course of our operations, we may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that we have infringed the intellectual property rights of others or commence lawsuits against others who we believe are infringing upon our rights. Our involvement in intellectual property litigation could result in significant expense, adversely affecting the development of our assets or intellectual property or diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favour. In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to: (a) pay substantial damages; cease the development, use, sale or importation of process that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. We may not be successful in such development or acquisition or that such licences would be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other/ resources and could have a material adverse effect on our business and financial results.

While discussing potential business relationships or other transactions with third parties, we may disclose confidential information relating to our business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put us at competitive risk and may cause significant damage to our business. The harm to our business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, we will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to our business that such a breach of confidentiality may cause.

Breaches of our cyber-security and loss of, or access to, electronic data may adversely impact our operations and financial position

We have become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. We depend on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, we are subject to a variety of information technology and system risks as a part of our normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of our information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If we become a victim to a cyber phishing attack it could result in a loss or theft of our financial resources or critical data and information or could result in a loss of control of our technological infrastructure or financial resources. We apply technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Ownership of Common Shares

Our Board of Directors has discretion in the payment of dividends

On November 11, 2015, as a result of volatile, uncertain and exceptionally low oil prices, we suspended our monthly dividend until further notice. The amount of future cash dividends, if any, will be subject to the discretion of our Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of our Board of Directors and management team, we will change our dividend policy from time to time and, as a result, any future cash dividends could be reduced or suspended entirely. The future treatment of dividends for tax purposes will be subject to the nature and composition of our dividends and potential legislative and regulatory changes.

Changes in market-based factors may adversely affect the trading price of the Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to our performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. In certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of our Common Shares could be subject to significant fluctuations in response to variations in our operating results, financial condition, liquidity and other internal factors. The price at which our Common Shares will trade cannot be accurately predicted.

Certain Risks for United States and Other Non-Resident Shareholders

The ability of investors resident in the United States to enforce civil remedies is limited

We are a corporation incorporated under the laws of the Province of Alberta, Canada and our principal office is located in Calgary, Alberta. All of our directors and officers and the representatives of the experts who provide services to us (such as our auditors and our independent reserve engineers), and all or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon such directors, officers and representatives of experts who are not residents of the United States or to enforce against them judgements of the United States courts based upon civil liability under the United States federal securities laws or the securities laws of any state within the United States. There is doubt as to the enforceability in Canada against us or any of our directors, officers or representatives of experts who are not residents of the United States, in original actions or in actions for enforcement of judgements of United States courts of liabilities based solely upon the United States federal securities laws or securities laws of any state within the United States.

Canadian and United States practices differ in reporting reserves and production and our estimates may not be comparable to those of companies in the United States

We report our production and reserve quantities in accordance with Canadian practices and specifically in accordance with NI 51-101. These practices are different from the practices used to report production and to estimate reserves in reports and other materials filed with the SEC by companies in the United States.

We incorporate additional information with respect to production and reserves which is either not required to be included or prohibited under rules of the SEC and practices in the United States. We follow the Canadian practice of reporting gross production and reserve volumes (before deduction of Crown and other royalties); however, we also follow the United States practice of separately reporting reserve volumes on a net basis (after the deduction of royalties and similar payments). We also follow the Canadian practice of using forecast prices and costs when we estimate our

reserves; whereas the SEC rules require that a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, be utilized.

We included in this Annual Information Form estimates of proved and proved plus probable reserves. Probable reserves have a lower certainty of recovery than proved reserves. The SEC requires oil and gas issuers in their filings with the SEC to disclose only proved reserves but permits the optional disclosure of probable reserves. The SEC definitions of proved reserves and probable reserves are different than NI 51-101; therefore, proved, probable and proved plus probable reserves disclosed in this Annual Information Form may not be comparable to United States standards.

As a consequence of the foregoing, our reserve estimates and production volumes in this Annual Information Form may not be comparable to those made by companies utilizing United States reporting and disclosure standards.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contract entered into by us within the most recently completed financial year, or before the most recently completed financial year but which is still material and is the Debenture Indenture, which has been filed on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that we are or were a party to, or that any of our property is or was the subject of, during the most recently completed financial year, that were or are material to us, and there are no such material legal proceedings that we are currently aware of that are contemplated.

There were no: (i) penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority during our most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements we entered into with a court relating to securities legislation or with a securities regulatory authority during our most recently completed financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of our directors and senior officers, any holder of Common Shares who beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the last three financial years or during the current financial year which has materially affected or would materially affect us.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – Continuous Disclosure Obligations by us during, or related to, our most recently completed financial year other than McDaniel, our independent engineering evaluator, and Ernst & Young LLP, our auditors.

None of the "designated professionals" (as that term is defined in National Instrument 51-102) of McDaniel had any registered or beneficial interests, direct or indirect, in any of our securities or other property or of our associates or

affiliates either at the time they prepared the report, valuation, statement or opinion prepared by it, at any time thereafter or to be received by them.

Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Chartered Professional Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of us or of any of our associate or affiliate entities, except that Grant A. Zawalsky, one of our directors, is a partner at Burnet, Duckworth & Palmer LLP, which is a law firm that renders legal services to us.

ADDITIONAL INFORMATION

Additional information relating to us can be found on SEDAR at www.sedar.com and on our website at www.zargon.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities issued and authorized for issuance under our equity compensation plans are contained in our information circular – proxy statement dated April 23, 2018 relating to our annual Shareholders meeting to be held on May 30, 2018. Additional financial information is contained in our consolidated financial statements for the year ended December 31, 2017 and the related management's discussion and analysis.

For additional copies of the Annual Information Form and the materials listed in the preceding paragraphs please contact:

Zargon Oil & Gas Ltd.
700, 333 – 5th Avenue S.W.
Calgary, Alberta, T2P 3B6
Tel: (403) 264-9992
Fax: (403) 265-3026

APPENDIX A

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

(Form 51-101F3)

Management of Zargon Oil & Gas Ltd. ("**Zargon**") is responsible for the preparation and disclosure of information with respect to Zargon's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated Zargon's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Audit and Reserves Committee of the board of directors of Zargon has

- (a) reviewed Zargon's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Audit and Reserves Committee of the board of directors has reviewed Zargon's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Audit and Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data, contingent resources data or prospective resources data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) C.H. Hansen
President and Chief Executive Officer

(signed) C.M. Hustad
Vice President, Development

(signed) Ron Wigham
Director and Member of the Audit and Reserves
Committee

(signed) G.C. Merritt
Director and Member of the Audit and Reserves
Committee

February 9, 2018

APPENDIX B

REPORT ON RESERVES DATA BY MCDANIEL

(Form 51-101F2)

To the board of directors of Zargon Oil & Gas Ltd. ("Zargon"):

1. We have evaluated Zargon's reserves data as at December 31, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of Zargon's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Zargon evaluated for the year ended December 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to Zargon's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (thousands before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates Consultants Ltd.	December 31, 2017	Canada	\$nil	\$95,649	\$nil	\$95,649
		United States	\$nil	\$23,704	\$nil	\$23,704

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

(signed) McDaniel & Associates Consultants Ltd.
Calgary, Alberta, Canada

February 9, 2018

APPENDIX C

MANDATE & TERMS OF REFERENCE OF THE AUDIT AND RESERVES COMMITTEE

Role and Objective

The Audit and Reserves Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") of Zargon Oil & Gas Ltd. ("**Zargon**" or the "**Corporation**"), to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements, the audited financial statements and other mandatory disclosure releases containing financial information, and reviewing the annual independent report of the Corporation's petroleum and natural gas reserves and recommending all, for board of director approval.

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of Zargon, none of whom are members of management of Zargon and all of whom are "independent" (as such term is used in Multilateral Instrument 52-110 - *Audit Committees* ("**MI 52-110**") and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Committee members shall also meet the independence requirements of the regulatory bodies to which the Corporation may be subject to.
2. All of the members of the Committee shall be "financially literate". The Board has adopted the definition for "financial literacy" used in MI 52-110.
3. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.

Mandate and Responsibilities of Committee

1. The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for developing the approach of the Corporation to matters concerning all financial information and disclosure and all petroleum and natural gas reserves information and disclosure and, from time to time, shall review and make recommendations to the Board as to such matters. Specifically, the Committee will have the authority and responsibility for:
 - (a) Audit Matters:
 - (i) To assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Zargon and related matters;
 - (ii) To provide better communication between directors and external auditors;
 - (iii) To enhance the external auditor's independence;
 - (iv) To increase the credibility and objectivity of financial reports;
 - (v) To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors;
 - (vi) It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting;

- (vii) It is the responsibility of the Committee to satisfy itself on behalf of the board with respect to Zargon's Internal Control Systems:
 - A. Identifying, monitoring and mitigating business risks; and
 - B. Ensuring compliance with legal, ethical and regulatory requirements.
- (viii) It is a primary responsibility of the Committee to review the annual financial statements of Zargon prior to their submission to the board of directors for approval. The process should include but not be limited to:
 - A. Reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - B. Reviewing significant accruals, reserves or other estimates such as the impairment test calculation;
 - C. Reviewing accounting treatment of unusual or non-recurring transactions;
 - D. Ascertaining compliance with covenants under loan agreements;
 - E. Reviewing disclosure requirements for commitments and contingencies;
 - F. Reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - G. Reviewing unresolved differences between management and the external auditors; and
 - H. Obtain explanations of significant variances with comparative reporting periods.
- (ix) The Committee is to review the financial statements, prospectuses, management discussion and analysis ("**MD&A**"), annual information forms ("**AIF**") and all public disclosure containing audited or unaudited financial information before release and prior to board approval. The Committee must be satisfied that adequate procedures are in place for the review of Zargon's disclosure of all other financial information and shall periodically assess the accuracy of those procedures.
- (x) With respect to the appointment of external auditors by the board, the Committee shall:
 - A. Recommend to the board the appointment of the external auditors;
 - B. Recommend to the board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
 - C. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - D. Review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.
- (xi) Review with external auditors (and internal auditor if one is appointed by Zargon) their assessment of the internal controls of Zargon, their written reports containing

recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Zargon and its subsidiaries.

- (xii) The Committee must pre-approve all non-audit services to be provided to Zargon or its subsidiaries by the external auditors. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.
 - (xiii) The Committee shall review risk management policies and procedures of Zargon (i.e. hedging, litigation and insurance).
 - (xiv) The Committee shall establish a procedure for:
 - A. The receipt, retention and treatment of complaints received by Zargon regarding accounting, internal accounting controls or auditing matters; and
 - B. The confidential, anonymous submission by employees of Zargon of concerns regarding questionable accounting or auditing matters.
 - (xv) The Committee shall review and approve Zargon's hiring policies regarding employees and former employees of the present and former external auditors of Zargon.
 - (xvi) The Committee shall have the authority to investigate any financial activity of Zargon. All employees of Zargon are to cooperate as requested by the Committee.
 - (xvii) The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of Zargon without any further approval of the board.
- (b) Reserves Matters:
- (i) In conjunction with the Corporation's senior engineering management, meet with the independent evaluating engineers being considered for appointment to review their qualifications and independence to ensure the independent evaluating engineers being considered for appointment are technically qualified and competent, are independent of management and to establish the terms of their engagement;
 - (ii) After consultation with the Corporation's senior engineering management recommend to the Board the appointment of the independent evaluating engineers to assist the Corporation in the annual review of its petroleum and natural gas reserves;
 - (iii) In consultation with the Corporation's senior engineering management determine the scope of the annual review of the petroleum and natural gas reserves by the independent evaluating engineers, having regard to regulatory reporting requirements;
 - (iv) Review both the procedures for providing petroleum and natural gas reserves information to the independent evaluating engineers and the information used by the independent evaluating engineers to enable the independent evaluating engineers to provide a report that will meet regulatory reporting requirements;
 - (v) In consultation with the Corporation's senior engineering management and the independent evaluating engineers:

- A. Determine whether any restrictions affect the ability of the independent evaluating engineers to report on reserves data without reservations; and
 - B. Review the reserves data and the report of the independent evaluating engineers.
- (vi) Recommend to the Board for filing, the report from the independent evaluating engineers and/or senior engineering management on the Corporation's petroleum and natural gas reserves data;
 - (vii) Ensure the disclosure to the public on the Corporation's petroleum and natural gas reserves is in compliance with regulatory requirements;
 - (viii) Review any proposals to change the independent evaluating engineers and/or resolve any differences between the independent evaluating engineers and management;
 - (ix) Meet on an annual basis with the Corporation's senior engineering management and/or the independent evaluating engineers of the Corporation to review and consider the evaluation of the Corporation's petroleum and natural gas reserves;
 - (x) Meet separately with the independent evaluating engineers and/or senior engineering management when the Committee deems it desirable and advise the Board on the results of such meeting; and
 - (xi) Co-ordinate meetings with the Corporation's senior engineering management, independent evaluating engineers and auditors as required to address matters of mutual concern in respect of the Corporation's evaluation of petroleum and natural gas reserves.

Meeting and Administrative Matters

1. Meetings of the Committee should be scheduled to take place at least four (4) times per year. Special meetings may be convened as required upon the request of the Committee Chairman or the CEO. The President and Chief Executive Officer and the Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman
1. A majority of the members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference
2. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board of Directors may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee
3. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee
4. The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board

5. Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman. Notwithstanding the foregoing, in all circumstances the Chairman must be an outside director, unrelated to the Corporation
6. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board
7. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings
8. The Committee may obtain information from any employee of the Corporation and the Corporation's agents that it may require to carry out this mandate. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation, as determined by the Committee
9. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair
10. The Committee shall meet with the external auditor at least once per year (in connection with the preparation of the yearend financial statements) and at such other times as the external auditor and the Committee consider appropriate
11. Review annually the Committee mandate and terms of reference and recommend any changes to the Board