

CALGARY, ALBERTA--(Marketwired - Feb 14, 2017) - Zargon Oil & Gas Ltd. ("Zargon" or the "Company")(TSX:ZAR)(TSX:ZAR.DB) announces that 87% of the holders (the "Debentureholders") of the Company's 6.00% convertible unsecured subordinated debentures (the "Debentures") voting at the extraordinary meeting of the Debentureholders held today have voted in favour of an extraordinary resolution approving certain amendments to the trust indenture governing the Debentures (the "Indenture") to:

- extend the maturity date of the Debentures from June 30, 2017 to December 31, 2019;
- increase the interest rate of the Debentures from 6.00% per annum to 8.00% per annum effective April 1, 2017;
- change the interest payment dates applicable to the Debentures under the Indenture from June 30, and December 31 to March 31, and September 30;
- reduce the conversion price in effect for each common share ("Common Share") of Zargon to be issued upon the conversion of the Debentures from \$18.80 to \$1.25;
- amend the redemption provisions of the Debentures to provide Debentureholders with a right (the "Put Right") to require Zargon to redeem up to \$19 million aggregate principal amount of Debentures (or such other amount as may be determined by Zargon) (the "Maximum Redemption Amount") at a cash price to be determined by a "Dutch auction" process (the "Redemption Auction");
- amend the redemption provisions to provide that (other than in connection with the Put Right) the Debentures will not be redeemable by the Company before January 1, 2019, and for the 12 months following January 1, 2019, the Debentures may only be redeemed by the Company if the Current Market Price (as defined in the Indenture) of the Common Shares exceeds 125% of the reduced conversion price; and
- make such other consequential amendments as required to give effect to the forgoing (collectively the "Amendments").

Zargon is also pleased to announce that it has entered into a supplemental indenture with Computershare Trust Company of Canada as debenture trustee to effect the Amendments and, pursuant to the terms of the supplemental indenture, the Company's Board of Directors has approved the commencement of the Redemption Auction effective February 14<sup>th</sup>, 2017. The Redemption Auction will expire at 5:00 p.m. (Eastern time) on Friday, March 31, 2017 unless otherwise terminated, extended or amended by Zargon (the "Redemption Date").

Pursuant to the Put Right and Redemption Auction, Zargon will redeem up to \$19 million aggregate principal amount of Debentures. Debentureholders tendering Debentures for redemption must tender a minimum of \$1,000 principal amount of their Debentures, and any additional Debentures in integral multiples of \$1,000, and must specify the minimum price per Debenture (of not less than \$890 and not more than \$1,000, in increments of \$10) at which that Debentureholder is willing to have its Debentures redeemed by Zargon.

Debentureholders who wish to tender their Debentures for redemption under the Redemption Auction can only do so by contacting their broker, dealer, bank, or other financial institution, who will then tender the Debentures according to the Debentureholders' instructions.

If a Debentureholder's Debentures are redeemed, that Debentureholder will be paid the relevant redemption price for each \$1,000 principal amount of Debentures redeemed in cash, together with all accrued and unpaid interest (from and including December 31, 2016 up to but excluding the Redemption Date) promptly following the Redemption Date.

The Debenture amendments and the terms of the Redemption Auction are more fully described in the information circular of Zargon dated January 16, 2017 (the "Information Circular") which is available under Zargon's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). For more information please contact your broker, dealer, bank or other financial institution or contact the Company at: [zargon@zargon.ca](mailto:zargon@zargon.ca).

## STRATEGIC ALTERNATIVES PROCESS UPDATE

In Q3 2015, Zargon announced the formation of a Special Board Committee to examine alternatives that would maximize shareholder value in a manner that would recognize the Company's fundamental inherent value related to Zargon's long-life, low-decline oil assets and their related oil exploitation upside. To this end, the Q3 2016 Southeast Saskatchewan asset sale eliminated all of Zargon's bank debt, allowing the Company to focus on the restructuring of the Debentures.

With today's approval of the Amendments, Zargon has taken a significant step to providing the Company with a more stable financial position from which to seek additional value for Zargon stakeholders.

With the elimination of the Company's bank debt and the restructuring of the Debentures, Zargon will continue with its strategic

alternatives process which will be refocused to include, among other alternatives, the addition of capital to further develop the potential of the Company's assets, a merger, a farm-in or joint venture, the sale of the Company or a portion of the Company's assets or other such options as may be determined by the Company's Board of Directors to be in the best interests of the Company's stakeholders. Macquarie Capital Markets Canada Ltd. ("Macquarie") will continue to be Zargon's exclusive financial advisor related to this component of its strategic alternatives process. The Company has not set a definitive schedule to complete this process, and there are no guarantees that the process will result in a transaction of any form or, if a transaction is entered into, as to its terms or timing.

## FURTHER INFORMATION

Zargon is a Calgary based oil and natural gas company working in the Western Canadian and Williston sedimentary basins and is focused on oil exploitation projects (waterfloods and tertiary ASP) that profitably increase oil production and recovery factors from existing oil reservoirs.

In order to learn more about Zargon, we encourage you to visit Zargon's website at [www.zargon.ca](http://www.zargon.ca) where you will find a current shareholder presentation, financial reports and historical news releases.

## ADVISORY ON FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements. More particularly, this press release contains statements concerning, but not limited to: the Put Right and Redemption Auction; the expected Redemption Date; and other matters regarding the Put Right and Redemption Auction, the effect of the Amendments on Zargon's financial position and plans with respect to the Company's strategic process. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. As a consequence, actual results may differ materially from those anticipated in the forward looking statements. These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Zargon's control, and many factors could cause Zargon's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to: the Company and its financial position, liquidity and outlook; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by the Company. Readers are cautioned that the foregoing list of important factors is not exhaustive.

Such forward-looking statements are based on certain assumptions made by Zargon in light of its experience and perception of current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances, including, but are not limited to: that Zargon will have the financial ability to satisfy its Put Right obligations; and other matters.

The forward-looking statements contained in this press release are made as of the date hereof and Zargon undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

## Contact

Zargon Oil & Gas Ltd.  
C.H. Hansen  
President and Chief Executive Officer  
403-264-9992  
[zargon@zargon.ca](mailto:zargon@zargon.ca)  
[www.zargon.ca](http://www.zargon.ca)