

## **Greenstreet SAGD Project Investment Case Summary**



**David Bredy, P. GEO, ICD.D**  
**President & CEO and Director**

35+ years of oil and gas experience primarily in the exploration and development field including Dome Petroleum and Renaissance Energy. The last 20 years as President and Director of Avalon Resources (2002-2005), Avalon Exploration (2006-2012) and now Avalon Oil & Gas, with the first two developed from grass roots to sale stage by means of the drill bit and resulted in strong returns for all shareholders.

**Richard McKenzie, P. Eng**  
**VP Engineering**

30+ years of engineering experience including Bow Valley Energy, Czar Resources, Orbit Oil and Gas and Baytex Energy. The last 20 years as VP Engineering for the Avalon group of companies.

**Ajit Silas, P. GEO**  
**VP Exploration**

30+ years of geological experience in western Canada working with a broad range of companies including Velvet Energy, Vermilion Resources, Renaissance Energy and Wascana Energy.

**Aaron Thompson, CPA**  
**VP Finance & CFO**

25+ years of experience, the past 20 years as CFO, Controller and Accounting Systems Manager for a diverse group of companies including Paramount Resources, Apache Canada, Perpetual Energy and Strategic Oil & Gas.

**Arnie Brownlees, B. Comm**  
**VP Land**

30+ years of experience in contracts, mineral land and surface land. Held positions of increasing responsibility at Dome Petroleum, Amoco Canada, Encor Energy and Scott Land & Lease. The last 20 years as VP of Land for the Avalon group of companies.

**Board of Directors**

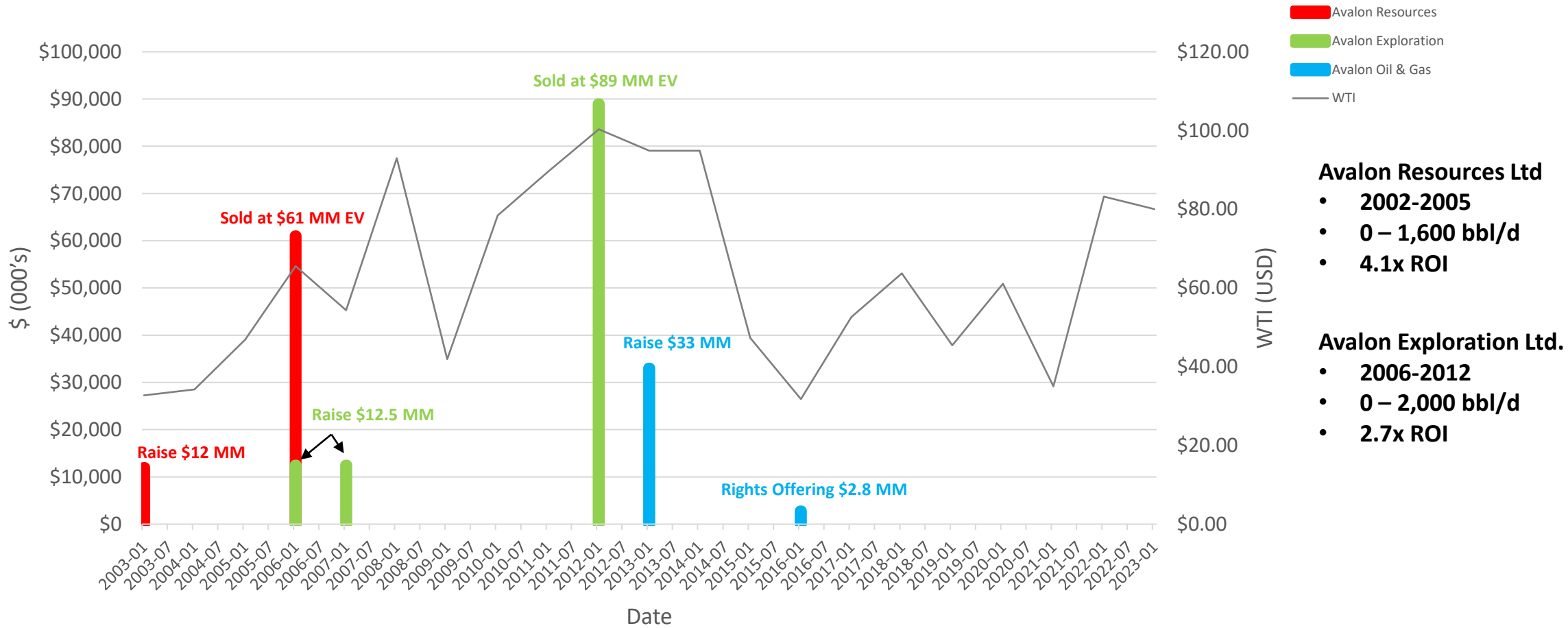
**Burl Aycock, P. Eng (chairman)**

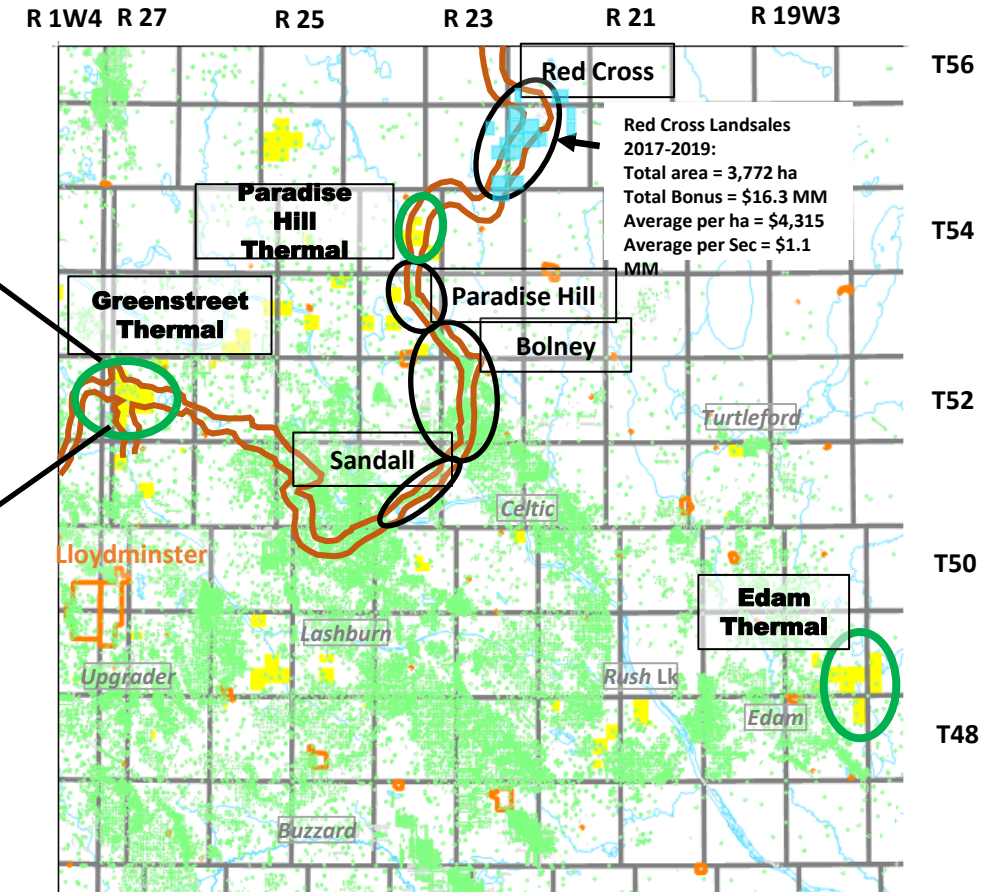
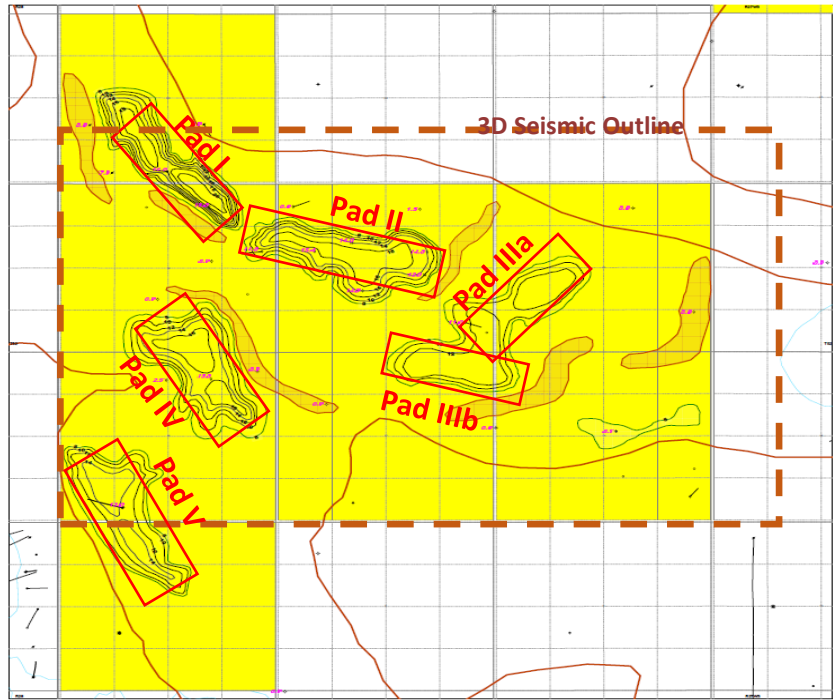
40 years oil and gas experience, including CEO of Maxx Petroleum, Whitemud Resources

**Rob Duguid** - CEO, PFM Capital

**Tyler Bradley** - VP, Westcap Management Ltd.

**David Bredy**

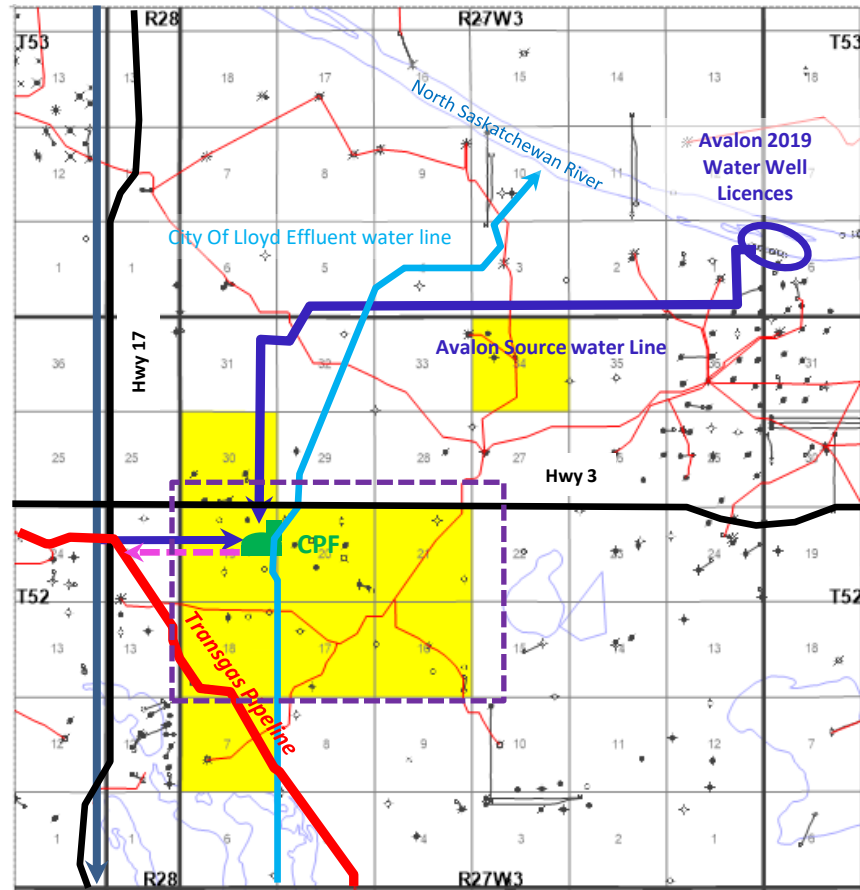




| Reserves By Pad                  | Tract Factor % |        | Avg Pay<br>(m) | Ave Length<br>(m) | Width<br>(m) | Porosity<br>(%) | Water Sat<br>(%) | OOIP<br>(mbbls) | RF<br>(%) | ROIP<br>(mbbls) |
|----------------------------------|----------------|--------|----------------|-------------------|--------------|-----------------|------------------|-----------------|-----------|-----------------|
|                                  | Crown          | FH     |                |                   |              |                 |                  |                 |           |                 |
| Pad I<br>NE 19 and SW 30-52-27W3 | 60.00%         | 40.00% | 14.00          | 1,160             | 300          | 33%             | 25%              | 7,584           | 65%       | 4,930           |
| Pad II<br>NW 20-52-27W3          | 85.00%         | 15.00% | 11.00          | 1,250             | 425          | 33%             | 25%              | 9,097           | 65%       | 5,913           |

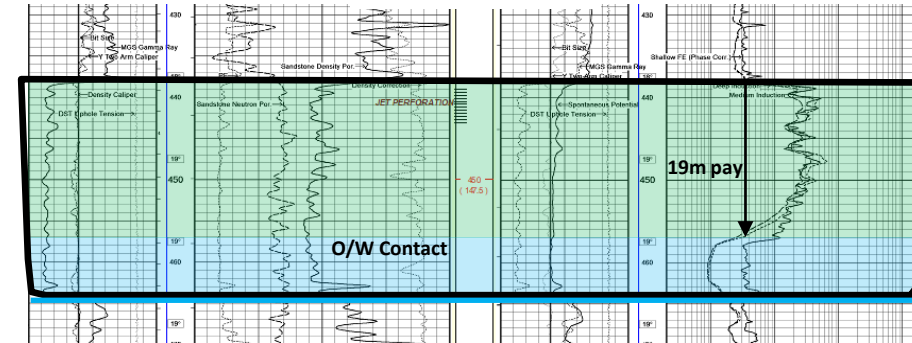
- Of the 151,000 bbl/d of existing Saskatchewan thermal oil production, over 100,000 bbl/d is located within the map above
- In addition to the Greenstreet play, Avalon has two other potential thermal oil plays under evaluation


## Greenstreet SAGD Project Area



## Greenstreet SAGD Type Well

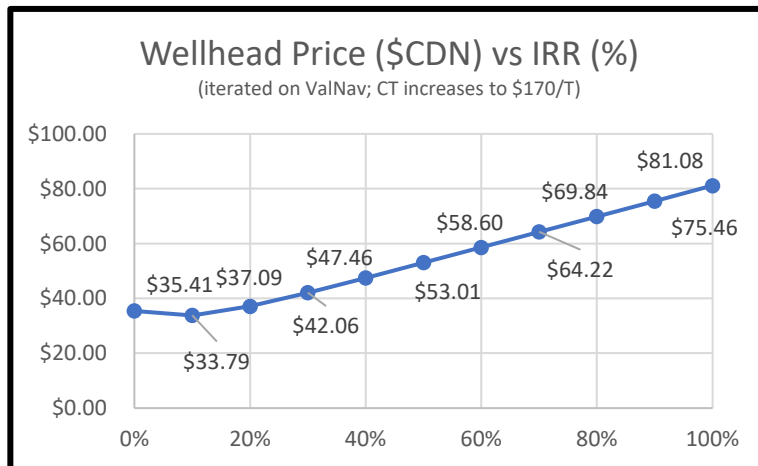
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- Project comprises 8 contiguous sections (100% WI) within defined Colony age channel fairway near Lloydminster, SK
- 12 - degree crude and 21,000 mPa.s @ 22 deg C
- Up to 19 m of net oil pay, OOIP of ~40 MM barrels
- 22 delineation wells on project
- 10 cores with RCA, PSD, XRD, TS, Oil Analysis, Geo
- 3-D seismic defined 
- EOR project approved – no expiry issue
- Water Source wells licensed and built
- Greenstreet project is within 1 mile of two major highways, utilities (gas, water electricity) and experienced labour force



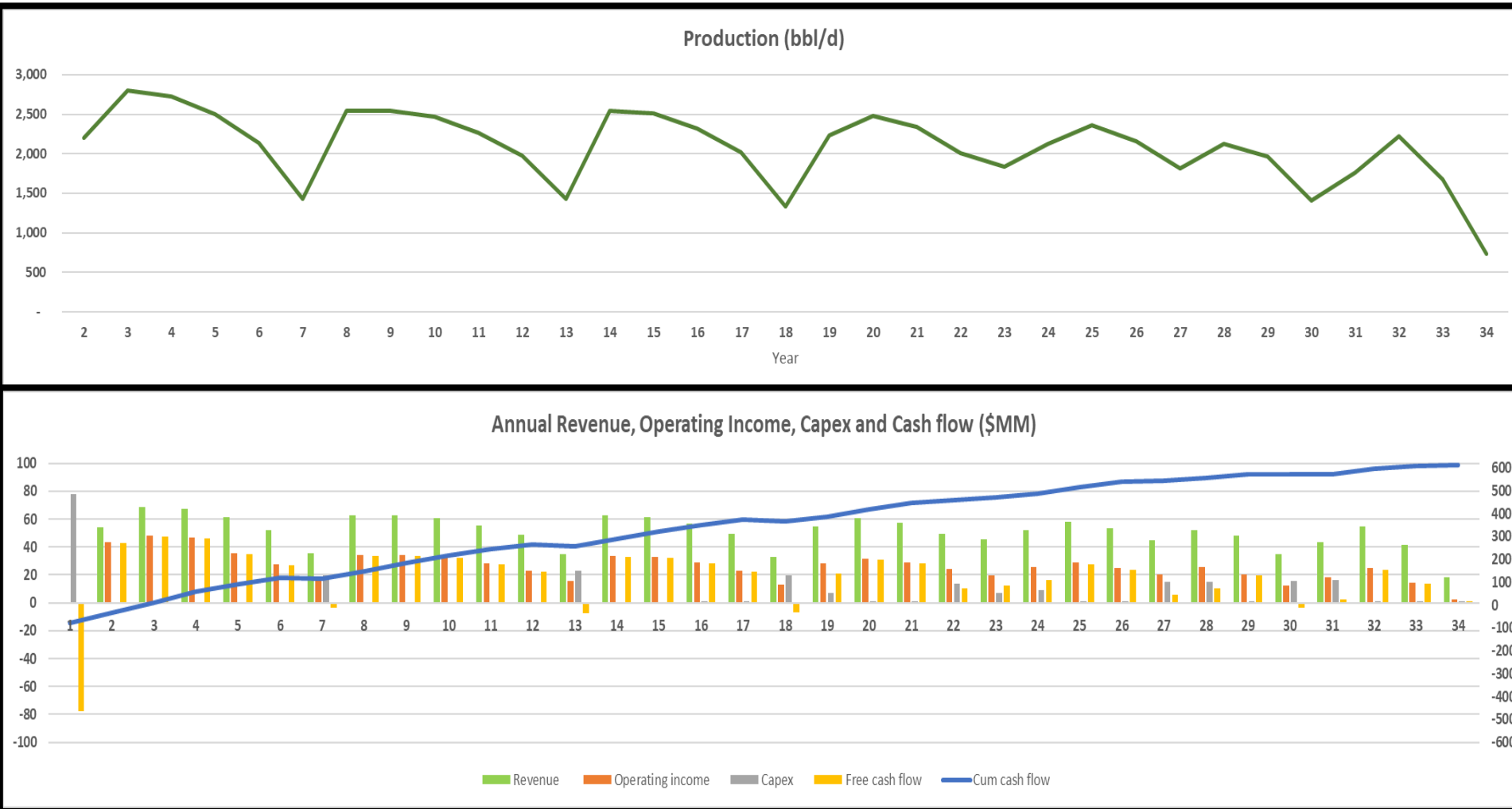
| ECONOMICS                                |             |               |
|--|-------------|---------------|
| Initial risked capital                   | \$77MM      |               |
| Steam generation capacity                | 5,500 bbl/d |               |
| Initial well pairs                       | 4 – Pad 1   |               |
| Peak production (annual average)         | 2,800 bbl/d |               |
| Recoverable reserves                     | 10.9 Mmbbl  |               |
| Reserve life index (at peak production)  | 10.7 years  |               |
| Finding & development costs              | \$10.13/bbl |               |
| Unit operating costs (incl carbon taxes) | \$23.60/bbl |               |
|  | \$70 WTI    | \$70 WTI esc* |
| Net operating income                     | \$407MM     | \$493MM       |
| Payout (initial capital)                 | 2.8 years   | 2.7 years     |
| IRR, pre-tax                             | 51%         | 55%           |
| NPV10, pre-tax                           | \$182MM     | \$268MM       |



- Initial risk capital of ~\$77MM CAD to construct a 5,500 b/d SAGD facility and drill 4 well pairs on the first development pad.
- Subsequent pad development is funded by cash flow.
- Robust first year netbacks of approximately **\$53/bbl**:
  - WTI price of \$70 USD/bbl
  - FX: C\$1.32 = US\$1.00, WCS differential – 16%
  - Diluent/pipeline tariffs estimated at 15% of net oil price
  - \$11/bbl (initial) operating costs
  - low initial royalty rate of 2.8%
- Break-even economics at \$40 WTI

\*\$70 WTI, oil pricing and costs escalated at 2% per year.

# Greenstreet Reserve Life and Cash Flow Generation (Total Project)



- Phase I (CPF and 4 well pairs) pays out in less than 3 years at \$70 US WTI
- Over 25 million barrels of recoverable oil reserves on all 5 pads
- First two phases generate in excess of \$400MM of operating income at \$70 WTI
- Seven drilling phases on five pads generate ~ **\$600 million** of cash flow after capex and carbon taxes over the life of the project at \$70 WTI\*

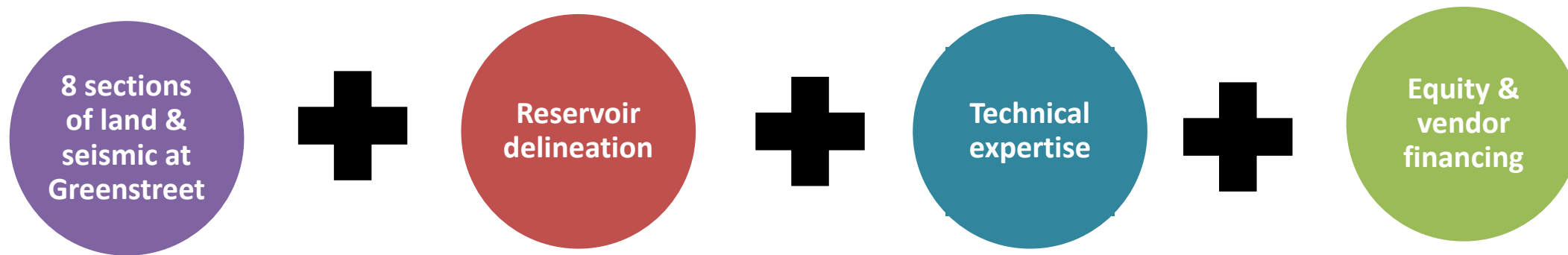
\*WTI price is US \$70 flat, WCS diff is set at 16% of WTI and Diluent/tariffs is 15% of sales price

# Annual Project Cash Flows (Pad I and II development)

| Year                               | 1       | 2       | 3        | 4        | 5        | 6       | 7       | 8        | 9        | 10      | 11       | 12      |
|------------------------------------|---------|---------|----------|----------|----------|---------|---------|----------|----------|---------|----------|---------|
| WTI US\$                           | 70.00   | 70.00   | 70.00    | 70.00    | 70.00    | 70.00   | 70.00   | 70.00    | 70.00    | 70.00   | 70.00    | 70.00   |
| WCS basis \$US                     | (11.09) | (11.09) | (11.09)  | (11.09)  | (11.09)  | (11.09) | (11.09) | (11.09)  | (11.09)  | (11.09) | (11.09)  | (11.09) |
| FX rate                            | 0.76    | 0.76    | 0.76     | 0.76     | 0.76     | 0.76    | 0.76    | 0.76     | 0.76     | 0.76    | 0.76     | 0.76    |
| Diluent & Transportation (C\$/bbl) | 10.34   | 10.36   | 10.36    | 10.35    | 10.34    | 10.35   | 10.35   | 10.35    | 10.35    | 10.35   | 10.35    | 10.35   |
| Net sales price (C\$/bbl)          | 67.11   | 67.26   | 67.22    | 67.16    | 67.11    | 67.16   | 67.16   | 67.16    | 67.16    | 67.16   | 67.16    | 67.16   |
|                                    |         |         |          |          |          |         |         |          |          |         |          |         |
| Oil production (bbl/d)             | 0       | 2,204   | 2,800    | 2,731    | 2,502    | 2,131   | 1,434   | 2,544    | 2,544    | 2,471   | 2,262    | 1,979   |
|                                    |         |         |          |          |          |         |         |          |          |         |          |         |
| <b>Financial (\$000s)</b>          |         |         |          |          |          |         |         |          |          |         |          |         |
| Net revenue                        | -       | 54,238  | 68,859   | 67,086   | 61,433   | 52,363  | 35,222  | 62,507   | 62,507   | 60,701  | 55,571   | 48,613  |
| Royalties                          | -       | (2,419) | (11,443) | (11,106) | (10,063) | (8,401) | (2,498) | (10,203) | (10,184) | (9,839) | (8,855)  | (7,616) |
| Carbon tax                         | -       | -       | -        | -        | (6,752)  | (7,475) | (8,176) | (8,198)  | (8,198)  | (8,198) | (8,198)  | (8,198) |
| Operating costs                    | -       | (8,697) | (9,368)  | (9,412)  | (9,350)  | (9,165) | (8,682) | (9,752)  | (9,880)  | (9,946) | (10,137) | (9,756) |
| Operating income                   | -       | 43,122  | 48,049   | 46,567   | 35,269   | 27,323  | 15,867  | 34,353   | 34,244   | 32,719  | 28,380   | 23,042  |
| Income taxes                       | -       | -       | (3,703)  | (9,053)  | (6,846)  | (5,311) | (1,608) | (6,636)  | (7,072)  | (7,024) | (6,180)  | (5,020) |
| Net cash flow                      | -       | 43,122  | 44,346   | 37,515   | 28,423   | 22,011  | 14,259  | 27,717   | 27,172   | 25,694  | 22,200   | 18,023  |
|                                    |         |         |          |          |          |         |         |          |          |         |          |         |
| Capital spending                   | 77,600  | 572     | 584      | 595      | 607      | 619     | 19,536  | 644      | 657      | 670     | 684      | 698     |
|                                    |         |         |          |          |          |         |         |          |          |         |          |         |
| Free cash flow (\$MM)              | (78)    | 43      | 44       | 37       | 28       | 21      | (5)     | 27       | 27       | 25      | 22       | 17      |
|                                    |         |         |          |          |          |         |         |          |          |         |          |         |
| Cumulative free cash flow (\$MM)   | (78)    | (35)    | 9        | 46       | 73       | 95      | 90      | 117      | 143      | 168     | 190      | 207     |



|  |  |
|--|--|
| <b>The Opportunity</b>                       | Avalon Oil & Gas Ltd. is currently seeking equity partners for a capital raise to develop the Greenstreet thermal oil project  |
| <b>Capital Required</b>                      | \$80MM CAD (\$50MM Equity, \$30MM vendor financing)  |
| <b>Key Vendor</b>                            | <ul style="list-style-type: none"> <li>Partnered with the preferred vendor in Saskatchewan for small-scale SAGD projects, Propak Systems, to streamline the project timeline, mitigate design, fabrication and construction risk and provide vendor financing for a portion of the facility/infrastructure cost</li> </ul>                                     |
| <b>Current corporate information</b>         | <ul style="list-style-type: none"> <li>40.2MM shares outstanding</li> <li>\$1.5MM Term loan (due 2025-2027, convertible into common shares at \$0.20 per share)</li> <li>3.4MM stock options o/s at \$0.20 per share</li> <li>\$0.9MM working capital</li> <li>250 bbl/d conventional heavy oil production</li> </ul>  |
| <b>Current Institutional Equity Partners</b> | <p>Well established Saskatchewan based, institutional equity capital firms are currently equity partners</p> <ul style="list-style-type: none"> <li>PFM Capital Inc. <a href="https://www.pfm.ca/">https://www.pfm.ca/</a></li> <li>Westcap Management Ltd. <a href="https://westcapmgt.ca/">https://westcapmgt.ca/</a> (Golden Opportunities Fund)</li> </ul> |



- Contiguous land base secured
- Seismic costs incurred
- Key vendor for central processing facility selected
- Vendor financing letter of intent received
- Water source identified
- Utilities plan complete
- FEED discussions underway
- In contact with technical personnel with thermal oil expertise, so a team can be assembled quickly post-financing



**2,800 bbl/d, \$180 Million NPV\* +  
2 other potential thermal oil  
projects**

*\*Internal estimates at US\$70.00 WTI, WCS differential ~ 16%, diluent+pipeline tariff at 14% of net oil price*

This presentation contains forward looking statements based on Management's assessments of future plans that involve geological, engineering, operational and financial estimates of future production, capital expenditures, cash flow and earnings. A number of risks and uncertainties that may or may not be within control of the Company may cause these results to vary materially from those predicated herein and the reader is therefore cautioned such information is speculative in nature.

Certain statements contained in this presentation constitute forward-looking statements. All forward-looking statements are based on the Corporation's beliefs and assumptions based on information available at the time the assumption was made. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve 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 statements. Avalon believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements included in this presentation should not be unduly relied upon. These statements speak only as of the date of this presentation. In particular, but without limiting the forgoing, this presentation contains forward-looking statements pertaining to the following: the rates and reserves associated with future drilling plans; planned development of the Corporation's oil and natural gas properties; and future capital expenditure programs.

The material factors and assumptions used to develop these forward looking statements include, but are not limited to: the ability of the Corporation to engage drilling contractors, to obtain and transport equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities and plans; the ability of the Corporation to market its oil and natural gas and to transport its oil and natural gas to market; the timely receipt of regulatory approvals and the terms and conditions of such approval; the ability of the Corporation to obtain drilling success consistent with expectations; and the ability of the Corporation to obtain capital to finance its exploration, development and operations.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors including, without limitation: volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions and exploration and development programs; geological, technical, drilling and processing problems; changes in tax laws and incentive programs relating to the oil and natural gas industry; failure to realize the anticipated benefits of acquisitions; general business and market conditions; and certain other risks detailed from time to time in Avalon's public disclosure documents.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of oil is based on an energy conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead. All boe conversions in this press release are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil. Certain financial amounts are presented on a per boe basis, such measurements may not be consistent with those used by other companies.