



**Mandate and Terms of Reference of the Compensation Committee**

**Approved by the Board of Directors**

**January 1, 2011**

## **MANDATE & TERMS OF REFERENCE OF THE COMPENSATION COMMITTEE**

### **Role and Objective**

The Compensation Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") of Zargon Oil & Gas Ltd. ("Zargon" or the "Corporation"), to which the Board has delegated its responsibility to assess and make recommendations regarding compensation, benefits, short and long term incentive programs and employee retention. It will also work with the President with respect to compensation issues pertaining to appointing or reappointing senior officers of the Corporation.

The Compensation Committee will assist the Board in fulfilling its oversight responsibilities by monitoring the Corporation's compensation plans and practices and ensuring their congruence with the objectives and goals of the Corporation.

In performing its duties, the Compensation Committee will maintain objective working relationships with the Board, the President and such independent compensation consultants as needed or desired. Each member of the Committee is expected to have an understanding of the Corporation's business, operations and risks as well as the objectives and goals of the Corporation's strategic plan.

### **Authority**

The Board authorizes the Compensation Committee within its scope of duties and responsibilities, to:

1. Seek any information it requires from any employee of the Corporation;
2. Seek any information it requires directly from external parties, including an independent Compensation Consultant;
3. Obtain outside legal or other professional advice as required following notice to the Chairman of the Board.

### **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 that term is defined in National Instrument 58-101).
2. The Board shall have the power to appoint the Committee Chairman.
3. Two members of the Compensation Committee shall constitute a quorum thereof.

### **Meetings**

1. Meetings of the Committee should be scheduled to take place at least two times per year. Special meetings may be convened as required upon the request of the Committee Chairman or the President. Minutes of all meetings of the Committee shall be taken. The President shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
2. At all meetings of the Committee every question shall be decided by a majority of the votes cast.

3. The Committee shall forthwith report the results of meetings and reviews undertaken and any associated recommendations to the board.
4. The Committee may invite such directors, officers or employees of the Corporation and independent compensation consultant as it may see fit to take part in its discussions.

#### **Mandate and Responsibilities of Committee**

The Board hereby delegates and authorizes the Compensation Committee to carry out the following duties and responsibilities to the extent that these activities are not carried by the Board itself as a whole or by another committee of the Board:

1. Approve the compensation of the senior officers of the Corporation, including new appointments of senior officers, terminations and severance arrangements, annual compensation packages and related terms of employment, bonuses and employment contracts.
2. Approve the terms of short-term incentive plans, if any, including performance measurements used.
3. Approve the terms of long-term incentive plans, if any, annual grant awards under the plan and the nature of the awards.
4. When and as desired, engage an independent compensation consultant to report and assess the appropriateness and competitiveness of the Corporation's employee compensation programs, practices and arrangements. The independent consultant's report will be reviewed with the President.
5. From time to time, review the adequacy and form of director's compensation as provided by the Corporation.
6. Review annually with the President and Chairman of the Corporation the compensation arrangements relevant to their performance and the performance of individual senior officers.
7. Review and recommend disclosure provided in publicly circulated documents in respect of compensation information.
8. The Committee shall ensure that a measurement process is in place against which performance of the senior officers can be measured.

#### **Other Duties and Responsibilities**

The responsibilities, practices and duties of the Compensation Committee outlined herein are not intended to be comprehensive. The Board may from time to time charge the Compensation Committee, either directly or in association with other Board committees, with items of compensation, human resources, recruitment and succession planning.