



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

**Approved by the Board of Directors**

**January 1, 2011**

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

### **Reserves Committee Purpose**

The Reserves Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Zargon Oil & Gas Ltd. ("Zargon" or the "Corporation") to assist the Board in fulfilling its responsibility for the stewardship of the Corporation in overseeing the business and affairs of the Corporation. The Committee's primary duties and responsibilities are to assume responsibility for assisting the Board in respect of annual independent review of the Corporation's petroleum and natural gas reserves and reporting to the Board in respect thereof.

### **Reserves Committee Composition, Procedures and Organization**

The Committee shall consist of at least three directors as determined by the Board, the majority of whom shall be independent (as required by National Instrument 51-101). Committee members shall also meet the independence requirements of the regulatory bodies to which the Corporation may be subject to.

The Board shall appoint the members of the Committee and may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. The Board shall appoint a member of the Committee as chair of the Committee. If a Committee Chair is not designated by the Board, or is not present at a meeting of the Committee, the members of the Committee may designate a chair by majority vote of the Committee membership. The Secretary of the Corporation, or in his or her absence, an alternative secretary designated by the Committee, shall act as Secretary of the Committee.

The quorum for meetings shall be a majority of the members of the Committee present in person or by telephone or other telecommunications device that permits all persons participating in the meeting to speak and to hear each other.

The Committee shall meet at least annually at such times and at such locations as may be requested by the chair of the Committee and at such times as any member of the Committee may request.

### **Reserves Committee Responsibilities and Duties**

The overall duties and responsibilities of the Committee shall be as follows:

1. 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.

2. 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.
3. 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.
4. 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.
5. In consultation with the Corporation's senior engineering management and the independent evaluating engineers:
  - (i) determine whether any restrictions affect the ability of the independent evaluating engineers to report on reserves data without reservations; and
  - (ii) review the reserves data and the report of the independent evaluating engineers.
6. 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.
7. Ensure the disclosure to the public on the Corporation's petroleum and natural gas reserves is in compliance with regulatory requirements.
8. Review any proposals to change the independent evaluating engineers and/or resolve any differences between the independent evaluating engineers and management.
9. 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.
10. 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.
11. Co-ordinate meetings with the Audit Committee of the Corporation, 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.
12. Review annually the Committee charter and recommend any changes to the Board; and

13. To maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.

**Access to Information and Advisors**

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, at the expense of the Corporation, retain independent engineering, legal or other advisors as they deem necessary or desirable to carry out the terms of this mandate.