



Code of Business Conduct

March 2005

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Introduction

Zargon Energy Trust, Zargon Oil & Gas Ltd. and its subsidiaries and affiliates (collectively “Zargon”) are committed to conducting its business activities in a legal and ethical manner. Continued business success for Zargon will be based on honesty, integrity and ethical conduct.

This Code outlines Zargon’s expectations and guidelines in the conduct of its business. It applies to all employees, officers, consultants (collectively referred to as “staff”) and directors. Also, our business partners and suppliers are expected to conduct their business activities with Zargon in accordance with applicable laws, rules and regulations and this Code.

Violation of this Code may result in disciplinary actions up to and including termination in the case of a director, officer or employee or termination of the consulting contract in the case of a consultant.

Compliance with Laws and Regulations

Zargon will conduct its business in compliance with all applicable laws, regulations and other legal requirements. Violations or potential violations of laws, rules and regulations must be reported immediately in accordance with Zargon’s Investigations Policy.

Conflict of Interest

A conflict of interest occurs when an individual’s private interest interferes, or may appear to interfere, in any way with the interests of Zargon. A conflict of interest may occur where involvement in an activity prevents or could be perceived to prevent the proper performance of staff or director duties for Zargon. Conflicts of interest also arise when staff or a director, or a member of his or her family, receives improper personal benefits as a result of his or her position at Zargon. Loans to, or guarantees of obligations of, such persons are likely to pose conflicts of interest, as are transactions of any kind between Zargon and any other organization in which staff or directors and their families have a material interest.

Activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by the Audit Committee. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to a senior officer or the Chairman of the Audit Committee.

Zargon is engaged in the oil and gas business. In general, the private investment activities of staff and directors are not prohibited, however, should an existing investment pose a conflict of interest, the conflict should be disclosed to either the President or in the case of directors, to the Board of Directors. Any other activities of staff or directors which pose a conflict of interest should be disclosed to either the President or Board of Directors.

It is acknowledged that staff and directors may be directors or officers of other entities engaged in the oil and gas business and that such entities may compete directly or indirectly with Zargon. Passive investments in public or private entities of less than one per cent of the outstanding shares will not be viewed as “competing” with Zargon. Any staff member or director of Zargon who is actively engaged in the management of, or who owns an investment of one percent or more of the outstanding shares, in public or private entities shall disclose such holding to the President (in the case of staff members) or Board of Directors (in the case of directors). In the event that any circumstance should arise as a result

of such positions or investments being held which in the opinion of the President or Board of Directors constitutes a conflict of interest which reasonably affects such person's ability to act with a view to the best interests of Zargon, the President or Board of Directors will take such actions as are reasonably required to resolve such matters with a view to the best interests of Zargon. Such actions, without limitation, may include excluding such staff or directors from certain information or activities of Zargon.

Corporate Opportunities

Staff and directors are prohibited from taking for themselves personally opportunities that arise through the use of Zargon property, information or position and from using Zargon property, information or position for personal gain.

Confidentiality

Confidential information includes all non-public information that may be of use to competitors, or could be harmful to Zargon or its customers if disclosed. It also includes information that suppliers, partners and customers have entrusted to us.

Staff and directors must maintain the confidentiality of information entrusted to them by Zargon or that otherwise comes into their possession in the course of their duties, except when disclosure is authorized or legally mandated. This obligation continues in effect even beyond termination of employment, contracts or Board of Director appointments with Zargon.

Taking advantage of, or benefiting from, information obtained at work that is not available to the public is not permitted. Friends, relatives or associates must not benefit from such information. Acquiring or disposing of any business interest, including publicly traded securities, whether directly or through another person, where "insider" information relating to that interest is known and not yet publicly disclosed is prohibited.

Staff and directors should refer to Zargon's Disclosure Policy for further guidance related to the process of disclosure and insider trading guidelines.

Privacy

In conducting our business, Zargon needs to maintain records and information about its employees, contractors, vendors, landowners, unitholders and other business associates. We value and respect the rights of these individuals to personal privacy. We collect and use only information that is necessary for us to administer our business effectively, efficiently, safely and reliably. This information is only for the appropriate internal use of Zargon and will not be shared or used for other purposes unless permitted or required by law.

Protection and Proper use of Assets

Zargon's assets such as information, data, office equipment, tools, vehicles, supplies, facilities and services must only be used for legitimate business purposes. Company assets may never be used for illegal purposes.

Accuracy of Company Records and Reporting

Honest and accurate recording and reporting of information is critical to our ability to make responsible business decisions and to fulfill our responsibility as stewards of Zargon's assets. Zargon's accounting

records are relied upon to produce reports for management, unitholders, creditors, governmental agencies and others. Our financial statements and the books and records on which they are based must accurately reflect all corporate transactions and conform to all legal and accounting requirements and our system of internal controls.

All transactions must be:

- a) Executed in compliance with documented controls and policies,
- b) Recorded in accordance with Generally Accepted Accounting Principles (GAAP). Where GAAP is not fully developed, transactions should be recorded with the goal of accurate and complete disclosure, which is reasonable and fair.

All staff and directors have a duty to submit in good faith questions and concerns regarding questionable accounting, auditing or disclosure matters or controls. Submissions about these or similar matters must be reported in accordance with Zargon's Investigations Policy.

No information may be concealed from Zargon's external auditors, independent reserve engineers, Board of Directors, the Audit Committee or the Reserves Committee. It is illegal to fraudulently influence, coerce, manipulate or mislead an external auditor who is auditing Zargon's financial statements or an independent reserves engineer who is preparing reserve evaluations for Zargon.

Fair Dealing

All staff and directors should endeavor to deal fairly with Zargon's customers, contractors, suppliers, competitors and employees, and must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Political Activities and Contributions

We respect the right of our staff and directors to become involved in political activities as long as these activities are on their own behalf. However, these activities should not involve the use of Zargon resources. Staff and directors will not be reimbursed for personal political contributions.

Zargon will not participate in any improper intervention in political process. Zargon may express views on issues that affect its operations and in that case, funds and resources may be used, but only when permitted by law and with the authorization of the Chief Executive Officer.

Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to develop and foster goodwill among business partners. However, accepting gifts and entertainment can cause problems when they compromise, or appear to compromise, the ability to make fair and objective business decisions. Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided.

The value of gifts, given and received, should be nominal with respect to frequency and amount. Gifts that are repetitive (no matter how small) may be perceived as an attempt to create an obligation to the

giver and are therefore inappropriate. If you are having difficulty determining whether a specific gift or entertainment item lies within the bounds of acceptable business practice, ask yourself these guiding questions:

- Is it legal?
- Is it clearly business related?
- Is it moderate, reasonable, and in good taste?
- Would public disclosure embarrass Zargon?
- Is there any pressure to reciprocate or grant special favors?

If you are still unsure about the appropriateness of a specific gift or entertainment item, please consult with a senior officer.

Strict rules apply when we do business or have contact with governmental agencies and officials, whether in Canada or in other countries. Because of the sensitive nature of these relationships, the approval of the Chief Executive Officer is required before making any gifts or hospitality to governmental employees.

Discrimination and Harassment

We value the diversity of our staff and directors. We are committed to providing equal opportunity in all aspects of employment. Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Staff are encouraged to speak out when a co-worker's conduct makes them uncomfortable, and to report harassment when it occurs.

Environment, Safety and Health

We are all responsible for maintaining a safe workplace by following safety and health rules and practices. Zargon is committed to keeping its workplace free from hazards. Please report any accidents, injuries, unsafe equipment, practices or conditions immediately to a supervisor or other designated person. If at any time a staff member feels that there is a safety risk, that person has a right and the obligation to stop work and report the safety risk.

In order to protect the safety of all staff, staff must report to work free from the influence of any substance that could prevent them from conducting work activities safely and effectively. Staff and directors should refer to Zargon's Safety Policy for further guidance.

Zargon will strictly comply with all environmental legislation in all aspects of our work. Zargon will monitor its environmental performance and will look for ways to reduce and prevent waste, emissions, spills and other releases from our operations so as to reasonably minimize, wherever possible, our impact on the environment.

Use of Computers

Computers and related e-mail and internet access are provided to assist staff in doing their work. Incidental and occasional personal use is permitted, but never for personal gain or improper use. You may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, ethnic or racial slurs, or

any other message that could be viewed as harassment. Zargon reserves the right, within applicable law, to monitor e-mail and internet usage.

Your messages (including voice mail) and computer information are considered Zargon's property and you should not have any expectation of privacy. Unless prohibited by law, Zargon reserves the right to access and disclose this information as necessary for business purposes. Use good judgment, and do not access, send messages or store any information that you would not want to be seen or heard by other individuals.

Reporting of Violations

Violations or potential violations of laws, rules, regulations and this policy must be reported in accordance with Zargon's Investigations Policy.

Waivers and Amendments

Waivers and amendments of this Code for staff and directors will be made only by the Board of Directors and will be publicly disclosed to the extent required by law, rule or securities exchange requirements.