

ZARGON ENERGY TRUST
DISTRIBUTION REINVESTMENT PLAN

PURPOSE

The Distribution Reinvestment Plan (the "**Plan**") of Zargon Energy Trust (the "**Trust**") provides eligible holders ("**Unitholders**") of trust units ("**Units**") of the Trust with the advantage of accumulating additional Units by reinvesting their cash distributions ("**Distributions**").

Zargon Oil & Gas Ltd. (the "**Administrator**"), as the Administrator of the Trust, will determine prior to each Distribution Payment Date (as defined below) the amount of Units, if any, that will be made available under the Plan on that date. No assurances can be made that Units will be made available on a regular basis, or at all.

At the discretion of the Administrator, Units will either be issued from treasury at 95 percent of the Average Market Price (as defined below) or acquired at prevailing market rates with no discount. Generally, the Trust expects to issue Units from treasury at a discount to satisfy the distribution reinvestment component of the Plan.

Unless otherwise announced by the Trust, Unitholders who are not residents of Canada are not entitled to participate, directly or in directly, in the Plan.

DEFINITIONS

In this Plan:

"**Administrator**" means Zargon Oil & Gas Ltd., in its capacity as Administrator of the Trust;

"**Authorization Form**" means an authorization form, approved by the Trust in consultation with the Plan Agent, to be completed by a Unitholder to participate in the Plan;

"**Average Market Price**" means, in respect of a particular Distribution Payment Date, the arithmetic average of the daily volume weighted average closing trading price of the Units (calculated to four decimal places) on the TSX for the trading days in the Trading Period on which at least one board lot of Units is traded, as adjusted for certain events as set forth under "*Price of Units*" below;

"**Calgary time**" means Mountain Standard Time;

"**CDS**" refers to The Canadian Depository for Securities Limited, which acts as a nominee for certain Canadian brokers, investment dealers, financial institutions and other Nominees, or its nominee or successor, as applicable;

"**CDS Participant**" refers to a broker, investment dealer, financial institution or other Nominee in its capacity as a participant in the CDS depository service, who holds Units registered in the name of CDS on behalf of or for the account of eligible beneficial owners of Units and who is acting on behalf of such beneficial owners with respect to participation in the Plan;

"**Distribution Payment Date**" refers to the date of the payment of a Distribution;

"**Distribution Record Date**" refers to the record date in respect of a Distribution;

"**Nominee**" refers to a broker, investment dealer, financial institution or other Nominee who holds Units registered in its own name on behalf of an eligible beneficial owner of Units;

"Participant" means an eligible registered holder of Units who, on the applicable Distribution Record Date, is enrolled in the Plan (provided that a reference to a Participant shall only refer to CDS to the extent CDS has enrolled in the Plan on behalf of eligible beneficial owners of Units and to Nominees to the extent such Nominees have enrolled in the Plan on behalf of eligible beneficial owners of Units);

"Plan Agent" means Valiant Trust Company, its successors or assigns, or such other trust company as is appointed by the Trust from time to time to act as Plan Agent under the Plan;

"Price of Units" has the meaning ascribed thereto in the section of this Plan entitled *"Price of Units"*;

"Trading Period" means the five (5) consecutive trading days immediately prior to the applicable Distribution Payment Date;

"TSX" means the Toronto Stock Exchange; and

"Withdrawal Form" means a withdrawal request form, approved by the Trust in consultation with the Plan Agent, to be completed by a Unitholder to withdraw Units from or terminate its participation in the Plan.

As used herein, words importing the singular number also shall include the plural and vice versa and words importing gender shall include all genders.

ADVANTAGES

The Plan provides eligible Unitholders with the advantage of acquiring additional Units at potentially lower prices by reinvesting their distributions without paying any commissions, service charges or brokerage fees. An eligible Unitholder may, by enrolling in the Plan, direct that cash distributions on all Units registered in the name of such Unitholder, together with existing cash distributions on Units held for the account of such Unitholder under the Plan, be applied to the purchase of additional Units, and may elect to have the additional Units held for the account of such Unitholder under the Plan. Units will, in the discretion of the Administrator, either be issued from treasury at 95 percent of the Average Market Price (the **"Discount"**) or acquired at prevailing market rates.

Additional Units which are purchased pursuant to the Plan will be purchased by the Plan Agent, who acts on behalf of the Participants. Where a Participant directs that additional Units be purchased with the distributions on the Participant's existing Units, the Plan Agent will hold the additional Units under the Plan for the account of the Participant.

Distributions paid on additional Units purchased with reinvested distributions that are held under the Plan will automatically be reinvested in additional Units in accordance with the Plan and the current election of the Participant.

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Units under the Plan. Full investment of funds is possible because the Plan permits fractions of Units (to four decimal places) as well as whole Units to be credited to Participants' accounts.

The Plan Agent, on behalf of Participants, will acquire Units pursuant to the Plan. The Units purchased will be held under the Plan for the account of participating Unitholders.

Beneficial owners of Units who wish to participate in the Plan should consult their Nominee who holds their Units to enquire as to what fees (if any) their Nominee may charge to enroll or participate in the Plan on their behalf. See *"Enrollment – Beneficial Holders"*.

Although the Trust is not permitted to issue fractions of Units, full reinvestment of Distributions is possible because the Plan permits a fractional interest in a whole Unit (to four decimal places) for any amount that cannot be reinvested as a whole Unit to be credited to a Participant's account.

ADMINISTRATION

Valiant Trust Company has been appointed as Plan Agent under the Plan for and on behalf of Participants. If Valiant Trust Company ceases to act as Plan Agent for any reason, another qualified trust company will be designated by the Administrator to act as Plan Agent and Participants will be promptly notified of the change.

On each Distribution Payment Date, the Trust will pay to the Plan Agent all cash distributions made on the Units registered in the name of, or held under the Plan for the account of, Participants who have enrolled in the Plan. Subject to proration described below under the heading "*Determination of Availability of Units*", the Plan Agent will use such funds, to purchase additional Units. The Units (including fractions of Units computed to four decimal places) will be credited to the applicable Participants' accounts.

Distributions in respect of Units that are held under the Plan by the Plan Agent for the account of a Participant are automatically reinvested in Units in accordance with the Plan. Units purchased under the Plan by CDS Participants on behalf of beneficial holders of Units will not be held under the Plan by the Plan Agent but will instead be credited to the accounts of such CDS Participants (and the underlying beneficial Unitholders) through CDS.

Under the Plan, the Plan Agent will purchase (at the express direction of the Administrator), on each Distribution Payment Date, for each Participant's account the additional Units, including fractions computed to four decimal places in the following manner, at the Administrator's election:

- (a) in the case of a market purchase, the average of the actual price paid (excluding brokerage commissions, fees and transaction costs) per Unit by the Plan Agent on the TSX (or applicable market) during the three (3) Business Days following the Distribution Payment Date; or
- (b) in the case of a treasury purchase, the Average Market Price.

Any reinvestment of distributions will, at the discretion of the Administrator, either be purchased from treasury or invested in additional Units purchased through the market.

All funds received by the Plan Agent under the Plan will be applied to the purchase of additional Units on behalf of Participants. In no event will interest be paid to Participants on any funds held for reinvestment under the Plan.

ENROLLMENT

Registered Holders

Eligible registered Unitholders (other than CDS) may enroll in the Plan at any time by delivering to the Plan Agent a duly completed and signed Authorization Form in the form provided by the Trust for this purpose.

CDS will provide separate instructions to the Plan Agent regarding the extent of its participation in the Plan on behalf of beneficial owners of Units.

The Authorization Form or CDS instructions, as the case may be, will direct (or be deemed to direct, as applicable) the Plan Agent to reinvest on a Participant's behalf all Distributions payable in respect of Units registered in the Participant's name or held for the Participant's account under the Plan in additional Units in accordance with and subject to the provisions of the Plan.

An Authorization Form must be received by the Plan Agent no later than 3:00 p.m. Calgary time on the business day prior to a Distribution Record Date in order to take effect on the Distribution Payment Date to which the Distribution Record Date relates. If an Authorization Form is received by the Plan Agent from a registered Unitholder after that time, the Authorization Form will only take effect on the next following and

subsequent Distribution Record Date. CDS instructions must be received by the Plan Agent by such deadline as may be agreed between CDS and the Plan Agent.

An Authorization Form may be obtained from the Plan Agent at any time upon request or from the Trust's website at www.zargon.ca.

Beneficial Holders

Beneficial owners whose Units are registered in the name of CDS or another person (such as a Nominee) may participate in the Plan only if they (i) transfer their Units into their own name and then enroll in the Plan directly, or (ii) arrange for the applicable CDS Participant or other Nominee to enroll in the Plan on their behalf. **Beneficial owners of Units registered in the name of CDS or a Nominee may not directly enroll in the Plan.**

Where an eligible beneficial owner of Units wishes to enroll in the Plan through a CDS Participant in respect of Units registered in the name of CDS, appropriate instructions must be received by CDS from the applicable CDS Participant no later than such deadline preceding a Distribution Record Date as CDS may set from time to time in order to take effect on the Distribution Payment Date to which the Distribution Record Date relates. If such instructions are received by CDS after that time, such instructions will not take effect until the next following Distribution Record Date. CDS Participants holding Units on behalf of eligible beneficial owners of Units registered in the name of CDS must arrange for CDS to enroll in the Plan on behalf of such beneficial owners of Units in respect of each Distribution Payment Date.

Eligible beneficial owners of Units should contact their Nominee who holds their Units to provide instructions regarding their participation in the Plan.

Once a Participant (other than CDS) has enrolled in the Plan, participation in the manner elected by the Participant continues automatically until the Plan is terminated by the Administrator or until such participation in the Plan is terminated by the Participant or the Administrator. See "*Termination of Participation*" and "*Amendment, Suspension or Termination of the Plan*" below.

UNITHOLDERS OUTSIDE OF CANADA

Unless otherwise announced by the Trust, Unitholders who are not residents of Canada are not entitled to participate, directly or indirectly, in the Plan.

The Administrator and the Plan Agent reserve the right to deny participation in the Plan to any person or agent of any person who appears to be or who the Administrator or the Plan Agent has reason to believe is subject to the laws of any jurisdiction which do not permit participation in the Plan in the manner sought by such person. In such circumstances, the Administrator or Plan Agent may require as a condition to participation or continued participation, that the Unitholder provide a declaration satisfactory to the Administrator that the person is not a non-resident of Canada. See "*Termination of Participation*" below.

The Trust and the Administrator reserve the right to determine, from time to time, a minimum number of Units that a Unitholder must hold in order to be eligible for, or continue to be enrolled in, the Plan. The Trust and the Administrator reserve the right to refuse participation to, or cancel participation of, any person who, in the opinion of either the Trust or the Administrator, is participating in the Plan primarily with a view to arbitrage trading.

DETERMINATION OF AVAILABILITY OF UNITS

The Administrator will determine, prior to each Distribution Payment Date, the amount of Units, if any, that will be made available for issuance under the Plan from treasury of the Trust on that Distribution Payment Date and the Administrator will also determine if additional Units will be purchased on the market. While it is the Trust's general expectation to issue Units from treasury at

a discount to satisfy the distribution reinvestment component of the Plan, no assurances can be made that Units will be made available for issuance from treasury on a regular basis, or at all or whether Units will be purchased on the market. No assurances can be made that if the determination is made to purchase additional Units on the market that a sufficient number of additional Units will be available for purchase on the market. In such an event, distributions will be paid out in cash.

If, in respect of any Distribution Payment Date, the amount of Unitholders equity issuable on the reinvestment of Distributions under the Plan exceeds the limit, if any, on new equity available as may be set by the Administrator, then the available equity will be prorated among all Participants according to the relative number of their Units under the Plan.

If the Administrator determines not to issue Units through the Plan on a particular Distribution Payment Date, and if the Administrator has instructed the Plan Agent not to otherwise purchase Units on the market at prevailing market prices in accordance with the Plan, or if the market Units are unavailable during the three (3) day market buy; all Participants will receive the cash distribution to which they would otherwise be entitled to on such Distribution Payment Date which will not be reinvested in the Plan as a result of such determination.

PRICE OF UNITS

Distributions due to Participants will be paid to the Plan Agent and will be applied to the purchase of Units.

Subject to the restrictions on the acquisition of additional Units described herein, additional Units may be acquired, at the election of the Administrator, either from treasury or through the facilities of the TSX or other exchanges on which the Units may be listed for trading. Additional Units can be acquired through the facilities of the TSX or other exchanges on which the Units may be listed for trading at any time during the three (3) business day period following the relevant distribution payment date at prevailing market rates not exceeding 115 percent of the volume weighted average trading price. At the discretion of the Administrator, additional Units may be issued from treasury, at a price equal to 95 percent of the Average Market Price or the Administrator may purchase additional Units through the facilities of the TSX or other exchanges on which the Units may be listed for trading.

The Average Market Price will be appropriately adjusted for any subdivision, consolidation or similar pro rata change in the number of outstanding Units into a greater or lesser number of Units, any reclassification of Units into other securities of the Trust, or any issue of Units or other securities or assets of the Trust (other than distributions in the ordinary course) to the holders of all or substantially all of the then outstanding Units, the effective date of which or the record date for which falls within the 10-day period for which the Average Market Price is calculated.

COSTS

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of Units from treasury under the Plan. All administrative costs of the Plan will be paid by the Trust.

Beneficial holders of Units who wish to participate in the Plan should consult their Nominee, who holds their Units, to confirm what fees (if any) such Nominee may charge to enroll or participate in the Plan on their behalf. See "*Enrollment – Beneficial Holders*".

ACCOUNTS AND REPORTS TO PARTICIPANTS

An account will be maintained by the Plan Agent for each Participant with respect to purchases of Units under the Plan for the account of such Participant. An unaudited statement regarding purchases under the Plan will be mailed on a quarterly basis to each Participant who is a registered holder of Units. These

statements are a Participant's continuing record of purchases of Units made on behalf of such Participant pursuant to the Plan and should be retained for income tax purposes.

Unitholders are responsible for calculating and monitoring their own adjusted cost base in Units for income tax purposes, as certain averaging rules may apply and such calculations may depend on the cost of other Units held by a Unitholder.

Beneficial owners of Units who are enrolled in the Plan through a Nominee may or may not be provided with such reports or forms from their Nominee.

CERTIFICATES FOR UNITS

Units purchased and held under the Plan by the Plan Agent will be registered in the name of the Plan Agent, or its nominee, or recorded in accounts designated by the Plan Agent, for the account of the Participants. Certificates for whole Units will be issued to Participants only if the Plan is terminated by the Trust, participation in the Plan is terminated by a Participant or by the Administrator, or a Participant withdraws all or some of its Units held by the Plan Agent for the Participants from its account under the Plan. Certificates will only be issued in the name of the applicable Participant and will only be issued for whole Units.

A Participant who is a registered holder of Units may, upon written request to the Plan Agent and without terminating its participation in the Plan, have a certificate issued in such Participant's name for any number of whole Units held by the Plan Agent under the Plan for the account of such Participant. Any Units (including any fraction of a Unit) remaining in a Participant's account will continue to be held by the Plan Agent under the Plan for the account of such Participant.

DISPOSITION OF UNITS HELD UNDER THE PLAN

Units held by the Plan Agent under the Plan for the account of a Participant may not be sold, pledged or otherwise disposed of by the Participant while so held. Participants who wish to sell, pledge or otherwise dispose of any Units held by the Plan Agent under the Plan for their account will first be required to request that a certificate representing such Units be issued in their name by the Plan Agent.

TERMINATION OF PARTICIPATION

A Participant may voluntarily terminate its participation in the Plan by delivering to the Plan Agent, not less than 10 business days prior to a Distribution Record Date, by completing the termination portion of the Withdrawal Request Form indicating termination from the Plan or by completing the applicable portion of the DRIP statement received from the Plan Agent. A certificate for the number of whole Units held by the Plan Agent under the Plan for the account of such Participant will be issued to, and in the name of, such Participant, together with a cheque for the value of any remaining fraction of a Unit held for the account of such Participant (based on the Average Market Price of Units used for the immediately preceding Distribution Payment Date). Any fraction of a Unit held for the account of such Participant will be cancelled in exchange for such cash payment.

Participation in the Plan of a Participant will be terminated automatically in the event that a Participant ceases to be a resident of Canada for the purposes of the *Income Tax Act* (Canada), as amended from time to time (the "**Tax Act**"), and a Participant must deliver to the Plan Agent a written notice stating the occurrence of such event. A certificate for the number of whole Units held by the Plan Agent under the Plan for the account of such Participant will be issued in the name of such Participant, together with a cheque for the value of any remaining fraction of a Unit held for the account of such Participant (based on the Average Market Price of Units used for the immediately preceding Distribution Payment Date). Any fraction of a Unit held for the account of such Participant will be cancelled in exchange for such cash payment. To the extent that a Participant ceases to be a resident of Canada, Distributions will be subject to applicable non-resident withholding tax.

Participation in the Plan will be terminated automatically following receipt by the Plan Agent of a written notice and sufficient evidence of the death of a Participant. A certificate for the number of whole Units held by the Plan Agent under the Plan for the account of such deceased Participant will be issued in the name of such deceased Participant or the deceased Participant's estate, as applicable, together with a cheque for the value of any remaining fraction of a Unit held for the account of such deceased Participant (based on the Average Market Price of Units used for the immediately preceding Distribution Payment Date). Any fraction of a Unit held for the account of such deceased Participant will be cancelled in exchange for such cash payment.

A notice of termination, notice of non-residence or a notice of a Participant's death will take effect upon receipt of such notice by the Plan Agent unless such notice is received by the Plan Agent after 3:00 p.m. Calgary time on the business day immediately preceding a Distribution Record Date and prior to 3:00 p.m. Calgary time on the Distribution Payment Date to which the Distribution Record Date relates. If a notice of termination, or notice of a Participant's death, is received by the Plan Agent during such period, then the Participant's account will not be closed, and participation in the Plan will not be terminated, until after the Distribution Payment Date to which such Distribution Record Date relates.

Beneficial owners of Units who are enrolled in the Plan through a Nominee and who wish to terminate their participation in the Plan must so advise their Nominee who will terminate participation in the Plan on behalf of the beneficial owner.

RISK OF MARKET PRICE FLUCTUATIONS

Participants should recognize that Units acquired under the Plan are no different from an investment in Units directly held. Accordingly, neither the Trust, the Administrator nor the Plan Agent can assure a profit or protect Participants against a loss on the Units purchased under the Plan.

RIGHTS OFFERING

In the event that the Trust makes available to its Unitholders rights to subscribe for additional Units or other securities, rights certificates will be issued by the Trust to each Participant in respect of whole Units held in a Participant's account under the Plan on the record date for such rights issue.

Rights issuable on a fraction of a Unit held for a Participant's account will be sold for such Participant by the Plan Agent and the net proceeds of such sale paid to the Participant.

SUBDIVISIONS

In the event of a subdivision, consolidation or similar pro rata change in the number of outstanding Units into a greater or lesser number of Units, the Plan Agent will proportionately credit or debit the account of each Participant maintained under the Plan according to the number of Units held for the account of that Participant prior to the effective time of the subdivision, consolidation or similar change.

UNITHOLDER VOTING

Whole Units held under the Plan by the Plan Agent for a Participant's account on the record date for a vote of Unitholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant by the Plan Agent. Units for which voting instructions are not received will not be voted. No voting rights will attach to any fraction of a Unit held for a Participant's account under the Plan.

RESPONSIBILITIES OF THE TRUST, THE ADMINISTRATOR AND THE PLAN AGENT

None of the Trust, the Administrator or the Plan Agent nor any of their respective trustees, directors, officers, unitholders, shareholders or representatives will be liable to any registered or beneficial Unitholder

or to CDS or any CDS Participant or Nominee for any act or omission or for any failure to act in connection with the operation of the Plan including without limitation any claims or liability:

- (a) relating to the prices and times at which Units are purchased under the Plan for the account of a Participant;
- (b) with respect to decisions by the Trust or the Administrator to raise or not raise equity through the Plan in any given month, or the amount of equity raised, if any; and
- (b) arising out of a prorating, for any reason, of the number of Units that may be acquired by a Participant under the Plan, in the circumstances described herein;
- (c) relating to any decision to amend, suspend, terminate or replace the Plan in accordance with the terms herein;
- (d) arising out of the involuntary termination of a Unitholder's enrollment in the Plan in the circumstances described herein; and
- (e) relating to the income or other tax considerations to a Unitholder of enrolling in and acquiring beneficial ownership of Units issued pursuant to the Plan.

Participants and beneficial owners of Units should recognize that none of the Trust, the Administrator or the Plan Agent can assure a profit or protect them against a loss on the Units purchased under the Plan.

Unitholders should also be aware that certain brokers, investment dealers, financial institutions or other nominees may not allow participation in the Plan, and neither the Trust nor the Plan Agent is responsible for monitoring or advising which brokers, investment dealers, financial institutions or other nominees allow participation.

AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Administrator reserves the right to amend or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice the interests of the Unitholders. In the event that the Administrator amends the Plan, no written notice of any such amendment will be sent to Participants unless the interests of Participants are, in the opinion of the Administrator, materially prejudiced as a result of such amendment. Generally, no notice will be given to Participants regarding any amendments to the Plan intended to cure, correct or rectify any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions. Any amendments to the Plan must be pre-cleared and approved by the TSX.

In the event that the Administrator terminates the Plan, all Participants will be sent written notice of such termination and the Plan Agent will send to each Participant a certificate for whole Units held for the Participant's account under the Plan and a cheque for the value of any remaining fraction of a Unit in such Participant's account (based on the Average Market Price of Units used for the immediately preceding Distribution Payment Date). Any fractional interest in a Unit held for the account of such Participant will be cancelled in exchange for such cash payment. In the event that the Trust terminates the Plan, no investment will be made by the Plan Agent on the Distribution Payment Date immediately following the effective date of such termination, and any Distributions paid after the effective date of such termination that would, but for the termination, be reinvested under the Plan, will be paid to the Participants.

INTERPRETATION

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined exclusively by the Trust and the Administrator.

NOTICES

All notices or other documents required to be given to Participants under the Plan, including certificates for Units and cheques, shall be mailed to Participants who are registered holders of Units at their address as shown in the register of Unitholders maintained by the registrar and transfer agent of the Trust or to Participants which are CDS Participants at their address as shown in the accounts or other records maintained by the Plan Agent in respect of CDS Participants.

Notices to the Plan Agent shall be sent to:

Valiant Trust Company
310, 606 – 4th Street S.W.
Calgary, Alberta T2P 1T1

Attention: Manager, Income Trusts
Telephone: (403) 233-2801
Fax: (403) 233-2857

Notices to the Trust or the Administrator shall be sent to:

Zargon Energy Trust
c/o Zargon Oil & Gas Ltd., as Administrator of the Trust
700, 333 – 5th Avenue S.W.
Calgary, AB T2P 3B6

Attention: Executive Vice President and Chief Financial Officer
Fax: (403) 265-3026

NOTICES TO UNITHOLDERS

All notices or other documents to be given to Participants pursuant to or in connection with the Plan, including Unit certificates and cheques, will be mailed to Participants at the addresses as shown on the records of the Plan Agent.

EFFECTIVE DATE:

The effective date of the Plan is April 9, 2010.