

ZARGON ENERGY TRUST

**Notice of
Annual Meeting of Unitholders
to be held on Wednesday, April 23, 2008**

The Annual Meeting of the unitholders of Zargon Energy Trust will be held in the Strand/Tivoli Room of the Metropolitan Conference Centre, 333 - 4th Avenue SW, Calgary, Alberta on Wednesday, April 23, 2008 at 3:00 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2007, together with the report of the auditors;
2. fix the number of directors of Zargon Oil & Gas Ltd. to be elected at the meeting at eight members;
3. elect eight directors of Zargon Oil & Gas Ltd.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such;
5. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the information circular - proxy statement accompanying this notice.

If you are unable to attend the meeting in person we request that you date and sign the enclosed form of proxy and mail it to or deposit it with Valiant Trust Company, Suite 310, 606 – 4th Street SW, Calgary, Alberta T2P 1T1. In order to be valid and acted upon at the meeting, forms of proxy must be returned to the aforesaid address not less than 24 hours before the time for holding the meeting or any adjournment thereof.

Only unitholders of record at the close of business on March 19, 2008 will be entitled to vote at the meeting, unless that unitholder has transferred any units subsequent to that date and the transferee unitholder, not later than 10 days before the meeting, establishes ownership of the units and demands that the transferee's name be included on the list of unitholders.

DATED at Calgary, Alberta this 19th day of March, 2008.

By order of the Board of Directors of
Zargon Oil & Gas Ltd.

(signed) Craig H. Hansen
President and Chief Executive Officer

ZARGON ENERGY TRUST

Information Circular - Proxy Statement
for the Annual Meeting to be held on April 23, 2008

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at our Annual Meeting of the unitholders of Zargon Energy Trust to be held on Wednesday, April 23, 2008 in the Strand/Tivoli Room of the Metropolitan Conference Centre, 333 - 4th Avenue SW, Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 310, 606 - 4th Street SW, Calgary, Alberta T2P 1T1, not less than 24 hours before the time for holding the meeting or any adjournment thereof. Only unitholders of record at the close of business on March 19, 2008 will be entitled to vote at the meeting, unless that unitholder has transferred any trust units subsequent to that date and the transferee unitholder, not later than 10 days before the meeting, establishes ownership of the trust units and demands that the transferee's name be included on the list of unitholders.

We have two outstanding types of securities that entitle holders to vote generally at meetings of unitholders being trust units and special voting units. Each trust unit outstanding on the record date is entitled to one vote. A single special voting unit was issued to Valiant Trust Company as trustee under a voting and exchange trust agreement for the benefit of holders of exchangeable shares issued by our subsidiary, Zargon Oil & Gas Ltd. ("Zargon") in connection with a plan of arrangement which was effective July 15, 2004. This special voting unit is entitled to the number of votes equal to the number of trust units for which each exchangeable share is exchangeable into on the record date. The trust units and the special voting units vote together as a single class on all matters. Valiant Trust Company is required to vote the special voting units in the manner that holders of exchangeable shares instruct, and to abstain from voting on the exchangeable shares for which Valiant Trust Company does not receive instructions.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed form of proxy are officers of Zargon. **As a unitholder you have the right to appoint a person, who need not be a unitholder, to represent you at the meeting.** To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.

Advice to Beneficial Holders of Trust Units

The information set forth in this section is of significant importance to you if you do not hold your trust units in your own name. Only proxies deposited by unitholders whose names appear on our records as the registered holders of trust units can be recognized and acted upon at the meeting. If trust units are listed in your account statement provided by your broker, then in almost all cases those trust units will not be registered in your name on our records. Such trust units will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such trust units are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms. Trust units held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your trust units.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should

carefully follow in order to ensure that your units are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered unitholders. However, its purpose is limited to instructing the registered unitholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Corporation ("Broadridge"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number to vote your units. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of units to be represented at the meeting. If you receive a voting instruction form from Broadridge it cannot be used as a proxy to vote trust units directly at the meeting as the proxy must be returned to Broadridge well in advance of the meeting in order to have the trust units voted.

Voting By Holders Of Exchangeable Shares

Valiant Trust Company holds one special voting unit. The special voting unit is entitled to a number of votes at the meeting equal to the aggregate number of outstanding exchangeable shares. Each holder of exchangeable shares is entitled to give Valiant Trust Company voting instructions for a number of votes equal to the number of that holder's exchangeable shares. A voting direction is the means by which a holder of exchangeable shares may authorize the voting of your voting rights at the meeting. Valiant Trust Company will exercise each vote only as you directed on the voting direction. In the absence of your instructions to voting, Valiant Trust Company will not exercise your votes. You may also instruct Valiant Trust Company to give a proxy entitling your designee of the holder to vote personally the relevant number of votes or to grant to our management a proxy to vote those votes. The procedures for holders of exchangeable shares to instruct Valiant Trust Company about voting at the meeting are explained in the "Voting Direction for Holders of Exchangeable Shares" that has been provided to holders of exchangeable shares with this information circular – proxy statement.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy attends personally at the meeting you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at our head office at any time up to and including the last business day before the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefore.

Exercise of Discretion by Proxy

The trust units represented by proxy in favour of management nominees will be voted on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon the trust units will be voted on any poll in accordance with the specification so made. If you do not provide instructions your trust units will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of trust units and an unlimited number of special voting units without nominal or par value which may be issued for such consideration as may be determined by resolution of the board of directors. As at March 19, 2008, there were 17,676,461 trust units and one special voting unit, entitled to a total of 2,734,249 votes. As a holder of trust units you are entitled to one vote for each trust unit you own. As a holder of exchangeable shares you are effectively entitled to 1.32753 votes for each exchangeable share you own. As at March 19, 2008, there were 2,059,652 exchangeable shares issued and outstanding which are effectively entitled to 2,734,249 votes.

To the best of the knowledge of our directors and executive officers, as at March 19, 2008, the following persons or companies beneficially own, or control or direct, directly or indirectly, trust units or exchangeable shares entitled to more than 10% of the votes which may be cast at the meeting:

Name	Number of Trust Units Beneficially Owned or Controlled or Directed	Percentage of Issued and Outstanding Trust Units ⁽¹⁾
Sentry Select Capital Corp.	2,296,362	11.25%

Notes:

- (1) The percentage of issued and outstanding trust units includes trust units issuable upon exchange of exchangeable shares. As at March 19, 2008, this information not being within our knowledge, has been obtained from an alternative monthly report dated January 10, 2008 and filed on SEDAR.

As at March 19, 2008, our directors and officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 832,707 trust units or approximately 4.7% of the issued and outstanding trust units, 919,070 exchangeable shares or approximately 44.6% of the issued and outstanding exchangeable shares or approximately 10.1% of the votes to be cast at the meeting.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

Directors will be elected at the meeting. Our board of directors presently consists of nine members. It is proposed that the board of directors will be fixed at eight members and the persons referred to below will be nominated at the meeting. Each director elected will hold office until the next annual meeting, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors at eight members, and in favour of the election as directors of the eight nominees set forth below:

Craig H. Hansen	Margaret A. McKenzie
K. James Harrison	Jim Peplinski
Kyle D. Kitagawa	J. Graham Weir
John O. McCutcheon	Grant A. Zawalsky

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy shall not be voted with respect to such vacancy.

The following information relating to the nominees as directors is based partly on our records and partly on information received by us from the nominees, and sets forth the names, ages and cities of residence of all persons proposed to be nominated for election as our directors, their committee memberships, the date on which each became a director of us (or a predecessor of us), the present occupations and brief biographies of such persons, and the number of our securities owned, controlled or directed, directly or indirectly, by each and the number of trust unit incentive rights held as at March 19, 2008 in respect of 2007 and as of March 19, 2007 in respect of 2006:

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights ⁽¹⁾ \$	
			2007	2006	2007	2006	2007	2006
K. James Harrison Oakville, Ontario	47	1995	47/ 24,727	7/ 25,637	27,300	13,300	\$702,666	\$797,439



Mr. Harrison is our Chairman. He is the founder of K.J. Harrison & Partners Inc., a private client investment management firm in Toronto, Ontario. Prior to 2000, he was the Vice-Chairman and Chief Executive Officer of Connor Clark Ltd.

Mr. Harrison is a LL.B., M.B.A. Graduate of the University of Western Ontario and has a Chartered Financial Analyst designation.

Craig H. Hansen Calgary, Alberta	51	1992	363,943/ 277,560	359,297/ 280,025	192,000	135,000	\$15,409,953	\$17,223,128
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Mr. Hansen is our President and Chief Executive Officer and has been our President since our initial public offering in 1993. Mr. Hansen was employed with Dome Petroleum Ltd. (1978-1980) and NRG Engineering Ltd. (1980-1984). He founded C.H. Hansen Engineering Ltd., an engineering consulting company, which provided reservoir, exploitation, and acquisition engineering services during the period 1984 through 1993. Mr. Hansen serves on the Board of Directors of Canadian Association of Petroleum Producers and is a member of the Board of Directors of Lockerbie & Hole Inc., one of Canada's largest construction firms, providing services to the industrial, civil, municipal and institutional market sectors.

Mr. Hansen obtained a B.Sc. (Hons.) in Chemical Engineering from the University of Alberta in 1978 and is a professional engineer registered with APEGGA.

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights ⁽¹⁾ \$	
			2007	2006	2007	2006	2007	2006
Kyle D. Kitagawa Calgary, Alberta	47	2001	9,851/ 23,475	9,851/ 23,475	20,000	20,000	\$896,351	\$1,019,552

Member of:
- Audit Committee
(Chairman)
- Reserves Committee



Mr. Kitagawa is the Managing Director, North River Capital Corp., a private corporation. Mr. Kitagawa brings over 20 years experience in commodity trading, equity investing, and structured finance in both energy and energy intensive industries. Prior to April 2003, he held senior executive positions in a global energy trading and capital corporation. Mr. Kitagawa also serves on the boards of Ferus Trust and ProspEx Resources Ltd. He is currently the Chairman of Canadian Energy Services L.P., Livingston Energy Ltd. and Wave Energy Ltd.

Mr. Kitagawa holds a Master of Business Administration degree from Queen's University, a Bachelor of Commerce from the University of Calgary and is a Chartered Accountant.

John O. McCutcheon Vancouver, British Columbia	83	1987	223,923/ 357,536	223,923/ 357,536	55,500	55,500	\$14,772,911	\$16,341,390
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Member of:
- Governance and
Nominating Committee



Mr. McCutcheon is an independent businessman. For the past 25 years, Mr. McCutcheon has been active in the public and private raising of capital and subsequent development of energy and real estate ventures. He initiated Zargon Oil & Gas Ltd. in 1988 and was a co-founder with Craig Hansen in our growth. He was a co-founder of Carlyle Energy Ltd. (an oil and gas company) in 1980 and Chairman of that company until 1984. From 1970 to 1980, Mr. McCutcheon was Executive Vice-President of Cemp Investments and was a senior officer of a number of the corporations affiliated with Cemp Investments. Prior to 1970, he was Chairman of Civil Engineering at McGill University in Montreal and an engineering and economics advisor to corporations. He is a director and officer of Landstar Properties Inc. and several private companies.

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights ⁽¹⁾ \$	
			2007	2006	2007	2006	2007	2006
Margaret A. McKenzie Calgary, Alberta Member of: - Audit Committee - Governance and Nominating Committee	46	2007	4,600/ Nil	1,000/ Nil	20,000	5,000	\$96,784	\$24,500



Ms. McKenzie is the Chief Financial Officer, Range Royalty Management Ltd. (general partner of Range Royalty Limited Partnership, a private royalty partnership) and Spur Resources Ltd. (a private oil and natural gas exploration and development company). She was previously Vice President Finance and Chief Financial Officer of Profico Energy Management Ltd. (a private oil and gas company) and Manager, Treasury and Administration with Renaissance Energy Ltd. (a public oil and gas company).

Ms. McKenzie holds a Bachelor of Commerce with Distinction degree from the University of Saskatchewan and is a member of the Institute of Chartered Accountants of Alberta since 1985. Ms. McKenzie is on the board of directors of Bonavista Energy Trust (a public energy trust).

Jim Peplinski Calgary, Alberta Member of: - Reserves Committee - Compensation Committee (Chairman)	47	1997	Nil/ 59,026	Nil/ 59,026	20,000	20,000	\$1,682,069	\$1,840,874
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Mr. Peplinski is the Executive Chairman, Humberview Group of Companies which owns Jim Peplinski's Leasemaster, nine automotive dealerships in Toronto and various real estate investments. He is also the VP Business Development, Calgary Flames Hockey Club as well as an investor and director of Wrangler West Energy Corp., a public oil and gas company.

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights ⁽¹⁾ \$	
			2007	2006	2007	2006	2007	2006
J. Graham Weir Calgary, Alberta	56	2004	80,369/ 159,329	80,369/ 159,329	11,000	11,000	\$6,152,241	\$6,759,559

Member of:
- Audit Committee
- Reserves Committee
(Chairman)



Mr. Weir is an independent businessman. From September 1990 to December 2000, he was Vice President and Director of Corporate Finance for Goepel McDermid Inc. (an investment bank), where he initiated and completed acquisition, financing, financial advisory, merger and valuation assignments for mid-market public and private companies generally headquartered in Calgary and active in the oil and gas producer and service sectors. Mr. Weir serves as a director of several public and private companies including: Flagstone Energy Inc., Graymont Limited, Grupo Calidra, S.A. de C.V., Pulse Data Inc. and Wave Energy Ltd.

Mr. Weir graduated from Trent University in 1974 with a Bachelors Degree in Mathematics and the University of Manitoba in 1977 with a Masters Degree in Actuarial Mathematics. Mr. Weir received the designation Chartered Business Valuator in 1994 and completed a Masters Degree in Mathematical Finance at the University of Oxford in 2005.

Grant A. Zawalsky Calgary, Alberta	48	2000	15,000/ Nil	15,000/ Nil	20,000	20,000	\$349,000	\$444,000
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Member of:
- Governance and
Nominating Committee
(Chairman)
- Compensation Committee



Mr. Zawalsky is a Partner with Burnet, Duckworth & Palmer LLP (barristers and solicitors). Mr. Zawalsky has been a Partner of Burnet, Duckworth & Palmer LLP, since 1994. Mr. Zawalsky currently sits on the board of directors of a number of public and private companies including Flagstone Energy Inc., Kerco Energy Ltd., Nuvista Energy Ltd., Range Royalty Management Ltd. (general partner of Range Royalty Limited Partnership) and Spur Resources Ltd. and is Corporate Secretary of Bonavista Energy Trust, Echoex Ltd. and Rock Energy Ltd.

Mr. Zawalsky holds a B.Comm. and LL.B. from the University of Alberta and is a member of the Law Society of Alberta.

Note:

(1) The "Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights" was determined by multiplying the number of Trust Units and the number of Trust Units issuable upon the exchange of the Exchangeable Shares as of March 19, 2008 in respect of 2007 and as of March 19, 2007 in respect of 2006 by the closing price of the Trust Units on the Toronto Stock Exchange on each such date (\$21.04 and \$24.50, respectively) and the number of Trust Units issuable upon exercise of the Trust Unit Rights held multiplied by the difference between the closing price of the Trust Units on the Toronto Stock Exchange on each such date (\$21.04 and \$24.50, respectively) less the original grant price of the Trust Unit Rights for in-the-money Trust Unit Rights. No adjustment was made to the grant price to give effect to distributions paid since the right was granted.

Additional Disclosure Relating to Proposed Directors

To the knowledge of our directors and executive officers, none of our proposed directors is, as of the date hereof, or has been within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer. None of our proposed directors is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than Mr. Zawalsky who was a director of Efficient Energy Resources Ltd. (a private electrical generation company) which agreed to the voluntary appointment of a receiver in 2005.

In addition, none of our proposed directors has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Ernst & Young LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of the unitholders and to authorize the directors to fix their remuneration as such. See "*Audit Committee Information*" in our annual information form for the year ended December 31, 2007 for additional information including a description of fees we paid to Ernst & Young LLP during the past 2 years.

DIRECTORS COMPENSATION

Compensation of Directors

We currently pay our outside directors an annual retainer of \$20,000 plus a fee of \$1,500 for each board meeting, \$1,500 for each telephone board meeting and \$1,500 for each committee meeting. Effective January 1, 2007, the annual retainer paid to the chairman of the audit committee was increased from \$7,500 to \$10,000. A \$5,000 retainer is paid to the chairmen of the compensation, governance and nominating and reserves committees, respectively. In addition, we grant trust unit rights to directors. In accordance with the current policies of the board of directors, the maximum number of trust unit rights granted to outside directors is limited to 1% of the issued and outstanding trust units and exchangeable shares. Directors are also reimbursed for their out-of-pocket expenses incurred in carrying out their duties as directors.

There were a total of 20,000 trust unit rights to acquire trust units granted to Margaret A. McKenzie as part of her appointment to the Board on January 16, 2007. The right to purchase these units shall vest in three parts, one-third as of January 1, 2008, one-third as of January 1, 2009 and the remaining one-third on January 1, 2010.

Upon appointment to the Chairman of the Board on November 1, 2007, K. James Harrison was granted a one-time grant of 30,000 trust unit rights to acquire trust units pursuant to the trust unit rights incentive plan. The right to purchase these units shall be granted in four instalments (6,000 trust unit rights in 2007 and 24,000 trust unit rights in 2008). The right to purchase the first instalment vested in three parts, one-third as of January 1, 2008, one-third as of January 1, 2009 and the remaining one-third on January 1, 2010. The right to purchase the remaining three instalments shall vest in three parts, one-third as of January 1, 2009, one-third as of January 1, 2010 and the remaining one-third on January 1, 2011.

There were no other trust unit rights to acquire trust units granted to the directors in 2007.

The following table outlines fees payable to our non-management directors in 2007.

Name	Regular Board Fees		Committee Pay		Total
	Retainer	Meeting Fees	Member	Chair	
K. James Harrison ⁽¹⁾	\$27,500	\$16,500	\$9,000	\$5,000	\$58,000
Kyle D. Kitagawa ⁽²⁾	\$20,000	\$16,500	\$10,500	\$10,000	\$57,000
James J. Lawson ⁽³⁾	\$20,000	\$18,000	\$13,500	Nil	\$51,500
Jim Peplinski	\$20,000	\$16,500	\$7,500	\$5,000	\$49,000
John O. McCutcheon ⁽⁴⁾	\$65,833	\$3,000	Nil	Nil	\$68,833
Margaret A. McKenzie	\$20,000	\$18,000	\$7,500	Nil	\$45,500
J. Graham Weir	\$20,000	\$18,000	\$10,500	\$5,000	\$53,500
Grant A. Zawalsky	\$20,000	\$18,000	\$10,500	Nil	\$48,500

Notes:

- (1) Effective November 1, 2007, K. James Harrison was appointed to the position of Chairman of the Board of Zargon. The Board of Directors approved an annual retainer for Mr. Harrison of \$45,000. For 2007, the retainer was prorated to reflect the timing of the appointment. Mr. Harrison will receive meeting fees of \$1,500 per meeting.
- (2) The annual retainer for the chairman of the audit committee was increased from \$7,500 to \$10,000, effective January 1, 2007.
- (3) Mr. Lawson is not seeking re-election at the meeting.
- (4) Effective January 1, 2007, Mr. McCutcheon received an annual retainer of \$75,000, paid bi-monthly. This retainer covered all services provided to Zargon by Mr. McCutcheon. Mr. McCutcheon was not compensated for attending board or committee meetings. On October 31, 2007, Mr. McCutcheon tendered his resignation as Chairman of the Board of Zargon. For 2007, the \$20,000 board member retainer fee was prorated to reflect the timing of the appointment as a director of Zargon. Mr. McCutcheon receives meeting and committee fees of \$1,500 per meeting.

Equity Ownership Policy

In 2006, our board of directors approved a requirement that all directors be required to hold trust units or exchangeable shares with the total value aggregating not less than four times their annual retainer. New directors have two years from being appointed to the board to comply with this policy.

Meeting Attendances

The following table outlines the attendance record of our directors in 2007.

Name	Board of Directors Meeting Attendance Attended/Total	Committee Meeting Attendance Attended/Total
K. James Harrison	11/12	6/7
Craig H. Hansen	12/12	13/14
Kyle D. Kitagawa	11/12	7/7
James J. Lawson	12/12	9/10
John O. McCutcheon	10/12	12/12
Margaret A. McKenzie	12/12	5/5
Jim Peplinski	11/12	5/5
J. Graham Weir	12/12	7/7
Grant A. Zawalsky	12/12	7/7

EXECUTIVE COMPENSATION

Determination of Executive Compensation

We have a compensation committee composed of three non-management directors, Jim Peplinski, James J. Lawson and Grant A. Zawalsky.

Report of Executive Compensation

The compensation committee holds meetings each year for the purpose of reviewing the overall compensation policy. The compensation committee makes specific recommendations to the board of directors on the President and Chief Executive Officer's salary, bonus payments and trust unit rights allocations and directors' compensation. The board of directors reviews all recommendations of the compensation committee before final approval. Any director who is also an officer is excused from the directors' meeting during any discussion of his compensation. The compensation committee also approves the salaries, bonus payments and trust unit rights allocations of all other officers. The compensation committee has retained Mercer Human Resources Consulting, a nationally recognized compensation consulting firm, to assist with gathering compensation information for comparable organizations in the oil and natural gas industry. In assessing comparability, the compensation committee reviewed total revenue, production and the number of employees of these organizations relative to ours.

Base Salaries

Our policy with respect to executive compensation is to set a level of combined salary and benefits which make it competitive in attracting and retaining professionals and support staff capable of contributing significantly to our success and enhancement of unitholder value. Salary levels are determined with reference to amounts paid by comparable organizations in the oil and natural gas industry.

Bonuses

The compensation committee may also grant bonuses to officers on the basis of particularly significant contributions made during the year. Bonuses of \$281,338 were paid to the five named executive officers with respect to the 2007 fiscal year. Predetermined target bonuses for named executive officers (excluding the Chief Executive Officer) range from 30 percent to 35 percent. Actual bonuses paid as a percentage of 2007 salary are then adjusted from the target based on the achievement of corporate, team and individual objectives which are reviewed with the compensation committee for the individual officers.

Trust Unit Rights Incentive Plan

We have adopted a Trust Unit Rights Incentive Plan for certain directors, officers, consultants, employees and other service providers, as applicable (all of which are hereinafter called "**Service Providers**"), of the Trust and any of its subsidiaries, partnerships, trusts or other controlled entities (collectively, "**Zargon Entities**"), including Zargon, with an opportunity to acquire rights ("**Rights**") to acquire units ("**Units**") of the Trust as designated from time to time by the Board of Zargon.

The plan permits the granting of unit rights to purchase up to 1,952,909 trust units. The number of units issuable pursuant to the plan to non-management directors is limited to a maximum of 1% of the total outstanding units (including units issuable upon exchange of exchangeable shares of Zargon and other fully paid securities of Zargon Entities exchangeable into units which are the economical equivalent of units including full voting rights (the "**Total Units**")). The number of units: (a) issued to insiders, within a one year period; and (b) issuable to insiders, at any time under the plan, or when combined with all other securities based compensation arrangements, may not exceed 10% of the Total Units. Rights shall be granted by the Board from time to time, at its sole discretion, to Service Providers, provided that the aggregate number of Rights granted to any single holder of Rights shall not exceed 2% of the Total Units. No Service Provider shall have any rights to be granted Rights under the plan, except as may be specifically granted by the Board.

The Rights granted under the plan may be exercisable for a period, and may vest at such times as the Board may determine at the time of grant, subject to the rules of any stock exchange or other regulatory body having jurisdiction. Rights are not assignable and terminate on the earlier of the expiry date and 30 days after a rightholder ceasing to be an eligible participant. However, in the event of death, the Rights will expire on the earlier of the expiry date and six months from the date of death. The vesting of all Rights will accelerate on "change of control" which is defined to include a person or persons acting in concert acquiring 50% or more of the trust units (including trust units issuable upon exchange of exchangeable shares and any other fully paid exchangeable securities of any other party controlled by us), sale of all or substantially all of our assets or our dissolution.

The plan also contains normal anti-dilution provision in the event of consolidation, subdivision, re-division or change in trust units to adjust the Rights shall entitle the holder to a greater or lesser number trust units as the case may be and adjustment to the exercise price if required.

Our board is permitted to make amendments or modifications or terminate the plan without unitholder approval, but subject to approval of the Toronto Stock Exchange, provided that no Right may have a term greater than six years and no amendment may be made without unitholder approval to increase the maximum percentage of units issuable under the plan, to directors or officers or to non-management directors, reduce the exercise price of any Right granted to directors or officers, extend the term of any Right granted to directors or officers, amend the plan to allow the transfer of beneficial ownership of Rights other than on death or any amendment of the amendment provision.

CEO Compensation

In setting the CEO's base salary, the compensation committee, consistent with our long time policy, has targeted the CEO's base salary at a competitive range for comparable organizations in the oil and gas industry. The predetermined target for the CEO's bonus for 2007 was 40% of 2007 base salary. In setting the CEO's bonus for 2007, the compensation committee reviewed our overall performance in 2007, the CEO's individual contribution

towards this performance and reviewed data with respect to comparable organizations in the oil and natural gas industry. The compensation committee set a bonus for the CEO at \$74,407 (27.2% of 2007 base salary) after considering, among other things, financial results for 2007 and his continued demonstration of implementing our disciplined, focused but conservative business strategy in 2007. In setting the grant of trust unit rights for 2008, the compensation committee set the CEO's award at 36,000 trust unit rights. The compensation committee also reviewed this grant and was satisfied that it was well within the range of incentive compensation for CEO's in comparable organizations in the oil and gas industry.

Summary

Our compensation policies have allowed us to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The compensation committee and the board of directors will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with our performance.

Report Submitted by the Compensation Committee

Jim Peplinski
James J. Lawson
Grant A. Zawalsky

Compensation of Named Executive Officers

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers for the years ended December 31, 2007, 2006 and 2005.

Name and Principal Position	Year	Annual Compensation			Securities Under Options Granted (#) ⁽¹⁾	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)		
Craig H. Hansen President and Chief Executive Officer	2007	273,556	74,407	42,180	60,000	Nil
	2006	260,000	68,182	40,654	60,000	Nil
	2005	250,000	100,000	40,451	60,000	Nil
Brent C. Heagy Executive Vice President and Chief Financial Officer	2007	212,000	67,893	25,281	26,400	Nil
	2006	200,000	63,636	23,332	26,400	Nil
	2005	185,400	74,200	23,034	26,400	Nil
Henry J. Baird ⁽²⁾ Vice President, Exploitation	2007	195,000	42,413	22,138	25,000	Nil
Mark I. Lake Vice President, Exploration	2007	192,000	42,970	24,163	24,000	Nil
	2006	182,500	41,447	22,258	24,000	Nil
	2005	175,485	52,600	21,195	24,000	Nil
Daniel A. Roulston Executive Vice President, Operations	2007	210,000	53,655	24,130	26,400	Nil
	2006	200,000	54,545	22,706	26,400	Nil
	2005	185,400	74,200	22,453	26,400	Nil

Notes:

- (1) The above securities under options granted were granted pursuant to the Trust Unit Rights Incentive Plan.
- (2) Henry J. Baird commenced employment on June 1, 2006 at 80% of full time. On January 1, 2007, Mr. Baird increased his employment to 100% full time.

Trust Unit Rights Granted During the Year Ended December 31, 2007

The following table sets forth details with respect to all rights granted under the trust unit rights incentive plan to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers during 2007.

Name	Securities under rights granted (#)	Percentage of total rights granted to employees in 2007 (%)	Weighted-average Exercise or base price (\$/security) ⁽¹⁾	Weighted-average Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Craig H. Hansen	60,000	11.5%	\$25.48	\$25.48	15,000 – January 17, 2012 45,000 – January 31, 2012
Brent C. Heagy	26,400	5.0%	\$25.48	\$25.48	6,600 – January 17, 2012 19,800 – January 31, 2012
Henry J. Baird	25,000	4.8%	\$25.48	\$25.48	6,250 – January 17, 2012 18,750 – January 31, 2012
Mark I. Lake	24,000	4.6%	\$25.48	\$25.48	6,000 – January 17, 2012 18,000 – January 31, 2012
Daniel A. Roulston	26,400	5.0%	\$25.48	\$25.48	6,600 – January 17, 2012 19,800 – January 31, 2012

Note:

(1) The trust unit rights incentive plan allows for the option to exercise based on the original grant price (base price) less the amount the monthly distributions exceed a stated monthly return (the "Grind Amount"). If the accumulated Grind Amount to December 31, 2007 is deducted, the weighted-average exercise or base price would be \$24.99 per unit.

The above rights to acquire trust units were granted pursuant to the trust unit rights incentive plan. The rights generally vest equally over a three year period, with an exercise period of five years from the date upon which the rights were granted.

The following table outlines the number of trust units issuable upon the exercise of outstanding rights, the weighted average exercise price of outstanding rights and the number of trust units available for future issuance under the plan, as of December 31, 2007.

	# of trust units to be issued upon exercise of outstanding rights	Weighted-average exercise price of outstanding rights	# of available trust units available for future issuance under the plan
Trust units under Trust Unit Rights Incentive Plan approved by unitholders	1,488,100	\$26.41	393,959
Trust units under Trust Unit Rights Incentive Plan not approved by unitholders	Nil	Nil	Nil

Trust Units Rights exercises during the Year Ended December 31, 2007 and Year End Right Values

The following table sets forth with respect to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers, the number of rights exercised and the number of unexercised rights and the value of in the money rights based upon the closing price of the trust units of \$23.06 on December 31, 2007.

Name	Securities acquired on exercise (#)	Aggregate value realized (\$)	Unexercised stock options at year-end (#) exercisable / unexercisable ⁽¹⁾	Value of unexercised in-the-money stock options at year-end (\$) exercisable / unexercisable ⁽¹⁾
Craig H. Hansen	25,000	186,000	60,200 / 119,800	\$14,204 / \$11,646
Brent C. Heagy	Nil	Nil	37,500 / 52,700	\$48,164 / \$5,120
Henry J. Baird	Nil	Nil	9,000 / 41,000	Nil / \$1,937
Mark I. Lake	6,000	55,800	28,200 / 47,800	\$27,164 / \$4,616
Daniel A. Roulston	Nil	Nil	37,500 / 52,700	\$65,214 / \$5,120

Note:

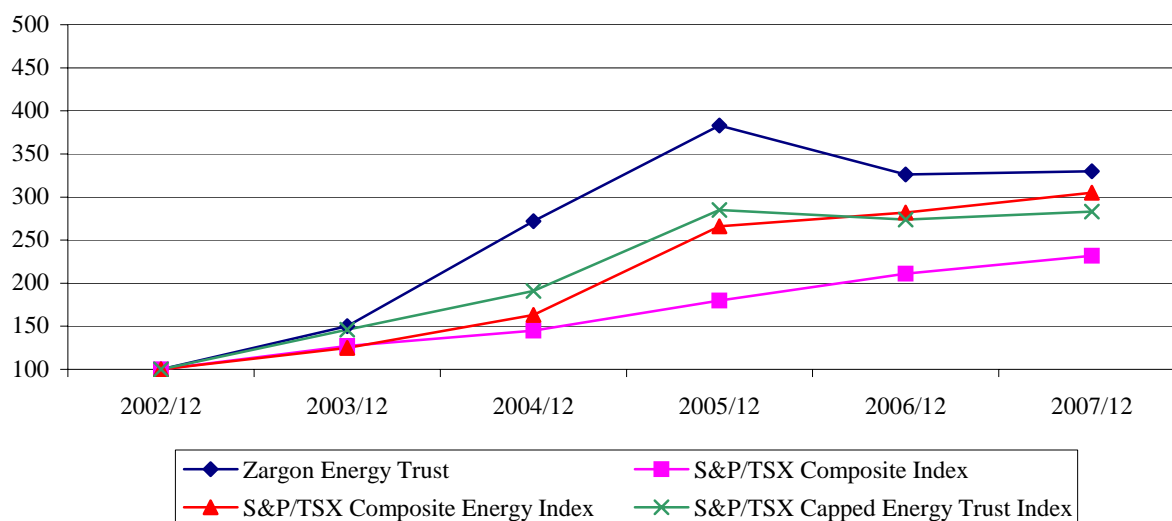
- (1) The trust unit rights incentive plan allows for the option to exercise based on the original grant price or on the original grant price less the amount the monthly distributions exceed a stated monthly return (the "Grind Amount"). If the above named officers exercised on the Grind Amount, the value of the exercisable/unexercisable in-the-money stock options at year end would have been the following for each named officer: Craig H. Hansen \$58,290 / \$34,560, Brent C. Heagy \$109,925 / \$15,189, Henry J. Baird Nil / \$2,438, Mark I. Lake \$60,850 / \$13,650, and Daniel A. Roulston \$128,405 / \$15,189.

Employment Contracts

Each of the executive officers is party to an executive employment agreement with Zargon pursuant to which Zargon will make a lump-sum payment to the executive in the event of termination without cause or if the executive elects to terminate his employment within 30 days following a "change of control" (as defined in the employment agreements). The amount of the lump sum payments is equal to 12 to 24 months salary, bonuses and the cash equivalent of benefits in effect as of the date the termination notice is given.

Performance Graph

The following graph illustrates changes from December 31, 2002 to December 31, 2007, in our cumulative unitholder return, assuming an initial investment of \$100 in common shares of Zargon in 2002, compared to the S&P/TSX Composite Index, the TSX and Oil & Gas Producers Index and the S&P/TSX Capped Energy Trust Index, with all dividends and distributions reinvested.



	2002/12	2003/12	2004/12	2005/12	2006/12	2007/12
Zargon Energy Trust ⁽¹⁾	100	150	272	383	326	330
S&P/TSX Composite Index ⁽²⁾	100	127	145	180	211	232
S&P/TSX Composite Energy Index ⁽³⁾	100	125	163	266	282	305
S&P/TSX Capped Energy Trust Index ⁽⁴⁾	100	146	191	285	274	283

Notes:

- (1) The Zargon Energy Trust Unitholder Return has been adjusted for the effective exchange of common shares for trust units in connection with the arrangement completed on July 15, 2004.
- (2) The S&P/TSX Composite Index was previously called the TSE 300 Index.
- (3) The S&P/TSX Composite Energy Index was previously called TSX Oil and Gas Producers Index.
- (4) The S&P/TSX Capped Energy Trust Index was previously called the S&P/TSX Canadian Energy Trust Index.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board of Directors

The majority of the members of our board are independent. The board has determined that Messrs. Harrison, Kitagawa, Lawson, Peplinski, Weir, and Zawalsky and Ms. McKenzie are independent for the purposes of National Instrument 58-101. Mr. McCutcheon is not considered independent as he has been an executive officer within the last 3 years as our Chairman. Effective February 1, 2006, Mr. McCutcheon became our non-executive Chairman and on October 31, 2007 he tendered his resignation as Chairman of the Board. Mr. Hansen is not considered independent as he is our President and Chief Executive Officer.

Our independent board members hold regularly scheduled meetings, generally immediately following regularly scheduled board meetings.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Director	Names of Other Issuers
Craig H. Hansen	Lockerbie & Hole Inc.
K. James Harrison	None
Kyle D. Kitagawa	ProspEx Resources Ltd. and Canadian Energy Services LP
James J. Lawson	None
John O. McCutcheon	Landstar Properties Inc.
Margaret A. McKenzie	Bonavista Petroleum Ltd., administrator of Bonavista Energy Trust
Jim Peplinski	Wrangler West Energy Corp.
J. Graham Weir	Pulse Data Inc.
Grant A. Zawalsky	Kereco Energy Ltd. and NuVista Energy Ltd.

Board Mandate

The board, either directly or through its committees, is responsible for the supervision of management of the business and affairs of Zargon and our affairs as provided in the trust indenture with the objective of enhancing unitholder value. The board's written mandate follows:

The Board of Directors (the "Board") of Zargon Oil & Gas Ltd. (the "Corporation") is responsible for the stewardship of the Corporation, the other subsidiaries, partnerships and trusts of Zargon Energy Trust and Zargon Energy Trust to the extent delegated to the Corporation under the Trust Indenture (collectively, "Zargon"). In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Zargon. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objectives of Zargon;
- supervise the management of the business and affairs of Zargon with the goal of achieving Zargon's principal objectives as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction and Capital and Financial Plans

- require the CEO to present annually to the Board a longer range strategic plan and a shorter range business plan for Zargon's business, which plans must:
 - be designed to achieve Zargon's principal objectives;
 - identify the principal strategic and operational opportunities and risks of Zargon's business; and
 - be approved by the Board as a pre-condition to the implementation of such plans;
- review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- identify the principal risks of Zargon's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;
- approve the annual operating and capital plans;
- approve acquisitions and dispositions in excess of which require approval pursuant to expenditure limits established by the Board;

- approve the establishment of credit facilities; and
- approve issuances of additional Trust Units, Exchangeable Shares or other instruments to the public.

Monitoring and Acting

- monitor Zargon's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning;
- appoint the CEO and determine the terms of the CEO's employment with Zargon;
- approve the distribution policy of Zargon;
- ensure systems are in place for the implementation and integrity of Zargon's internal control and management information systems;
- in consultation with the CEO, develop a position description for the CEO;
- evaluate the performance of the CEO at least annually;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Zargon's business;
- in consultation with the CEO, appoint all officers of Zargon and approve the terms of each officer's employment with Zargon;
- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in the management organization structure of Zargon;
- approve all retirement plans for officers and employees of Zargon;
- in consultation with the CEO, establish a disclosure policy for Zargon;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for the securities of Zargon.

Finances and Controls

- review Zargon's systems to manage the risks of Zargon's business and, with the assistance of management, Zargon's auditors and others (as required), evaluate the appropriateness of such systems;
- monitor the appropriateness of Zargon's capital structure;
- ensure that the financial performance of Zargon is properly reported to unitholders, other security holders and regulators on a timely and regular basis;
- in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of Zargon and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by Zargon and its officers and employees;
- require the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
- require and approve material contracts to be entered into by the Corporation;
- recommend to unitholders of Zargon a firm of chartered accountants to be appointed as Zargon's auditors;
- ensure Zargon's oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and
- take reasonable actions to gain reasonable assurance that all financial information made public by Zargon (including Zargon's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance including review and approval of annual and quarterly financial statements.

Governance and Nominating

- in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;
- selecting nominees for election to the Board;

- facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
- appointing a Chairman of the Board;
- appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
- defining the mandate of each committee of the Board;
- ensuring that processes are in place and are utilized to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director; and
- establishing a system to enable any director to engage an outside adviser at the expense of Zargon;
- review annually the composition of the Board and its committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and
- review annually the adequacy and form of the compensation of directors.

Delegation

- the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.

Composition

- the Board should be composed of at least 6 individuals elected by the unitholders and exchangeable shareholders at the annual meeting;
- a majority of Board members should be independent Directors (within the meaning of National Instrument 58-101 and free from any business or other relationship that could impair the exercise of independent judgment;
- members should have or obtain sufficient knowledge of Zargon and the oil and gas business to assist in providing advice and counsel on relevant issues; and board members should offer their resignation from the Board to the Chairman of the Board Governance Committee following:
 - change in personal circumstances which would reasonably interfere with the ability to serve as a Director; and
 - change in personal circumstances which would reasonably reflect poorly on Zargon (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

Meetings

- the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
- the Board shall meet at the end of its regular quarterly meetings without members of management being present;
- minutes of each meeting shall be prepared;
- the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board; and
- Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

Authority

- the Board shall have the authority to review any corporate report or material and to investigate activity of Zargon and to request any employees to cooperate as requested by the Board; and
- the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Zargon.

Board Committees

The board has four committees; the Audit Committee, Compensation Committee, Reserves Committee and Governance and Nominating Committee, all members of whom are independent directors. The board has accepted

overall responsibility for health, safety and environment and no separate committees have been established to deal with these issues. The full text of the mandates of each committee is available on our website www.zargon.ca.

Audit Committee

The members of the Audit Committee are: Mr. Kitagawa (Chairman), Ms. McKenzie and Mr. Weir. The committee's mandate includes:

- reviewing the annual audited consolidated financial statements and the Auditors' Report thereon prior to submission to the board for approval;
- reviewing the quarterly consolidated financial statements prior to submission to the Board for approval;
- reviewing the scope of external and internal audits;
- reviewing and discussing accounting and reporting policies and changes in accounting principles;
- reviewing our internal control systems and procedures; and
- meeting with the external auditors independently of our management.

Compensation Committee

The members of the Compensation Committee are: Mr. Peplinski (Chair), Mr. Lawson and Mr. Zawalsky. The Compensation Committee's mandate includes:

- determining compensation and terms of employment for executives, including the granting of units and incentive programs;
- approving our benefit plans; and
- assessing, at least annually, the compensation and terms of employment of the Chairman, President and Chief Executive Officer.

Reserves Committee

The members of the Reserves Committee are Mr. Weir (Chair), Mr. Kitagawa and Mr. Peplinski. The Reserves Committee's mandate with respect to reserves includes:

- reviewing management's recommendations for the appointment of the independent engineer;
- reviewing the terms of the independent engineers' engagement and the appropriateness and reasonableness of the proposed fees;
- reviewing the scope and methodology of the independent engineers' evaluation;
- reviewing any significant new discoveries, additions, revisions and acquisitions;
- reviewing assumptions and consistency with prior years;
- reviewing any problems experienced by the independent engineer in preparing the reserve report, including any restrictions imposed by management or significant issues on which there was a disagreement with management; and
- reviewing all public disclosure documents containing reserve information prior to its release, including, the annual report, the annual information form and management's discussion and analysis.

Governance and Nominating Committee

The members of the Governance and Nominating Committee are: Mr. Zawalsky (Chair), Mr. Lawson, Ms. McKenzie and Mr. McCutcheon. The Governance and Nominating Committee's mandate includes:

- assessing our corporate governance practises and making recommendations to the board with respect to corporate governance practises;
- establishing a nomination process and making recommendations to the board with respect to the nomination of directors; and
- assessing, at least annually, the effectiveness of the board and its committees.

Orientation and Continuing Education

Upon joining our board, a new director will be provided with a directors' information binder which will include a copy of all board and committee mandates, corporate policies, relevant position descriptions, organizational structure, the structure of the board and its committees, by-laws as well as agendas and minutes for board and committee meetings for the preceding 12 months. In addition, any new director will receive presentations with respect to our operations. As part of continuing education, the board receives management presentations with respect to the operations and risks of our business at least 4 times per year, with a more significant presentation provided in conjunction with the annual budgeting process and annual strategic planning meeting with all directors and officers in attendance. In addition, the individual directors identify their continuing education needs through a variety of means, including discussions with management and at board and committee meetings.

Ethical Business Conduct

Our board has adopted a Code of Business Conduct and Ethics, a copy of which is available to review at www.sedar.com. It is intended that annually each employee, officer and director confirms in that he or she has read, understood and complied with the Code. Any reports of variance from the Code will be reported to the board.

The board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), falsification of financial records, unethical conduct, harassment or theft. The board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct.

Position Descriptions

The board has developed position descriptions for each of the Chairman, the President and Chief Executive Officer and chairman of the board committees.

Nomination of Directors

We have established a Governance and Nominating Committee which, among other things, has the responsibility for establishing a nomination process and making recommendations to the board with respect to nomination of directors. See "Board Committees – Governance and Nominating Committee" for a summary of the committee's mandate. The Governance Nominating Committee is composed entirely on independent directors. In accordance with the mandate of the Governance and Nominating Committee, the guidelines include considering what competencies and skills the board, as a whole, should possess, the competencies and skills the board considers each existing director to possess and the competencies and skills each proposed nominee will bring to the board as well as whether the new nominee can devote sufficient time and resources to his or her duties as a member of the board. In seeking nominees the Governance and Nominating Committee encourages input from all members of the board and may use the services of professional recruiters if required.

Board Assessment

We commenced an annual formal process of assessing the board and its committees or the individual directors in 2005 under the direction of the Governance and Nominating Committee and have conducted annual reviews since 2005.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2007, or in any proposed transaction, which has affected or would materially affect us or any of our subsidiaries.

**INTEREST OF CERTAIN PERSONS AND COMPANIES
IN MATTERS TO BE ACTED UPON**

Our management is not aware of any material interest of any director or executive officer or anyone who has held office as such since the beginning of our last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, save as is disclosed herein.

ADDITIONAL INFORMATION

We undertake to provide, upon request, a copy of our 2007 annual report, containing financial information in the management's discussion and analysis of financial condition and results of operations and the 2007 audited financial statements sections, as well as a copy of our annual information form, subsequent interim financial statements and this information circular - proxy statement. Our annual information form also contains disclosure relating to our audit committee and the fees paid to Ernst & Young LLP in 2007. Copies of these documents may be obtained on request without charge from the Executive Vice President and Chief Financial Officer of Zargon Oil & Gas Ltd. at 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6, telephone (403) 264-9992 or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at *www.sedar.com*.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual meeting. However, if any other matter properly comes before the meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

The contents and the sending of this information circular - proxy statement have been approved by our directors.

Dated: March 19, 2008