



2005 Annual Information Form

March 20, 2006

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GLOSSARY OF TERMS

Capitalized terms in this Annual Information Form have the meanings set forth below:

Entities

Board of Directors means the board of directors of Zargon Oil & Gas Ltd.

ExchangeCo means Zargon ExchangeCo Inc.

Trustee means Valiant Trust Company, our trustee.

Unitholders means holders of our Trust Units.

Zargon, we, us, our or **Trust** means Zargon Energy Trust and all its controlled entities on a consolidated basis.

Zargon Partnership means Zargon Oil & Gas Partnership.

Independent Engineering

McDaniel means McDaniel & Associates Consultants Ltd., independent petroleum consultants of Calgary, Alberta.

McDaniel Report means the report prepared by McDaniel dated March 13, 2006 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to certain of our oil and natural gas assets at December 31, 2005.

Securities

Exchangeable Shares means exchangeable shares of Zargon Oil & Gas Ltd. which are exchangeable for Trust Units.

Exchange Ratio means the ratio at which Exchangeable Shares may be converted to Trust Units.

Notes means the unsecured subordinated promissory notes issued by Zargon Oil & Gas Ltd. now held by us.

Note Indenture means the note indenture relating to the issuance of the Notes.

NPI means the net profit interest in the petroleum substances owned by the Zargon Oil & Gas Ltd. and held by the Trust.

Special Voting Right means the special voting right issued by the Trust entitling holders of Exchangeable Shares to voting rights at the meeting of Unitholders.

Trust Indenture means the amended and restated trust indenture between Valiant Trust Company and Zargon Oil & Gas Ltd. made as of July 14, 2004.

Trust Unit means a unit issued by us, each unit representing an equal undivided beneficial interest in our assets.

ABBREVIATIONS**Oil and Natural Gas Liquids**

bbbl	barrel
bbbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
NGLs	natural gas liquids
MMboe	million barrels of oil equivalent
Mboe	thousand barrels of oil equivalent
boe/d	barrels of oil equivalent per day

Natural Gas

gj	gigajoule
Mcf	thousand cubic feet
MMcf	million cubic feet
bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
m ³	cubic metres
MMbtu	million British Thermal Units

Other

BOE or boe	means barrel of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
WTI	means West Texas Intermediate.
°API	means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.
psi	means pounds per square inch.

CONVERSION

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form, and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

In particular, this Annual Information Form, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- the performance characteristics of our oil and natural gas properties;
- oil and natural gas production levels;
- the size of the oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry and income trusts; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements.

ZARGON ENERGY TRUST

General

We are an open-end investment trust created on June 17, 2004 under the laws of the Province of Alberta pursuant to the Trust Indenture as amended on July 14, 2004. Valiant Trust Company has been appointed as trustee under the Trust Indenture. The beneficiaries of the Trust are holders of the Trust Units. Our principal and head office is located at Suite 700, 333 - 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

We commenced operations on July 15, 2004 as a result of the completion of a plan of arrangement under the *Business Corporations Act* (Alberta). Pursuant to this plan of arrangement, holders of common shares of Zargon Oil & Gas Ltd. received either Trust Units or Exchangeable Shares for their common shares.

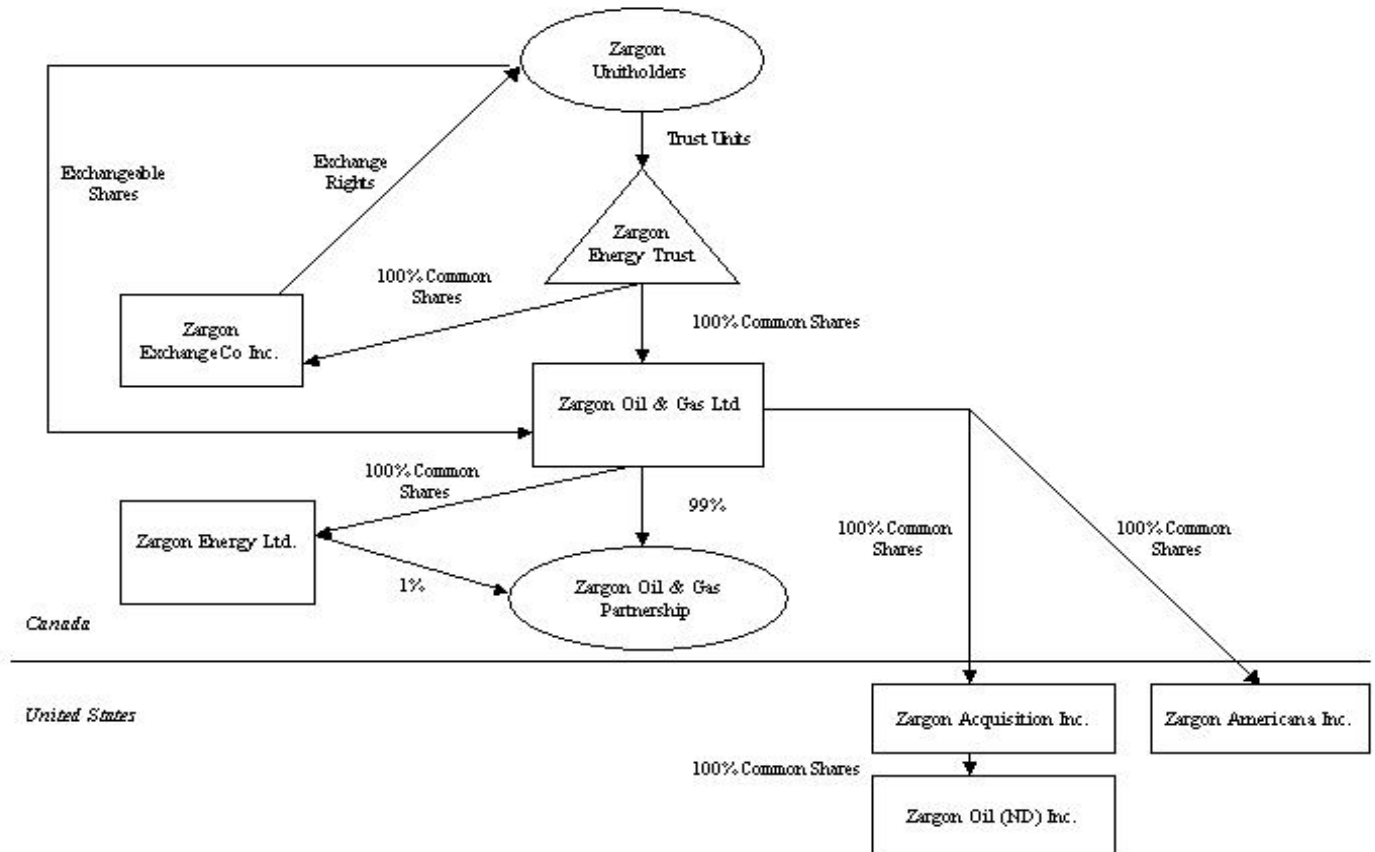
Inter-Corporate Relationships

The following are the name, the percentage of voting securities that we own and the jurisdiction of incorporation, continuance or formation of our subsidiaries and partnerships either, direct and indirect, as at the date hereof.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/ Formation
Zargon Oil & Gas Ltd.	100%	Corporation	Alberta
Zargon ExchangeCo Inc.	100%	Corporation	Alberta
Zargon Energy Ltd.	100%	Corporation	Alberta
Zargon Oil & Gas Partnership	100%	General Partnership	Alberta
Zargon Acquisition Inc.	100%	Corporation	Wyoming
Zargon Oil (ND) Inc.	100%	Corporation	Delaware
Zargon Americana Inc.	100%	Corporation	Montana

Our Organization Structure

The following diagram describes the inter-corporate relationships between the Trust and its material subsidiaries and partnership.



Notes:

- (1) The Unitholders own 100% of the Trust's equity.
- (2) Zargon Oil & Gas Ltd. had a total of 2,401,989 Exchangeable Shares issued and outstanding as at December 31, 2005, which were exchangeable for 2,633,277 Trust Units.
- (3) Cash distributions are made on a monthly basis to Unitholders based upon our cash flow. Our primary sources of cash flow are payments from Zargon Oil & Gas Ltd. pursuant to the NPI and interest on the principal amount of the Notes and other intercorporate notes. In addition to such amounts, prepayments in respect of principal on the Notes and other intercorporate notes may be made from time to time by Zargon Oil & Gas Ltd. before the maturity of such notes.

GENERAL DEVELOPMENT OF THE BUSINESS

History and Development

On July 15, 2004, Zargon Oil & Gas Ltd. completed a Plan of Arrangement whereby holders of common shares of Zargon Oil & Gas Ltd. received either Trust Units or Exchangeable Shares for their common shares.

DESCRIPTION OF OUR BUSINESS

Overview

The principal undertaking of the Trust is to issue Trust Units and to acquire and hold securities of subsidiaries, trusts and partnerships, net profits interests, royalties, notes and other interests. Our direct and indirect subsidiaries and, partnerships carry on the business of acquiring, developing, exploring, exploiting and holding interests in petroleum and natural gas properties and assets related thereto. At December 31, 2005 Zargon had 45 employees. Cash flow from the properties is flowed from Zargon Oil & Gas Ltd. to the Trust by way of interest payments and principal repayments on notes and payments from Zargon Oil & Gas Ltd. to the Trust under a net profits interest agreement.

The Board of Directors may declare cash distributions payable to the Unitholders and allocate all or any of our income to the Unitholders. It is currently anticipated that the only income the Trust will receive will be from Zargon Oil & Gas Ltd. by way of interest and principal repayments received on the principal amount of notes and payments pursuant to the NPI. We make monthly cash distributions to Unitholders from this income after expenses and any cash redemptions of Trust Units.

Cash distributions are made on or about the 15th day of each month to Unitholders of record on or about the last calendar day of the immediately preceding month.

Zargon Oil & Gas Ltd.

Zargon Oil & Gas Ltd. is a corporation amalgamated and subsisting pursuant to the laws of Alberta. Zargon Oil & Gas Ltd. is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Canada.

The Trust is the sole common shareholder of Zargon Oil & Gas Ltd. The Exchangeable Shares are owned by the public.

The head and registered office of Zargon Oil & Gas Ltd. is located at Suite 700, 333 - 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

Notes

The Notes were issued by Zargon Oil & Gas Ltd. to the Trust under the Note Indenture in connection with the Plan of Arrangement. The Notes are unsecured and bear interest at a rate of 10 percent per annum. Although Zargon Oil & Gas Ltd. is permitted to make payments against the principal amount of the Note outstanding from time to time without notice or bonus, Zargon Oil & Gas Ltd. is not required to make any payment in respect of principal until July 15, 2034, subject to extension in the limited circumstances provided in the Note Indenture.

In contemplation of the possibility that Notes may be distributed to Unitholders upon the redemption of their Trust Units, the Note Indenture provides that if persons other than the Trust (the "Non-Trust Holders") own Notes having an aggregate principal amount in excess of \$10,000,000, either we or the Non-Trust Holders shall be entitled, among other things, to require the Valiant Trust Company to exercise the powers and remedies available under the Note Indenture upon an event of default and, with the Trust, the Non-Fund Holders may provide consents, waivers or directions relating generally to the variance of the Note Indenture and the rights of noteholders. The Note Indenture allows us flexibility to delay payments of interest or principal otherwise due to it while payment is made to other noteholders, and to allow other noteholders to be paid out before us. Any delayed payments will be due 5 days after demand.

NPI

The Trust is party to a net profits interest agreement with Zargon Oil & Gas Ltd. pursuant to which we have the right to receive the NPI on petroleum and natural gas rights held by Zargon Oil & Gas Ltd. from time to time. Pursuant to the terms of the agreement, we are entitled to a payment from Zargon Oil & Gas Ltd. for each month equal to the amount by which 99 percent of the gross proceeds from the sale of production attributable to the property interests of Zargon Oil & Gas Ltd. for such month exceed 99 percent of certain deductible costs for such period. Zargon Oil & Gas Ltd. is entitled to set off amounts reimbursable to it against NPI payments payable by Zargon Oil & Gas Ltd. The term of the agreement is for so long as there are petroleum and natural gas rights to which the NPI applies.

Disclosure of Reserves Data and Other Oil and Natural Gas Information

The statement of reserves data and other oil and gas information set forth below (the "Statement") is dated March 13, 2006. The effective date of the Statement is December 31, 2005 and the preparation date of the Statement is March 13, 2006.

Disclosure of Reserves Data

The reserves data set forth below (the "Reserves Data") is based upon an evaluation by McDaniel & Associates Consultants Ltd. ("McDaniel") with an effective date of December 31, 2005 contained in the March 13, 2006 Report ("McDaniel Report"). The Reserves Data summarizes the crude oil, natural gas liquids and natural gas reserves of the Trust and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The McDaniel Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE" Handbook) and the reserve definitions contained in NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which we believe is important to the readers of this information. The Trust engaged McDaniel & Associates Consultants Ltd. to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the Trust's reserves are in Canada in the provinces of Alberta, Saskatchewan and Manitoba, and in the United States in North Dakota.

Disclosure provided herein in respect of barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf is equal to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Trust's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.

Reserves Data (Constant Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
CONSTANT PRICES AND COSTS

CANADA

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	7,169	6,284	34,250	28,269	73	50
Developed Non-Producing	109	97	12,267	9,681	3	2
Undeveloped	-	-	-	-	-	-
Total Proved	7,278	6,381	46,517	37,950	76	52
Probable	2,700	2,368	21,967	17,725	31	22
Total Proved Plus Probable	9,978	8,749	68,484	55,675	107	74

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
Proved						
Developed Producing	390,826	273,664	215,497	390,826	273,664	215,497
Developed Non-Producing	78,289	60,360	49,087	78,289	60,360	49,087
Undeveloped	-	-	-	-	-	-
Total Proved	469,115	334,024	264,584	469,115	334,024	264,584
Probable	218,549	110,414	71,595	218,549	110,414	71,595
Total Proved Plus Probable	687,664	444,438	336,179	687,664	444,438	336,179

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
CONSTANT PRICES AND COSTS

UNITED STATES

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved						
Developed Producing	4,053	3,002	-	-	-	-
Developed Non-Producing	84	61	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	4,137	3,063	-	-	-	-
Probable	1,134	841	-	-	-	-
Total Proved Plus Probable	5,271	3,904	-	-	-	-

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
(\$ thousand)						
Proved						
Developed Producing	97,682	55,507	39,736	56,936	32,731	23,443
Developed Non-Producing	2,828	2,338	2,007	1,669	1,379	1,184
Undeveloped	-	-	-	-	-	-
Total Proved	100,510	57,845	41,743	58,605	34,110	24,627
Probable	29,624	10,234	5,818	17,478	6,047	3,433
Total Proved Plus Probable	130,134	68,079	47,561	76,083	40,157	28,060

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
CONSTANT PRICES AND COSTS

AGGREGATE

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	11,222	9,286	34,250	28,269	73	50
Developed Non-Producing	193	158	12,267	9,681	3	2
Undeveloped	-	-	-	-	-	-
Total Proved	11,415	9,444	46,517	37,950	76	52
Probable	3,834	3,209	21,967	17,725	31	22
Total Proved Plus Probable	15,249	12,653	68,484	55,675	107	74

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
(\$ thousand)						
Proved						
Developed Producing	488,508	329,171	255,233	447,762	306,395	238,940
Developed Non-Producing	81,117	62,698	51,094	79,958	61,739	50,271
Undeveloped	-	-	-	-	-	-
Total Proved	569,625	391,869	306,327	527,720	368,134	289,211
Probable	248,173	120,648	77,413	236,027	116,461	75,028
Total Proved Plus Probable	817,798	512,517	383,740	763,747	484,595	364,239

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2005
CONSTANT PRICES AND COSTS

(\$ thousand)

RESERVES CATEGORY	REVENUE	ROYALTIES (net of ARC)	OPERATING COSTS	DEVELOPMENT COSTS	WELL ABANDONMENT COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
Proved Reserves								
Canada	845,110	143,967	204,139	6,672	21,217	469,115	-	469,115
United States	209,535	54,395	51,740	-	2,890	100,510	41,905	58,605
Total	1,054,645	198,362	255,879	6,672	24,107	569,625	41,905	527,720
Proved Plus Probable Reserves								
Canada	1,205,236	208,805	279,666	7,851	21,250	687,664	-	687,664
United States	266,957	69,211	64,722	-	2,890	130,134	54,051	76,083
Total	1,472,193	278,016	344,388	7,851	24,140	817,798	54,051	763,747

BY PRODUCTION GROUP
as of December 31, 2005
CONSTANT PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$ thousand)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	169,100
	Natural Gas (including by-products but excluding solution gas from oil wells)	222,769
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	205,917
	Natural Gas (including by-products but excluding solution gas from oil wells)	306,600

Reserves Data (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
FORECAST PRICES AND COSTS

CANADA

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	7,170	6,283	34,249	28,269	73	50
Developed Non-Producing	109	97	12,272	9,684	3	2
Undeveloped	-	-	-	-	-	-
Total Proved	7,279	6,380	46,521	37,953	76	52
Probable	2,700	2,366	21,977	17,729	31	22
Total Proved Plus Probable	9,979	8,746	68,498	55,682	107	74

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
	(\$ thousand)					
Proved						
Developed Producing	326,215	242,966	198,691	326,215	242,966	198,691
Developed Non-Producing	63,303	50,984	42,815	63,303	50,984	42,815
Undeveloped	-	-	-	-	-	-
Total Proved	389,518	293,950	241,506	389,518	293,950	241,506
Probable	176,139	88,857	58,662	176,139	88,857	58,662
Total Proved Plus Probable	565,657	382,807	300,168	565,657	382,807	300,168

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
FORECAST PRICES AND COSTS

UNITED STATES

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	4,052	3,001	-	-	-	-
Developed Non-Producing	84	61	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	4,136	3,062	-	-	-	-
Probable	1,134	841	-	-	-	-
Total Proved Plus Probable	5,270	3,903	-	-	-	-

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
Proved						
Developed Producing	91,702	55,400	40,740	52,187	32,633	24,034
Developed Non-Producing	2,962	2,489	2,161	1,747	1,469	1,275
Undeveloped	-	-	-	-	-	-
Total Proved	94,664	57,889	42,901	53,934	34,102	25,309
Probable	31,345	10,683	5,973	18,103	6,322	3,525
Total Proved Plus Probable	126,009	68,572	48,874	72,037	40,424	28,834

SUMMARY OF OIL AND GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
FORECAST PRICES AND COSTS

AGGREGATE

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	11,222	9,284	34,249	28,269	73	50
Developed Non-Producing	193	158	12,272	9,684	3	2
Undeveloped	-	-	-	-	-	-
Total Proved	11,415	9,442	46,521	37,953	76	52
Probable	3,834	3,207	21,977	17,729	31	22
Total Proved Plus Probable	15,249	12,649	68,498	55,682	107	74

NET PRESENT VALUES OF FUTURE NET REVENUE

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)			AFTER INCOME TAXES DISCOUNTED AT (%/year)		
	0%	10%	20%	0%	10%	20%
(\$ thousand)						
Proved						
Developed Producing	417,917	298,366	239,431	378,402	275,599	222,725
Developed Non-Producing	66,265	53,473	44,976	65,050	52,453	44,090
Undeveloped	-	-	-	-	-	-
Total Proved	484,182	351,839	284,407	443,452	328,052	266,815
Probable	207,484	99,540	64,635	194,242	95,179	62,187
Total Proved Plus Probable	691,666	451,379	349,042	637,694	423,231	329,002

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2005
FORECAST PRICES AND COSTS

(\$ thousand)

RESERVES CATEGORY	REVENUE	ROYALTIES (net of ARC)	OPERATING COSTS	DEVELOPMENT COSTS	WELL ABANDONMENT COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
Proved Reserves								
Canada	813,692	137,103	249,662	6,880	30,529	389,518	-	389,518
United States	237,422	61,719	74,604	-	6,435	94,664	40,730	53,934
Total	1,051,114	198,822	324,266	6,880	36,964	484,182	40,730	443,452
Proved Plus Probable Reserves								
Canada	1,171,427	197,436	366,411	8,150	33,773	565,657	-	565,657
United States	317,578	82,483	101,524	-	7,562	126,009	53,972	72,037
Total	1,489,005	279,919	467,935	8,150	41,335	691,666	53,972	637,694

BY PRODUCTION GROUP
as of December 31, 2005
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$ thousand)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	162,490
	Natural Gas (including by-products but excluding solution gas from oil wells)	189,349
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	198,608
	Natural Gas (including by-products but excluding solution gas from oil wells)	252,771

Notes to Reserves Data Tables:

1. Columns may not add due to rounding.
2. The crude oil, natural gas liquids and natural gas reserve estimates presented in the McDaniel Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions are set forth below.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions (see the discussion of "Economic Assumptions" below).

Reserves are classified according to the degree of certainty associated with the estimates.

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

3. Forecast Prices and Costs

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, as at December 31, 2005, inflation and exchange rates utilized in the McDaniel Report were as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS

as of December 31, 2005
PRICES AND COSTS

Year	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas AECO Price (\$Cdn/gj)	Natural Gas Liquids FOB Field Gate (\$Cdn/bbl)	Inflation Rate ⁽¹⁾ %/year	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
Forecast							
2006	57.50	66.60	58.50	10.05	51.40	2.5	0.85
2007	55.40	64.20	56.30	9.05	48.90	2.5	0.85
2008	52.50	60.70	53.30	8.05	45.80	2.5	0.85
2009	49.50	57.20	50.20	7.00	42.60	2.5	0.85
2010	46.90	54.10	47.50	6.55	40.20	2.5	0.85
2011	48.10	55.50	48.70	6.75	41.30	2.5	0.85
2012	49.30	56.80	49.90	6.90	42.20	2.5	0.85
2013	50.50	58.20	51.10	7.05	43.20	2.5	0.85
2014	51.80	59.70	52.40	7.25	44.30	2.5	0.85
2015	53.10	61.20	53.70	7.45	45.50	2.5	0.85
2016	54.40	62.70	55.00	7.60	46.60	2.5	0.85
Thereafter	Various Escalation rates						

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by the Trust (before risk management losses) for the year ended December 31, 2005, were \$8.41/Mcf for natural gas, \$57.15/bbl for oil and natural gas liquids.

4. *Constant Prices and Costs*

The constant crude oil and natural gas benchmark references pricing and the exchange rate utilized in the McDaniel Report were as follows:

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, 2005
CONSTANT PRICES AND COSTS

Year	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Alberta Average Gas Price (\$Cdn/gj)	Natural Gas Liquids FOB Field Gate (\$Cdn/bbl)	Exchange Rate ⁽¹⁾ (\$US/\$Cdn)
2005 Year End	61.04	68.46	51.65	9.29	56.30	0.85

Note: (1) The exchange rate used to generate benchmark reference prices in this table.

5. *Future Development Costs*

The following table sets forth development costs deducted in the estimation of the Trust's future net revenue attributable to the reserve categories noted below.

Year (\$ thousand)	Constant Prices and Costs		Forecast Prices and Costs	
	Proved Reserves	Proved Reserves	Proved Reserves	Proved Plus Probable Reserves
2006	6,195	6,339	6,339	7,141
2007	45	47	47	320
2008	25	27	27	27
2009	49	54	54	54
2010	265	301	301	301
Thereafter	93	112	112	307
Total Undiscounted	6,672	6,880	6,880	8,150
Total Discounted at 10%	6,220	6,398	6,398	7,458

Notes:

- (1) While the Trust has reserves and production in the United States, the estimation of the Trust's future net revenue attributable to the US properties does not imply future development costs.
 - (2) We expect to fund the development costs of the reserves through a combination of internally generated cash flow, debt and sale of Trust Units. We withhold approximately 50 percent of cash flow to assist in funding development activities.
 - (3) There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributed in the reserve reports. Failure to develop those reserves would have a negative impact on future cash flow.
 - (4) The interest or other costs of external funding are not included in the reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. We do not anticipate that interest or other funding costs would make development of any property uneconomic.
6. The Alberta Royalty Credit ("ARC") is included in the cumulative cash flow amounts. ARC is based on the program announced November 1989 by the Alberta government with modifications effective January 1, 1995. The Trust qualifies for the maximum ARC.

7. Estimated future abandonment and reclamation costs related to a property have been taken into account by McDaniel in determining reserves that should be attributed to a property. Reasonable estimated future well abandonment costs were deducted in determining the aggregate future net revenue. No allowance was made, however, for reclamation of well sites or the abandonment and reclamation of any facilities.
8. Both the constant and forecast price and cost assumptions assume the continuance of current laws and regulations.
9. The extent and character of all factual data supplied to McDaniel were accepted by McDaniel as represented. No field inspection was conducted.

Reconciliations of Changes in Reserves

RECONCILIATION OF
TRUST NET RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS
CANADA

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Net Proved (MMbbl)	Net Probable (MMbbl)	Net Proved Plus Probable (MMbbl)	Net Proved (bcf)	Net Probable (bcf)	Net Proved Plus Probable (bcf)
December 31, 2004	6.08	2.00	8.08	39.61	16.82	56.43
Extensions	0.37	0.19	0.56	1.39	1.01	2.40
Improved Recovery	0.47	0.10	0.57	-	-	-
Technical Revisions	0.23	0.05	0.28	(0.53)	(4.21)	(4.74)
Discoveries	-	-	-	5.56	4.03	9.59
Acquisitions	0.09	0.03	0.12	0.19	0.08	0.27
Dispositions	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-
Production	(0.86)	-	(0.86)	(8.27)	-	(8.27)
December 31, 2005	6.38	2.37	8.75	37.95	17.73	55.68

RECONCILIATION OF
TRUST NET RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS
UNITED STATES

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Net Proved (MMbbl)	Net Probable (MMbbl)	Net Proved Plus Probable (MMbbl)	Net Proved (bcf)	Net Probable (bcf)	Net Proved Plus Probable (bcf)
December 31, 2004	2.95	0.82	3.77	0.03	-	0.03
Extensions	0.27	0.18	0.45	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions	0.12	(0.16)	(0.04)	-	-	-
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	(0.03)	-	(0.03)
Economic Factors	-	-	-	-	-	-
Production	(0.28)	-	(0.28)	-	-	-
December 31, 2005	3.06	0.84	3.90	-	-	-

RECONCILIATION OF
TRUST NET RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS
AGGREGATE

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Net Proved (MMbbl)	Net Probable (MMbbl)	Net Proved Plus Probable (MMbbl)	Net Proved (bcf)	Net Probable (bcf)	Net Proved Plus Probable (bcf)
December 31, 2004	9.03	2.82	11.85	39.64	16.82	56.46
Extensions	0.64	0.37	1.01	1.39	1.01	2.40
Improved Recovery	0.47	0.10	0.57	-	-	-
Technical Revisions	0.35	(0.11)	0.24	(0.53)	(4.21)	(4.74)
Discoveries	-	-	-	5.56	4.03	9.59
Acquisitions	0.09	0.03	0.12	0.19	0.08	0.27
Dispositions	-	-	-	(0.03)	-	(0.03)
Economic Factors	-	-	-	-	-	-
Production	(1.14)	-	(1.14)	(8.27)	-	(8.27)
December 31, 2005	9.44	3.21	12.65	37.95	17.73	55.68

Reconciliation of Future Net Revenue

The following table sets forth a reconciliation of the estimate of the net present value of future net revenue attributable to Zargon's reserves as evaluated in the McDaniel Report as at December 31, 2005 against the estimate of such amount as at December 31, 2004, calculated before tax using a discount rate of 10 percent and constant price and cost assumptions:

RECONCILIATION OF CHANGES IN
NET PRESENT VALUES OF FUTURE NET REVENUE
DISCOUNTED AT 10% PER YEAR
PROVED RESERVES
DECEMBER 31, 2005
CONSTANT PRICES AND COSTS

PERIOD AND FACTOR (\$ thousand)	2005		
	Canada	US	Total
Estimated Future Net Revenue at Beginning of Year (After Tax)	221,465	20,080	241,545
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	(88,671)	(12,209)	(100,880)
Net Change in Prices, Production Costs and Royalties Related to Future Production	124,659	30,287	154,946
Changes in Previously Estimated Development Costs Incurred During the Period	4,440	-	4,440
Changes in Estimated Future Development Costs	(4,018)	-	(4,018)
Extensions and Improved Recovery	11,577	8,845	20,422
Discoveries	42,635	-	42,635
Acquisitions of Reserves	2,925	-	2,925
Dispositions of Reserves	140	34	174
Net Change Resulting from Revisions in Quantity Estimates plus effects of timing	(3,274)	(6,341)	(9,615)
Accretion of Discount	22,146	3,466	25,612
Net Change in Income Taxes	-	(10,052)	(10,052)
Estimated Future Net Revenue at End of Year (After Tax)	334,024	34,110	368,134

Additional Information Relating to Reserves Data

Undeveloped Reserves

There are no proved undeveloped reserves at December 31, 2005. Probable reserves account for 7.53 MMboe or 28 percent of the total Trust proved plus probable reserves.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In Zargon's practice, proved undeveloped reserves tend to be those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from the Trust's gathering systems. In addition, such reserves may relate to planned infill drilling locations. Probable undeveloped reserves may be reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. In either case, the majority of undeveloped reserves are planned to be on stream within a two-year timeframe. There are no proved undeveloped reserves at December 31, 2005.

Significant Factors or Uncertainties Affecting Reserves Data

Our evaluated oil and gas properties have no material extraordinary risks or uncertainties beyond those which are inherent in an oil and gas producing company as described under the heading "*Management's Discussion and Analysis*" in our Annual Report on pages 29 to 49. See also "*Risk Factors*" below.

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions. The Trust's reserves are evaluated by McDaniel & Associates Consultants Ltd., an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result of the subjective decisions implied, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

Other Oil and Gas Information

Oil and Gas Properties

The following is a description of our principal oil and natural gas properties on production or under development as at December 31, 2005. The term "net", when used to describe our share of production, means the total of our working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at December 31, 2005, based on December 31, 2005 price and cost assumptions. Unless otherwise specified, gross and net acres and well count information are as at December 31, 2005.

Our major properties are concentrated within the following three core regions in Alberta, Saskatchewan and Manitoba in Canada and in North Dakota in the United States. Each region offers a large undeveloped land base, a vast seismic database, and significant ownership and operatorship in production facilities.

West Central Alberta

Zargon's West Central Alberta core area is located west of Edmonton in central Alberta and is comprised of three natural gas producing regions that provide the Trust with a varied inventory of exploration opportunities. This core area currently delivers approximately 30 percent of Zargon's natural gas production and with exploration success can provide Zargon with the opportunity to grow its natural gas production volumes. In 2005, Zargon spent \$15.77 million of capital in the West Central Alberta core area, which represented 85 percent of the \$18.57 million of property cash flow generated by the core

area. With these expenditures, Zargon drilled 14.1 net wells in this core area that resulted in 13.1 net natural gas wells and 1.0 net dry hole. Following disappointing 2004 exploration results, the smaller 2005 West Central Alberta exploration program was successfully reconfigured to focus on lower risk targets.

- Zargon's 45 thousand net acres of undeveloped land in the Greater Highvale property is centered around a 54 section land block situated on and around Paul First Nation lands located west of Edmonton. Zargon owns and operates natural gas production infrastructure in the area and pursues seismically defined structural prospects at medium depths. The structural geology lends itself to stacked pay with potential for multiple pay zones. Greater Highvale activities in 2005 included the drilling of 3.0 net natural gas wells. In addition, under the terms of an agreement to farmout deeper rights, a third party shot a 12 square kilometre 3D seismic program over Zargon lands. The Greater Highvale property provided 3.84 million cubic feet per day of natural gas and 200 barrels per day of oil and liquids production to Zargon in 2005. In 2006, three net natural gas exploration wells are planned for the Highvale area.
- Over the last five years Zargon has been pursuing shallow under-pressured Scollard and Horseshoe Canyon sands in the Pembina area at depths up to 900 metres. Zargon has acquired an inventory of 60 thousand acres on this prospect and has constructed a sweet gas gathering and compression facility. In 2005, Zargon drilled 5.8 net natural gas wells in the Pembina area and the property provided 1.93 million cubic feet per day of production to Zargon's interest. Last year's drilling program successfully focused on higher deliverability targets and with the tie-in of these wells, increased volumes are anticipated in 2006. Zargon is planning to follow up on last year's exploration successes with an expanded seven net well drilling program in 2006.
- In the Peace River Arch exploration area, Zargon is pursuing multiple zone gas exploration prospects at drilling depths ranging up to 1,800 metres. The Peace River Arch exploration strategy is more "grassroots" than in other areas as the Trust develops prospects, posts land, shoots seismic and drills high graded prospects. Over the last three years, Zargon has built an 86 thousand net acre undeveloped land inventory that is generally characterized by year round surface access and sweet natural gas multi-zone prospects. In 2005, the Trust drilled 5.3 net wells in the Peace River Arch area that resulted in 4.3 net natural gas wells and 1.0 net abandonment. Production for the area averaged 2.43 million cubic feet per day of natural gas and eight barrels per day of oil and liquids. In 2006, Zargon plans to tie-in six Peace River Arch net wells at the Sturgeon Lake, Hamelin Creek, Progress South, Eaglesham and Saddle Hills properties, which should more than replace last year's losses from the watering out of the Progress well. Building on the 2005 exploration successes, an expanded seismically focused drilling program of seven net wells is planned for the Peace River Arch property in 2006.

Alberta Plains

The Trust's Alberta Plains core area is located in the east central region of Alberta and is made up predominantly of relatively shallow natural gas producing properties. This core area delivered 70 percent of Zargon's total natural gas production in 2005 and contributes large free cash flows that underpin the Trust's monthly distributions. Production volumes have been maintained at a relatively stable level since 2001 through exploration and development drilling programs on the Trust's existing land base. In 2005, the Alberta Plains core area generated \$45.68 million of property cash flow, of which \$19.07 million was reinvested in the core area to maintain production volumes. During 2005, the Trust drilled 25.1 net wells in the Alberta Plains area resulting in 22.1 net gas wells, 1.0 net oil well and 2.0 net dry holes.

- The Jarrow property continues to be the Trust's most significant producing natural gas property. This property is characterized by high working interests, ownership and operatorship of significant pipeline and gas processing facilities and a continuing large inventory of prospects on an 82 thousand net acre undeveloped land inventory. Although the Jarrow undeveloped land inventory dropped 19 percent from 2004 levels, this decline can be attributed to a significant number of oil and gas leases reaching the end of their five year primary term. Considerably fewer expiries will occur in 2006 and the Trust anticipates that Jarrow land inventory will remain relatively unchanged in 2006. Since 2001, Zargon's strategy for Jarrow has been to sustain net natural gas production levels from this property at approximately 15 million cubic feet per day. This strategy attempts to balance, in a sustainable manner, the efficient loading of the existing infrastructure capacity while capitalizing on the considerable inventory of natural gas prospects. In 2006, the Trust will focus on recent down spacing approvals that will facilitate the further development of the large partially drained Ostracod, Glauconite and Colony pools located in the two Jarrow Units. During the year, Zargon drilled 22.1 net (25 gross) wells at

Jarrow, resulting in 20.1 net natural gas wells and 2.0 net dry holes. The Trust also shot 130 kilometres of 2D seismic as part of its ongoing exploration and development programs.

- Also located in the Alberta Plains core area is the Hamilton Lake property where Zargon produced 2.49 million cubic feet of natural gas per day and 92 barrels of oil and liquids per day in 2005 from the Mannville and Viking formations. The property consists of a mostly contiguous 20 thousand net acre land block that has significant development potential in the lower permeability but extensive first Viking sand formation. In 2006, Zargon plans to confirm the economics of this resource with the drilling of a pilot development program. In 2006, Zargon will proceed with development infill programs for both the Ukalta natural gas property and the Taber medium gravity oil property.

Williston Basin

The Williston Basin properties are located in relatively close proximity in southeast Saskatchewan, southwest Manitoba and in the northern counties of the State of North Dakota. The properties produce light and medium gravity oil from carbonate reservoirs at depths up to 1,500 metres. The Williston Basin contributes about 80 percent of the Trust's oil and liquids production, 84 percent of the Trust's proved and probable oil and liquids reserves and provides a long proved and probable reserve life of 10.9 years. Zargon's Williston Basin producing reservoirs are characterized by moderate permeability and a large remaining oil-in-place. By the nature of the physical characteristics of these reservoirs, the properties demonstrate relatively stable production with shallow annual declines and accordingly long reserve life indices. In 2005, Zargon drilled 9.5 net horizontal wells and 4.8 net vertical wells in the Williston Basin resulting in 12.6 net oil wells, 0.9 net water injectors and 0.8 net abandonments. The Trust also shot one 3D seismic program at Elswick, Saskatchewan. In 2005, Zargon doubled its field capital program in the Williston Basin over 2004 levels and the Trust is budgeting a similar capital program in 2006. This program will continue to focus on improving waterflood recoveries with the drilling of additional vertical step-outs and injectors plus the drilling of horizontal drainage wells.

Oil and Gas Wells

The following table sets forth the number and status of wells in which we had a working interest as at December 31, 2005.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada								
Alberta	169	97	56	24	293	182	130	95
Saskatchewan	306	209	46	36	-	-	-	-
Manitoba	55	55	11	11	-	-	-	-
United States								
North Dakota	86	84	6	6	-	-	-	-
Total	616	445	119	77	293	182	130	95

Properties with no Attributable Reserves

The following table sets out our developed and undeveloped land holdings as at December 31, 2005.

(thousand net acres)	Undeveloped Acres	
	Gross	Net
Alberta	381	318
Saskatchewan	49	47
Manitoba	2	2
United States	-	-
Total	432	367

With respect to its undeveloped land inventory and farm-in agreement, the Trust has the following current work commitments:

- a) A commitment to the Paul First Nation to drill one well in the Highvale area of West Central Alberta by September 30, 2006 at an estimated cost of \$0.50 million.
- b) A commitment to an industry participant to drill one horizontal well in the Elswick area of South East Saskatchewan by June 30, 2006 at an estimated cost of \$0.75 million.
- c) A commitment to industry participants to drill two wells in the Pembina area of Alberta by July 31, 2006 at an estimated cost of \$1.00 million.

We expect that rights to explore, develop and exploit 48,501 net acres of its undeveloped land holdings will expire by December 31, 2006.

Forward Contracts

We are exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments are used to reduce exposure to fluctuations in commodity prices and foreign exchange rates. We are exposed to losses in the event of default by the counterparties to these derivative instruments. We manage this risk by diversifying its derivative portfolio amongst a number of financially strong counterparties. For information in relation to marketing arrangements, see "*Marketing Arrangements*".

For details of material commitments to sell natural gas and crude oil which were outstanding at December 31, 2005 see note 12 to the Financial Statements on page 67 contained in our Annual Report which pages are incorporated herein by reference.

Additional Information Concerning Abandonment and Reclamation Costs

As at December 31, 2005, we had 799 net wells capable of production for which we expect to incur abandonment and reclamation costs.

Zargon has estimated the net present value of its total asset retirement obligations to be \$15.86 million as at December 31, 2005, based on a total future liability of \$62.54 million. The future net revenues disclosed in this Annual Information Form based on the McDaniel report do not contain an allowance for abandonment and reclamation costs for batteries and salvage values are deducted, which are not allowed under GAAP. The McDaniel report deducted \$41.34 million (undiscounted) and \$9.10 million (10 percent discount using forecast prices and costs for proved and probable reserves) for abandonment and reclamation costs in estimating the future net revenue disclosed in this Annual Information Form.

We do not expect to pay any material amounts with respect to abandonment and reclamation costs in the next two financial years.

Tax Horizon

As a result of our tax efficient structure, annual taxable income in Canada is transferred from our operating entities to us and from us to our Unitholders. This is primarily accomplished through the deduction of the royalties on underlying oil and gas properties and the deduction of interest on the long term notes held by its operating entities. Therefore, we expect that no Canadian income tax liability would be incurred by us for as long as the organization maintains this organizational tax structure. During 2005, the Trust incurred current income taxes in the United States of \$0.90 million. If high oil prices continue, there may be similar United States current income taxes payable annually, that will be somewhat modified by Zargon's United States capital program activity levels.

Capital Expenditures

The following tables summarize capital expenditures related to our activities for the year ended December 31, 2005:

(\$ million)	Canada	United States	Total
Property Acquisition Costs:			
Proved Properties ⁽¹⁾	1.50	(0.27)	1.23
Unproved Properties	3.62	0.03	3.65
Corporate Acquisitions	1.19	-	1.19
Development Costs ⁽²⁾	27.71	5.67	33.38
Exploration Costs ⁽³⁾	15.23	-	15.23
Total	49.25	5.43	54.68

Notes:

(1) Acquisitions are net of disposition of properties.

(2) Development and facilities expenditures

(3) Cost of land acquired, geological and geophysical capital expenditures and drilling costs for 2005 exploration wells drilled.

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which we participated during the year ended December 31, 2005:

Canada	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil	-	-	11.0	9.6
Natural Gas	22.0	20.0	18.0	15.3
Service	-	-	1.0	0.9
Dry	3.0	3.0	1.0	0.8
Total	25.0	23.0	31.0	26.6

United States	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil	-	-	4.0	3.9
Natural Gas	-	-	-	-
Service	-	-	-	-
Dry	-	-	-	-
Total	-	-	4.0	3.9

In 2006, we are budgeted to invest approximately \$45 million to expand our core regions. The entire amount is dedicated to well-planned exploration, exploitation, development and optimization of our existing assets. This amount does not include any capital for acquisitions which will be pursued on an opportunistic basis.

The Trust's most important current exploration and development activities include the following:

- Exploration for natural gas in West Central Alberta, primarily in the Peace River Arch, Highvale and Pembina areas.
- Development work with an exploration component seeking to maintain current production levels of natural gas in the Alberta Plains core area.

- Exploitation of many of our Williston Basin properties with improved recovery techniques, reservoir re-pressurization by water injection followed in due course by geologically-driven development drilling based on 3D seismic programs.

Production Estimates

The following table sets out the volume of our gross production estimated in the McDaniel Report for the year ended December 31, 2006 which is reflected in the estimate of future net revenue disclosed in the tables contained under "*Disclosure of Reserves Data And Other Oil And Natural Gas Information*".

	Light and Medium Oil	Natural Gas	Natural Gas Liquids	BOE
	(bbl/d)	(Mcf/d)	(bbl/d)	(boe/d)
Total Proved	3,718	31,306	58	8,990
Total Probable	143	2,558	4	573
Total Proved Plus Probable	<u>3,861</u>	<u>33,864</u>	<u>62</u>	<u>9,563</u>

The Jarrow property in Alberta Plains accounts for 30 percent of the gross production volume estimated in the above table and is the only property that accounts for 20 percent or more of the estimated production disclosed above.

Production History and Prices Received

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	Quarter Ended			
	2005			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production:				
Gas (Mcf/d)	27,730	26,750	27,940	29,100
Light and Medium Crude Oil (bbl/d) ⁽²⁾	4,030	3,578	3,582	3,596
Combined (boe/d)	8,651	8,036	8,238	8,446
Average Price Received⁽¹⁾:				
Gas (\$/Mcf)	11.34	8.44	7.17	6.75
Light and Medium Crude Oil (\$/bbl) ⁽²⁾	57.58	65.91	54.13	50.79
Combined (\$/boe)	63.15	57.45	47.85	44.90
Royalties Paid:				
Gas (\$/Mcf)	2.61	2.04	1.57	1.63
Light and Medium Crude Oil (\$/bbl) ⁽²⁾	13.28	14.47	12.00	11.67
Combined (\$/boe)	14.56	13.23	10.55	10.57
Production Costs:				
Gas (\$/Mcf)	0.85	0.99	1.00	0.97
Light and Medium Crude Oil (\$/bbl) ⁽²⁾	10.63	11.74	9.84	10.34
Combined (\$/boe)	7.67	8.52	7.67	7.74
Netback Received⁽³⁾:				
Gas (\$/Mcf)	7.24	5.09	4.48	4.20
Light and Medium Crude Oil (\$/bbl) ⁽²⁾	29.65	34.12	29.45	25.95
Combined (\$/boe)	37.01	32.16	27.98	25.55

Notes:

- (1) Average price received is calculated after the impact of hedging transactions.
- (2) Includes NGLs.
- (3) Netbacks are calculated by subtracting royalties and operating costs from revenues after realized risk management losses/gains.

The following table indicates our average daily production from our core regions for the year ended December 31, 2005:

	Natural Gas	Light and Medium Crude Oil	NGLs	BOE
	(Mcf/d)	(bbl/d)	(bbl/d)	(boe/d)
West Central Alberta	8,250	155	54	1,584
Alberta Plains	19,376	536	17	3,783
Williston Basin	239	2,935	-	2,975
Total	27,865	3,626	71	8,342

Marketing Arrangements

Natural Gas

We continue to maintain a risk-mitigating strategy by cultivating a diverse natural gas sales portfolio, which encompasses a variety of pricing mechanisms and term commitments. In 2005, approximately 23 percent of Zargon's natural gas production was sold under aggregator contracts pursuant to long-term contracts with Cargill Gas Marketing Ltd. (Jarrow – 18 percent) and ProGas Limited (Hamilton Lake – five percent). The remainder of Zargon's natural gas production was sold by spot sale contracts and Alberta Index prices were received. Our risk management objectives include protecting or securing minimum prices for between 20 to 35 percent of working interest production for terms not exceeding 18 months. Our risk management methodology includes employing collars, floors or fixed price contracts. In order to control and manage credit risk and ensure competitive bids, we engage a number of reputable counterparties for our natural gas transactions. The integration and application of these strategies resulted in an average realized price (after realized risk management losses) of \$8.16 Cdn per Mcf in 2005 compared to \$6.32 Cdn per Mcf in 2004.

Oil and Natural Gas Liquids

We sell our oil and natural gas liquids production to a variety of customers. This allows us to benefit from specific regional advantages while maintaining pricing and delivery flexibility. In general, Zargon markets its oil production with various purchasers under one month renewable contracts and receives posted reference prices with adjustments for quality and transportation. In 2005, our average realized oil and liquids price (after realized risk management losses) was \$53.32 Cdn per bbl. compared to \$42.17 Cdn per bbl. in 2004. Consistent with our natural gas strategy, our risk management objectives include protecting or securing minimum prices for between 20 to 35 percent of our working interest production for terms not exceeding 18 months. Our crude oil risk management strategy employs the use of costless collars and fixed pricing.

Acquisitions and Dispositions

During 2005, Zargon completed 6 property transactions including the acquisition and disposition of oil and natural gas properties. These property transactions were complemented with the corporate acquisition of a small private Saskatchewan oil and gas company. In aggregate, net of dispositions, we made \$2.42 million of net property and corporate acquisitions in the year.

Environmental Policies

Zargon is committed to protecting the environment while conducting its operations. Zargon's management believes that:

- Operating in an environmentally responsible manner is key to insuring the continued growth of the Trust and the industry.
- Sound environmental management is an integral component of a good business plan. Environmental stewardship reduces costs and corporate liability. It enhances shareholder value, boosts employee moral and enhances the Trust's image in the eyes of regulators and the public.

- Managing Zargon's environmental responsibilities is a team effort requiring the commitment of management, employees and contractors.
- Preventing environmental damage is cheaper than repairing damage.

An effective environmental program helps operations staff to understand and comply with environmental laws and regulations and to minimize the costs and liabilities associated with environmental damage. It helps meet the concerns of investors, analysts, bankers, partners and the public that environmental issues are being managed properly and will provide a due-diligence defense in the event of an environmental incident.

SHARE CAPITAL OF ZARGON OIL & GAS LTD.

Common Shares

Zargon Oil & Gas Ltd. has authorized for issuance an unlimited number of common shares, all of which are owned by the Trust. The voting of such shares is delegated to the Board of Directors under the Trust Indenture other than: (i) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of Zargon Oil & Gas Ltd., except in conjunction with an internal reorganization of the direct or indirect assets of Zargon Oil & Gas Ltd. as a result of which either Zargon Oil & Gas Ltd. or we have the same, or substantially similar, interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization; (ii) any statutory amalgamation of Zargon Oil & Gas Ltd. with any other corporation or any amalgamation, merger or other transaction, as the case may be, of Zargon Oil & Gas Ltd. with any other entity, except in conjunction with an internal reorganization as referred to in paragraph (i) above; (iii) any statutory arrangement involving Zargon Oil & Gas Ltd., except in conjunction with an internal reorganization as referred to in paragraph (i) above; (iv) any amendment to the articles of Zargon Oil & Gas Ltd. to increase or decrease the minimum or maximum number of directors; or (v) any material amendment to the articles of Zargon Oil & Gas Ltd. to change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to any class of Zargon Oil & Gas Ltd.'s shares in a manner which may be prejudicial to us, which must be approved by the Unitholders by special resolution at a meeting of Unitholders called for that purpose.

The holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of Zargon Oil & Gas Ltd. and to one vote at such meetings. The holders of common shares will be, at the discretion of the Board of Directors and subject to applicable legal restrictions, and subject to certain preferences of holders of Exchangeable Shares, entitled to receive any dividends declared by the Board of Directors on the common shares to the exclusion of the holders of Exchangeable Shares, subject to the proviso that no dividends shall be paid on the common shares unless all declared dividends on the outstanding Exchangeable Shares have been paid in full. The holders of common shares will be entitled to share equally in any distribution of the assets of Zargon Oil & Gas Ltd. upon the liquidation, dissolution, bankruptcy or winding-up of Zargon Oil & Gas Ltd. or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares and any other shares having priority over the common shares.

Exchangeable Shares

Zargon Oil & Gas Ltd. is authorized to issue an unlimited number of Exchangeable Shares of which, as of December 31, 2005, 2,401,989 were outstanding. The Exchangeable Shares rank prior to the common shares of Zargon Oil & Gas Ltd. and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Zargon Oil & Gas Ltd. The Exchangeable Share provisions have been filed on SEDAR at www.sedar.com.

Valiant Trust Company acts as the transfer agent for the Exchangeable Shares.

Each Exchangeable Share has economic rights (including the right to have the Exchange Ratio adjusted to account for distributions paid to Unitholders) and voting attributes (through the benefit of the Special Voting Rights granted to the Trustee) equivalent to those of the Trust Units into which they are exchangeable from time to time. As at December 31, 2005, the Exchange Ratio was 1.09629 and will be increased on each distribution payment date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the distribution, expressed as an amount per Trust Unit, paid on that date multiplied by the Exchange Ratio immediately prior to the record date for such distribution and having as its denominator the current market price (five day weighted average trading price) on the first business day following the record date for the distribution. In addition, holders of Exchangeable Shares have the right to receive Trust Units at any time in exchange for their Exchangeable Shares, on the basis of the Exchange Ratio in effect at the time of the exchange. Fractional Trust Units will not be delivered on any exchange of Exchangeable Shares. In the event that the Exchange Ratio in

effect at the time of an exchange would otherwise entitle a holder of Exchangeable Shares to a fractional Trust Unit, the number of Trust Units to be delivered will be rounded to the nearest whole number of Trust Units. Holders of Exchangeable Shares will not receive cash distributions from us or Zargon Oil & Gas Ltd., rather, the Exchange Ratio will be adjusted to account for distributions paid to Unitholders.

Ranking

The Exchangeable Shares rank rateably with shares of any other series of exchangeable shares of Zargon Oil & Gas Ltd. and prior to any common shares of Zargon Oil & Gas Ltd. and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends, if any, that have been declared and the distribution of assets in the event of the liquidation, dissolution or winding-up of Zargon Oil & Gas Ltd.

Dividends

Holders of Exchangeable Shares will be entitled to receive cash dividends if, as and when declared by the Board of Directors. Zargon Oil & Gas Ltd. anticipates that it may from time to time declare dividends on the Exchangeable Shares up to but not exceeding any cash distributions on the Trust Units into which such Exchangeable Shares are exchangeable. In the event that any such dividends are paid, the Exchange Ratio will be correspondingly reduced to reflect such dividends.

Certain Restrictions

Zargon Oil & Gas Ltd. will not, without obtaining the approval of the holders of the Exchangeable Shares as set forth below under the subheading "*Amendment and Approval*":

- (a) pay any dividend on the common shares or any other shares ranking junior to the common shares, other than stock dividends payable in common shares or any other shares ranking junior to the Exchangeable Shares;
- (b) redeem, purchase or make any capital distribution in respect of the common shares of Zargon Oil & Gas Ltd. or any other shares ranking junior to the Exchangeable Shares;
- (c) redeem or purchase any other shares of Zargon Oil & Gas Ltd. ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
- (d) issue any shares, other than Exchangeable Shares or common shares, which rank superior to the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution.

The above restrictions shall not apply if all declared dividends on the outstanding Exchangeable Shares shall have been paid in full.

Liquidation or Insolvency of Zargon Oil & Gas Ltd.

In the event of the liquidation, dissolution or winding-up of Zargon Oil & Gas Ltd. or any other proposed distribution of the assets of Zargon Oil & Gas Ltd. among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares, subject to applicable law, will be entitled to receive from Zargon Oil & Gas Ltd., in respect of each such Exchangeable Share, that number of Trust Units equal to the Exchange Ratio as at the effective date of such event.

Upon the occurrence of such an event, we and ExchangeCo will each have the overriding right to purchase all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares which are held by us or any subsidiaries) at a purchase price per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio at such time and, upon the exercise of this right, the holders thereof will be obligated to sell such Exchangeable Shares to us or ExchangeCo, as applicable. This right may be exercised by either us or ExchangeCo.

Automatic Exchange Right on our Liquidation

The voting and exchange trust agreement provides that in the event of a "trust liquidation event", as described below, we or ExchangeCo will be deemed to have purchased all outstanding Exchangeable Shares and each holder of Exchangeable Shares will be deemed to have sold their Exchangeable Shares immediately prior to such trust liquidation event at a purchase price

per Exchangeable Share to be satisfied by the issuance or delivery, as the case may be, of that number of Trust Units equal to the Exchange Ratio at such time. "Trust liquidation event" means:

- any determination by us to institute our voluntary liquidation, dissolution or winding-up proceedings or to effect any other distribution of our assets among the Unitholders for the purpose of winding up its affairs; or
- the earlier of, our receiving notice of or we otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to our involuntary liquidation, dissolution or winding up or to effect any other distribution of our assets among the Unitholders for the purpose of winding up our affairs in each case where we have failed to contest in good faith such proceeding within 30 days of becoming aware thereof.

Retraction of Exchangeable Shares by Holders and Retraction Call Right

Subject to the Retraction Call Right granted to us and ExchangeCo, described below, a holder of Exchangeable Shares will be entitled at any time to require Zargon Oil & Gas Ltd. to redeem any or all of the Exchangeable Shares held by such holder for a retraction price (the "Retraction Price") per Exchangeable Share equal to the value of that number of Trust Units equal to the Exchange Ratio as at the date of redemption (the "Retraction Date"), to be satisfied by the delivery of such number of Trust Units. Fractional Trust Units will not be delivered. Any amount payable on account of the Retraction Price that includes a fractional Trust Unit will be rounded down to the nearest whole number of Trust Units. Holders of the Exchangeable Shares may request redemption by presenting to Zargon Oil & Gas Ltd. or the transfer agent for the Exchangeable Shares a certificate or certificates representing the number of Exchangeable Shares the holder desires to have redeemed, together with a duly executed retraction request and such other documents as may be reasonably required to effect the redemption of the Exchangeable Shares. Subject to extension as described below, the redemption will become effective on the Retraction Date, which will be three business days after the date on which Zargon Oil & Gas Ltd. or the transfer agent receives the retraction notice.

When a holder requests Zargon Oil & Gas Ltd. to redeem the Exchangeable Shares, we and ExchangeCo will have an overriding right (the "Retraction Call Right") to purchase on the Retraction Date all but not less than all of the Exchangeable Shares that the holder has requested Zargon Oil & Gas Ltd. to redeem at a purchase price per Exchangeable Share equal to the Retraction Price, to be satisfied by the delivery of that number of Trust Units equal to the Exchange Ratio at such time. At the time of a Retraction Request by a holder of Exchangeable Shares, Zargon Oil & Gas Ltd. will immediately notify us and ExchangeCo. We or ExchangeCo must then advise Zargon Oil & Gas Ltd. within two business days as to whether the Retraction Call Right will be exercised. A holder may revoke his or her Retraction Request at any time prior to the close of business on the last business day immediately preceding the Retraction Date, in which case the holder's Exchangeable Shares will neither be purchased by us or ExchangeCo nor be redeemed by Zargon Oil & Gas Ltd.. If the holder does not revoke his or her Retraction Request, the Exchangeable Shares that the holder has requested Zargon Oil & Gas Ltd. to redeem will on the Retraction Date be purchased by us or ExchangeCo or redeemed by Zargon Oil & Gas Ltd., as the case may be, in each case at a purchase price per Exchangeable Share equal to the Retraction Price. In addition, a holder of Exchangeable Shares may elect to instruct the Trustee to exercise the optional exchange right (the "Optional Exchange Right") to require us or ExchangeCo to acquire such holder's Exchangeable Shares in circumstances where neither we nor ExchangeCo have exercised the Retraction Call Right.

The Retraction Call Right may be exercised by either us or ExchangeCo. If, as a result of solvency provisions of applicable law, Zargon Oil & Gas Ltd. is not permitted to redeem all Exchangeable Shares tendered by a retracting holder, Zargon Oil & Gas Ltd. will redeem only those Exchangeable Shares tendered by the holder as would not be contrary to such provisions of applicable law. The holder of any Exchangeable Shares not redeemed by Zargon Oil & Gas Ltd. will be deemed to have required us to purchase such unretracted Exchangeable Shares in exchange for Trust Units on the Retraction Date pursuant to the Optional Exchange Right.

Redemption of Exchangeable Shares

Subject to applicable law and the Redemption Call Right granted to us and ExchangeCo and Zargon Oil & Gas Ltd.:

- (a) will, on the tenth anniversary of the Effective Date, subject to extension of such date by the Board of Directors (the "Automatic Redemption Date"), redeem all but not less than all of the then outstanding Exchangeable Shares for a redemption price per Exchangeable Share equal to the value of that number of Trust Units equal to the Exchange Ratio as at the last Business Day prior to that Redemption Date (as that term is defined below) (the "Redemption Price"), to be satisfied by the delivery of such number of Trust Units;

- (b) may, on the fifth anniversary of the Effective Date (the "Optional Redemption Date"), redeem all but not less than all of the outstanding Exchangeable Shares for the Redemption Price per Exchangeable Share at the last Business Day prior to that Redemption Date (as that term is defined below), to be satisfied by the delivery of Trust Units;
- (c) may, on any date that is within the first 90 days of any calendar year commencing in 2005 (the "Annual Redemption Date"), redeem up to that number of Exchangeable Shares equal to 20 percent of the Exchangeable Shares outstanding on the Effective Date for the Redemption Price per Exchangeable Share at the last Business Day prior to that Redemption Date (as that term is defined below), to be satisfied by the delivery of Trust Units; and
- (d) may, at any time when the aggregate number of issued and outstanding Exchangeable Shares is less than 350,000 (other than Exchangeable Shares held by us and our subsidiaries and as such shares may be adjusted from time to time) (the "De Minimus Redemption Date" and, collectively with the Automatic Redemption Date, optional Redemption Date and Annual Redemption Date, a "Redemption Date"), redeem all but not less than all of the then outstanding Exchangeable Shares for the Redemption Price per Exchangeable Share (unless contested in good faith by us).

Zargon Oil & Gas Ltd. will, at least 90 days prior to any Redemption Date, provide the registered holders of the Exchangeable Shares with written notice of the prospective redemption of the Exchangeable Shares by Zargon Oil & Gas Ltd.

We and ExchangeCo have the right (the "Redemption Call Right"), notwithstanding a proposed redemption of the Exchangeable Shares by Zargon Oil & Gas Ltd. on the applicable Redemption Date, pursuant to the Exchangeable Share Provisions, to purchase on any Redemption Date all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by us or our subsidiaries) in exchange for the Redemption Price per Exchangeable Share and, upon the exercise of the Redemption Call Right, the holders of all of the then outstanding Exchangeable Shares will be obliged to sell all such shares to us or ExchangeCo, as applicable. If either we or ExchangeCo exercises the Redemption Call Right, then Zargon Oil & Gas Ltd.'s right to redeem the Exchangeable Shares on the applicable Redemption Date will terminate. The Redemption Call Right may be exercised by either us or ExchangeCo.

Voting Rights

Except as required by applicable law, the holders of the Exchangeable Shares are not entitled as such to receive notice of or attend any meeting of the shareholders of Zargon Oil & Gas Ltd. or to vote at any such meeting. Holders of Exchangeable Shares will have the notice and voting rights respecting meetings that are provided in the Voting and Exchange Trust Agreement.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be changed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Exchangeable Shares will be sufficiently given if given in accordance with applicable law and subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast thereon (other than shares beneficially owned by us, or any of our entities and other affiliates) at a meeting of the holders of the Exchangeable Shares duly called and held at which holders of at least 10 percent of the then outstanding Exchangeable Shares are present in person or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefore, then the meeting will be adjourned to such place and time (not less than ten days later) as may be determined at the original meeting and the holders of Exchangeable Shares present in person or represented by proxy at the adjourned meeting will constitute a quorum thereat and may transact the business for which the meeting was originally called. At the adjourned meeting, a resolution passed by the affirmative vote of not less than two-thirds of the votes cast thereon (other than shares beneficially owned by us or any of our subsidiaries and other affiliates) will constitute the approval or consent of the holders of the Exchangeable Shares.

Actions by Us under the Support Agreement and the Voting and Exchange Trust Agreement

Under the Exchangeable Share Provisions, Zargon Oil & Gas Ltd. has agreed to take all such actions and do all such things as are necessary or advisable to perform and comply with its obligations under, and to ensure the performance and compliance by us and ExchangeCo with its obligations under, the Support Agreement and the Voting and Exchange Trust Agreement.

Support Agreement and Voting and Exchangeable Trust Agreement

The Support Agreement and the Voting and Exchange Agreement have been filed on SEDAR at www.sedar.com.

INFORMATION RELATING TO US

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. The Trust Units represent equal undivided beneficial interests in the Trust. All Trust Units share equally in all distributions made by us and all Trust Units carry equal voting rights at meetings of Unitholders. No Unitholder will be liable to pay any further calls or assessments in respect of the Trust Units. No conversion, retraction, redemption or pre-emptive rights attach to the Trust Units.

Special Voting Units

The Trust Indenture also provides for the issuance of special voting units and which are entitled to such number of votes at meetings of Unitholders equal to the number of Trust Units reserved for issuance that such special voting units represent, such number of votes and any other rights or limitations prescribed by the Board of Directors when the Board of Directors authorizes issuing such special voting units. The Trust Units and the special voting units vote together as a single class on all matters. In the event of any of our liquidation, dissolution or winding-up, the holders of special voting units will not be entitled to receive any of our assets available for distribution to its holders of Trust Units. The holders of special voting units will not be entitled to receive dividends or other distributions from us.

A single special voting unit was issued to Valiant Trust Company as trustee under the Voting and Exchange Trust Agreement for the benefit of holders of the Exchangeable Shares issued in connection with the Arrangement. This special voting unit is entitled to a number of votes, exercisable at any meeting at which trust unitholders are entitled to vote, equal to the number of Trust Units (rounded down to the nearest whole number), into which the Exchangeable Shares are then exchangeable multiplied by the number of votes to which the holder of one Trust Unit is then entitled. 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.

Trust Indenture

The Trust Indenture, among other things, provides for the calling of meetings of Unitholders, the conduct of business thereof, notice provisions, the appointment and removal of the Trustee and the form of Trust Unit certificates. The Trust Indenture may be amended from time to time. Substantive amendments to the Trust Indenture, including early termination of the Trust and the sale or transfer of our property as an entirety or substantially as an entirety requires approval by special resolution of the Unitholders. Any approval or consent of Unitholders in relation to any matter required by any regulatory body will require a majority of, or such other level of approval of Unitholders as may be stipulated by such regulatory authority, including as to the exclusion of interested or other Unitholders in the calculation of such level of approval. See "*Information Relating to Us – Meetings and Voting*" below.

The following is a summary of certain provisions of the Trust Indenture. For a complete description of such indenture, reference should be made to the Trust Indenture, a copy of which has been filed on SEDAR at www.sedar.com.

Trustee

Valiant Trust Company is our trustee and also acts as the transfer agent for the Trust Units. The Trustee is responsible for, among other things, accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto and maintaining our books and records and providing timely reports to holders of Trust Units. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and in our best interests and in the best interest of the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the Trustee's appointment is until the third annual meeting of Unitholders. The Unitholders shall, at the third annual meeting of the Unitholders, re-appoint, or appoint a successor to the Trustee for an additional three year term, and thereafter, the Unitholders are required to reappoint or appoint a successor to the Trustee at the annual meeting of

Unitholders three years following the reappointment or appointment of the successor to the Trustee. The Trustee may also be removed by special resolution of the Unitholders. Such resignation or removal becomes effective upon the acceptance or appointment of a successor trustee.

Zargon Oil & Gas Ltd. presently administers us on behalf of the Trustee. Zargon Oil & Gas Ltd., on behalf of the Trustee, keeps such books and records as are necessary for the proper recording of our business transactions.

The Trust Indenture provides that the Trustee shall be under no liability for any action or failure to act unless such liabilities arise out of the Trustee's gross negligence, wilful default or fraud. The Trustee, where it has met its standard of care, shall be indemnified out of our assets for any taxes or other government charges imposed upon the Trustee in consequence of its performance of its duties but shall have no additional recourse against Unitholders. In addition, the Trust Indenture contains other customary provisions limiting the liability of the Trustee.

Future Offerings

The Trust Indenture provides that Trust Units, including rights, warrants and other securities to purchase, to convert into or to exchange into Trust Units, may be created, issued, sold and delivered on such terms and conditions and at such times as the Trustee, upon the recommendation of the Board of Directors may determine. The Trust Indenture also provides that Zargon Oil & Gas Ltd. may authorize the creation and issuance of debentures, notes and other evidences of indebtedness by us which debentures, notes or other evidences of indebtedness may be created and issued from time to time on such terms and conditions to such persons and for such consideration as Zargon Oil & Gas Ltd. may determine.

Meetings and Voting

Annual meetings of the Unitholders will be held annually. Special meetings of Unitholders may be called at any time by the Trustee and shall be called by the Trustee upon the written request of Unitholders holding in aggregate not less than 20 percent of the Trust Units. Notice of all meetings of Unitholders shall be given to Unitholders at least 21 days prior to the meeting.

Unitholders will be entitled at each annual meeting to appoint our auditors and to elect all the members of the Board of Directors.

Our Management

The Board of Directors has generally been delegated all of our significant management decisions. In particular, the Trustee has delegated to Zargon Oil & Gas Ltd. responsibility for any and all matters relating to the following: (i) an offering; (ii) ensuring compliance with all applicable laws, including in relation to an offering; (iii) all matters relating to the content of any offering documents, the accuracy of the disclosure contained therein, and the certification thereof; (iv) all matters concerning the terms of, and amendment from time to time of our material contracts; (v) all matters concerning any underwriting or agency agreement providing for the sale of Trust Units or rights to Trust Units; (vi) all matters relating to the redemption of Trust Units; (vii) all matters relating to the voting rights on any investments in the trust fund or any subsequent investments; (viii) all matters relating to the specific powers and authorities as set forth in the Trust Indenture.

Zargon Oil & Gas Ltd. has accepted all such delegation and has agreed that, in respect of such matters, it shall carry out its functions honestly, in good faith and in our best interests and the best interests of the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonable person would exercise in comparable circumstances.

Limitation on Non-Resident Ownership

In order that we maintain our status as a "mutual fund trust" under the *Income Tax Act* (Canada), certain provisions of the *Income Tax Act* (Canada) require that we not be established nor maintained primarily for the benefit of non-residents of Canada ("non-residents"). Accordingly, in order to comply with such provisions, the Trust Indenture contains restrictions on the ownership of Trust Units by Unitholders who are non-residents. In this regard, we shall, among other things, take all necessary steps to monitor the ownership of the Trust Units to carry out such intentions. If at any time we become aware that the beneficial owners of 50 percent or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, we shall take such action as may be necessary to carry out the forgoing intentions.

Right of Redemption

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to us of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requiring redemption. Upon receipt of the notice to redeem Trust Units by us, the holder thereof shall only be entitled to receive a price per Trust Unit (the "Market Redemption Price") equal to the lesser of: (i) 90 percent of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units are tendered to us for redemption; and (ii) the closing market price on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are so tendered for redemption.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: (i) the average of the last bid and last ask prices for each day on which there was no trading; (ii) the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and (iii) the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The closing market price shall be: an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and last ask prices if there was no trading on the date.

The aggregate Market Redemption Price payable by us in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month. The entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitation that the total amount payable by us in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar quarter shall not exceed \$500,000; provided that we may, in its sole discretion, waive such limitation in respect of any calendar quarter. If this limitation is not so waived, the Market Redemption Price payable by us in respect of Trust Units tendered for redemption in such calendar month shall be paid on the last day of the following month as follows: (i) firstly, by us distributing Notes having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption; and (ii) secondly, to the extent that we do not hold Notes having a sufficient principal amount outstanding to effect such payment, by us issuing our own promissory notes to the Unitholders who exercised the right of redemption having an aggregate principal amount equal to any such shortfall, which promissory notes, (herein referred to as "Redemption Notes") shall have terms and conditions substantially identical to those of the Notes.

If at the time Trust Units are tendered for redemption by a Trust Unitholder, the outstanding Trust Units are not listed for trading on the TSX and are not traded or quoted on any other stock exchange or market which Zargon Oil & Gas Ltd. considers, in its sole discretion, provides representative fair market value price for the Trust Units or trading of the outstanding Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date such Trust Units are tendered for redemption or for more than five trading days during the 10 trading day period, commencing immediately after the date such Trust Units were tendered for redemption then such Trust Unitholder shall, instead of the Market Redemption Price, be entitled to receive a price per Trust Unit (the "Appraised Redemption Price") equal to 90 percent of the fair market value thereof as determined by Zargon Oil & Gas Ltd. as at the date on which such Trust Units were tendered for redemption. The aggregate Appraised Redemption Price payable by us in respect of Trust Units tendered for redemption in any calendar month shall be paid on the last day of the third following month by, at our option: (i) a cash payment; or (ii) a distribution of Notes and/or Redemption Notes as described above.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Notes or Redemption Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Notes or Redemption Notes. Notes or Redemption Notes may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

Termination of the Trust

The Unitholders may vote to terminate the Trust at any meeting of the Unitholders, subject to the following: (a) a vote may only be held if requested in writing by the holders of not less than 20 percent of the Trust Units; (b) a quorum of 50 percent of the issued and outstanding Trust Units is present in person or by proxy; and (c) the termination must be approved by special resolution of the Unitholders.

Unless the Trust is earlier terminated or extended by vote of the Unitholders, the Trustee shall commence to wind-up the affairs of the Trust on December 31, 2099. In the event that the Trust is wound-up, the Trustee will liquidate all our assets, pay, retire, discharge or make provision for some or all of our obligations and then distribute the remaining proceeds of sale to Unitholders.

Reporting to Unitholders

Our financial statements will be audited annually by an independent recognized firm of chartered accountants. Our audited financial statements, together with the report of such chartered accountants, will be mailed by the Trustee to Unitholders and the unaudited interim financial statements will be mailed to Unitholders within the periods prescribed by securities legislation. Our year end is December 31. We are also subject to the continuous disclosure obligations under all applicable securities legislation.

Unitholders are entitled to inspect, during normal business hours, at the offices of the Trustee, and, upon payment of reasonable reproduction costs, to receive photocopies of the Trust Indenture and a listing of the registered holders of Trust Units.

CORPORATE GOVERNANCE

General

In general, Zargon Oil & Gas Ltd. has been delegated responsibility for substantially all of the management decisions of the Trust. The Unitholders are entitled to elect all of the Board of Directors pursuant to the terms of the Trust Indenture.

Trust Indenture

Pursuant to the Trust Indenture, Unitholders are entitled to direct the manner in which we will vote our common shares in Zargon Oil & Gas Ltd. at all meetings in respect of matters, relating to the election of the directors of Zargon Oil & Gas Ltd., approving its financial statements and appointing auditors of Zargon Oil & Gas Ltd. who shall be the same as our auditors. Prior to us voting our common shares in Zargon Oil & Gas Ltd., in respect of such matters, each Unitholder is entitled to vote in respect of the matter on the basis of one vote per Trust Unit held, and we are required to vote our common shares in Zargon Oil & Gas Ltd. in accordance with the result of the vote of Unitholders.

Decision Making

The Board of Directors has a mandate to supervise the management of our business and affairs, Zargon Oil & Gas Ltd. and our other direct or indirect subsidiaries and partnership and to act with a view to our best interest. The Board of Directors' mandate includes: (i) an offering of securities by us; (ii) ensuring compliance with all applicable laws, including in relation to an offering of our securities; (iii) all matters relating to the content of any documents relating to an offering of our securities; the accuracy of the disclosure contained therein, and the certification thereof; (iv) all matters concerning the terms of, and amendment from time to time of, our material contracts; (v) all matters concerning any subscription agreement or underwriting or agency agreement providing for the sale or issue of Trust Units or securities convertible for or exchangeable into Trust Units or rights to acquire Trust Units; (vi) all matters relating to the redemption of Trust Units; (vii) all matters relating to the voting rights on any of our investments; (viii) all matters relating to the specific powers and authorities as set forth in the Trust Indenture (ix) the adoption of a Unitholder rights plan and other miscellaneous matters relating to the maximization of Unitholder value; and (x) all matters relating to amending Zargon Oil & Gas Ltd. articles to create a class or classes of each exchangeable shares. The Board of Directors holds regularly scheduled meetings at least quarterly to review the business and affairs of our subsidiaries, partnerships and trusts and make any necessary decisions relating thereto.

The Trust Indenture gives to the Board of Directors the authority to exercise the rights, powers and privileges for all matters relating to the maximization of Unitholder value in the context of an Offer including any Unitholder rights protection plan,

any defensive action to an Offer, any Directors Circular in response to an Offer, any regulatory or court proceeding relating to an Offer and any related or ancillary matter.

Additional information in respect of corporate governance matters is contained in the Information Circular which has been filed on SEDAR at www.sedar.com.

Distributions and Distribution Policy

Cash distributions are made on the 15th day (or if such date is not a business day, on the next business day) following the end of each calendar month to Unitholders of record on the last business day of each such calendar month or such other date as determined from time to time by the Trustee.

The Board of Directors on our behalf review the distribution policy from time to time. The current distribution policy incorporates the withholding of approximately 50 percent of cash flow generated for the financing of capital expenditures in order to provide sustainable distributions in the long-term. Depending upon commodity prices and the size of the capital budget, Zargon Oil & Gas Ltd. estimates that 50 percent of the cash available for distribution will fund a significant portion of our annual capital expenditure program, including exploration, exploitation expenditures and minor property acquisitions, but excluding major acquisitions.

Distributions are normally announced on a monthly basis in the context of prevailing and anticipated commodity prices. During periods of volatile commodity prices, we may vary the distribution rate monthly.

Pursuant to the provisions of the Trust Indenture all income earned by the Trust in a fiscal year, not previously distributed in that fiscal year, must be distributed to Unitholders of record on December 31. This excess income, if any, will be allocated to Unitholders of record at December 31 but the right to receive this income, if the amount is not determined and declared payable at December 31, will trade with the Trust Units until determined and declared payable in accordance with the rules of the Toronto Stock Exchange. To the extent that a Unitholder trades Trust Units in this period they will be allocated such income but will dispose of their right to receive such distribution.

Directors and Officers

The name, municipality of residence, principal occupation for the prior five years and position, of each of the directors and officers of Zargon Oil & Gas Ltd. are as follows:

Directors

Name and Municipality of Residence	Director Since	Principal Occupation
Craig H. Hansen Calgary, Alberta	1992	President & Chief Executive Officer Zargon Oil & Gas Ltd.
K. James Harrison ^{(2) (3)} Toronto, Ontario	1995	President – K. J. Harrison & Partners Inc. <i>(Investment Management)</i>
H. Earl Jourdie ^{(3) (5)} Toronto, Ontario	1989	Corporate Director
Kyle D. Kitagawa ⁽¹⁾ Calgary, Alberta	2001	Managing Director, North River Capital Corp.
James J. Lawson ⁽³⁾ Toronto, Ontario	2005	President and CEO, Westerkirk Capital Inc. <i>(Investment Management)</i>
John O. McCutcheon Vancouver, British Columbia	1987	Chairman of the Board and Independent Businessman

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>
Jim Peplinski ^{(2) (4)} Calgary, Alberta	1997	Managing Partner, Humberview Group VP Business Development, Calgary Flames Hockey Club
J. Graham Weir ^{(1) (4)} Calgary, Alberta	2003	Independent Businessman
William J. Whelan ^{(1) (2) (5)} Calgary, Alberta	1988	Retired, Private Investor and Corporate Director
Grant A. Zawalsky ^{(3) (4)} Calgary, Alberta	2000	Partner, Burnet, Duckworth & Palmer LLP (<i>Barristers and Solicitors</i>).

Notes:

- (1) Member of audit committee.
- (2) Member of compensation committee.
- (3) Member of governance and nominating committee.
- (4) Member of the reserves committee.
- (5) Mr. Joudrie and Mr. Whelan have advised us that they will not stand for re-election at the next annual meeting.
- (6) Zargon Oil & Gas Ltd. does not have an executive committee.

Officers

<u>Name and Municipality of Residence</u>	<u>Office</u>
Craig H. Hansen Calgary, Alberta	President & Chief Executive Officer
Brent C. Heagy Calgary, Alberta	Vice President, Finance & Chief Financial Officer
Mark I. Lake Calgary, Alberta	Vice President, Exploration
Daniel A. Roulston Calgary, Alberta	Executive Vice President, Operations
Sheila A. Wares Calgary, Alberta	Vice President, Accounting
Kenneth W. Young Calgary, Alberta	Vice President, Land

As at March 20, 2006, the directors and officers of Zargon Oil & Gas Ltd., as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 955,557 Trust Units or approximately 5.8 percent of the issued and outstanding Trust Units and 1,133,620 Exchangeable Shares or approximately 48.4 percent of the issued and outstanding Exchangeable Shares resulting in an approximate total average ownership of 11.7 percent.

Corporate Cease Trade Orders or Bankruptcies

Except as otherwise disclosed herein, in the ten years preceding the date of this Annual Information Form, none of the proposed directors, officers or insiders of Zargon Oil & Gas Ltd. are or have been a director, officer or promoter of any other issuer that, while acting in such capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy and insolvency or been 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 that person, 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.

Penalties or Sanctions

None of the proposed directors, officers or insiders of Zargon Oil & Gas Ltd. have been subject to any penalties or sanctions under securities legislations except as disclosed herein.

Personal Bankruptcies

None of the proposed directors, officers or insiders of Zargon Oil & Gas Ltd. have in the ten years preceding the date of this Annual Information Form become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets except as disclosed herein.

Conflicts of Interest

Circumstances may arise where members of the Board of Directors serve as directors or officers of corporations which are in competition to our interests and the interests of Zargon Oil & Gas Ltd. No assurances can be given that opportunities identified by such board members will be provided to us or Zargon Oil & Gas Ltd.

The *Business Corporations Act* (Alberta) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under such Act. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of such Act.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate and Terms of Reference

The Mandate of the Audit Committee of the board of director's is attached hereto as Schedule "C". The members of the Audit Committee are Kyle D. Kitagawa, J. Graham Weir and William J. Whelan.

Composition of the Audit Committee

The members of the Audit Committee are independent (in accordance with National Instrument 52-110) and are financially literate.

Relevant Education and Experience

Name	Relevant Education and Experience
Kyle D. Kitagawa <i>(Audit Committee Chairman)</i>	<p>Managing Director, North River Capital Corp.</p> <p>Kyle 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, Independent Energy Ltd. and ProspEx Resources Ltd. He is currently the Chairman of Canadian Energy Services L.P., Livingston Energy Ltd. and Wave Energy Ltd. He served as chairman of Advanced Mobile Power Systems, LLC, and was a past director of Esprit Exploration Ltd., Invasion Energy Inc., and Papier Masson Ltee. He 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.</p>
J. Graham Weir	<p>Independent Businessman</p> <p>Graham Weir is an independent businessman. From September 1990 to December 2000, he was Vice President and Director of Corporate Finance for Goepel McDermid Inc., 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.</p> <p>He 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. Mr. Weir serves as a director of several companies including: Wave Energy Ltd., Graymont Limited, Grupo Calidra and Pulse Data Inc.</p>
William J. Whelan	<p>Retired, Private Investor and Corporate Director</p> <p>William Whelan is a private investor and a consultant. He has been associated in a senior capacity with companies in the oil and gas industry since 1970, including Ashland Oil Canada Ltd., Kaiser Petroleum Ltd., Carlyle Energy Ltd. and Encor Energy Corporation Inc. Mr. Whelan holds the professional designation of Chartered Accountant.</p>

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to Zargon or its subsidiaries by the external auditors. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Audit Committee from time to time.

External Auditor Service Fees***Audit Fees***

The aggregate fees billed by the Trust's external auditor in each of the last two fiscal years for audit services were \$149,122 in 2005 and \$121,256 in 2004.

Audit Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance related services by the Trust's external auditor that are reasonably related to the performance of the audit or review of the Trust's financial statements that are not reported under "Audit Fees" above were \$21,688 in 2005 and \$43,587 in 2004. The decrease in fees in this area was primarily due to audit related work required in 2004 as part of the Plan of Arrangement reorganizing Zargon Oil & Gas Ltd. into Zargon Energy Trust.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Trust's external auditor for tax compliance, tax advice and tax planning were \$177,027 in 2005 and \$276,622 in 2004. The primary reason for the decrease in tax related fees was for 2004 tax advice related to the Plan of Arrangement reorganizing Zargon Oil & Gas Ltd. into Zargon Energy Trust.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by the Corporation's auditors other than services reported above were \$nil in 2005 and \$nil in 2004.

DISTRIBUTIONS TO UNITHOLDERS

Since our formation, monthly cash distributions were declared in the following amounts:

<u>For the Month Ended</u>	<u>Distributions per Unit</u>	<u>Payment Date</u>
August 31, 2004	\$0.14	September 15, 2004
September 30, 2004	\$0.14	October 15, 2004
October 31, 2004	\$0.14	November 15, 2004
November 30, 2004	\$0.14	December 15, 2004
December 31, 2004	\$0.14	January 17, 2005
Total	\$0.70	

<u>For the Month Ended</u>	<u>Distributions per Unit</u>	<u>Payment Date</u>
January 31, 2005	\$0.14	February 15, 2005
February 28, 2005	\$0.14	March 15, 2005
March 31, 2005	\$0.14	April 15, 2005
April 30, 2005	\$0.14	May 16, 2005
May 31, 2005	\$0.14	June 15, 2005
June 30, 2005	\$0.14	July 15, 2005
July 31, 2005	\$0.14	August 15, 2005
August 31, 2005	\$0.16	September 15, 2005
September 30, 2005	\$0.16	October 17, 2005
October 31, 2005	\$0.16	November 15, 2005
November 30, 2005	\$0.18	December 15, 2005
December 31, 2005	\$0.68	January 16, 2006
Total	\$2.32	

For Canadian income tax purposes, cash distributions paid to Unitholders in 2004 and 2005 were 100 percent taxable as other income.

MARKET FOR SECURITIES

The Trust Units and Exchangeable Shares are listed and traded on the TSX. The trading symbol for the Trust Units is ZAR.UN and for the Exchangeable Shares is ZOG.B. The following sets forth trading information for Trust Units in 2005 and 2006 up to March 20, 2006.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>2005</u>			
January	26.75	23.08	1,043,796
February	26.00	24.65	1,270,107
March	27.02	24.18	1,537,292
April	25.32	22.74	724,462
May	24.20	20.75	1,391,334
June	25.59	23.77	1,072,498
July	29.49	25.16	798,713
August	31.75	26.75	934,423
September.....	34.99	30.37	1,552,607
October.....	34.90	27.64	1,371,993
November.....	30.75	26.77	771,113
December	33.27	30.49	715,492
<u>2006</u>			
January	32.00	29.50	1,374,131
February	30.96	26.25	1,105,429
March (1 to 20)	30.79	27.53	591,667

The following sets forth trading information for Exchangeable Shares in 2005 and 2006 up to March 20, 2006.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>2005</u>			
January	27.00	23.52	90,595
February	27.00	25.70	54,432
March	28.00	25.00	37,622
April	25.50	23.73	31,295
May	25.50	22.75	100,704
June	26.50	26.00	6,286
July	33.00	26.76	5,929
August	33.00	29.50	36,216
September.....	36.00	33.00	48,400
October.....	36.00	28.02	5,358
November.....	33.60	30.01	16,417
December	35.37	35.00	11,129
<u>2006</u>			
January	34.80	33.20	6,825
February	34.00	31.00	2,613
March (1 to 20)	33.77	32.00	2,674

INDUSTRY CONDITIONS

General

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect our operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Such price depends in part on oil quality, prices of competing oils, distance to market, the value of refined products and the supply/demand balance. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere based on such factors as reserve ability, transportation arrangements and market considerations.

The lack of firm pipeline capacity continues to limit the ability to produce and market natural gas production although pipeline expansions are ongoing. In addition, the prorating of capacity on the interprovincial pipeline systems continues to limit oil exports.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada United States Free Trade Agreement. Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of

crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

From time to time the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry.

In the Province of Alberta, a producer of oil or natural gas is entitled to a credit against the royalties payable to the Crown by virtue of the Alberta royalty credit ("ARC") program. The ARC rate is based on a price sensitive formula and the ARC rate varies between 75 percent at prices at and below \$100 per m³ and 25 percent at prices at and above \$210 per m³. The ARC rate is applied to a maximum of \$2,000,000 of Alberta Crown royalties payable for each producer or associated group of producers. Crown royalties on production from producing properties acquired from a corporation claiming maximum entitlement to ARC will generally not be eligible for ARC. The rate will be established quarterly based on the average "par price", as determined by the Alberta Department of Energy for the previous quarterly period.

Crude oil and natural gas royalty programs for specific wells and royalty reductions reduce the amount of Crown royalties paid by our operating entities to the provincial governments. In general, the ARC program provides a rebate on Alberta Crown royalties paid in respect of eligible producing properties.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms from two years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the Alberta Environmental Protection and Enhancement Act (the "APEA"), which came into force on September 1, 1993. The APEA imposes stricter environmental standards, requires more stringent compliance, reporting and monitoring obligations and significantly increases penalties. We are committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment and will be taking such steps as required to ensure compliance with the APEA and similar legislation in other jurisdictions in which it operates. We believe that we are in material compliance with applicable environmental laws and regulations. We also believe that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

In December 2002 the Government of Canada ratified the Kyoto Protocol. This protocol calls for Canada to reduce its greenhouse gas emissions to six percent below 1990 levels during the period between 2008 and 2012. The protocol became legally binding on February 16, 2005 as it has been ratified by 55 countries, covering at least 55 percent of the emissions addressed by the protocol. When the protocol becomes legally binding, it is expected to affect the operation of all industries in Canada, including the oil and gas industry. As details of the implementation of this protocol have yet to be announced, the effect on our operations cannot be determined at this time.

RISK FACTORS

The following is a summary of certain risk factors relating to our business which prospective investors should carefully consider before deciding whether to purchase Trust Units or Exchangeable Shares.

Volatility of Oil and Natural Gas Prices

The operational results and financial condition of our operating entities, will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by economic and in the case of oil prices, political factors. Supply and demand factors, including weather and general economic conditions as well as conditions in other oil and natural gas regions impact prices. Any movement in oil and natural gas prices could have an effect on our financial condition and therefore on the cash available to be distributed to Unitholders. We may manage the risk associated with changes in commodity prices by entering into oil or natural gas price risk management transactions. If we apply risk management transactions to our commodity price exposure, we will forego the benefits we would otherwise experience if commodity prices were to increase. In addition, commodity risk management activities could expose us to losses. To the extent that we engage in risk management activities related to commodity prices, it will be subject to credit risks associated with counterparties with which it contracts.

Variations in Interest Rates and Foreign Exchange Rates

An increase in interest rates could result in a significant increase in the amount we pay to service debt, resulting in a decrease in distributions to Unitholders, as well as impact the market price of the Trust Units.

World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar may negatively impact our operating entities net production revenue.

In addition, the exchange rate for the Canadian dollar versus the U.S. dollar has increased significantly over the last 12 months, resulting in the receipt by our operating entities of fewer Canadian dollars for its production which may affect future distributions. To the extent that we engage in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with counterparties with which it contracts. The increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates will impact future distributions and the future value of our reserves as determined by independent evaluators.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and cash flows to be derived therefrom, including many factors beyond our control. The reserve and associated cash flow information set forth in this Annual Information Form represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Our actual production, revenues and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, McDaniel has used both constant and forecast price and cost estimates in calculating reserve quantities included in this Annual Information Form. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in

consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived therefrom will vary from the estimates contained in the engineering reports summarized in this Annual Information Form, and such variations could be material. The McDaniel report is based in part on the assumed success of activities we intend to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the engineering reports summarized in this Annual Information Form will be reduced to the extent that such activities do not achieve the level of success assumed in the engineering reports summarized in this Annual Information Form.

Depletion of Reserves

Distributions of income from our properties, absent commodity price increases or cost effective exploration, acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. We will not be reinvesting cash flow to the same extent as other industry participants as one of our main objectives is to maximize long-term distributions. Accordingly, absent capital injections, our initial production levels and reserves may decline and the level of income available for distributions may be reduced.

Our future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on our success in exploring and exploiting our reserve base and acquiring additional reserves. Without reserve additions through acquisition, exploration or development activities, our reserves and production will decline over time as reserves are exploited.

To the extent that external sources of capital, including the issuance of additional Trust Units become limited or unavailable, our ability to make the necessary capital investments to maintain or expand our oil and natural gas reserves will be impaired. To the extent that we are required to use cash flow to finance capital expenditures or property acquisitions, the level of income available for distributions will be reduced.

There can be no assurance that we will be successful in exploring, developing or acquiring additional reserves on terms that meet our investment objectives.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require our operating entities to incur costs to remedy such discharge. Although we believe that we are in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect our financial condition, results of operations or prospects. See "*Industry Conditions – Environmental Regulation*".

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse natural gases". Our exploration and production facilities and other operations and activities emit a small amount of greenhouse natural gases which may subject us to legislation regulating emissions of greenhouse natural gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse natural gases emission reduction requirements for various industrial activities, including oil and natural gas exploration and production. Future federal legislation, together with provincial emission reduction requirements such as those proposed in Alberta's Bill 37: Climate Change and Emissions Management, may require the

reduction of emissions or emissions intensity produced by our operations and facilities. The direct or indirect costs of these regulations may adversely affect our business. See "*Industry Conditions*".

Operational Matters

Acquiring, developing and exploring for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, other environmental risks, fires and spills. Although we maintain insurance in accordance with customary industry practice, we are not fully insured against all of these risks. Losses resulting from the occurrence of these risks could have a material adverse impact on us. Like other oil and natural gas trusts and companies, we attempt to conduct our business and financial affairs so as to protect against political and economic risks applicable to operations in the jurisdictions where we operate but there can be no assurance that we will be successful in so protecting the Trust.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Operating costs on most properties have increased steadily over recent years. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of ours to certain of its oil and gas properties. A reduction of the income available for distributions could result in such circumstances.

Availability of Oilfield Services

Oil and natural gas exploration and development activities are dependent on the availability of drilling, fracing, completion, safety, hauling and pipelining services as well as related materials and equipment (rigs, compressors, batteries, pipe sections, trucks, etc.). These services are typically leased from third parties and may be restricted during periods of high industry activity. During these periods, delay of exploration and development activities can occur.

Insurance

Our involvement in the exploration for and development of oil and natural gas properties may result in becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling our operating entities will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, our operating entities may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to us. The occurrence of a significant event that we are not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on its financial position, results of operations or prospects and will reduce income otherwise distributable to us.

Changes in Legislation

Income tax laws, or other laws or government incentive programs relating to the oil and gas industry, such as the treatment of mutual fund trusts and resource taxation, may in the future be changed or interpreted in a manner that adversely affects us and our Unitholders. Tax authorities having jurisdiction over us or the Unitholders may disagree with how we calculate our income for tax purposes or could change administrative practises to our detriment or the detriment of its Unitholders.

We intend to continue to qualify as a mutual fund trust for purposes of the *Income Tax Act* (Canada). We may not, however, always be able to satisfy any future requirements for the maintenance of mutual fund trust status. Should our status as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for us and our Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- We would be taxed on certain types of income distributed to Unitholders, including income generated by the royalties we hold. Payment of this tax may have adverse consequences for some Unitholders, particularly

Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.

- We would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws if it ceased to be a mutual fund trust.
- Trust Units held by Unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units *Income Tax Act* (Canada) held by them.
- Trust Units would not constitute qualified investments for registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") or deferred profit sharing plans ("DPSPs"). If, at the end of any month, one of these exempt plans holds Trust Units that are not qualified investments, the plan must pay a tax equal to one percent of the fair market value of the Trust Units at the time the Trust Units were acquired by the exempt plan. An RRSP or RRIF holding non-qualified Trust Units would be subject to taxation on income attributable to the Trust Units. If an RESP holds non-qualified Trust Units, it may have its registration revoked by the Canada Revenue Agency.

In addition, we may take certain measures in the future to the extent it believes necessary to ensure that we maintain our status as a mutual fund trust. These measures could be adverse to certain holders of Trust Units, particularly "non-residents" of Canada as defined in the *Income Tax Act* (Canada). See "*Information relating to Us – Trust Indenture – Limitation on Non Resident Ownership*".

Non-Resident Ownership of Trust Units

In order for us to maintain our status as a mutual fund trust under the *Income Tax Act* (Canada), we must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the *Income Tax Act* (Canada). The Trust Indenture provides that if at any time we become aware that the beneficial owners of 50 percent or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, we shall take such action as may be necessary to carry out the foregoing intention. See "*Information Relating to Us – Trust Indenture – Limitations on Non-Resident Ownership*".

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. See "*Industry Conditions*". Our operations may require licenses from various governmental authorities. There can be no assurance that we will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Maintenance of Distributions

Future oil and natural gas reserves are highly dependent on our operating entities success in exploiting existing properties and acquiring additional reserves. We also distribute approximately 50 percent of our net cash flow to Unitholders rather than reinvesting it in reserve additions. Accordingly, if external sources of capital, including the issuance of additional Trust Units, become limited or unavailable on commercially reasonable terms, our operating entities ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired. To the extent that our operating entities are required to use cash flow to finance capital expenditures or property acquisitions, the level of cash flow available for distribution to Unitholders will be reduced. Additionally, we cannot guarantee that we will be successful in exploring and developing additional reserves or acquiring additional reserves on terms that meet our investment objectives. Without these reserve additions, our reserves will deplete and as a consequence, either production from, or the average reserve life of, its properties will decline. Either decline may result in a reduction in the value of Trust Units and in a reduction in cash available for distributions to Unitholders.

Debt Service

Amounts paid in respect of interest and principal on debt we have incurred will reduce income available for distributions. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to

be applied to debt service before payment of the NPI. Certain covenants of the agreements with our lenders may also limit distributions. Although we believe our credit facilities will be sufficient for our immediate requirements, there can be no assurance that the amount will be adequate for our future financial obligations or that additional funds will be able to be obtained.

The lenders have or will be provided with security over substantially all of our assets. If we become unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on or sell our oil and gas assets.

Delay in Cash Distributions

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the properties, and by the operator to our operating entities, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of properties or the establishment by the operator of reserves for such expenses.

Reliance on Management

Unitholders will be dependent on the management of Zargon Oil & Gas Ltd. in respect of the administration and management of all matters relating to our operations. Zargon Oil & Gas Ltd., as of December 31, 2005, operated approximately 95 percent of our total daily production. Investors who are not willing to rely on the management of Zargon Oil & Gas Ltd. should not invest in the Trust Units and/or Exchangeable Shares.

Expansion of Operations

The operations and expertise of management are currently focused on conventional oil and gas production, development and exploration in the Western Canadian and Williston Sedimentary Basins. In the future, we may acquire oil and gas properties outside this geographic area. In addition, the Trust Indenture does not limit our activities to oil and gas production and development, and we could acquire other energy related assets, such as oil and natural gas processing plants or pipelines. Expansion of our activities into new areas may present new additional risks or alternatively, significantly increase the exposure to one or more of the present risk factors which may result in our future operational and financial conditions being adversely affected.

Net Asset Value

Our net asset value from time to time will vary depending upon a number of factors beyond the control of management, including oil and gas prices. The trading prices of the Trust Units from time to time are also determined by a number of factors which are beyond the control of management and such trading prices may be greater than our net asset value.

Additional Financing

In the normal course of making capital investments to maintain and expand our oil and gas reserves additional Trust Units may be issued which may result in a decline in production per Trust Unit and reserves per Trust Unit. Additionally, from time to time we may Trust Units in order to reduce debt and maintain a more optimal capital structure. Conversely to the extent that external sources of capital, including the issuance of additional Trust Units become limited or unavailable, our ability to make the necessary capital investments to maintain or expand our oil and gas reserves will be impaired. To the extent that we are required to use cash flow to finance capital expenditures or property acquisitions or to pay debt service charges or to reduce debt, the level of income available for distributions will be reduced.

Competition

There is strong competition relating to all aspects of the oil and gas industry. There are numerous trusts in the oil and gas industry, who are competing for the acquisitions of properties with longer life reserves and properties with exploitation and development opportunities. As a result of such increasing competition, it will be more difficult to acquire reserves on beneficial terms. We also compete for reserve acquisitions and skilled industry personnel with a substantial number of other oil and gas companies and trusts, many of which have significantly greater financial and other resources than we do.

Accounting Write-Downs as a Result of GAAP

Canadian Generally Accepted Accounting Principles ("GAAP") require that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in our consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and result in an inability to borrow funds and/or may result in a decline in the Trust Unit price.

Under GAAP, the amounts at which petroleum and natural gas property and equipment are carried as net assets on the balance sheet are subject to a cost-recovery test, which is based in part upon estimated future net cash flows from reserves. If net capitalized costs exceed the estimated recoverable amounts, we will have to charge the amounts of the excess to earnings. A decline in the net value of oil and natural gas properties could cause capitalized costs to exceed the cost ceiling, resulting in a charge against earnings. The net value of oil and gas properties is highly dependent upon the prices of oil and natural gas. See "*Risk Factors – Volatility of Oil and Natural Gas Prices*".

Under GAAP, risk management contracts not designated as hedges may result in non-cash charges against net earnings as a result of changes in the fair market value of the risk management contracts. A decrease in the fair market value of these contracts as the result of fluctuations in commodity prices and foreign exchange rates may result in a write-down of net assets and a non-cash charge against net earnings. Such write-downs and non-cash charges may be temporary in nature if the fair market value subsequently increases.

Return of Capital

Trust Units will have no value when the underlying petroleum and natural gas properties can no longer be economically produced and, as a result, cash distributions do not represent a "yield" in the traditional sense and are not comparable to bonds or other fixed yield securities, where investors are entitled to a full return of the principal amount of debt on maturity in addition to a return on investment through interest payments. Distributions represent a blend of *return of* Unitholders initial investment and a *return on* Unitholders initial investment.

Unitholders have a limited right to require us to repurchase their Trust Units, which is referred to as a redemption right. See "*Information Relating to Us – Trust Indenture – Right of Redemption*". It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investment. The right to receive cash in connection with a redemption is subject to limitations. Any securities which may be distributed *in specie* to Unitholders in connection with a redemption may not be listed on any stock exchange and a market may not develop for such securities. In addition, there may be resale restrictions imposed by law upon the recipients of the securities pursuant to the redemption right.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oil and natural gas sector and should not be viewed by investors as shares in Zargon Oil & Gas Ltd. The Trust Units represent a fractional interest in our assets. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. Our sole assets will be the NPI and other investments in securities of our operating entities. The price per Trust Unit is a function of anticipated income available for distributions, the oil and gas assets acquired by us and our ability to effect long-term growth in the value of our assets. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates and our ability to acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, we are not a trust company and, accordingly, the Trust is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Trust Indenture provides that no Unitholder will be subject to any liability in connection with our obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of our assets. Pursuant to the Trust Indenture, we will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability.

The Trust Indenture provides that all written instruments signed by or on our behalf must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against us that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely. The *Income Trusts Liability Act* (Alberta) came into force on July 1, 2004. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force. For additional information see "Risk Factors – Unitholder Limited Liability".

Our operations will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against us.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by us within the most recently completed financial year, or before the most recently completed financial year but are still material and are still in effect, are the following:

- (a) the Trust Indenture;
- (b) the Exchangeable Share provisions and the support agreement and the voting and exchange agreement; and
- (c) the note indenture creating the Notes.

Copies of each of these documents have been filed on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to us or to which we are a party or in respect of which any of our properties is subject, nor are there any such proceedings known to be contemplated.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Trust Units and Exchangeable Shares is Valiant Trust Company at its principal office in Calgary, Alberta and through its co-agent, Equity Transfer Services Inc., at its principal office in Toronto, Ontario.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of Zargon Oil & Gas Ltd., any holder of Trust Units or Exchangeable Shares who beneficially owns more than 10 percent of the outstanding Trust Units or Exchangeable Shares, or any known associate or affiliate of such persons, in any transaction within the last fiscal year and in any proposed transaction which has materially affected or would materially affect us.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or related to, our most recently completed financial year other than McDaniel, our independent engineering evaluator, and Ernst & Young LLP, our auditors. None of the principals of McDaniel had any registered or beneficial interests, direct or indirect, in any of our securities or other property or of our associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter

or to be received by them. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accounts of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Zargon Oil & Gas Ltd. or of any of our associate or affiliate entities, except for Grant A. Zawalsky, the Corporate Secretary of Zargon Oil & Gas Ltd., is a partner at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to us.

ADDITIONAL INFORMATION

Additional information including remuneration of directors and officers of Zargon Oil & Gas Ltd., principal holders of the Trust Units, Exchangeable Share and rights to purchase Trust Units, is contained in the Information Circular which relates to the Annual Meeting of Unitholders to be held on April 27, 2006, and additional financial information is provided in our consolidated financial statements and management discussion and analysis of financial results for the year ended December 31, 2005 which have been filed on SEDAR at www.sedar.com.

We shall provide to any person, upon request to the Secretary of Zargon Oil & Gas Ltd. acting on our behalf:

1. when our securities are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (a) one copy of our Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
 - (b) one copy of our consolidated financial statements for the most recently completed fiscal year together with the accompanying report of the auditor and one copy of any subsequent interim financial statements;
 - (c) one copy of our information circular; and
 - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (a) to (c) above; or
2. at any other time, one copy of any other documents referred to in (1)(a), (b) and (c) above, provided we may require the payment of a reasonable charge if the request is made by a person who is not a holder of our securities.

For additional copies of the Annual Information Form and the materials listed in the preceding paragraphs please contact:

Zargon Energy Trust
 c/o Zargon Oil & Gas Ltd. Ltd.
 700, 333 - 5th Avenue S.W.
 Calgary, Alberta, T2P 3B6
 Tel: (403) 264-9992
 Fax: (403) 265-3026

APPENDIX A

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

(Form 51-101F3)

Management of Zargon Oil & Gas Ltd. on behalf of Zargon Energy Trust (collectively "Zargon") are responsible for the preparation and disclosure of information with respect to the Zargon's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2005 using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (b) (i) proved oil and gas reserves estimated as at December 31, 2005 using constant prices and costs; and
- (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Zargon's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors has

- (a) reviewed Zargon's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed Zargon's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (d) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (e) the filing of the report of the independent qualified reserves evaluator on the reserves data; and
- (f) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

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

(signed) B.C. Heagy
Vice President, Finance and Chief Financial Officer

(signed) J.G. Weir
Director and Chairman of the Reserves Committee

(signed) J. Peplinski
Director and Member of the Reserves Committee

(signed) G.A. Zawalsky
Director and Member of the Reserves Committee

March 13, 2006

APPENDIX B**McDANIEL REPORT ON RESERVES DATA****(Form 51-101 F2)**

To the Board of Directors of Zargon Oil & Gas Ltd. on behalf of Zargon Energy Trust (collectively "Zargon"):

1. We have evaluated Zargon's reserves data as at December 31, 2005. The reserves data consist of the following:
 - (a)
 - (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2005 using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
 - (b)
 - (i) proved oil and gas reserves estimated as at December 31, 2005 using constant prices and costs; and
 - (ii) the related estimated future net revenue.
2. The reserves data are the responsibility of Zargon's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Zargon evaluated [and reviewed] by us for the year ended December 31, 2005, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to Zargon's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (thousands before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates Consultants Ltd.	March 13, 2006	Canada United States	\$nil	\$382,807 \$68,572	\$nil	\$382,807 \$68,572

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation date.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) McDaniel & Associates Consultants Ltd.
Calgary, Alberta
March 13, 2006

APPENDIX C**MANDATE & TERMS OF REFERENCE OF THE
AUDIT COMMITTEE****Role and Objective**

The Audit Committee (the "Committee") is a committee of the board of directors of Zargon Oil & Gas Ltd. ("Zargon") to which the board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for board of director approval, the audited financial statements and other mandatory disclosure releases containing financial information, and review of the annual reserves. The objectives of the Committee are as follows:

1. To assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Zargon and related matters;
2. To provide better communication between directors and external auditors;
3. To enhance the external auditor's independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of Zargon, none of whom are members of management of Zargon and all of whom are "independent" (as such term is used in Multilateral Instrument 52-110 — Audit Committees ("MI 52-110")).
2. The Board of Directors shall have the power to appoint the Committee Chairman.
3. All of the members of the Committee shall be "financially literate". The Board of Directors of Zargon has adopted the definition for "financial literacy" used in MI 52-110.

Meetings

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
2. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the board.
3. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
4. The Committee shall forthwith report the results of meetings and reviews undertaken and any associated recommendations to the board.
5. The Committee shall meet with the external auditor at least once per year (in connection with the preparation of the year end financial statements) and at such other times as the external auditor and the audit Committee consider appropriate.

Mandate and Responsibilities of Committee

1. It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.
2. It is the responsibility of the Committee to satisfy itself on behalf of the board with respect to Zargon's Internal Control Systems:
 - identifying, monitoring and mitigating business risks; and
 - ensuring compliance with legal, ethical and regulatory requirements.
3. It is a primary responsibility of the Committee to review the annual financial statements of Zargon prior to their submission to the board of directors for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. The Committee is to review the financial statements, prospectuses, management discussion and analysis (MD&A), annual information forms (AIF) and all public disclosure containing audited or unaudited financial information before release and prior to board approval. The Committee must be satisfied that adequate procedures are in place for the review of Zargon's disclosure of all other financial information and shall periodically access the accuracy of those procedures.
5. With respect to the appointment of external auditors by the board, the Committee shall:
 - recommend to the board the appointment of the external auditors;
 - recommend to the board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.
6. Review with external auditors (and internal auditor if one is appointed by Zargon) their assessment of the internal controls of Zargon, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Zargon and its subsidiaries.

7. The Committee must pre-approve all non-audit services to be provided to Zargon or its subsidiaries by the external auditors. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.
8. The Committee shall review on an annual basis the reserves as evaluated by the external reserve evaluators. As part of this review, the Audit Committee shall be represented by at least one member at a reserve committee face-to-face meeting with management and the reserve evaluators.
9. The Committee shall review risk management policies and procedures of Zargon (i.e. hedging, litigation and insurance).
10. The Committee shall establish a procedure for:
 - the receipt, retention and treatment of complaints received by Zargon regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Zargon of concerns regarding questionable accounting or auditing matters.
11. The Committee shall review and approve Zargon's hiring policies regarding employees and former employees of the present and former external auditors of Zargon.
12. The Committee shall have the authority to investigate any financial activity of Zargon. All employees of Zargon are to cooperate as requested by the Committee.
13. The Committee may retain persons having special expertise and/or obtain independent professional advise to assist in filling their responsibilities at the expense of Zargon without any further approval of the board.