

ZARGON ENERGY TRUST

Notice of Annual Meeting of Unitholders to be held on Thursday, April 28, 2005

The annual meeting of the unitholders of Zargon Energy Trust will be held in the Imperial Room of the Hyatt Regency Calgary, 700 Centre Street SE, Calgary, Alberta on Thursday, April 28, 2005 at 2:00 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2004, together with the report of the auditors;
2. fix the number of directors of Zargon Oil & Gas Ltd. to be elected at the meeting at 9 members;
3. elect nine directors of Zargon Oil & Gas Ltd.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such; and
5. transact such other business as may properly be brought before the meeting or any adjournment thereof.

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

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

Only unitholders of record at the close of business on March 24, 2005 will be entitled to vote at the meeting, unless that unitholder has transferred any units subsequent to that date and the transferee unitholder, not later than 10 days before the meeting, establishes ownership of the units and demands that the transferee's name be included on the list of unitholders.

DATED at Calgary, Alberta this 24th day of March, 2005.

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

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

ZARGON ENERGY TRUST

Information Circular - Proxy Statement
for the Annual Meeting to be held on April 28, 2005

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at our annual meeting of the unitholders of Zargon Energy Trust to be held on Thursday, April 28, 2005 in the Imperial Room of the Hyatt Regency Calgary, located at 700 Centre Street SE, Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 310, 606 – 4th Street SW, Calgary, Alberta T2P 1T1, not less than 24 hours before the time for holding the meeting or any adjournment thereof. Only unitholders of record at the close of business on March 24, 2005 will be entitled to vote at the meeting, unless that unitholder has transferred any trust units subsequent to that date and the transferee unitholder, not later than 10 days before the meeting, establishes ownership of the trust units and demands that the transferee's name be included on the list of unitholders.

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

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

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

Advice to Beneficial Holders of Trust Units

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

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your units are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered unitholders. However, its purpose is limited to instructing the registered unitholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communication. ADP mails a scannable

voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number to vote your units. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of units to be represented at the meeting. If you receive a voting instruction form from ADP it cannot be used as a proxy to vote trust units directly at the meeting as the proxy must be returned to ADP well in advance of the meeting in order to have the trust units voted.

Voting By Holders Of Exchangeable Shares

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

Revocability of Proxy

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

Persons Making the Solicitation

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

Exercise of Discretion by Proxy

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

VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of trust units and an unlimited number of special voting units without nominal or par value which may be issued for such consideration as may be determined by resolution of the board of directors. As at March 24, 2005, there were 15,877,814 trust units and one special voting unit, entitled to a total of 2,829,256 issued and outstanding. As a holder of trust units you are entitled to one vote for each trust unit you own. As a holder of exchangeable shares you are effectively entitled to 1.04292 votes for each exchangeable share you own. As at March 24, 2005, there were 2,712,822 exchangeable shares issued and outstanding which are effectively entitled to 2,829,256 votes.

To the knowledge of our directors and officers, as at March 24, 2005 no person or company beneficially owned, directly or indirectly, or exercised control or direction, trust units or exchangeable shares entitled to more than 10% of the votes which may be cast at the meeting.

As at March 24, 2005, our directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 1,143,641 trust units or approximately 7.2% of the issued and outstanding trust units, 1,172,020 exchangeable shares or approximately 43.2% of the issued and outstanding exchangeable shares or approximately 12.6% of the votes to be cast at the meeting.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

At the meeting, the unitholders will be asked to fix the number of directors of Zargon to be elected at the meeting at 9 members and to elect 9 directors.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors at 9 members, and in favour of the election as directors of the 9 nominees set forth below:

Craig H. Hansen	Jim D. Peplinski
K. James Harrison	J. Graham Weir
H. Earl Joudrie	William J. Whelan
Kyle D. Kitagawa	Grant A. Zawalsky
John O. McCutcheon	

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

The names and municipalities of residence of all of the persons nominated for election as directors, the approximate number of trust units and exchangeable shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them, the dates on which they became directors, and their principal occupations, as of March 24, 2005, were as follows:

Name and Municipality of Residence	Number of Trust Units/Exchangeable Shares Beneficially Owned or Controlled	Year became Director	Principal Occupation
John O. McCutcheon Vancouver, British Columbia	223,351/387,949	1987	Chairman of the Board
Craig H. Hansen Calgary, Alberta	331,607/280,025	1992	President and Chief Executive Officer
K. James Harrison ⁽³⁾⁽⁴⁾ Oakville, Ontario	747/47,053	1995	President, K.J. Harrison & Partners Inc.

Name and Municipality of Residence	Number of Trust Units/Exchangeable Shares Beneficially Owned or Controlled	Year became Director	Principal Occupation
H. Earl Joudrie ⁽³⁾ Toronto, Ontario	208,584/102,882	1989	Corporate Director
Kyle D. Kitagawa ⁽¹⁾ Calgary, Alberta	9,851/23,475	2001	Independent Businessman
Jim D. Peplinski ⁽²⁾⁽⁴⁾ Calgary, Alberta	24,773/59,026	1997	Managing Partner, Jim Peplinski's Leasemaster; VP Business Development, Calgary Flames Hockey Club
J. Graham Weir ⁽¹⁾⁽²⁾ Calgary, Alberta	80,369/159,329	2003	Independent Businessman
William J. Whelan ⁽¹⁾⁽⁴⁾ Calgary, Alberta	29,562/65,000	1988	Retired, Private Investor and corporate director
Grant A. Zawalsky ⁽²⁾⁽³⁾ Calgary, Alberta	15,000/Nil	2000	Partner, Burnet, Duckworth & Palmer LLP

Notes:

- (1) Member of the audit committee, which is required under the *Business Corporations Act* (Alberta).
- (2) Member of the reserves committee.
- (3) Member of the corporate governance committee.
- (4) Member of the compensation committee
- (5) We do not have an executive committee.

The reserves committee was created in 2004 in accordance with National Instrument 51-101.

The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished to us by the nominees.

In 2004, the Board of Directors approved a requirement that all directors be required to hold trust units or exchangeable shares with the total value aggregating not less than six times their annual retainer. Directors have until October 29, 2006 to comply with this requirement.

No director has had cease trade or similar regulatory orders or bankruptcy or similar proceedings against directors or companies which they have been directors or officers of within the last 10 years.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Ernst & Young LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of the unitholders and to authorize the directors to fix their remuneration as such.

DIRECTORS' AND OFFICERS' COMPENSATION

Determination of Executive Compensation

We have a compensation committee composed of three non-management directors, Jim D. Peplinski, K. James Harrison and William J. Whelan.

Report of Executive Compensation

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

Base Salaries

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

Bonuses

The compensation committee may also grant bonuses to officers on the basis of particularly significant contributions made during the year. Bonuses of \$261,750 were paid to the five named executive officers with respect to the 2004 fiscal year.

Trust Unit Rights Incentive Plan

We have adopted a Trust Unit Rights Incentive Plan for officers, directors and employees of Zargon Oil & Gas Ltd. which permits the granting of unit rights to purchase up to 10% of the outstanding trust units including the number of trust units which may be issued on the exchange of exchangeable shares. The number of unit rights and the exercise price thereof is set by the board of directors at the time of grant, provided that the exercise price shall not be less than the market price of the units on the stock exchange on which such units are then traded. The unit rights granted under the trust unit rights incentive plan may be exercisable for a period, and may vest at such times as the board of directors may determine at the time of grant, subject to the rules of any stock exchange or other regulatory body having jurisdiction.

CEO Compensation

In setting the CEO's base salary, the compensation committee, consistent with our long time policy, has targeted the CEO's base salary at a competitive range for comparable organizations in the oil and gas industry. In setting the CEO's bonus for 2004 the compensation committee reviewed our overall performance in 2004, the CEO's contribution towards this performance and reviewed data with respect to comparable organizations in the oil and natural gas industry. The compensation committee set a bonus for the CEO at \$116,000 after considering, among other things, the successful conversion of our operations into a trust structure, record levels of production volumes and cash flows as well as his continued demonstration of implementing our disciplined, focused but conservative business strategy in 2004. In setting the grant of trust unit rights, the compensation committee set the CEO's award at 75,000 trust unit rights. The compensation committee also reviewed this grant and was satisfied that it well within the range of incentive compensation for CEOs in comparable organizations in the oil and gas industry.

Summary

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

Report Submitted by the Compensation Committee

Jim D. Peplinski
K. James Harrison
William J. Whelan

Compensation of Named Executive Officers

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers for the years ended December 31, 2004, 2003 and 2002.

Name and Principal Position	Year	Annual Compensation			Securities Under Options Granted (#) ⁽¹⁾	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)		
Craig H. Hansen President and Chief Executive Officer	2004	240,000	116,000	35,375	75,000	Nil
	2003	214,200	60,000	28,060	55,000	Nil
	2002	208,000	2,080	23,774	75,000	Nil
Brent C. Heagy Vice President, Finance and Chief Financial Officer ⁽²⁾	2004	54,900	13,750	5,746	33,000	Nil
Mark I. Lake Vice President, Exploration	2004	168,735	42,200	19,252	30,000	Nil
	2003	160,700	29,408	14,560	25,000	Nil
	2002	156,000	15,600	13,632	25,000	Nil
Daniel A. Roulston Executive Vice President, Operations	2004	172,500	51,800	18,477	33,000	Nil
	2003	160,700	29,408	13,495	33,000	Nil
	2002	156,000	18,720	12,599	25,000	Nil
Kenneth W. Young Vice President, Land	2004	151,935	38,000	17,863	25,000	Nil
	2003	144,700	26,480	13,625	25,000	Nil
	2002	140,500	16,860	12,734	23,000	Nil

Notes:

- (1) The above securities under options granted were granted pursuant to the Trust Unit Rights Incentive Plan.
(2) Brent C. Heagy commenced employment on September 13, 2004.

Trust Unit Rights Granted During the Year Ended December 31, 2004

The following table sets forth details with respect to all rights granted under the trust unit rights incentive plan to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers during 2004.

Name	Securities under rights granted (#)	Percentage of total rights granted to employees in 2004 (%)	Exercise or base price (\$/security)	Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Craig H. Hansen	75,000	15.7%	\$17.70	\$17.70	January 31, 2009
Brent C. Heagy	33,000	6.9%	\$19.25	\$19.25	January 31, 2009
Mark I. Lake	30,000	6.3%	\$17.70	\$17.70	January 31, 2009
Daniel A. Roulston	33,000	6.9%	\$17.70	\$17.70	January 31, 2009
Kenneth W. Young	25,000	5.2%	\$17.70	\$17.70	January 31, 2009

The above rights to acquire trust units were granted pursuant to the trust unit rights incentive plan. The right to purchase these units shall vest in three parts, one-third as of January 1, 2005, one-third as of January 1, 2006 and the remaining one-third on January 1, 2007.

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

	# of trust units to be issued upon exercise of outstanding rights	Weighted-average exercise price of outstanding rights	# of available trust units available for future issuance under the plan
Trust units under Trust Unit Rights Incentive Plan approved by unitholders	579,000	\$17.79	1,241,000
Trust units under Trust Unit Rights Incentive Plan not approved by unitholders	Nil	Nil	Nil

The above rights to acquire trust units were granted pursuant to the trust unit rights incentive plan. The right to purchase these units shall vest in their parts, one-third as of January 1, 2005, one-third as of January 1, 2006 and the remaining one-third on January 1, 2007.

Stock Options/Trust Units Rights exercises during the Year Ended December 31, 2004 and Year End Right Values

The following table sets forth with respect to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers, the number of rights exercised and the number of unexercised rights and the value of in-the-money rights based upon the closing price of the trust units of \$23.85 on December 31, 2004.

Name	Securities acquired on exercise ⁽¹⁾ (#)	Aggregate value realized ⁽¹⁾ (\$)	Unexercised stock options at year-end (#) exercisable / unexercisable ⁽²⁾	Value of unexercised in-the-money stock options at year-end (\$) exercisable / unexercisable ⁽²⁾
Craig H. Hansen	290,000	2,361,750	0/75,000	0/461,250
Brent C. Heagy	Nil	Nil	0/33,000	0/151,800
Mark I. Lake	125,000	1,106,068	0/30,000	0/184,500
Daniel A. Roulston	158,500	1,477,175	0/33,000	0/202,950
Kenneth W. Young	128,000	1,115,750	0/25,000	0/153,750

Notes:

- (1) These relate to stock options of Zargon Oil & Gas Ltd. which were terminated on July 15, 2004.
- (2) Related to our trust units. The trust unit rights incentive plan allows for the option to exercise based on the original grant price or on the original grant price less the amount the monthly distributions exceed a stated monthly return (the "Grind" amount). If the above named officers exercised on the Grind amount, the value of the unexercised in-the-money stock options at year-end would have been the following for each named officer: Craig H. Hansen \$486,000, Brent C. Heagy \$161,370, Mark I. Lake \$194,400, Daniel A. Roulston \$213,840 and Kenneth W. Young \$162,000.

Employment Contracts

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

Directors

We pay our outside directors an annual retainer of \$10,000 plus a fee of \$1,000 for each board meeting, \$500 for each telephone board meeting and \$500 for each committee meeting. A \$7,000 retainer is paid to the chairman of the audit committee, and a \$3,000 retainer is paid to the chairmen of the compensation, governance and reserve committees, respectively. In addition, we grant trust unit rights to directors. In accordance with the current policies of the board of directors, the maximum number of trust unit rights granted to outside directors is limited to 1% of the issued and outstanding trust units and exchangeable shares. Directors are also reimbursed for their out-of-pocket expenses incurred in carrying out their duties as directors.

There was a total of 80,000 trust unit rights to acquire trust units granted to 8 of the directors (7 unrelated and one related) pursuant to the trust unit rights incentive plan. The right to purchase these units shall vest in three parts, one-third as of January 1, 2005, one-third as of January 1, 2006 and the remaining one-third on January 1, 2007.

Name	Regular Board Fees		Committee Pay		Total
	Retainer	Meeting Fees	Member	Chair	
John O. McCutcheon	\$145,000	Nil	Nil	Nil	\$145,000
K. James Harrison	\$10,000	\$5,000	\$2,000	Nil	\$17,000
H. Earl Joudrie	\$10,000	\$6,000	\$1,000	\$3,000	\$20,000
Kyle D. Kitagawa	\$10,000	\$5,500	\$2,500	Nil	\$18,000
Jim D. Peplinski	\$10,000	\$5,500	\$1,500	\$3,000	\$20,000
Byron J. Seaman	\$10,000	\$6,000	\$3,000	Nil	\$19,000
J. Graham Weir	\$10,000	\$6,000	\$3,500	\$3,000	\$22,500
William J. Whelan	\$10,000	\$6,000	\$4,000	\$7,000	\$27,000
Grant A. Zawalsky	\$10,000	\$6,000	\$1,500	Nil	\$17,500

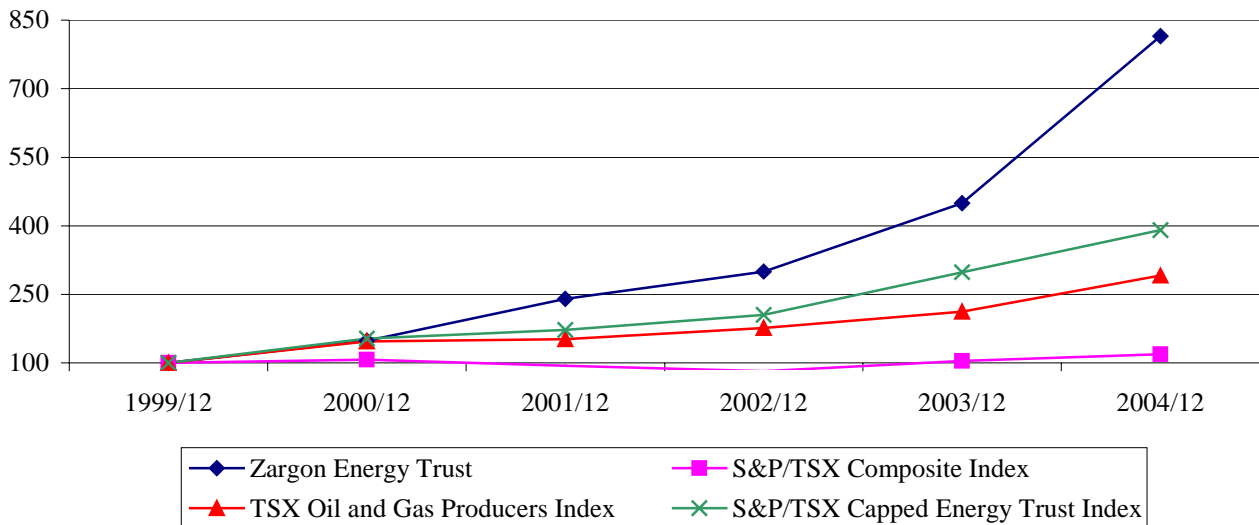
Notes:

- (1) Consulting fees of \$145,000 were paid to a management company owned by John O. McCutcheon for services provided to Zargon Oil & Gas Ltd.
- (2) John O. McCutcheon was granted 22,500 trust unit rights to acquire trust units pursuant to the trust unit rights incentive plan. The right to purchase these units shall vest in three parts, one-third as of January 1, 2005, one-third as of January 1, 2006 and the remaining one-third on January 1, 2007.

Name	Board of Directors Meeting Attendance	Committee Meeting Attendance
	Attended/Total	Attended/Total
John O. McCutcheon	10/10	N/A
K. James Harrison	8/10	4/4
H. Earl Joudrie	10/10	2/2
Kyle D. Kitagawa	9/10	5/6
Jim D. Peplinski	9/10	3/3
Byron J. Seaman	10/10	6/6
J. Graham Weir	10/10	7/7
William J. Whelan	10/10	8/8
Grant A. Zawalsky	10/10	3/3

Performance Graph

The following graph illustrates changes from December 31, 1999 to December 31, 2004, in our cumulative unitholder return, assuming an initial investment of \$100 in common shares of Zargon Oil & Gas Ltd. in 1999, compared to the S&P/TSX Composite Index, the TSX and Oil & Gas Producers Index and the S&P/TSX Capped Energy Trust Index, with all dividends and distributions reinvested.



	1999/12	2000/12	2001/12	2002/12	2003/12	2004/12
Zargon Energy Trust ⁽¹⁾	100	148	240	300	450	815
S&P/TSX Composite Index ⁽²⁾	100	107	94	82	104	119
TSX Oil and Gas Producers Index	100	147	152	176	212	291
S&P/TSX Capped Energy Trust Index ⁽³⁾	100	153	172	205	299	391

Notes:

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following summary also addresses each of the guidelines of the Toronto Stock Exchange with respect to corporate governance including an explanation of any divergence from the stated guidelines.

The board of directors and management believes in the importance of good corporate governance and its effectiveness in promoting enhanced unitholder value. The Toronto Stock Exchange has required that listed corporations disclose their approach to corporate governance, making particular reference to the guidelines set out in the December 1994 report of the Toronto Stock Exchange Committee on Corporate Governance. When an issuer's corporate governance system differs from these guidelines, it is required to give an explanation of the differences. The guidelines contained in the Toronto Stock Exchange report are not mandatory and the Toronto Stock Exchange report recognizes that the unique characteristics of individual corporations will result in varying degrees of compliance with such guidelines. The board of directors and management will continue to monitor the current initiatives of the securities regulatory authorities in Canada and the major shareholder organizations with respect to corporate governance in order to ensure that our corporate governance practice complies with all applicable legal requirements and good corporate practise.

TSX Corporate Governance Guidelines	Do we comply?	Comments
<p>1. Board should explicitly assume responsibility for stewardship of the corporation, and specifically for:</p> <p>(a) adoption of a strategic planning process;</p> <p>(b) identification of principal risks of the corporation's business and ensure the implementation of appropriate risk-management systems;</p> <p>(c) succession planning and monitoring senior management</p> <p>(d) communication policy; and</p> <p>(e) integrity of internal control and management systems.</p>	Yes	<p>The board has full plenary powers and the statutory responsibilities to oversee the conduct of our business and to supervise management which is responsible for the day-to-day conduct of our business. The board's fundamental objectives are to enhance and preserve long term shareholder value and to ensure that we meet our objectives on an ongoing basis. The board has acknowledged its responsibility for our stewardship, including responsibility for:</p> <ul style="list-style-type: none"> • the appointment of executive officers and for succession planning; • the identification of our principal business risks and ensuring the implementation of appropriate systems to manage these risk; • the approval of all financings and significant acquisitions or dispositions; • ensuring the implementation and integrity of

TSX Corporate Governance Guidelines	Do we comply?	Comments
		<p>our internal control and management information system;</p> <ul style="list-style-type: none"> • the approval and monitoring of our strategic planning; • monitoring compliance with all significant policies and procedures and applicable laws and regulations; and • ensuring timely and accurate reporting to shareholders of financial and other matters in accordance with applicable law.
2. Majority of directors should be unrelated.	Yes	Seven of the ten members of the board are unrelated.
3. Disclose for each director whether he or she is related, and how that conclusion was reached.	Yes	Mr. McCutcheon and Mr. Hansen are considered "inside" and "related" directors as they hold the position of Chairman and President & CEO, respectively. Mr. Zawalsky is considered an "outside", but "related" director as his firm provides certain legal services to us. All of the other directors are considered to be "outside" and "unrelated" directors as we have no business relationship with those directors other than their ownership of trust units and exchangeable shares.
4. Appoint a committee composed exclusively of non-management directors, the majority of whom are unrelated, with the responsibility of proposing new board nominees and assessing directors.	Yes	We have appointed a governance committee whose responsibilities include proposing new board nominees and assessing directors. This committee is composed exclusively of non-management directors, the majority of whom are unrelated.
5. Implement a process for assessing the effectiveness of the board, its committees and individual directors.	Yes	The governance committee annually assesses the effectiveness of the board, its committees and the individual directors.
6. Provide orientation and education programs for new directors.	Yes	We provide orientation to new directors on an <i>ad hoc</i> basis upon them being invited to join the board of directors, based upon the directors background and knowledge of our operations.
7. Examine the size of the board with a view to effectiveness and consider reducing the size of the Board.	Yes	The governance committee annually examines the size of the board with respect to the view of its effectiveness. The governance committee believes that the current size of the board is appropriate at this time.
8. Review compensation of directors in light of risks and responsibilities	Yes	The compensation committee annually reviews compensation of directors and makes a recommendation to the full board with respect to directors compensation.

TSX Corporate Governance Guidelines	Do we comply?	Comments
9. (a) Committees should generally be composed of non-management directors; and	Yes	All committees of the board are composed exclusively of non-management directors.
(b) majority of committee members should be unrelated.	Yes	All committees have a majority of unrelated directors.
10. Appoint a committee responsible for approach to corporate governance issues.	Yes	We have a governance committee which is responsible for establishing and reviewing corporate governance policies and related issues. This committee has three scheduled meetings annually.
11. (a) Define limits to management's responsibilities by developing mandates for:	Yes	The President & CEO is accountable to the board for meeting corporate objectives. The board has delegated to the President & CEO the responsibility for the day-to-day management of our business, subject to compliance with plans and objectives approved from time to time by the board.
<ul style="list-style-type: none"> • the board; and • the CEO, 		
(b) The board should approve the CEO's corporate objectives.	Yes	All plans and corporate objectives are approved by the board.
12. Establish procedures to enable the board to function independently of management.	Yes	The board has functioned, and is of the view that it can continue to function, independently of management. Given our size and the nature of our business, the board does not believe that it is necessary to appoint a Chairman who is not a member of management and who is an "outside" and "unrelated" director. The board and committees regularly meet in the absence of management. An in-camera session, with management not present, is held during each board and committee meeting.
13.(a) Establish an audit committee with a specifically defined mandate.	Yes	<p>The board has established an audit committee which has a defined mandate. This mandate includes:</p> <ul style="list-style-type: none"> • review of all audited and unaudited financial statements and management discussion and analysis of financial results; • making a recommendation to the board for the appointment of external auditor's as well as reviewing the terms of the external auditor's engagement, including approval of non-audit services, the appropriateness and reasonableness of the auditor's fees and making a recommendation to the board with respect to their approval;

TSX Corporate Governance Guidelines	Do we comply?	Comments
(b) All members of the audit committee should be non-management directors.	Yes	<ul style="list-style-type: none"> • review the annual audit plan with the external auditors and management; • review with management and the external auditors any proposed changes in significant accounting policies, the presentation and impact of significant risks and uncertainties and key estimates in judgments of management that may be material to financial reporting; • review of internal control systems; • meeting privately with the external auditors to discuss any issues which may impact upon their ability to complete their work and other matters which are of concern; and • review the appointment of the chief financial officer and other key financial executives involved in financial reporting process.
14. Implement a system to enable individual directors to engage outside advisors, at the corporation's expense.	Yes	Individual directors may engage outside advisors, at our expense, subject to approval by the governance committee which is composed exclusively of non-management directors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2004, or in any proposed transaction, which has affected or would materially affect us or any of our subsidiaries.

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

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

ADDITIONAL INFORMATION

We undertake to provide, upon request, a copy of our 2004 annual report, containing financial information in the management's discussion and analysis of financial condition and results of operations and the 2004 audited financial statements sections, as well as a copy of our annual information form, subsequent interim financial statements and this information circular - proxy statement. Our annual information form also contains disclosure relating to our audit committee and the fees paid to Ernst & Young LLP in 2004. Copies of these documents may be obtained on request without charge from the Vice President and Chief Financial Officer of Zargon Oil & Gas Ltd. at

700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6, telephone (403) 264-9992 or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

OTHER MATTERS

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

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

Dated: March 24, 2005