

ZARGON ENERGY TRUST

**Notice of
Annual Meeting of Unitholders
to be held on Thursday, April 27, 2006**

The annual meeting of the unitholders of Zargon Energy Trust will be held in the Grand Lecture Theatre of the Metropolitan Conference Centre, 333 - 4th S.W., Calgary, Alberta on Thursday, April 27, 2006 at 2:00 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2005, together with the report of the auditors;
2. fix the number of directors of Zargon Oil & Gas Ltd. to be elected at the meeting at eight members;
3. elect eight directors of Zargon Oil & Gas Ltd.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such; 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 20, 2006 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 20th day of March, 2006.

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 27, 2006

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 27, 2006 in the Grand Lecture Theatre of the Metropolitan Conference Centre, located at 333 – 4th Avenue S.W., 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 20, 2006 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 20, 2006, there were 16,474,684 trust units and one special voting unit, entitled to a total of 2,656,827 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 1.13319 votes for each exchangeable share you own. As at March 20, 2006, there were 2,344,556 exchangeable shares issued and outstanding which are effectively entitled to 2,656,827 votes.

To the knowledge of our directors and officers, as at March 20, 2006 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 20, 2006, our directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 955,557 trust units or approximately 5.8% of the issued and outstanding trust units, 1,133,620 exchangeable shares or approximately 48.4% of the issued and outstanding exchangeable shares or approximately 11.7% 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 eight members and to elect eight directors.

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

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

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

The 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 20, 2006, 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	223,845/387,949	1987	Chairman of the Board
Craig H. Hansen Calgary, Alberta	332,954/280,025	1992	President and Chief Executive Officer
K. James Harrison ⁽³⁾⁽⁴⁾ Oakville, Ontario	0/33,653	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
James J. Lawson ⁽³⁾ Oakville, Ontario	400/Nil	2005	President and CEO, Westerkirk Capital Inc.
Kyle D. Kitagawa ⁽¹⁾ Calgary, Alberta	9,851/23,475	2001	Managing Director, North River Capital Corp.
Jim Peplinski ⁽²⁾⁽⁴⁾ Calgary, Alberta	0/59,026	1997	Managing Partner, Humberview Group; VP Business Development, Calgary Flames Hockey Club
J. Graham Weir ⁽¹⁾⁽²⁾ Calgary, Alberta	80,369/159,329	2004	Independent Businessman
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. The reserves committee was created in 2004 in accordance with National Instrument 51-101.
- (3) Member of the governance and nominating committee.
- (4) Member of the compensation committee.
- (5) We do not have an executive committee.

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

Equity Ownership

In 2006, 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 four times their annual retainer. Existing directors have until October 29, 2006 to comply with this requirement. New directors have two years from being appointed to the board to comply with this policy.

Corporate Cease Trade Orders or Bankruptcies

In the ten years preceding the date of this information circular, none of our proposed directors 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 our proposed directors have been subject to any penalties or sanctions under securities legislations except as disclosed herein.

Personal Bankruptcies

None of the proposed directors have in the ten years preceding the date of this information circular 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.

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 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 Mercer Human Resources Consulting, a nationally recognized compensation consulting firm, to assist with gathering compensation information for comparable organizations in the oil and natural gas industry. In assessing comparability, the compensation committee reviewed total revenue, production and the number of employees of these organizations relative to ours.

Base Salaries

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

Bonuses

The compensation committee may also grant bonuses to officers on the basis of particularly significant contributions made during the year. Bonuses of \$344,500 were paid to the five named executive officers with respect to the 2005 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 2005, the compensation committee reviewed our overall performance in 2005, 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 \$100,000 after considering, among other things, the Trust meeting its sustainability objectives, record financial results for 2005 and his continued demonstration of implementing our disciplined, focused but conservative business strategy in 2005. In setting the grant of trust unit rights, the compensation committee set the CEO's award at 60,000 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 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, 2005, 2004 and 2003.

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	2005	250,000	100,000	40,451	60,000	Nil
	2004	240,000	116,000	35,375	75,000	Nil
	2003	214,200	60,000	28,060	55,000	Nil
Brent C. Heagy Vice President, Finance and Chief Financial Officer ⁽²⁾	2005	185,400	74,200	23,034	26,400	Nil
	2004	54,900	13,750	5,746	33,000	Nil
Mark I. Lake Vice President, Exploration	2005	175,485	52,600	21,195	24,000	Nil
	2004	168,735	42,200	19,252	30,000	Nil
	2003	160,700	29,408	14,560	25,000	Nil
Daniel A. Roulston Executive Vice President, Operations	2003	185,400	74,200	22,453	26,400	Nil
	2004	172,500	51,800	18,477	33,000	Nil
	2003	160,700	29,408	13,495	33,000	Nil
Kenneth W. Young Vice President, Land ⁽³⁾	2005	144,945	43,500	19,057	20,000	Nil
	2004	151,935	38,000	17,863	25,000	Nil
	2003	144,700	26,480	13,625	25,000	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.
(3) Kenneth W. Young's employment was reduced to 60% of full time on October 1, 2005 and increased to 75% of full time on January 1, 2006.

Trust Unit Rights Granted During the Year Ended December 31, 2005

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 2005.

Name	Securities under rights granted (#)	Percentage of total rights granted to employees in 2005 (%)	Weighted-average Exercise or base price (\$/security) ⁽¹⁾	Weighted-average Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Craig H. Hansen	60,000	12.0%	\$26.83	\$26.83	January 31, 2010
Brent C. Heagy	26,400	5.2%	\$26.83	\$26.83	January 31, 2010
Mark I. Lake	24,000	5.0%	\$26.83	\$26.83	January 31, 2010
Daniel A. Roulston	26,400	5.2%	\$26.83	\$26.83	January 31, 2010
Kenneth W. Young	20,000	4.0%	\$26.83	\$26.83	January 31, 2010

Note:

- (1) The trust unit rights incentive plan allows for the option to exercise based on the original grant price (base price) less the amount the monthly distributions exceed a stated monthly return (the "Grind Amount"). If the accumulated grind amount to December 31, 2005 is deducted, the weighted-average exercise or base price would be \$25.96 per unit.

The above rights to acquire trust units were granted pursuant to the trust unit rights incentive plan.

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	914,550	\$22.80	752,200
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, 2006, one-third as of January 1, 2007 and the remaining one-third on January 1, 2008.

Trust Units Rights exercises during the Year Ended December 31, 2005 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 \$31.75 on December 31, 2005.

Name	Securities acquired on exercise (#)	Aggregate value realized (\$)	Unexercised stock options at year-end (#) exercisable / unexercisable⁽¹⁾	Value of unexercised in-the-money stock options at year-end (\$) exercisable / unexercisable⁽¹⁾
Craig H. Hansen	25,000	\$321,500	Nil/110,000	Nil/\$997,700
Brent C. Heagy	11,000	\$129,640	Nil/48,400	Nil/\$404,888
Mark I. Lake	10,000	\$127,000	Nil/44,000	Nil/\$399,080
Daniel A. Roulston	Nil	Nil	11,000/48,400	\$154,550/\$438,988
Kenneth W. Young	8,400	\$123,396	Nil/36,600	Nil/\$332,056

Note:

- (1) The trust unit rights incentive plan allows for the option to exercise based on the original grant price or on the original grant price less the amount the monthly distributions exceed a stated monthly return (the "Grind Amount"). If the above named officers exercised on the Grind Amount, the value of the unexercised in-the-money stock options at year-end would have been the following for each named officer: Craig H. Hansen \$1,140,700, Brent C. Heagy \$464,948, Mark I. Lake \$456,280, Daniel A. Roulston \$676,478 and Kenneth W. Young \$379,632.

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 currently pay our outside directors an annual retainer of \$15,000 plus a fee of \$1,500 for each board meeting, \$1,500 for each telephone board meeting and \$1,500 for each committee meeting. A \$7,500 retainer is paid to the chairman of the audit committee, and a \$5,000 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 73,300 trust unit rights to acquire trust units granted to the eight independent directors 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, 2006, one-third as of January 1, 2007 and the remaining one-third on January 1, 2008.

Name	Regular Board Fees		Committee Pay		Total
	Retainer	Meeting Fees	Member	Chair	
John O. McCutcheon ⁽¹⁾⁽²⁾	\$140,000	Nil	Nil	Nil	\$140,000
K. James Harrison	\$12,500	\$7,000	\$5,000	\$4,000	\$28,500
H. Earl Joudrie	\$12,500	\$6,500	\$4,000	Nil	\$23,000
Kyle D. Kitagawa	\$12,500	\$7,000	\$5,500	\$7,250	\$32,250
James J. Lawson ⁽³⁾	\$2,095	\$1,500	Nil	Nil	\$3,595
Jim Peplinski	\$12,500	\$7,500	\$2,000	\$4,000	\$26,000
J. Graham Weir	\$12,500	\$5,000	\$6,000	\$4,000	\$27,500
William J. Whelan	\$12,500	\$7,500	\$6,500	\$7,000	\$33,500
Grant A. Zawalsky	\$12,500	\$6,000	\$5,000	Nil	\$23,500

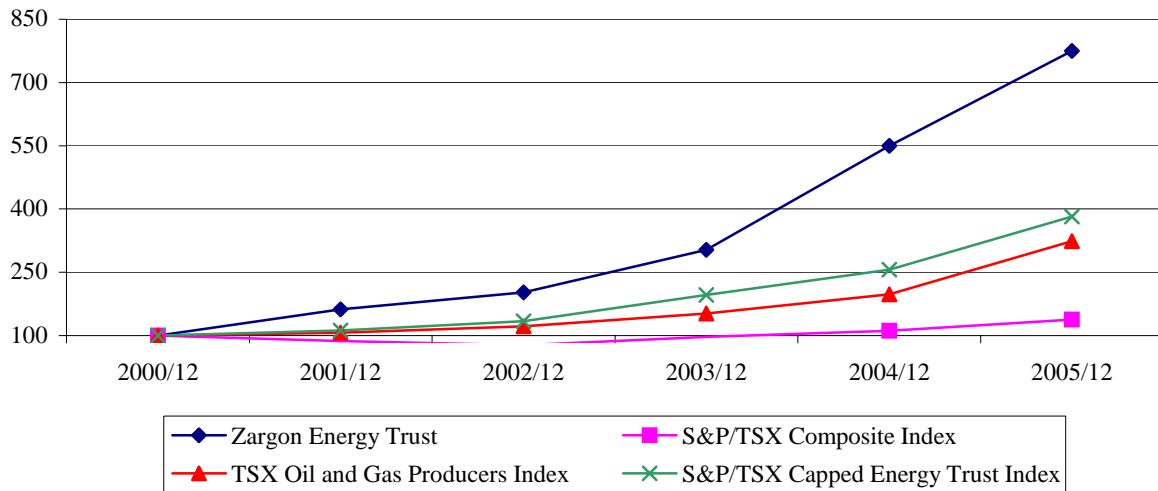
Notes:

- (1) Consulting fees of \$140,000 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 18,000 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, 2006, one-third as of January 1, 2007 and the remaining one-third on January 1, 2008.
- (3) James J. Lawson was appointed to the Board of Directors on November 11, 2005.

Name	Board of Directors Meeting Attendance	Committee Meeting Attendance
	Attended/Total	Attended/Total
John O. McCutcheon	8/8	8/8
Craig H. Hansen	8/8	8/8
K. James Harrison	7/8	6/6
H. Earl Joudrie	7/8	4/4
Kyle D. Kitagawa	8/8	5/5
James J. Lawson	1/1	N/A
Jim Peplinski	8/8	4/4
J. Graham Weir	5/8	6/7
William J. Whelan	8/8	7/7
Grant A. Zawalsky	7/8	6/6

Performance Graph

The following graph illustrates changes from December 31, 2000 to December 31, 2005, 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.



	2000/12	2001/12	2002/12	2003/12	2004/12	2005/12
Zargon Energy Trust ⁽¹⁾	100	162	202	303	550	775
S&P/TSX Composite Index ⁽²⁾	100	87	77	97	111	138
TSX Oil and Gas Producers Index	100	107	122	152	198	324
S&P/TSX Capped Energy Trust Index ⁽³⁾	100	112	134	196	256	382

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

Board of Directors

The majority of the members of our board are independent. The board has determined that Messrs. Harrison, Kitagawa, Lawson, Peplinski, Weir, and Zawalsky are independent. Mr. McCutcheon is not considered independent as he has been an executive officer within the last 3 years as our Chairman. Effective February 1, 2006 Mr. McCutcheon became our non-executive Chairman. Mr. Hansen is not considered independent as he our President and Chief Executive Officer.

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

Our Chair, John O. McCutcheon is not an independent director. The non-management directors have determined that given the size of the board, it is capable of providing effective corporate governance without an independent chair.

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

Director	Names of Other Issuers
Craig H. Hansen	None
K. James Harrison	None
Kyle D. Kitagawa	ProspEx Resources Ltd. and Canadian Energy Services LP
James J. Lawson	Algoma Steel Inc.
John O. McCutcheon	Landstar Properties Inc.
Jim Peplinski	Wrangler West Energy Corp.
J. Graham Weir	Pulse Data Inc.
Grant A. Zawalsky	Kereco Energy Ltd. and NuVista Energy Ltd.

Board Mandate

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

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

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

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

Strategic Direction and Capital and Financial Plans

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

Monitoring and Acting

- monitor Zargon's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning;
- appoint the CEO and determine the terms of the CEO's employment with Zargon;
- approve the distribution policy of Zargon;
- ensure systems are in place for the implementation and integrity of Zargon's internal control and management information systems;
- in consultation with the CEO, develop a position description for the CEO;
- evaluate the performance of the CEO at least annually;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Zargon's business;
- in consultation with the CEO, appoint all officers of Zargon and approve the terms of each officer's employment with Zargon;

- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in the management organization structure of Zargon;
- approve all retirement plans for officers and employees of Zargon;
- in consultation with the CEO, establish a disclosure policy for Zargon;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for the securities of Zargon.

Finances and Controls

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

Governance and Nominating

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

Delegation

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

Composition

- the Board should be composed of at least 6 individuals elected by the unitholders and exchangeable shareholders at the annual meeting;
- a majority of Board members should be independent Directors (within the meaning of Multilateral Instrument 52-110) and free from any business or other relationship that could impair the exercise of independent judgment;
- members should have or obtain sufficient knowledge of Zargon and the oil and gas business to assist in providing advice and counsel on relevant issues; and board members should offer their resignation from the Board to the Chairman of the Board Governance Committee following:
 - change in personal circumstances which would reasonably interfere with the ability to serve as a Director; and
 - change in personal circumstances which would reasonably reflect poorly on Zargon (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

Meetings

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

Authority

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

Board Committees

The board has four committees; the Audit Committee, Compensation Committee, Reserves Committee and Governance and Nominating Committee, all members of whom are independent directors, other than Mr. Zawalsky who is a member of the Reserves Committee and Governance and Nominating Committee. The board has accepted overall responsibility for health, safety and environment and no separate committees have been established to deal with these issues.

Audit Committee

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

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

Compensation Committee

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

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

Reserves Committee

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

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

Governance and Nominating Committee

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

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

Orientation and Continuing Education

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

Ethical Business Conduct

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

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

Position Descriptions

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

Board Assessment

We commenced a formal process of assessing the board and its committees or the individual directors in 2005 under the direction of the Governance and Nominating Committee.

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, 2005, 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 2005 annual report, containing financial information in the management's discussion and analysis of financial condition and results of operations and the 2005 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 2005. Copies of these documents may be obtained on request without charge from the Vice President, Finance 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 20, 2006