



Mandate of the Board of Directors

Approved by the Board of Directors

January 1, 2011

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of Zargon Oil & Gas Ltd. (the "**Corporation**") is responsible for the stewardship of the Corporation, the other subsidiaries and partnerships (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 Common 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 dividend 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 shareholders, other securityholders 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 shareholders 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 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.