



**NOTICE OF JOINT SPECIAL MEETING OF SECURITYHOLDERS OF
ZARGON ENERGY TRUST AND ZARGON OIL & GAS LTD.**

to be held December 15, 2010

and

**NOTICE OF APPLICATION TO
THE COURT OF QUEEN'S BENCH OF ALBERTA**

and

INFORMATION CIRCULAR AND PROXY STATEMENT

with respect to a

PLAN OF ARRANGEMENT

involving

**ZARGON ENERGY TRUST, 1563101 ALBERTA LTD., ZARGON OIL & GAS LTD., ZARGON
EXCHANGE CO INC., OAKMONT ENERGY LTD., ZARGON ENERGY LTD., ZARGON ACQUISITION
CORP., ZARGON OIL & GAS PARTNERSHIP AND ZARGON SECURITYHOLDERS**

November 10, 2010

If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor. If you require more information with respect to voting your securities of Zargon Energy Trust or Zargon Oil & Gas Ltd., please contact Valiant Trust Company toll free at 1-866-313-1872 or by e-mail: inquiries@valianttrust.com. The deadline for receipt of proxies for the Meeting is 10:00 a.m. (Calgary time) on December 13, 2010.

TABLE OF CONTENTS

LETTER TO SECURITYHOLDERS.....	i	Procedure for Exchange of Securities	33
NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS	iv	Right to Dissent	34
NOTICE OF APPLICATION.....	vii	Interests of Certain Persons or Companies in the Matters to be Acted Upon.....	36
INFORMATION CIRCULAR AND PROXY STATEMENT	1	Securities Law Matters	37
Introduction	1	Experts	39
Forward-looking Statements	1	CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	39
Supplementary Disclosure – Non-Canadian GAAP Measures	2	Holders Resident in Canada.....	40
Barrel of Oil Equivalency.....	3	Holders Not Resident in Canada.....	42
Advice to Beneficial Holders of Securities.....	3	OTHER TAX CONSIDERATIONS	44
Information For United States Unitholders and Exchangeable Shareholders.....	4	INFORMATION CONCERNING THE ZARGON ENTITIES	44
Currency Exchange Rates.....	5	The Trust.....	44
GLOSSARY OF TERMS.....	6	ZOGL	45
CONVENTIONS.....	12	ZEC, ZEI, Oakmont, ZEL and ZAC	45
ABBREVIATIONS	12	Zargon Partnership.....	45
CONVERSIONS	12	Recent Developments	45
SUMMARY INFORMATION	13	Potential Acquisitions and Financings	46
The Meeting	13	Significant Acquisitions.....	46
The Arrangement.....	13	Documents Incorporated by Reference	46
Post Arrangement Structure	15	Price Range and Trading Volume of Trust Units.....	47
Background to and Reasons for the Arrangement	15	Price Range and Trading Volume of Exchangeable Shares	47
Benefits of the Arrangement	16	Prior Sales.....	48
Recommendation of the Board of Directors	17	Transfer Agent and Registrar	48
Procedure for Exchange of Securities.....	17	Additional Information	48
Approvals	18	INFORMATION CONCERNING NEW ZARGON	48
Right to Dissent.....	18	RISK FACTORS.....	49
Information Concerning the Zargon Entities	19	Risk Factors Relating to the Arrangement	49
Information Concerning New Zargon	19	Risk Factors Relating to the Activities of New Zargon and the Ownership of New Zargon Shares	49
Canadian Federal Income Tax Considerations	20	INDUSTRY CONDITIONS	50
Other Tax Considerations.....	20	OTHER MATTERS TO BE CONSIDERED AT THE MEETING	50
Timing of Completion of the Arrangement	20	New Zargon Share Award Plan	50
Other Matters to be Considered at the Meeting	20	Securityholder Approval of the New Zargon Share Award Plan	51
Risk Factors.....	21	Description of the New Zargon Share Award Plan	51
BACKGROUND TO AND REASONS FOR THE ARRANGEMENT.....	22	GENERAL PROXY MATTERS	55
Background to and Reasons for the Arrangement	22	Solicitation of Proxies.....	55
Benefits of the Arrangement	22	Appointment and Revocation of Proxies	55
Recommendation of the Board of Directors	23	Signature of Proxy	56
THE ARRANGEMENT	24	Voting of Proxies	56
General	24	Exercise of Discretion of Proxy	56
Effect of the Arrangement on Securityholders	24	Voting by Holders of Exchangeable Shares.....	56
Treatment of TURIP Rights	25	Nature of Exchangeable Shares	56
Distribution Reinvestment Plan.....	25	Voting Securities and Principal Holders Thereof.....	57
Details of the Arrangement	26	Procedure and Votes Required.....	57
Post Arrangement Structure	29	ADDITIONAL INFORMATION	58
Arrangement Agreement	30	CONSENTS	59
Procedure for the Arrangement Becoming Effective....	30		
Approvals	30		
Conditions Precedent to the Arrangement	31		
Timing of Completion of the Arrangement	32		
Appendix A – Arrangement Resolution.....	A-1		
Appendix B – Interim Order	B-1		
Appendix C – Arrangement Agreement	C-1		
Appendix D – Information Concerning New Zargon.....	D-1		
Appendix E – New Zargon Share Award Plan	E-1		
Appendix F – Section 191 of the <i>Business Corporations Act</i> (Alberta).....	F-1		



November 10, 2010

Dear Securityholders of Zargon Energy Trust and Zargon Oil & Gas Ltd.:

You are invited to attend a joint special meeting (the "**Meeting**") of:

- (a) holders ("**Unitholders**") of trust units ("**Trust Units**") of Zargon Energy Trust ("**Zargon**" or the "**Trust**") and holders ("**Exchangeable Shareholders**" and together with the Unitholders, the "**Trust Securityholders**") of exchangeable shares (the "**Exchangeable Shares**") of Zargon Oil & Gas Ltd. ("**ZOGL**"); and
- (b) the holder (the "**Common Shareholder**") of common shares ("**Common Shares**") of ZOGL and the Exchangeable Shareholders (such Common Shareholder and Exchangeable Shareholders collectively referred to as the "**ZOGL Securityholders**" and the ZOGL Securityholders together with the Trust Securityholders are referred to collectively as the "**Zargon Securityholders**");

to be held in the Plaza Room at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary Alberta, at 10:00 a.m. (Calgary time) on December 15, 2010. The principal purpose of the Meeting is to: (i) consider and vote upon the proposed conversion from the current trust structure to a corporate structure pursuant to an arrangement (the "**Arrangement**") involving the Trust, 1563101 Alberta Ltd., ZOGL, Zargon ExchangeCo Inc., Oakmont Energy Ltd., Zargon Energy Ltd., Zargon Acquisition Corp., Zargon Oil & Gas Partnership and Zargon Securityholders; and (ii) approve a new share award incentive plan (the "**New Zargon Share Award Plan**") for the new corporation. **If you cannot attend the Meeting, please complete the applicable enclosed form of proxy or voting direction and submit it as soon as possible.**

The Arrangement involves a proposed internal organization of the Trust and certain of its subsidiaries through which the current trust structure will be replaced with a corporate structure. The Arrangement is being recommended in light of the fact that the transition period for the application of the changes in the tax treatment of income trusts (originally announced by the Canadian Federal government on October 31, 2006) ends on December 31, 2010. If approved, the Arrangement will result in the reorganization of the Trust into a yield oriented, public oil and natural gas property exploitation and production company ("**New Zargon**") that will operate under the name "Zargon Oil & Gas Ltd." and which, together with its subsidiaries, will own, directly or indirectly, the same assets owned by the Trust and its subsidiaries immediately prior to the Arrangement. The board of directors and senior management of New Zargon will be comprised of the current members of the board and senior management of ZOGL, the current administrator of the Trust.

Pursuant to the Arrangement, Unitholders will receive, through a series of steps, for each one Trust Unit held, one common share ("**New Zargon Share**") of New Zargon. Exchangeable Shareholders will participate in the Arrangement and receive New Zargon Shares based on the number of Trust Units into which such shares are exchangeable in accordance with the exchange ratio (as adjusted in accordance with the terms of the Arrangement). In addition, the Trust intends to declare a final distribution under the Arrangement (the "**Final Trust Distribution**") to be payable on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010. The Arrangement has been structured to allow Unitholders and Exchangeable Shareholders resident in Canada to receive New Zargon Shares on a tax deferred basis for Canadian income tax purposes.

The Arrangement will not result in any benefits for, or change of control, termination or other payments being made to any of ZOGL's officers, directors or employees who continue to be employed by New Zargon. In addition, the Arrangement will not constitute a change of control and trigger the acceleration of the vesting of any rights granted under any of Zargon's outstanding incentive plans. As part of the Arrangement, all outstanding incentive rights granted under Zargon's trust unit right incentive plans (the "**TURIP**") will be assumed by New Zargon and will

continue to vest in accordance with the original terms thereof. Following the Arrangement and subject to the implementation of the New Zargon Share Award Plan, no new rights will be granted under the TURIP but such plans will be assumed by New Zargon and will remain in place until such time as all rights existing thereunder have been exercised or expired. Assuming the New Zargon Share Award Plan is approved by the Securityholders, New Zargon will meet its compensation objectives through the granting of securities in accordance with the terms of the New Zargon Share Award Plan. The New Zargon Share Award Plan (subject to the approval of the Trust Securityholders) will become effective on January 1, 2011.

Pursuant to the Arrangement, New Zargon will assume Zargon's distribution reinvestment plan (the "**DRIP**") through the implementation of an amended and restated dividend reinvestment and share purchase plan (the "**Amended DRIP**"). Upon completion of the Arrangement, the Amended DRIP shall become effective, all existing participants in the existing DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under the Arrangement to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of New Zargon Shares in accordance with the terms and conditions of the Amended DRIP.

Unitholders of record on November 30, 2010 will receive their regular monthly cash distribution of \$0.18 per Trust Unit on December 15, 2010. In addition, the Final Trust Distribution of \$0.18 per Trust Unit will be payable pursuant to the Arrangement on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010 or, if the Arrangement is not completed, will be payable on January 17, 2011 to such Unitholders in the normal course. If the Arrangement is completed as currently contemplated, Unitholders will not receive any further monthly cash distributions from the Trust other than the Final Trust Distribution of \$0.18 per Unit payable on January 17, 2011. In addition, the Trust will declare an additional distribution (the "**Additional Distribution**") per Trust Unit equal to all remaining taxable income of the Trust, if any, divided by the total number of Trust Units then outstanding, which will be payable pursuant to the Arrangement to Unitholders of record at 5:00 p.m. on December 31, 2010 and payable in Trust Units with a value equal to such distribution. Although the Trust expects that there will be no remaining taxable income of the Trust, in the event that an Additional Distribution is paid, the number of Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before such distribution of Trust Units. Payment of the Additional Distribution, if any, is not conditional upon closing of the Arrangement. There are tax consequences associated with the cash distribution and the Additional Distribution. See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Effect of the Arrangement on Securityholders*" and "*Certain Canadian Federal Income Tax Considerations*".

It is expected that New Zargon will adopt a monthly dividend policy with an initial dividend rate of \$0.14 per New Zargon Share commencing January 2011 with the first dividend anticipated to be paid on February 15, 2011. See "*The Arrangement – Effect of the Arrangement on Securityholders*" and "*Certain Canadian Federal Income Tax Considerations*". Notwithstanding the foregoing, the amount of future cash dividends, if any, will be subject to the discretion of the board of directors of New Zargon and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends.

The resolution of Trust Securityholders approving the Arrangement and related matters (the "**Trust Arrangement Resolution**") must be approved by not less than two-thirds of the votes cast by the Trust Securityholders voting together as a single class in person or by proxy at the Meeting. The resolution of the ZOGL Securityholders approving the Arrangement and related matters (the "**ZOGL Arrangement Resolution**") must be approved by not less than two-thirds of the votes cast by the ZOGL Securityholders voting together as a single class in person and by proxy at the Meeting. The Arrangement is also subject to the approval of the Court of Queen's Bench of Alberta and receipt of all necessary regulatory and other approvals. The Trust Securityholders will also be considering and voting upon the approval of the New Zargon Share Award Plan, all as more particularly described in the accompanying Information Circular and Proxy Statement (the "**Information Circular**").

The Board of Directors of ZOGL, based upon its own investigations, has unanimously concluded that the Arrangement is fair to the Trust Securityholders and the ZOGL Securityholders, is in the best interest of the Trust, ZOGL, Unitholders and Exchangeable Shareholders and recommends that Unitholders and Exchangeable Shareholders vote in favour of the Trust Arrangement Resolution and the ZOGL Arrangement Resolution, as applicable.

All the directors and officers of ZOGL, holding directly or indirectly, or exercising control or direction over, an aggregate of 935,789 Trust Units and 473,017 Exchangeable Shares, representing approximately 4% and 28% of the issued and outstanding Trust Units and Exchangeable Shares, respectively, have indicated that they will vote their securities in favour of the Arrangement Resolution.

If you are a registered Unitholder or Exchangeable Shareholder and are unable to attend the Meeting in person, please complete and deliver the applicable enclosed form of proxy or voting direction, as the case may be, in order to ensure your representation at the Meeting. Unitholders and Exchangeable Shareholders should also complete and submit the letter of transmittal, which is also enclosed, together with the certificates representing your Trust Units and/or Exchangeable Shares (or instruct your broker or nominee to complete the letter of transmittal on your behalf) in order to receive New Zargon Shares as soon as possible following the Effective Date. If you are a non-registered holder of Trust Units or Exchangeable Shares and received these materials through your broker or through another intermediary, please complete and return the form of proxy or voting direction, as the case may be, provided to you in accordance with the instructions provided by your broker or intermediary.

On behalf of the Board of Directors of ZOGL, I would like to express our gratitude for the support our securityholders have demonstrated with respect to our decision to take the proposed Arrangement forward. We look forward to seeing you at the Meeting.

Yours very truly,

(signed) "*Craig H. Hansen*"

Craig H. Hansen, President and Chief Executive Officer
Zargon Oil & Gas Ltd.

**ZARGON ENERGY TRUST
ZARGON OIL & GAS LTD.
NOTICE OF JOINT SPECIAL MEETING OF THE SECURITYHOLDERS OF
ZARGON ENERGY TRUST AND ZARGON OIL & GAS LTD.
to be held December 15, 2010**

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated November 10, 2010 a special joint meeting (the "**Meeting**") of: (i) the holders ("**Unitholders**") of trust units ("**Trust Units**") of Zargon Energy Trust ("**Zargon**" or the "**Trust**") and the holders ("**Exchangeable Shareholders**") of exchangeable shares (the "**Exchangeable Shares**") of Zargon Oil & Gas Ltd. ("**ZOGL**") (the Unitholders and Exchangeable Shareholders being collectively referred to as the "**Trust Securityholders**"); and (ii) the holder (the "**Common Shareholder**") of common shares (the "**Common Shares**") of ZOGL and the Exchangeable Shareholders (such Common Shareholder and Exchangeable Shareholders are collectively referred to as the "**ZOGL Securityholders**", the Trust Unitholders and the ZOGL Securityholders are collectively referred to as the "**Zargon Securityholders**" and the Trust Units, Exchangeable Shares and Common Shares are collectively referred to as the "**Securities**") will be held in the Plaza Room at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta on December 15, 2010, at 10:00 a.m. (Calgary time) for the following purposes:

- (a) to consider pursuant to the Interim Order and, if thought advisable, to pass, with or without variation:
 - (i) a special resolution of the Trust Securityholders (the "**Trust Arrangement Resolution**"),
 - (ii) a special resolution of the ZOGL Securityholders (the "**ZOGL Arrangement Resolution**" and together with the Trust Arrangement Resolution, the "**Arrangement Resolution**")

the full text of which is set forth in Appendix A to the accompanying Information Circular and Proxy Statement of the Trust dated November 10, 2010 (the "**Information Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) which will result in the reorganization (the "**Arrangement**") of the Trust into a corporation ("**New Zargon**") and related matters, all as more particularly described in the Information Circular;

- (b) if the Arrangement Resolution is passed, to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution of the Trust Securityholders, the full text of which is set forth in the Information Circular, approving the share award incentive plan of New Zargon, the full text of which is set forth in Appendix E to the Information Circular to come into effect on January 1, 2011; and
- (c) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the Information Circular. A copy of the Plan in respect of the Arrangement is attached as Exhibit A to the Arrangement Agreement which is attached as Appendix C to the Information Circular.

The record date (the "**Record Date**") for the determination of Zargon Securityholders entitled to receive notice of and to vote at the Meeting is November 9, 2010. Only Zargon Securityholders whose names have been entered in the applicable register of Trust Units, Exchangeable Shares or Common Shares, as the case may be, on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting provided, however, that if any Exchangeable Shareholder transfers Exchangeable Shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of Exchangeable Shareholders entitled to vote at the Meeting on the ZOGL Arrangement Resolution, such transferee shall be entitled to vote such Exchangeable Shares at the Meeting but only in respect of the ZOGL Arrangement Resolution. Except as described above, Unitholders or Exchangeable Shareholders who acquire Trust Units or Exchangeable Shares after the Record Date will not be entitled to vote such Securities at the Meeting.

Pursuant to the Interim Order, the Trust Securityholders will vote together as a single class of securities at the Meeting on the Trust Arrangement Resolution. Each Trust Unit outstanding on the Record Date is entitled to one vote at the Meeting on the Trust Arrangement Resolution. The special voting unit (the "**Special Voting Unit**") held by Valiant Trust Company (the "**Trustee**") for the benefit of holders of Exchangeable Shares is entitled to such number of votes at the Meeting on the Trust Arrangement Resolution as is equal to the number of Exchangeable Shares which are outstanding on the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date.

Pursuant to the Interim Order, in a separate vote, the ZOGL Securityholders will vote together as a single class of securities at the Meeting on the ZOGL Arrangement Resolution. The Trust, as the sole holder of Common Shares, is entitled to such number of votes at the Meeting on the ZOGL Arrangement Resolution as is equal to the number of Trust Units which are outstanding on the Record Date. Each Exchangeable Share is entitled to such number of votes on the ZOGL Arrangement Resolution as is equal to the Exchange Ratio for the Exchangeable Shares as of the Record Date.

Accompanying this Information Circular is either:

- (a) a form of proxy for Unitholders for use in relation to the matters to be voted upon at the Meeting by Trust Securityholders; or
- (b) a voting direction for holders of Exchangeable Shares for use in relation to the matters to be voted upon at the meeting by Trust Unitholders and in relation to the matters to be voted upon at the Meeting by ZOGL Securityholders.

Unitholders may attend the Meeting in person or may be represented by proxy. Unitholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the proxy must be received by Valiant Trust Company, 310, 606 – 4th Street SW, Calgary, Alberta T2P 1T1 not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.

Exchangeable Shareholders are entitled to give the Trustee voting instructions for a number of votes equal to the number of that holder's Exchangeable Shares as at the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date. The procedures for Exchangeable Shareholders to instruct the Trustee in respect of voting at the Meeting are explained in the "Voting Direction for Exchangeable Shareholders of Zargon Oil & Gas Ltd." (the "**Voting Direction**") that has been provided to Exchangeable Shareholders together with the accompanying Information Circular. The Trustee is required to vote the Special Voting Unit in the manner that Exchangeable Shareholders instruct, and to abstain from voting in respect of the Exchangeable Shares for which the Trustee does not receive instructions. See also the discussion under "General Proxy Matters - Voting by Holders of Exchangeable Shares" contained in the accompanying Information Circular. **To be effective, the Voting Direction must be received by Valiant Trust Company, 310, 606 – 4th Street SW, Calgary, Alberta T2P 1T1 not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.**

A proxyholder has discretion under the accompanying form of proxy to consider such further and other business as may properly be brought before the Meeting or any adjournment thereof. Unitholders and Exchangeable Shareholders who are planning on returning the accompanying form of proxy or Voting Direction, are encouraged to review the Information Circular carefully before submitting the proxy form or Voting Direction.

Registered Zargon Securityholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their securities in accordance with the provisions of Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order. A Zargon Securityholder's right to dissent is more particularly described in the Information Circular, and the text of Section 191 of the *Business Corporations Act* (Alberta) and the Interim Order are set forth in Appendices F and B, respectively, to the Information Circular. A dissenting Zargon Securityholder must send to Zargon, c/o its counsel, Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9, Attention: Daniel J. McDonald, Q.C., a written objection to the Arrangement

Resolution, which written objection must be received by 4:00 p.m. on the last business day immediately preceding the date of the Meeting or any adjournment thereof.

Failure to strictly comply with the requirements set forth in Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Securities are entitled to dissent. Accordingly, a beneficial owner of Securities desiring to exercise the right to dissent must make arrangements for the Securities beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Zargon or, alternatively, make arrangements for the registered holder of such Securities to dissent on behalf of the holder.

If you are a non-registered holder of Securities and received these materials through your broker or through another intermediary, please complete and return the voting instruction form provided to you in accordance with the instructions provided by your broker or intermediary.

Dated at the City of Calgary, in the Province of Alberta, this 10th day of November, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
ZARGON OIL & GAS LTD.**

(signed) "*Craig H. Hansen*"
Craig H. Hansen, President and Chief Executive Officer
Zargon Oil & Gas Ltd.

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF SECTION 193 OF THE *BUSINESS
CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT
INVOLVING ZARGON ENERGY TRUST, 1563101 ALBERTA LTD.,
ZARGON OIL & GAS LTD., ZARGON EXCHANGE CO INC.,
OAKMONT ENERGY LTD., ZARGON ENERGY LTD., ZARGON
ACQUISITION CORP., ZARGON OIL & GAS PARTNERSHIP AND
THE ZARGON SECURITYHOLDERS**

NOTICE OF APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") on behalf of Zargon Energy Trust ("**Zargon**" or the "**Trust**"), 1563101 Alberta Ltd. ("**ZEC**"), Zargon Oil & Gas Ltd. ("**ZOGL**"), Zargon ExchangeCo Inc. ("**ZEI**"), Oakmont Energy Ltd. ("**Oakmont**"), Zargon Energy Ltd. ("**ZEL**"), Zargon Acquisition Corp. ("**ZAC**") and Zargon Oil & Gas Partnership ("**Zargon Partnership**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving, the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC, Zargon Partnership, the holders ("**Unitholders**") of trust units of the Trust and the holders ("**Exchangeable Shareholders**") of exchangeable shares of ZOGL (the Unitholders and Exchangeable Shareholders being collectively referred to as the "**Securityholders**"), which Arrangement will result in the reorganization of the Trust into a corporation ("**New Zargon**"), as described in greater detail in the Information Circular and Proxy Statement of the Trust dated November 10, 2010 accompanying this Notice of Application. At the hearing of the Application, the Trust and ZOGL intend to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the Securityholders and the other affected persons, both from a substantive and procedural point of view;
- (b) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (c) an order declaring that the registered Securityholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the interim order (the "**Interim Order**") of the Court dated November 10, 2010;
- (d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms on the dates and at the times specified; and
- (e) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *U.S. Securities Act of 1933*, as amended, provided by Section 3(a)(10) thereof, with respect to the issuance of common shares of New Zargon issuable to Securityholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Application was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta, on the 15th day of December, 2010 at 1:30 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Securityholder or any other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose. **Any Securityholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen's Bench of Alberta, Judicial District of Calgary, and serve upon Zargon on or before noon (Calgary time) on December 13, 2010, a notice of intention to appear, including an address for service in the Province of Alberta, together with any evidence or materials which are to be presented to the Court.** Service on Zargon is to be effected by delivery to the solicitors for Zargon at their address set out below. If any Securityholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms

and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC and Zargon Partnership and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a meeting of Securityholders for the purpose of such Securityholders voting upon a resolution to approve the Arrangement and has directed that registered Securityholders shall have the right to dissent with respect to the Arrangement in a manner consistent with the provisions of Section 191 of the ABCA, as modified by the Interim Order.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any Securityholder or any other interested party requesting the same by the under mentioned solicitors for Zargon upon written request delivered to such solicitors as follows:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: Daniel J. McDonald, Q.C.

DATED at the City of Calgary, in the Province of Alberta, this 10th day of November, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
ZARGON OIL & GAS LTD.**

(signed) "*Craig H. Hansen*"
Craig H. Hansen, President and Chief Executive Officer
Zargon Oil & Gas Ltd.

INFORMATION CIRCULAR AND PROXY STATEMENT

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of management of Zargon for use at the Meeting and any adjournment thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan, a copy of which is attached as Exhibit A to the Arrangement Agreement, which agreement is attached as Appendix C to this Information Circular. **You are urged to carefully read the full text of the Plan.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*". Information contained in this Information Circular is given as of November 10, 2010, unless otherwise specifically stated.

Forward-looking Statements

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

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

- the completion of the Arrangement;
- amendments to be made to various material contracts of Zargon and ZOGL;
- amendments to be made to the TURIP and the implementation of the Amended TURIP;
- the implementation of the New Zargon Share Award Plan;
- amendments to be made to the DRIP and the implementation of the Amended DRIP;
- the payment of distributions in connection with the Plan;
- the payment of dividends by New Zargon and the expected dividend rate and frequency thereof;
- the commencement of trading of the New Zargon Shares;
- the performance characteristics of the Trust's oil and natural gas properties;
- the tax consequences of the Arrangement to Securityholders;
- the tax treatment of dividends that may be paid by New Zargon;
- the amount and availability of tax pools to shelter income of New Zargon;
- the volumes and estimated value of oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of dividends and distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;

- treatment under governmental regulatory regimes and tax laws; and
- capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below, in the Zargon AIF and elsewhere in this Information Circular, including but not limited to the following factors:

- volatility in market prices for oil and natural gas;
- changes in foreign exchange rates;
- uncertainties relating to the weakened global economic situation and consequential restricted access to capital, increased borrowing costs and refinancing risk for existing debt;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves and resources;
- risks and uncertainties inherent in exploration and development activities;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value, or failure to realize the anticipated benefits, of acquisitions;
- geological, technical, drilling and processing problems;
- changes in income tax laws or changes in tax or environmental laws and incentive programs or royalty regimes relating to the oil and natural gas industry and income trusts; and
- the other factors described under "*Risk Factors*".

The actual results could differ materially from those results anticipated in these forward-looking statements, which are based on assumptions, including as to the market prices for oil and natural gas; the continuation by the board of directors of New Zargon of the present policies of the Board of Directors of ZOGL relating to the management of the business of Zargon and distributions (dividends in the case of New Zargon), capital expenditures and other matters; the continued availability of capital, acquisitions of reserves, undeveloped lands and skilled personnel; the continuation of the current tax and regulatory regime and other assumptions contained in this Information Circular and the documents incorporated by reference into this Information Circular.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Information Circular and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Trust undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Supplementary Disclosure – Non-Canadian GAAP Measures

Management of ZOGL uses certain key performance indicators ("**KPIs**") and industry benchmarks such as distributions as a percent of cash flow from operating activities, operating netbacks, total capitalization, finding, development and acquisition costs, recycle ratio, reserve life index, reserves per unit, production per unit, net asset value and total returns to analyze financial and operating performance. Management of ZOGL feels that these KPIs and benchmarks are key measures of profitability and overall sustainability for the Trust. These KPIs and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

Barrel of Oil Equivalency

The term "barrels of oil equivalent" ("Boe") may be misleading, particularly if used in isolation. A Boe conversion ratio of six thousand cubic feet per barrel (6 Mcf: 1 Bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Advice to Beneficial Holders of Securities

The information set forth in this section is of significant importance to many Unitholders, as a substantial number of Unitholders do not hold Units in their own name. Unitholders who do not hold their Units in their own name ("**Beneficial Unitholders**") should note that only proxies deposited by Unitholders whose names appear on the records of the registrar and transfer agent for Zargon, as the registered holders of Units can be recognized and acted upon at the Meeting. If Units are listed in an account statement provided to a Unitholder by a broker, then in almost all cases those Units will not be registered in the Unitholder's name on the records of Zargon. Such Units will more likely be registered under the name of the Unitholder's broker or an agent of that broker. In Canada, the vast majority of such Units are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Units held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, the broker/nominees are prohibited from voting Units for their clients. Zargon does not know for whose benefit the Units registered in the name of CDS & Co. are held. The majority of Units held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of securityholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a beneficial unitholder by its 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 behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Unitholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively the beneficial holder can call a toll-free telephone number or access the internet to vote the units held by the Beneficial Unitholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of units to be represented at a meeting. **A Beneficial Unitholder receiving a voting instruction form cannot use that voting instruction form to vote Units directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Units voted.**

Although you may not be recognized directly at the Meeting for the purposes of voting Units registered in the name of your broker or other intermediary, you may attend at the Meeting as a proxyholder for the registered holder and vote your Units in that capacity. If you wish to attend the Meeting and vote your own Units, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the applicable form of proxy provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

The foregoing discussion similarly applies to Exchangeable Shareholders who do not hold their Exchangeable Shares in their own name. Only Exchangeable Shareholders whose name appears on the records of ZOGL as the registered holder of Exchangeable Shares are entitled to instruct Valiant Trust Company as to how to exercise voting rights in respect of their Exchangeable Shares at the Meeting.

See "*General Proxy Matters*" in this Information Circular.

Information For United States Unitholders and Exchangeable Shareholders

None of the New Zargon Shares to be issued to Unitholders and Exchangeable Shareholders in exchange for their securities under the Arrangement have been or will be registered under the 1933 Act, and such securities will be issued to such Securityholders in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act. The solicitation of proxies for the Meeting is not subject to the proxy requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders and Exchangeable Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act. Specifically, information concerning the operations of Zargon contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The audited and unaudited historical financial statements of Zargon included in or incorporated by reference in this Information Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing and auditor independence standards, which differ from United States GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies.

In addition, data on oil and natural gas reserves contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. For example, the SEC currently requires U.S. oil and natural gas companies, in their filings with the SEC, to disclose proved reserves (as defined in SEC rules) and permits disclosure of probable and possible reserves. Canadian securities laws require oil and natural gas companies, in their filings with Canadian securities regulators, to disclose proved reserves (defined differently from SEC rules) and probable reserves. Probable reserves are of higher risk and are generally believed to be less likely to be recovered than proved reserves. Additionally, the SEC prohibits disclosure of oil and natural gas resources, whereas Canadian issuers may disclose oil and natural gas resources. Resources are different than, and should not be construed as, reserves. Moreover, the disclosure of estimated future net revenue from reserves has been calculated in accordance with Canadian practices using both constant and forecast prices and costs, whereas the SEC requires that the prices and costs be held constant at prices in effect on the date of the reserve report. In addition, under Canadian practice, reserves and production are reported using gross volumes, which are volumes prior to deduction of royalty and similar payments. The practice in the United States is to report reserves and production using net volumes, after deduction of applicable royalties and similar payments. As a consequence, the production volumes and reserve and resource estimates in this Information Circular and the documents incorporated herein by reference may not be comparable to those of United States domestic companies subject to SEC reporting and disclosure requirements.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Zargon, ZOGL and New Zargon are or will be organized under the laws of the Province of Alberta, that their respective officers and directors and trustee, respectively, are residents of countries other than the United States, that certain of the experts named in this Information Circular are residents of countries other than the United States, and that most of the assets of Zargon, ZOGL, New Zargon and such other Persons are, or will be, located outside the United States. As a result, it may be difficult or impossible for Securityholders in the United States to effect service of process within the United States upon Zargon, ZOGL and New Zargon and their respective officers and directors and trustee, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Securityholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The 1933 Act imposes restrictions on the resale of securities received pursuant to the Arrangement by Persons who are "affiliates" of New Zargon after the Arrangement. See "*The Arrangement – Securities Law Matters – United States*" in this Information Circular.

THE NEW ZARGON SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Currency Exchange Rates

All dollar amounts set forth in this Information Circular are in Canadian dollars, except where otherwise indicated. The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during such periods; and (iii) the high and low exchange rates during each such periods, in each case based on the noon rate as reported by the Bank of Canada.

	Nine Months Ended September 30	Year Ended December 31		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rate at end of Period	0.9711	0.9555	0.8166	1.0120
Average rate during Period	0.9656	0.8757	0.9381	0.9304
High	1.0039	0.9716	1.0289	1.0905
Low	0.9278	0.7692	0.7711	0.8437

On November 9, 2010, the noon rate for \$1.00 Canadian was \$0.9987 United States.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including the Summary Information and Appendix D hereof. Terms and abbreviations used in the Appendices to this Information Circular, other than Appendix D, are defined separately and the terms and abbreviations used below are not used therein, except where otherwise indicated.

"**000s**" means thousands;

"**1933 Act**" means the *United States Securities Act of 1933*, as amended;

"**1934 Act**" means the *United States Securities Exchange Act of 1934*, as amended;

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Amalgamation**" means the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;

"**AmalgamationCo**" means the corporation formed on the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;

"**Amended DRIP**" means the Amended and Restated Dividend Reinvestment Plan of ZEC pursuant to which, among other things, the DRIP will be amended and restated;

"**Amended TURIP**" means the common share rights incentive plans of ZEC to be dated the Effective Date whereby ZEC assumes the obligations of the Trust under the TURIP by the issue Common Shares in lieu of Trust Units;

"**Arrangement**" means the proposed arrangement pursuant to section 193 of the ABCA set forth in the Plan as supplemented, modified or amended;

"**Arrangement Agreement**" means the arrangement agreement dated as of November 10, 2010, among the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC and Zargon Partnership providing for the implementation of the Arrangement, as from time to time amended, supplemented or restated;

"**Arrangement Resolution**" means, collectively, the Trust Arrangement Resolution and the ZOGL Arrangement Resolution;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

"**Board**" or "**Board of Directors**" means the board of directors of ZOGL;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary, in the Province of Alberta, for the transaction of banking business;

"**Canadian GAAP**" means Canadian generally accepted accounting principles;

"**Certificate**" means the certificate which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA or, if no certificate is to be issued, the proof of filing in respect of the Arrangement;

"**Common Shareholder**" means the Trust, the sole holder of common shares of ZOGL;

"**Common Shares**" the common shares of ZEC prior to the Amalgamation and the common shares of AmalgamationCo subsequent to the Amalgamation;

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**Declaration of Trust**" means the trust indenture made as of the 14th day of July, 2004, between ZOGL and Valiant Trust Company, as may be from time to time amended, supplemented or restated;

"**Depositary**" means Valiant Trust Company, or such other trust company as may be designated by ZOGL;

"**Dissent Obligations**" means any obligations or amounts that may be required to be paid pursuant to Article 4 of the Plan to Dissenting Securityholders;

"**Dissent Rights**" means the right of each registered Unitholder and Exchangeable Shareholder pursuant to section 191 of the ABCA and the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the securities in respect of which the holder dissents, all in accordance with section 191 of the ABCA and the Interim Order;

"**Dissenting Exchangeable Shareholders**" means registered Exchangeable Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;

"**Dissenting Securityholders**" means, collectively, the Dissenting Unitholders and Dissenting Exchangeable Shareholders;

"**Dissenting Unitholders**" means registered Unitholders who validly exercise the rights of dissent provided to them under the Interim Order;

"**DRIP**" means the Trust's Distribution Reinvestment Plan;

"**Effective Date**" means the date the Arrangement is effective under the ABCA;

"**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

"**Eligible Institution**" means a Canadian schedule 1 chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP); members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

"**Exchange Ratio**" has the meaning ascribed in the articles of incorporation of ZOGL, as amended in the Plan;

"**Exchangeable Shareholders**" means holders of Exchangeable Shares;

"**Exchangeable Shares**" means the exchangeable shares of ZOGL;

"**Facilities Lease**" means the facilities lease between the Zargon Partnership and ZOGL dated July 15, 2004, as amended;

"**Facilities Lease Termination Agreement**" means the agreement between AmalgamationCo and the Zargon Partnership terminating the Facilities Lease in consideration for the payment by AmalgamationCo to the Zargon Partnership of the amount specified therein;

"**Final Order**" means the final order of the Court approving the Arrangement under subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"Final Trust Distribution" means a Distribution of \$0.18 per Unit declared under the Plan to be payable on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010;

"GAAP" means generally accepted accounting principles as in effect from time to time;

"Holder" has the meaning ascribed thereto under the section titled "*Certain Canadian Federal Income Tax Considerations*";

"Income Tax Act" or **"Tax Act"** means the *Income Tax Act*, R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder;

"Information Circular" means this Information Circular and Proxy Statement to be prepared by the Trust as part of the proxy solicitation materials in respect of the Meeting;

"Interim Order" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"Letter of Transmittal" means the letter of transmittal enclosed with this Information Circular pursuant to which holders of Trust Units and Exchangeable Shares are required to deliver to the Depository certificates representing such Securities in order to receive certificates representing the New Zargon Shares issuable to them pursuant to the Arrangement;

"McDaniel" means McDaniel & Associates Consultants Ltd.;

"McDaniel Report" means the independent engineering evaluation prepared by McDaniel evaluating the crude oil, NGLs and natural gas reserves of Zargon dated February 26, 2010 and effective December 31, 2009;

"Meeting" means the joint special meeting of Zargon Securityholders to be held on December 15, 2010, and any adjournments thereof to consider and vote on the Arrangement Resolution and other materials outlined in the Notice of Meeting in respect thereof;

"MI 61-101" means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*;

"MST" means Mountain Standard Time;

"New TURIP Right" means the rights issued under the Amended TURIP Plan;

"New Zargon" means: (1) prior to the Amalgamation, ZEC; and (2) after the Amalgamation, AmalgamationCo;

"New Zargon Share Award" means an award of New Zargon Shares granted pursuant to the New Zargon Share Award Plan;

"New Zargon Share Award Plan" means the share award plan of New Zargon to be considered for approval at the Meeting, substantially in the form attached as Appendix E to this Information Circular;

"New Zargon Shares" means common shares in the capital of New Zargon;

"NI 51-101" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"Non-Resident Holder" has the meaning ascribed thereto under the section titled "*Certain Canadian Federal Income Tax Considerations*";

"**Notice of Meeting**" means the Notice of Special Meeting of Securityholders which accompanies this Information Circular;

"**Notice of Application**" means the Notice of Application on behalf of the Zargon Entities to the Court for the Final Order which accompanies this Information Circular;

"**NPI**" means the net profit interest in the petroleum substances owned by the ZOGL and held by the Trust;

"**Oil & Gas Asset Conveyance**" means the conveyance by AmalgamationCo of the Oil & Gas Assets to the Zargon Partnership in exchange for:

- (i) a partnership interest;
- (ii) the assumption of the liabilities related to such Oil & Gas Assets, and
- (iii) the repayment of the Zargon Partnership Notes,

pursuant to the Oil & Gas Asset Conveyance Agreement;

"**Oil & Gas Asset Conveyance Agreement**" means the conveyance agreement between AmalgamationCo and the Zargon Partnership effecting the Oil & Gas Asset Conveyance;

"**Oil & Gas Assets**" means of the all of the crude oil and natural gas assets (other than the Seismic Data) of AmalgamationCo;

"**Oakmont**" means Oakmont Energy Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of ZOGL;

"**Person**" means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

"**Plan**" means the plan of arrangement attached as Exhibit A to the Arrangement Agreement, attached as Appendix C to this Information Circular, as from time to time amended, supplemented or restated in accordance with the terms hereof;

"**Preferred Shares**" means the preferred shares of ZEC substantially in the form set forth in Schedule B to the Plan;

"**Promissory Notes**" means the unsecured subordinated promissory notes issued by ZOGL to the Trust from time to time;

"**Record Date**" means the close of business on November 9, 2010;

"**Registrar**" means the Registrar of Corporations appointed under Section 263 of the ABCA;

"**Regulation S**" means Regulation S under the 1933 Act;

"**Resident Holder**" has the meaning ascribed thereto under the section titled "*Certain Canadian Federal Income Tax Considerations*";

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities**" means, collectively, the Trust Units and Exchangeable Shares;

"**Seismic Data**" means all of the seismic data, in whatever form, of AmalgamationCo;

"**SIFT Rules**" has the meaning ascribed thereto in the section entitled "*Background to and Reasons for the Arrangement*";

"**Special Voting Unit**" means the special voting unit of the Trust;

"**Subsidiary**" means, with respect to any Person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

"**Support Agreement**" means the support agreement dated July 15, 2004 among the Trust, ZEI and Valiant Trust Company;

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder;

"**Taxable Income**" means the amount, if any, by which the income of the Trust for its taxation year ending December 31, 2010 computed in accordance with the provisions of the Tax Act (other than paragraph 82(1)(b) and subsection 104(6) thereof) exceeds the amount that became payable or was deemed to become payable to Unitholders in the Trust's taxation year ending December 31, 2010 (other than amounts that became payable to Unitholders on a redemption of Trust Units or amounts that constituted returns of capital);

"**Trust Arrangement Resolution**" means and the special resolution of the Trust Securityholders in respect of the Arrangement, in substantially the form attached as Part I of Appendix A to this Information Circular, to be voted upon by the Trust Securityholders at the Meeting;

"**Trust Securityholders**" or "**Securityholders**" means, collectively, the Unitholders and the Exchangeable Shareholders;

"**Trust Unit**" or "**Unit**" means a trust unit of the Trust other than a Special Voting Unit;

"**Trustee**" means Valiant Trust Company, the trustee of the Trust, or such other trustee, from time to time, of the Trust;

"**TSX**" means the Toronto Stock Exchange;

"**TURIP**" means the Trust Unit Incentive Rights Plans of the Trust;

"**TURIP Right**" means the rights issued under the TURIP;

"**United States**" or "**U.S.**" means the United States, as defined in Rule 902(1) under Regulation S;

"**Unitholders**" means holders of Trust Units;

"**Voting and Exchange Trust Agreement**" means the agreement dated July 15, 2004 among ZOGL, ZEI and the Trustee;

"**ZAC**" means Zargon Acquisition Corp., a corporation incorporated under the ABCA and a wholly-owned subsidiary of ZOGL;

"**Zargon**" or the "**Trust**" means Zargon Energy Trust, a trust established under the laws of Alberta pursuant to the Declaration of Trust;

"**Zargon AGM Circular**" means the Information Circular - Proxy Statement of the Trust dated April 28, 2010 relating to the annual and special meeting of Unitholders held on April 28, 2010;

"**Zargon AIF**" means the Annual Information Form of the Trust dated March 15, 2010 in respect of the Trust's financial year ended December 31, 2009;

"**Zargon Entities**" means, collectively, the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC and Zargon Partnership;

"**Zargon Partnership**" means Zargon Oil & Gas Partnership, a general partnership formed under the laws of the Province of Alberta;

"**Zargon Partnership Notes**" means the unsecured subordinated promissory notes issued by ZOGL to the Zargon Partnership from time to time;

"**Zargon Securityholders**" means, collectively, the Trust Securityholders and the ZOGL Securityholders;

"**Zargon Trust Unit Fair Market Value**" means the weighted average trading price of a Trust Unit on the TSX for the 10 trading days preceding the Effective Date, or, if the Trust Units are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Trust Units are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of Trust Units for that period does not result in a weighted average trading price which reflects the fair market value of a Trust Unit, then the Zargon Trust Unit Fair Market Value of a Trust Unit shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

"**ZEC**" means 1563101 Alberta Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;

"**ZEI**" means Zargon ExchangeCo Inc., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;

"**ZEL**" means Zargon Energy Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;

"**ZOGL**" means Zargon Oil & Gas Ltd., a corporation amalgamated under the ABCA;

"**ZOGL Arrangement Resolution**" means and the special resolution of the ZOGL Securityholders in respect of the Arrangement, in substantially the form attached as Part II of Appendix A to this Information Circular, to be voted upon by the ZOGL Securityholders at the Meeting; and

"**ZOGL Securityholders**" means, collectively, the Common Shareholder and the Exchangeable Shareholders.

CONVENTIONS

Certain terms used herein are defined in the "*Glossary of Terms*". Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars in accordance with Canadian GAAP.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Bcf	billion cubic feet
GJ	gigajoule

Other

AECO	the natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale.
Boe	barrel of oil equivalent of natural gas and crude oil on the basis of 6 Mcf of natural gas for 1 Boe
Boe/d	barrel of oil equivalent per day
\$	Canadian dollars
m ³	cubic metres
MBoe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
MM	million
WTI	West Texas Intermediate, the reference price paid in United States dollars at Cushing, Oklahoma for crude oil of standard grade
\$000s	thousands of dollars

CONVERSIONS

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Capitalized terms not otherwise defined herein are defined in the "Glossary of Terms".

The Meeting

The Meeting will be held in the Plaza Room at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on December 15, 2010, commencing at 10:00 a.m. (Calgary time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be: (i) to consider and vote upon the Trust Arrangement Resolution; (ii) to consider and vote upon the ZOGL Arrangement Resolution; (iii) to consider and vote upon approval of the New Zargon Share Award Plan; and (iv) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof. See "*The Arrangement*" and "*Other Matters to be Considered at the Meeting*".

The Arrangement

The Arrangement will result in the reorganization of the Trust into a yield oriented, public oil and natural gas property exploitation and production company that will operate under the name "Zargon Oil & Gas Ltd." and which, together with its subsidiaries, will own, directly or indirectly, the same assets owned by the Trust and its subsidiaries immediately prior to the Arrangement. The board of directors and senior management of New Zargon will be comprised of the current members of the board and senior management of ZOGL, the current administrator of the Trust. New Zargon will also retain the current management team and personnel from ZOGL and will continue to be led by Craig H. Hansen as President and Chief Executive Officer. The current members of the Board will form the board of directors of New Zargon. The reorganization of the Trust into a corporate structure will allow New Zargon to pursue its strategic plan and its strategy of maximizing value creation for Securityholders. See "*Appendix D – Information Concerning New Zargon – Description of Business – Operations*".

Pursuant to the Arrangement, Unitholders will receive, through a series of steps, for each one Trust Unit held, one New Zargon Share. Exchangeable Shareholders will participate in the Arrangement and receive New Zargon Shares based on the number of Trust Units into which such shares are exchangeable in accordance with the exchange ratio (as adjusted in accordance with the terms of the Arrangement). In addition, the Trust intends to declare the Final Trust Distribution to be payable on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010. See "*The Arrangement – Effect of the Arrangement on Securityholders*" and "*The Arrangement – Procedure for Exchange of Securities*".

Unitholders of record on November 30, 2010 will receive their regular monthly cash distribution of \$0.18 per Trust Unit on December 15, 2010. In addition, the Final Trust Distribution of \$0.18 per Trust Unit will be payable pursuant to the Arrangement on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010 or, if the Arrangement is not completed, will be payable on January 17, 2011 to such Unitholders in the normal course. If the Arrangement is completed as currently contemplated, Unitholders will not receive any further monthly cash distributions from the Trust other than the Final Trust Distribution of \$0.18 per Unit payable on January 17, 2011. In addition, the Trust will declare an additional distribution (the "**Additional Distribution**") per Trust Unit equal to all remaining taxable income of the Trust, if any, divided by the total number of Trust Units then outstanding, which will be payable pursuant to the Arrangement to Unitholders of record at 5:00 p.m. on December 31, 2010 and payable in Trust Units with a value equal to such distribution. Although the Trust expects that there will be no remaining taxable income of the Trust, in the event that an Additional Distribution is paid, the number of Trust Units will be consolidated such that each Unit holder will hold after the consolidation the same number of Trust Units as the Unit holder held before such distribution of Trust Units. Payment of the Additional Distribution, if any, is not conditional upon closing of the Arrangement. There are tax consequences associated with the cash distribution and the Additional Distribution. See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Effect of the Arrangement on Securityholders*" and "*Certain Canadian Federal Income Tax Considerations*".

It is expected that New Zargon will adopt a monthly dividend policy with an initial dividend rate of \$0.14 per New Zargon Share commencing January 2011 with the first dividend anticipated to be paid on February 15, 2011. See "*The Arrangement – Effect of the Arrangement on Securityholders*" and "*Certain Canadian Federal Income Tax Considerations*". Notwithstanding the foregoing, the amount of future cash dividends, if any, will be subject to the discretion of the board of directors of New Zargon and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends.

The Arrangement will not result in any benefits for, or change of control, termination or other payments being made to, any of ZOGL's officers, directors or employees who continue to be employed by New Zargon. In addition, the Arrangement will not constitute a change of control and trigger the acceleration of the vesting of any rights granted under any of Zargon's outstanding incentive plans. As part of the Arrangement, all outstanding incentive rights granted under the TURIP will be assumed by New Zargon and will continue to vest in accordance with the original terms thereof. Following the Arrangement and subject to the implementation of the New Zargon Share Award Plan, no new rights will be granted under the TURIP and the obligations of Zargon under the TURIP will be assumed by New Zargon under the Amended TURIP and will remain in place until such time as all rights existing thereunder have been exercised or expired. See "*The Arrangement – Treatment of TURIP Rights*".

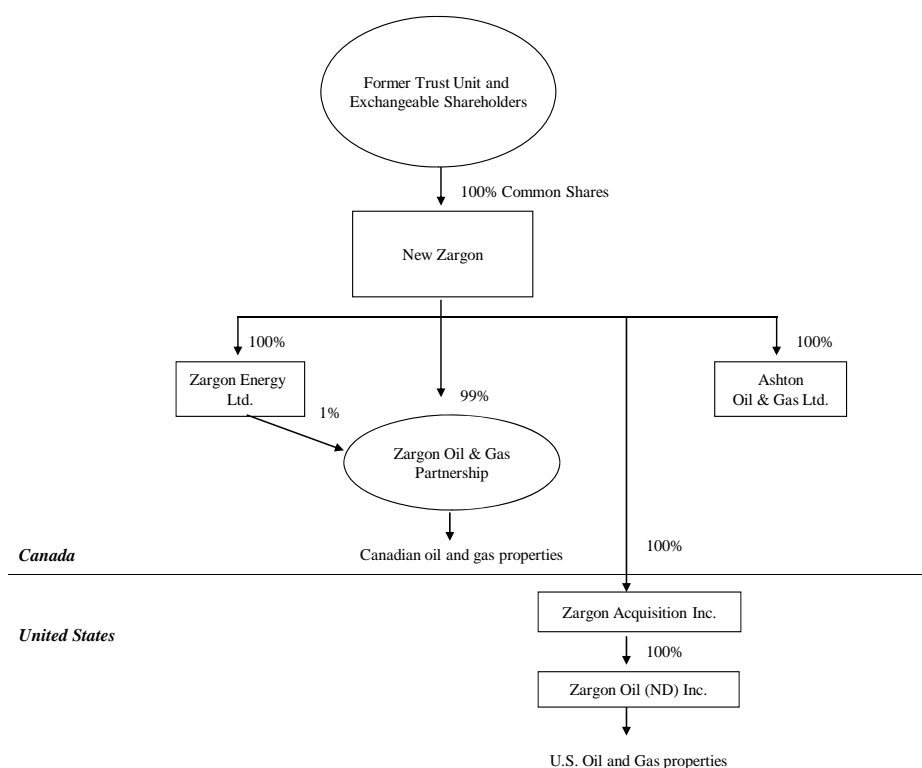
In conjunction with the implementation of the Arrangement, Securityholders will also be asked to consider and, if thought advisable, approve at the Meeting the New Zargon Share Award Plan which will permit the granting, from time to time, of New Zargon Share Awards to directors, officers and employees of, consultants to and other service providers of, New Zargon. See "*Other Matters to be Considered at the Meeting – Approval of New Zargon Share Award Plan*".

Pursuant to the Arrangement, the Amended DRIP shall become effective, all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under the Plan to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of New Zargon Shares in accordance with the terms and conditions of the Amended DRIP. Until such time as participants deposit with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Trust Units, all additional New Zargon Shares purchased pursuant to the Amended DRIP with dividends paid on the Common Shares issuable in exchange for such Trust Units will be delivered to the Depository and then held in trust for such participant. **Participants in the DRIP who do not wish to be deemed to be participants in the Amended DRIP should terminate their participation in the DRIP, or the Amended DRIP following the Effective Date, in accordance with the withdrawal procedures of the DRIP or the Amended DRIP, as applicable.**

See "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Arrangement Agreement*", "*The Arrangement – Interests of Certain Persons or Companies in the Matters to be Acted Upon*", "*Certain Canadian Federal Income Tax Considerations*" and "*Appendix D - Information Concerning New Zargon*".

Post Arrangement Structure

The following diagram illustrates the organizational structure of New Zargon immediately following completion of the Arrangement.



Immediately following the completion of the Arrangement, an aggregate of approximately 26.9 million New Zargon Shares will be issued and outstanding (using the Exchange Ratio as of October 15, 2010 and assuming the same number of Securities are outstanding at the Effective Date as at the date hereof and that no Dissent Rights are exercised).

Background to and Reasons for the Arrangement

On October 31, 2006, the Federal Finance Minister (the "**Minister**") announced the Federal Government's plan to change the tax treatment of income trusts, including oil and gas royalty trusts (the "**SIFT Rules**"). The SIFT Rules will result in a tax being applied at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax rates and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The SIFT Rules had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts, including Zargon, royalty trusts and numerous other Canadian securities. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate the conversion of mutual fund trusts into corporations without any undue tax consequences. These proposals were proclaimed in force on March 12, 2009.

ZOGL's management and the Board of Directors continuously review the Trust's strategic objectives and options available to it in respect thereof to ensure that the Trust's capital structure is efficient and that Securityholder value is

being maximized. In the four year period following the initial announcement of the SIFT Rules, management and the Board of Directors have conducted a thorough analysis of material information and relevant considerations in respect of the potential impact and significance of the SIFT Rules to the Trust including, but not limited to, presentations by external legal tax advisors and accounting firms as well as management's assessment of the Securityholders. As part of this review, the Board of Directors and management examined a variety of structural alternatives or transactions. Such analysis culminated in a meeting of the Board of Directors held October 19, 2010, at which time management and the Board of Directors reviewed and discussed the principal terms and conditions of the proposed reorganization of the Trust into a corporate structure. After duly considering the financial aspects and other considerations relating to the proposed reorganization, including the principal terms and conditions of the proposed Arrangement, the Board of Directors' duties and responsibilities to Securityholders and the advice of legal counsel, the Board of Directors unanimously approved proceeding with the proposed conversion of the Trust into a yield oriented oil and natural gas property exploitation and production company that will operate under the name "Zargon Oil & Gas Ltd." and which, together with its subsidiaries, will carry on the business presently carried on by the Trust and its subsidiaries. At such meeting, the Board of Directors also unanimously resolved to approve the contents of this Information Circular and the sending of it to Securityholders. In connection with these approvals, the Board of Directors concluded that the Arrangement was fair to Securityholders, was in the best interest of the Trust, ZOGL and the Securityholders and unanimously resolved to recommend that Securityholders vote their Securities in favour of the Arrangement.

The Trust announced the proposed Arrangement following the close of markets on October 19, 2010.

Between October 19, 2010 and November 10, 2010 the terms of the Arrangement Agreement and Plan were settled and on November 10, 2010 the Arrangement Agreement was entered into.

Benefits of the Arrangement

The Board of Directors and management believe that the proposed corporate structure enables Zargon to pursue its strategic plan and strategy of efficient capital management for the benefit of Securityholders. Given federal government changes to tax legislation regarding income trusts effective January 1, 2011 resulting in the diminished value of the income fund structure at that time, management and the Board of Directors believe that the best opportunity for creating value is to move to a corporate structure effective on or about January 1, 2011, allowing the Trust to continue to benefit from the income trust structure right up to the change to the tax legislation, but thereafter continuing forward as a public corporation. Management and the Board of Directors believe that the Arrangement provides a number of compelling and strategic benefits, including, without limitation, the expectation that a conversion to a public corporation would:

- permit Zargon's financial and operational performance to be more easily valued relative to its corporate peers;
- permit Zargon to realize operational efficiencies through a more simplified corporate structure;
- attract new investors and provide a more liquid market for the New Zargon Shares;
- remove Zargon from any uncertainty that exists in the income trust marketplace today;
- be accomplished on an automatic tax-free "rollover" basis in Canada prior to 2013, whereas post-2013 such automatic tax-free "rollover" will not be available under the current federal legislation regarding the SIFT Rules;
- better position Zargon to invest in attractive opportunities for profitable oil and natural gas property exploitation and production; and
- with current tax pools as at September 30, 2010 estimated at approximately \$328 million, it is currently expected (based on current forward commodity strip prices) that New Zargon will remain non-taxable in Canada until approximately 2014.

Recommendation of the Board of Directors

The Board of Directors, based upon its own investigations, has unanimously determined that the Arrangement is fair to Securityholders, is in the best interests of the Trust, ZOGL and the Securityholders and unanimously recommends that Unitholders and Exchangeable Shareholders vote in favour of the Trust Arrangement Resolution and the ZOGL Arrangement Resolution, as applicable.

See "*Background to and Reasons for the Arrangement – Recommendation of the Board of Directors*".

Procedure for Exchange of Securities

In order to receive their New Zargon Shares following completion of the Arrangement, Securityholders must deposit with the Depository (at one of the addresses specified on the last page of the Letter of Transmittal) a validly completed and duly executed Letter of Transmittal together with the certificates representing the Securityholder's Trust Units and/or Exchangeable Shares, as the case may be.

Securityholders whose Trust Units or Exchangeable Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Securities.

The use of the mail to transmit certificates representing Trust Units or Exchangeable Shares and the Letter of Transmittal is at each Securityholder's risk. Zargon recommends that such certificates and documents be delivered by hand to the Depository and a receipt therefor be obtained or that registered mail be used.

From and after the time of exchange specified in the Plan of Arrangement, certificates formerly representing Securities that were exchanged under the Plan of Arrangement shall represent only the right to receive upon surrender of such certificates as contemplated by the Plan of Arrangement: (i) the consideration to which the holders are entitled to receive under the Plan of Arrangement, or as to those Securities held by Dissenting Securityholders, other than those Dissenting Securityholders deemed to have participated in the Arrangement, to receive the fair value of the Securities represented by such certificates; and (ii) dividends or distributions with respect to such consideration; in each case subject to compliance with the requirements set forth in the Plan of Arrangement.

Notwithstanding the foregoing, if a participant in the DRIP is the registered holder of Units, all dividends which are payable in respect of the New Zargon Shares issuable in exchange for such Units will be used to purchase additional New Zargon Shares pursuant to the Amended DRIP notwithstanding that such registered holder has not deposited with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Units. However, until such time as participants deposit with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Trust Units, all additional New Zargon Shares purchased pursuant to the Amended DRIP with dividends paid on the Common Shares issuable in exchange for such Trust Units will be delivered to the Depository and then held in trust for such participant.

All dividends or distributions, if any, made with respect to any New Zargon Shares for which a certificate has not been issued pursuant to the Arrangement (including any dividends or distributions payable pursuant to the Arrangement to a former holder of Securities and any additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable), shall be paid or delivered to the Depository to be held by the Depository, in trust, for the holder of the New Zargon Shares. The Depository shall pay and deliver to any such holder of such New Zargon Shares, as soon as reasonably practicable, such dividends and distributions (including any additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable) to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate representing the New Zargon Shares issued to such holder in accordance with the Plan of Arrangement.

Any certificate formerly representing Securities that is not deposited with all other documents as required by the Plan of Arrangement and the Letter of Transmittal on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the

right of the holder of such Securities to receive New Zargon Shares (and any dividends and distributions thereon, including additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable). In such case, such New Zargon Shares (together with all dividends and distributions thereon, including additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable) shall be returned to AmalgamationCo and such New Zargon Shares shall be cancelled.

See "*The Arrangement - Procedure for Exchange of Securities*".

Approvals

Securityholder Approvals

Pursuant to the Interim Order, the number of votes required to pass the Trust Arrangement Resolution shall be not less than two-thirds of the votes cast by Trust Securityholders, either in person or by proxy, voting together as a single class at the Meeting.

Pursuant to the Interim Order, in a separate vote, the number of votes required to pass the ZOGL Arrangement Resolution shall be not less than two-thirds of the votes cast by ZOGL Securityholders, either in person or by proxy, voting together as a single class at the Meeting.

See "*The Arrangement – Approvals – Securityholder Approvals*" and "*General Proxy Matters – Procedure and Votes Required*".

Court Approval

Implementation of the Arrangement requires the approval of the Court. An application for the Final Order approving the Arrangement is expected to be made on December 15, 2010 at 1:30 p.m. at the Court House, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. On the application, the Court will consider the fairness of the Arrangement. See "*The Arrangement – Approvals – Court Approvals*".

Stock Exchange Listing Approvals

The TSX has conditionally approved the substitutional listing of the New Zargon Shares issuable pursuant to the Arrangement, subject to New Zargon fulfilling the requirements of the TSX. The New Zargon Shares are expected to begin trading on the TSX under the trading symbol "ZAR" on the day which is approximately two (2) days after the receipt by the TSX of all documentation required by the TSX. It is expected that documentation will be provided to the TSX on January 4, 2011 and that trading of the New Zargon Shares will commence on or about January 6, 2011. See "*The Arrangement – Approvals – Stock Exchange Listing Approvals*".

Right to Dissent

Pursuant to the Interim Order, Dissenting Securityholders have the right to dissent with respect to the Arrangement Resolution by providing a written objection to the Arrangement Resolution to Zargon c/o Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9, Attention: Daniel J. McDonald, Q.C. by 4:00 p.m. on the last Business Day immediately preceding the date of the Meeting, provided such holder also complies with Section 191 of the ABCA, as modified by the Interim Order. Provided the Arrangement becomes effective, each Dissenting Securityholder will be entitled to be paid the fair value of the Securities in respect of which the holder dissents in accordance with Section 191 of the ABCA, as modified by the Interim Order. See Appendices B and F of this Information Circular for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the**

registered holder is entitled to dissent. Accordingly, a beneficial owner of Securities desiring to exercise the right to dissent must make arrangements for such Securities beneficially owned to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Zargon or, alternatively, make arrangements for the registered holder of such Securities to dissent on such holder's behalf. Pursuant to the Interim Order, Securityholders who vote in favour of the Arrangement Resolution are not entitled to exercise the right to dissent in respect of their Securities. In addition, pursuant to the Interim Order, a Securityholder may not exercise the right to dissent in respect of only a portion of such holder's Securities.

It is a condition to the Arrangement that Securityholders holding not more than 5% of the Securities shall have exercised rights of dissent in relation to the Arrangement that have not been withdrawn as at the Effective Date.

See "*The Arrangement – Right to Dissent*".

Information Concerning the Zargon Entities

The Trust is an open-end investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust. The Trustee has been appointed as trustee under the Declaration of Trust. The Unitholders are the beneficiaries of the Trust. Zargon's Unitholders receive a monthly cash distribution from its producing oil and natural gas assets owned by ZOGL.

ZOGL is a corporation amalgamated under the laws of the province of Alberta and carries on the business of oil and natural gas exploration, development, acquisition and production in western Canada. ZOGL is the administrator of the Trust. The Trust is the sole holder of common shares of ZOGL. The Exchangeable Shares are owned by the public.

Each of ZEC, ZEL, ZEI, ZAC and Oakmont are corporations existing under the laws of the Province of Alberta and are direct or indirect wholly-owned subsidiaries of the Trust.

ZEC has not carried on any business and was incorporated solely for the purposes of the Arrangement. ZEL carries on the business of holding an interest in the Zargon Partnership. ZEI has not carried on any business other than facilitating the exchange of Exchangeable Shares for Trust Units in accordance with the terms of such shares and entering into the Arrangement Agreement. ZAC was incorporated for use by Zargon in connection with corporate acquisitions and has not carried on any business since the date of its incorporation. Oakmont was acquired by Zargon on September 9, 2010 and holds the oil and natural gas assets previously held by Oakmont prior to its acquisition by Zargon. Zargon Partnership, all of whose partnership interests are held by ZOGL and by ZEL, is a general partnership formed under the laws of the Province of Alberta and holds the majority of the tangible assets leased by ZOGL pursuant to the Facilities Lease.

The head and principal office and the registered office of the Zargon Entities is located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

See "*Information Concerning the Zargon Entities*".

Information Concerning New Zargon

New Zargon will be formed under the ABCA pursuant to the Arrangement upon the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont. The head and principal office and the registered office of New Zargon will be located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

New Zargon will retain the current management team and personnel from ZOGL and will continue to be led by Craig H. Hansen as President and Chief Executive Officer. The current members of the Board will form the board of directors of New Zargon.

See "*Appendix D – Information Concerning New Zargon*".

Canadian Federal Income Tax Considerations

This Information Circular contains a summary of the principal Canadian federal income tax considerations applicable to certain Trust Securityholders who transfer their Trust Units or Exchangeable Shares to New Zargon and receive New Zargon Shares under the Arrangement. The comments below are qualified in their entirety by reference to such summary. For a more detailed discussion of the principal Canadian federal income tax consequences of the Arrangement, please see the discussion under the heading "*Certain Canadian Federal Income Tax Considerations*".

A Holder who transfers a Trust Unit to New Zargon and receives a Common Share under the Arrangement will generally be deemed to have: (i) disposed of the Trust Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Trust Unit to the Holder immediately before the disposition; and (ii) acquired the New Zargon Share received at a cost equal to the cost amount to the Holder of the particular Trust Unit. As a result, Holders will generally not realize a capital gain or a capital loss on the transfer of their Units and receipt of Common Shares.

A Holder who transfers Exchangeable Shares to New Zargon and receives New Zargon Shares pursuant to the Arrangement will, unless such holder chooses to recognize a capital gain or capital loss on the exchange as described in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Transfer of Exchangeable Shares to New Zargon and Receipt of New Zargon Shares*", be deemed to have disposed of such Exchangeable Shares for proceeds of disposition equal to the Holder's adjusted cost base thereof. As a result, such Holder would not recognize a capital gain or a capital loss in respect of the exchange and would be deemed to acquire the New Zargon Shares at a cost, which is equal to the adjusted cost base of the Exchangeable Shares.

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations. Unitholders and Exchangeable Shareholders who are resident in jurisdictions other than Canada or the United States should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions and with respect to the tax implications in such jurisdictions of owning New Zargon Shares after the Arrangement. Unitholders and Exchangeable Shareholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding New Zargon Shares.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions are satisfied or waived, the Zargon Entities will apply for the Final Order approving the Arrangement. If the Final Order is obtained on December 15, 2010 in form and substance satisfactory to the Zargon Entities, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Zargon expects that in accordance with the provisions of the Arrangement, the events set out in the Plan will occur in the order and on the dates and at the times set out therein commencing at 4:57 p.m. MST on December 31, 2010 and ending at 12:03 a.m. MST on January 1, 2011. It is not possible, however, to state with certainty when the completion of the Arrangement will occur. The completion of the Arrangement could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

The Arrangement will become effective on the dates and at the times specified in the Plan upon the filing with the Registrar under the ABCA of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

Other Matters to be Considered at the Meeting

At the Meeting, the Trust Securityholders will be asked to consider and, if deemed advisable, approve the adoption by New Zargon of the New Zargon Share Award Plan. In the event that the Arrangement is not approved by the Zargon Securityholders at the Meeting, the Trust will consider the provision of comparable compensation to its

Employees (as defined in the New Zargon Share Award Plan) in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Amended TURIPs). In the event that the Arrangement is approved and the New Zargon Share Award Plan is not approved by Trust Securityholders at the Meeting, New Zargon will consider the provision of comparable compensation to its Employees in the form of cash or by other appropriate arrangements (which may include the grants under the Amended TURIPs). See "*Other Matters to be Considered at the Meeting – New Zargon Share Award Plan*" and the New Zargon Share Award Plan attached as Appendix E to this Information Circular.

Risk Factors

Risk factors related to the business of Zargon will generally continue to apply to New Zargon after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and investment in, New Zargon will be subject to various risk factors set forth under the headings "*Risk Factors*" in this Information Circular and "*Risk Factors*" in the Zargon AIF which is incorporated by reference in this Information Circular. Investors should consider carefully the information contained herein and in the materials incorporated by reference.

Moreover, the following is a list of certain key risk factors relating to the Arrangement, the activities of New Zargon and ownership of New Zargon Shares following the Effective Date which prospective investors should carefully consider before making an investment decision relating to New Zargon Shares.

- the financial condition, operating results and future growth of New Zargon will be substantially dependent on the prevailing and expected prices of oil and natural gas. Any substantial and extended decline in oil and natural gas prices will have an adverse effect on the revenues, profitability and cash from operating activities of New Zargon;
- New Zargon's operations will be subject to extensive government regulation governing development, transportation, production, exports, labour standards, carbon and other emissions, occupational health, protection and reclamation of the environment, including safety, hazardous materials, toxic substances and related matters; the costs of compliance with additional regulation could have a material adverse effect on New Zargon;
- the uncertainty of future dividend payments by New Zargon and the level thereof as New Zargon's dividend strategy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, New Zargon's operating and capital obligations, net income, cash from operating activities, net debt levels, oil and natural gas prices, access to capital markets and timing and level of income tax payments, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends;
- the level of New Zargon's indebtedness from time to time could impair New Zargon's ability to obtain additional financing on a timely basis;
- New Zargon may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of New Zargon which may be dilutive; and
- the inability of New Zargon to manage the exploitation and the production of oil and natural gas properties effectively could have a material adverse impact on its business, operations and prospects.

Securityholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Units, Exchangeable Shares and New Zargon Shares.

BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

Background to and Reasons for the Arrangement

On October 31, 2006, the Federal Finance Minister (the "**Minister**") announced the Federal Government's plan to change the tax treatment of income trusts, including oil and gas royalty trusts (the "**SIFT Rules**"). The SIFT Rules will result in a tax being applied at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The SIFT Rules had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts, including Zargon, royalty trusts and numerous other Canadian securities. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate the conversion of mutual fund trusts into corporations without any undue tax consequences. These proposals were proclaimed in force on March 12, 2009.

Zargon's management and the Board of Directors continuously review the Trust's strategic objectives and options available to it in respect thereof to ensure that the Trust's capital structure is efficient and that Securityholder value is being maximized. In the four year period following the initial announcement of the SIFT Rules, management and the Board of Directors have conducted a thorough analysis of material information and relevant considerations in respect of the potential impact and significance of the SIFT Rules to the Trust including, but not limited to, presentations by external legal tax advisors and accounting firms as well as management's assessment of the Securityholders. As part of this review, the Board of Directors and management examined a variety of structural alternatives or transactions.

Such analysis culminated in a meeting of the Board of Directors held on October 19, 2010, at which management and the Board of Directors reviewed and discussed the principal terms and conditions of the proposed reorganization of the Trust into a corporate structure. After duly considering the financial aspects and other considerations relating to the proposed reorganization, including the principal terms and conditions of the proposed Arrangement, the Board of Directors' duties and responsibilities to Securityholders and the advice of legal counsel, the Board of Directors unanimously approved proceeding with the proposed conversion of the Trust into a yield oriented oil and natural gas property exploitation and production company that will operate under the name "Zargon Oil & Gas Ltd." and which, together with its subsidiaries, will carry on the business presently carried on by the Trust and its subsidiaries. At such meeting, the Board of Directors also unanimously resolved to approve the contents of this Information Circular and the sending of it to Securityholders. In connection with these approvals, the Board of Directors concluded that the Arrangement was fair to Securityholders, was in the best interest of the Trust, ZOGL and the Securityholders and unanimously resolved to recommend that Securityholders vote their Securities in favour of the Arrangement.

The Trust announced the proposed Arrangement following the close of markets on October 19, 2010.

Between October 19, 2010 and November 10, 2010 the terms of the Arrangement Agreement and Plan were settled and on November 10, 2010 the Arrangement Agreement was entered into.

Benefits of the Arrangement

The Board of Directors and management believe that the proposed corporate structure enables Zargon to pursue its strategic plan and strategy of efficient capital management for the benefit of Securityholders. Given federal government changes to tax legislation regarding income trusts effective January 1, 2011 resulting in the diminished value of the income fund structure at that time, management and the Board of Directors believe that the best opportunity for creating value is to move to a corporate structure effective on or about January 1, 2011, allowing the Trust to continue to benefit from the income trust structure right up to the change to the tax legislation, but thereafter continuing forward as a public corporation. Management and the Board of Directors believe that the Arrangement provides a number of compelling and strategic benefits, including, without limitation, the expectation that a conversion to a public corporation would:

- permit Zargon's financial and operational performance to be more easily valued relative to its corporate peers;
- permit Zargon to realize operational efficiencies through a more simplified corporate structure;
- attract new investors and provide a more liquid market for the New Zargon Shares;
- remove Zargon from any uncertainty that exists in the income trust marketplace today;
- be accomplished on an automatic tax-free "rollover" basis in Canada prior to 2013, whereas post-2013 such automatic tax-free "rollover" will not be available under the current federal legislation regarding the SIFT Rules;
- better position Zargon to invest in attractive opportunities for oil and natural gas property exploitation and production; and
- with current tax pools as at September 30, 2010 estimated at approximately \$328 million, it is currently expected (based on current forward commodity strip prices) that New Zargon will remain non-taxable in Canada until approximately 2014.

Recommendation of the Board of Directors

The Board of Directors, based upon its own investigations, has unanimously determined that the Arrangement is fair to Securityholders, is in the best interests of the Trust, ZOGL and the Securityholders and unanimously recommends that Unitholders and Exchangeable Shareholders vote in favour of the Trust Arrangement Resolution and the ZOGL Arrangement Resolution, as applicable.

In reaching its conclusions regarding fairness and formulating its recommendation, the Board of Directors considered a number of factors in addition to those described elsewhere in this Information Circular, including, but not limited to, the following:

- a conversion to a corporate structure is expected to attract a broader investor base, which may reduce financing costs and increase equity valuations for Zargon;
- a review of Zargon's strategic objectives and business plan and the optimal structure to maximize Unitholder value;
- Zargon's access to capital through bank borrowings as well as debt and equity capital markets in order to finance growth opportunities in the most efficient and cost-effective manner;
- the tax efficiencies to the Trust from distributions to tax deferred Unitholders will be eliminated pursuant to the impact of the SIFT Rules, thereby removing the main benefit of the trust structure such that post-2010, the effective tax rate for corporations will be the same for income trusts;
- the decline in investor interest in the income trust sector as a result of the SIFT Rules and the uncertainty surrounding income trust structures has resulted in a decline in trading prices for securities of income trusts;
- the exchange of Units and Exchangeable Shares for New Zargon Shares pursuant to the Plan may be completed on a tax-free "rollover" basis for Canadian federal income tax purposes;
- the Arrangement must receive the appropriate approval from Securityholders and the Court;
- the conversion to a corporate structure is effective on or about January 1, 2011, allowing the Trust to continue to benefit from the income tax structure right up to the federal government changes to tax legislation effective January 1, 2011;
- the advice of external counsel and tax advisors;

- the fact that the Arrangement and the restructuring contemplated therein will not trigger any change of control or other payments under employment or similar arrangements within ZOGL nor will it result in acceleration of the vesting of cash based TURIP Rights;
- that as a result of the structure of the Arrangement, holders of Trust Units will maintain the same proportionate interest in New Zargon, the ongoing corporate entity, as they held in the Trust; and
- the mechanics, structure and timing of implementation of the Arrangement, including in particular the availability of rights to the Securityholders to dissent to the Arrangement in a manner consistent with Section 191 of the ABCA, as modified by the Interim Order.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Information Circular may not be realized or that there may be significant costs associated with realizing such benefits.

THE ARRANGEMENT

General

The Arrangement will result in the reorganization of the Trust into a yield oriented, public oil and natural gas property exploitation and production company that will operate under the name "Zargon Oil & Gas Ltd." and which, together with its subsidiaries, will own, directly or indirectly, the same assets owned by the Trust and its subsidiaries immediately prior to the Arrangement. The board of directors and senior management of New Zargon will be comprised of the current members of the board and senior management of ZOGL, the current administrator of the Trust. New Zargon will also retain the current management team and personnel from ZOGL and will continue to be led by Craig H. Hansen as President and Chief Executive Officer. See "*Appendix D – Information Concerning New Zargon – Directors and Executive Officers*". The current members of the Board will form the board of directors of New Zargon.

The reorganization of the Trust into a corporate structure will allow New Zargon to pursue its strategic plan and its strategy of maximizing value creation for Securityholders. See "*Appendix D – Information Concerning New Zargon – Description of Business – Operations*".

Effect of the Arrangement on Securityholders

Pursuant to the Arrangement, Unitholders will receive, through a series of steps, for each one Trust Unit held, one New Zargon Share. Exchangeable Shareholders will participate in the Arrangement and receive New Zargon Shares based on the number of Trust Units into which such shares are exchangeable in accordance with the exchange ratio (as adjusted in accordance with the terms of the Arrangement). In addition, the Trust intends to declare the Final Trust Distribution to be payable on January 17, 2011 to Unitholders of record at 5:00 p.m. on December 31, 2010.

Unitholders of record on November 30, 2010 will receive their regular monthly cash distribution of \$0.18 per Trust Unit on December 15, 2010. In addition, the Final Trust Distribution of \$0.18 per Trust Unit will be payable pursuant to the Arrangement on January 17, 2011 to Unitholders of record at 11:57 p.m. on December 31, 2010 or, if the Arrangement is not completed, will be payable on January 17, 2011 to such Unitholders in the normal course. In addition, the Trust will declare an additional distribution (the "**Additional Distribution**") per Trust Unit equal to all remaining taxable income of the Trust, if any, divided by the total number of Trust Units then outstanding, which will be payable pursuant to the Arrangement to Unitholders of record at 5:00 p.m. on December 31, 2010 and payable in Trust Units with a value equal to such distribution. Although the Trust expects that there will be no remaining taxable income of the Trust, in the event that an Additional Distribution is paid, the number of Trust Units will be consolidated such that each Unit holder will hold after the consolidation the same number of Trust Units as the Unit holder held before such distribution of Trust Units. Payment of the Additional Distribution, if any, is not conditional upon closing of the Arrangement. If the Arrangement is completed as currently contemplated, Unitholders will not

receive any further monthly cash distributions from the Trust other than the Final Trust Distribution of \$0.18 per Unit payable on January 17, 2011. It is expected that New Zargon will adopt a monthly dividend policy with an initial dividend rate of \$0.14 per New Zargon Share commencing January 2011 with the first dividend anticipated to be paid on February 15, 2011.

No certificates representing fractional New Zargon Shares shall be issued under the Arrangement. In lieu of any fractional New Zargon Shares, each holder of Trust Units or Exchangeable Shares otherwise entitled to a fractional interest in a New Zargon Share will receive the nearest whole number of New Zargon Shares (with fractions equal to exactly 0.5 being rounded up). Exchangeable Shares held by registered holders of Trust Units or Exchangeable Shares on behalf of beneficial holders will be aggregated for such purposes.

Upon completion of the Arrangement, New Zargon anticipates paying a monthly dividend initially set at \$0.14 per New Zargon Share, which will be paid to shareholders of record on or about the 15th day of each month following the completion of the Arrangement. The first monthly dividend of New Zargon is anticipated to be declared for shareholders of record on January 31, 2011. It is expected that the dividends will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of New Zargon Shares. Although it is expected that dividends of New Zargon will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of New Zargon Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends". Notwithstanding the foregoing, the amount of future cash dividends, if any, will be subject to the discretion of the board of directors of New Zargon and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends.

See *"The Arrangement – Details of the Arrangement – Arrangement Steps"*, *"The Arrangement – Procedure for Exchange of Securities"* and *"Certain Canadian Federal Income Tax Considerations"*.

Treatment of TURIP Rights

The Arrangement will not trigger the acceleration of the vesting of any outstanding TURIP Rights. In connection with the Arrangement, the Amended TURIP shall be established and New Zargon will assume the obligations of the Trust in respect of the TURIP. Provided the Arrangement is completed, holders of TURIP Rights will receive New TURIP Rights on the basis of one New TURIP Right for each TURIP Right held and shall thereafter be entitled to receive one New Zargon Share for each New TURIP Right held.

Distribution Reinvestment Plan

Pursuant to the Arrangement, the Amended DRIP shall become effective, all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under the Plan to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of New Zargon Shares in accordance with the terms and conditions of the Amended DRIP.

If a participant in the DRIP is the registered holder of Trust Units, until such time as the participant deposits with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Trust Units, all additional New Zargon Shares purchased pursuant to the Amended DRIP, will be delivered to the Depository to be held by the Depository, in trust, for the holder of the New Zargon Shares. Subject to the Plan of Arrangement, the Depository will deliver to any such holder of such New Zargon Shares, as soon as reasonably practicable, all additional New Zargon Shares purchased pursuant to the Amended DRIP to which such holder is entitled, net of applicable withholding and other taxes, with the delivery of the certificate representing the New Zargon Shares issued to such holder in accordance with the Plan of Arrangement. Accordingly, existing participants in the DRIP who are registered holders of Trust Units are encouraged to deposit the certificates representing such Trust Units together with a validly completed and executed Letter of Transmittal in order to receive the additional New Zargon Shares purchased pursuant to the Amended DRIP.

Participants in the DRIP who do not wish to be deemed to be participants in the Amended DRIP should terminate their participation in the DRIP, or the Amended DRIP following the Effective Date, in accordance with the withdrawal procedures of the DRIP or the Amended DRIP, as applicable.

Details of the Arrangement

Arrangement Steps

Pursuant to the Arrangement, commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order on the dates and at the times specified without any further act or formality, except as otherwise provided in the Plan (defined terms used below are as defined in the Plan):

Amendment to Declaration of Trust

- (a) at 4:57 p.m. on the Effective Date the Declaration of Trust shall be amended to the extent necessary to facilitate the Arrangement;

Amendment to ZOGL Articles

- (b) at 4:58 p.m. on the Effective Date the Articles of Incorporation of ZOGL shall be amended to the extent necessary to facilitate the Arrangement;

Dissenting Securityholders

- (c) at 4:59 p.m. on the Effective Date the Trust Units and Exchangeable Shares held by Dissenting Securityholders who have exercised Dissent Rights which remain valid immediately prior to 4:59 p.m. on the Effective Date shall, as of 4:59 p.m. on the Effective Date, be deemed to have been transferred to ZEC and cancelled and cease to be outstanding, and as of 4:59 p.m. on the Effective Date, such Dissenting Securityholders shall cease to have any rights as securityholders of the Trust or ZOGL, as applicable, other than the right to be paid the fair value of their Trust Units and Exchangeable Shares by ZEC;

Final Distributions to Securityholders and Adjustment of Exchange Ratio

- (d) at 5:00 p.m. on the Effective Date the Trust shall declare payable to Trust Units of record at 5:00 p.m. (Calgary time) on December 31, 2010 a distribution of \$0.18 per Trust Unit payable on January 17, 2011;
- (e) at 5:01 p.m. on the Effective Date the Exchange Ratio shall be increased by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator \$0.18 multiplied by the Exchange Ratio immediately prior to the Effective Date and having as its denominator the Zargon Trust Unit Fair Market Value;
- (f) at 5:02 p.m. on the Effective Date the Trust shall declare payable to Trust Units of record at 5:00 p.m. (Calgary time) on December 31, 2010 a distribution per Trust Unit equal to all remaining Taxable Income divided by the total number of Trust Units then outstanding payable in Trust Units with a value equal to such distribution. For the purpose of this paragraph the value of each Trust Unit issued shall be equal to the Zargon Trust Unit Fair Market Value;
- (g) if any amount is paid under the preceding paragraph, the number of Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the distribution of Trust Units;

Exchange of Trust Units for Common Shares

- (h) at 11:59 p.m. on the Effective Date each Trust Unit shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for Common Shares on the basis of one Common Share for each Trust Unit so sold, assigned and transferred;

Exchange of Exchangeable Shares for Common Shares

- (i) at 11:59 p.m. on the Effective Date each Exchangeable Share (other than Exchangeable Shares held by ZEI) shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for Common Shares on the basis of that number of Common Shares equal to the Exchange Ratio for each Exchangeable Share so sold, assigned and transferred;

Stated Capital

- (j) at 11:59 p.m. on the Effective Date the amount set as the stated capital account in respect of the Common Shares shall be \$170 million in the aggregate or such other amount as determined by the Board of Directors prior to the Effective Date;

Redemption of Common Shares

- (k) at 11:59 p.m. on the Effective Date the Common Shares held by the Trust shall be redeemed by ZEC for an amount equal to the Zargon Trust Unit Fair Market Value times the number of Common Shares so held and such Common Shares shall be cancelled;

Special Voting Units

- (l) at 11:59 p.m. on the Effective Date all of the outstanding Special Voting Units shall be cancelled and the Voting and Exchange Trust Agreement and the Support Agreement shall be terminated;

TURIP Plans

- (m) at 11:59 p.m. on the Effective Date:
 - (i) each TURIP Right shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for New TURIP Right on the basis of one New TURIP Right for each TURIP Right so sold, assigned and transferred;
 - (ii) the Amended TURIP shall become effective; and
 - (iii) the TURIP shall be terminated and be of no further force and effect;

Amendment of the DRIP

- (n) at 11:59 p.m. on the Effective Date the Amended DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under the Plan to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of Common Shares in accordance with the terms and conditions of the Amended DRIP;

Elimination of Consolidated Accounting Deficit

- (o) at 11:59 p.m. on the Effective Date for accounting purposes, the consolidated share capital of ZEC shall be reduced, without payment or reduction to its stated capital, by the consolidated accounting deficit;

Dissolution of the Trust

- (p) at 12:01 a.m. on January 1, 2011:
 - (i) all of the assets of the Trust, including, without limitation, the NPI, the Promissory Notes and the common shares of ZOGL, shall be transferred to ZEC;

- (ii) ZEC shall assume all of the liabilities of the Trust;
- (iii) the Trust shall be dissolved; and
- (iv) the Declaration of Trust shall be terminated;

Amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont

- (q) at 12:02 a.m. on January 1, 2011 ZEC, ZOGL, ZAC, ZEI and Oakmont shall be amalgamated and continued as one corporation, AmalgamationCo, in accordance with the following:
 - (i) the stated capital of all of the shares of ZOGL, ZAC, ZEI and Oakmont shall be reduced, in each case, to \$1.00 in aggregate immediately prior to the amalgamation;
 - (ii) the stated capital of the Common Shares will continue to be \$170 million in the aggregate or such other amount as determined by the Board of Directors prior to the Effective Date;
 - (iii) the articles of AmalgamationCo shall be the same as the articles of ZEC, including for greater certainty the Common Shares and Preferred Shares with the rights, privileges and restrictions set out in Schedule A and Schedule B to the Plan, and the name of AmalgamationCo shall be "Zargon Oil & Gas Ltd.";
 - (iv) the shares of ZOGL, ZAC, ZEI and Oakmont shall be cancelled without any repayment of capital;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalgamationCo;
 - (vi) AmalgamationCo shall continue to be liable for the obligations of each of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of each of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against each of the amalgamating corporations may be continued to be prosecuted by or against AmalgamationCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, each of the amalgamating corporations may be enforced by or against AmalgamationCo;
 - (x) the articles of amalgamation of AmalgamationCo shall be deemed to be the Articles of Incorporation of AmalgamationCo and the Certificate of Amalgamation of AmalgamationCo shall be deemed to be the Certificate of Incorporation of AmalgamationCo;
 - (xi) the by-laws of AmalgamationCo shall be the by-laws of ZEC until repealed, amended, altered or added to;
 - (xii) the first directors of AmalgamationCo shall be the directors of ZOGL;
 - (xiii) the first officers of AmalgamationCo shall be the officers of ZOGL; and
 - (xiv) the registered office of AmalgamationCo shall be the registered office of ZEC;
 - (xv) the amalgamation shall be deemed to be effective at 12:02 a.m. (Calgary time) on the day immediately following the Effective Date and the articles of amalgamation shall be filed with the Registrar to be effective on such day;

Oil & Gas Assets Conveyance

- (r) at 12:03 a.m. on January 1, 2011, the Oil & Gas Asset Conveyance shall become effective and the Oil & Gas Assets shall be transferred by AmalgamationCo to Zargon Partnership in exchange for:
 - (i) a partnership interest in Zargon Partnership;
 - (ii) the assumption of the liabilities related to such Oil & Gas Assets, and
 - (iii) the repayment of the Zargon Partnership Notes,
 pursuant to the Oil & Gas Asset Conveyance Agreement; and

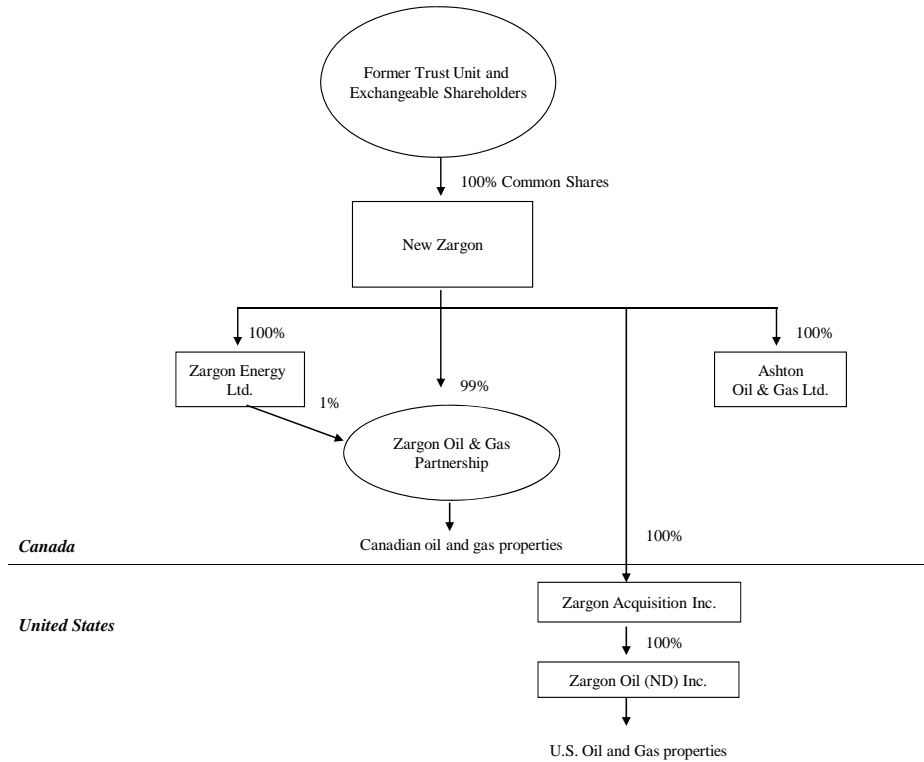
Facilities Lease Termination

- (s) at 12:03 a.m. on January 1, 2011, the Facilities Lease Termination Agreement shall become effective and the Facilities Lease shall be terminated,

provided that if any of the foregoing steps fails to occur or be completed then all of such steps will be deemed not to have occurred.

Post Arrangement Structure

The following diagram illustrates the organizational structure of New Zargon immediately following completion of the Arrangement.



Immediately following the completion of the Arrangement, an aggregate of approximately 26.9 million New Zargon Shares will be issued and outstanding (using the Exchange Ratio effective as of October 15, 2010 and assuming the

same number of Securities are outstanding at the Effective Date as at the date hereof and that no Dissent Rights are exercised).

Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants and various conditions precedent to completion of the Arrangement.

The Arrangement Agreement is attached as Appendix C to this Information Circular and reference is made thereto for the full text thereof.

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to the Declaration of Trust and Section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by the Zargon Securityholders voting in person or by proxy at the Meeting;
- (b) the Arrangement must be approved by the Court pursuant to the Final Order;
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar and the Certificate must be issued by the Registrar.

Approvals

Securityholder Approvals

Pursuant to the Interim Order, the number of votes required to pass the Trust Arrangement Resolution shall be not less than two thirds of the votes cast by Trust Securityholders, either in person or by proxy, voting together as a single class at the Meeting. See "*General Proxy Matters – Procedure and Votes Required – Arrangement Resolution*".

Pursuant to the Interim Order, in a separate vote, the number of votes required to pass the ZOGL Arrangement Resolution shall be not less than two-thirds of the votes cast by the ZOGL Securityholders, either in person or by proxy, voting together as a single class at the Meeting.

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Zargon Securityholders authorizes the Board of Directors, without further notice to or approval of such Zargon Securityholders, subject to the terms of the Arrangement, to amend or terminate the Arrangement Agreement or the Plan, or to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. The full text of the Arrangement Resolution is attached as Appendix A to this Information Circular.

Court Approvals

Interim Order

On November 10, 2010, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix B to this Information Circular.

Final Order

The ABCA provides that a statutory arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Securityholders at the Meeting in the manner required by the Interim Order, the Zargon Entities will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 15, 2010 at 1:30 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Court House, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. At the hearing, any Securityholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Zargon a Notice of Intention to Appear together with any evidence or materials which such party intends to present to the Court **on or before noon (Calgary time) on December 13, 2010. Service of such notice shall be effected by service upon the solicitors for Zargon: Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9 Attention: Daniel J. McDonald, Q.C. See "Notice of Application".**

The New Zargon Shares issuable to Unitholders and Exchangeable Shareholders in exchange for their securities pursuant to the Arrangement have not been and will not be registered under the 1933 Act, in reliance upon the exemption from registration provided by Section 3(a)(10) thereof. The Court has been advised that if the terms and conditions of the Arrangement are approved by the Court, the issuance of New Zargon Shares to Unitholders and Exchangeable Shareholders pursuant to the Arrangement will not require registration under the 1933 Act pursuant to Section 3(a)(10) thereof.

Zargon has been advised by its counsel, Burnet, Duckworth & Palmer LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Zargon may determine not to proceed with the Arrangement.

Stock Exchange Listing Approvals

The TSX has conditionally approved: (i) the substitutional listing of the New Zargon Shares to be issued pursuant to the Arrangement; (ii) the listing of the New Zargon Shares issuable on exercise of the New TURIP Rights under the Amended TURIP; and (iii) the listing of the New Zargon Shares issuable on exercise of the New Zargon Share Awards to be issued under the New Zargon Share Award Plan subject to New Zargon fulfilling the requirements of the TSX. The New Zargon Shares are expected to begin trading on the TSX under the trading symbol "ZAR" on the day which is approximately two (2) days after the receipt by the TSX of all documentation required by the TSX. It is expected that documentation will be provided to the TSX on January 4, 2011 and that trading of the New Zargon Shares will commence on or about January 6, 2011.

Conditions Precedent to the Arrangement

The respective obligations of the Zargon Entities to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of a number of conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions. These conditions include:

- (a) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Zargon Securityholders at the Meeting in accordance with the Declaration of Trust, the Interim Order, the Voting and Exchange Trust Agreement and any applicable regulatory requirements;
- (b) the Final Order shall have been granted in form and substance satisfactory to the Zargon Entities, acting reasonably, not later than December 31, 2010 or such later date as the parties may agree;

- (c) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Zargon Entities, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;
- (d) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement;
- (e) all necessary third party and regulatory consents and approvals with respect to the transactions contemplated in the Arrangement Agreement shall have been completed or obtained including, without limitation, the consents and approvals from ZOGL's' principal lenders;
- (f) there shall not, as of the Effective Date, be holders of Securities that hold, in aggregate, in excess of 5% of all outstanding Securities, that have validly exercised and not withdrawn their rights of dissent under the ABCA and the Interim Order;
- (g) the TSX shall have conditionally approved the substitutional listing of the New Zargon Shares to be issued pursuant to the Arrangement subject only to the filing of required documents which cannot be filed prior to the Effective Date; and
- (h) each of the covenants, acts and undertakings of each of the Zargon Entities to be performed or complied with on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall be duly performed or complied with.

Upon the conditions being fulfilled or waived, the Zargon Entities intend to file a copy of the Final Order and the Articles of Arrangement with the Registrar under the ABCA, together with such other materials as may be required by the Registrar, in order to give effect to the Arrangement.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions at that point in time are satisfied or waived, the Zargon Entities will apply for the Final Order approving the Arrangement on December 15, 2010. If the Final Order is obtained on December 15, 2010 in form and substance satisfactory to the Zargon Entities, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Zargon expects that in accordance with the provisions of the Arrangement, the events set out in the Plan will occur in the order and on the dates and at the times set out therein commencing at 4:57 p.m. MST on December 31, 2010 and ending at 12:03 a.m. MST on January 1, 2011. It is not possible, however, to state with certainty when the completion of the Arrangement will occur. The completion of the Arrangement could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on December 15, 2010.

The Arrangement will become effective on the dates and at the times specified in the Plan upon the filing with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

Procedure for Exchange of Securities

In order to receive their New Zargon Shares following completion of the Arrangement, Securityholders must deposit with the Depositary (at one of the addresses specified on the last page of the Letter of Transmittal) a validly completed and duly executed Letter of Transmittal together with the certificates representing the Securityholder's Trust Units and/or Exchangeable Shares, as the case may be.

Securityholders whose Trust Units and Exchangeable Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Securities.

No certificates representing fractional New Zargon Shares shall be issued under the Arrangement. In lieu of any fractional New Zargon Shares, each Securityholder otherwise entitled to a fractional interest in a New Zargon Share will receive the nearest whole number of New Zargon Shares (with fractions equal to exactly 0.5 being rounded up). Exchangeable Shares held by registered holders of Trust Units or Exchangeable Shares on behalf of beneficial holders will be aggregated for such purposes.

The use of the mail to transmit certificates representing Trust Units and Exchangeable Shares and the Letter of Transmittal is at each Securityholder's risk. Zargon recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used.

If a certificate representing Trust Units or Exchangeable Shares has been lost or destroyed, the Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss or destruction, to the Depositary. The Depositary will respond with the replacement requirements, which must be completed and returned to the Depositary.

Subject to the terms of the Arrangement, Dissenting Securityholders who ultimately are not entitled to be paid the fair value of their Units or Exchangeable Shares, as the case may be, will be entitled to receive the New Zargon Shares to which they are entitled under the Arrangement.

If the Letter of Transmittal is executed by a person other than the registered holder(s) of the Trust Units and Exchangeable Shares being deposited or if the certificates representing the New Zargon Shares issuable in exchange for the Trust Units and Exchangeable Shares are to be issued to a person other than such registered owner(s) or sent to an address other than the address of the registered holder(s) as shown on the register of Unitholders or Exchangeable Shareholders, as the case may be, maintained by Zargon's registrar and transfer agent, the signature on the Letter of Transmittal must be medallion guaranteed by an Eligible Institution. If the Letter of Transmittal is executed by a person other than the registered owner(s) of the Trust Units and Exchangeable Shares deposited therewith, and in certain other circumstances as set forth in the Letter of Transmittal, then the certificate(s) representing Trust Units and Exchangeable Shares must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered owner(s). The signature(s) on the endorsement panel or share transfer power of attorney must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) and must be medallion guaranteed by an Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Trust Units and Exchangeable Shares deposited pursuant to the Arrangement will be determined by ZOGL (or its successor, New Zargon) in its sole discretion. Depositing Unitholders and Exchangeable Shareholders agree that such determination shall be final and binding. ZOGL (or its successor, New Zargon) reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. ZOGL (or its successor, New Zargon) reserves the absolute right to waive any defect or irregularity in the deposit of any Trust Units and Exchangeable Shares. There shall be no duty or obligation on the Trust, ZOGL, New Zargon, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Trust Units and Exchangeable Shares and no liability shall be incurred by any of them for failure to give such notice.

ZOGL (or its successor, New Zargon) reserves the right to permit the procedure for the exchange of Securities pursuant to the Arrangement to be completed other than as set forth above.

From and after the time of exchange specified in the Plan of Arrangement, certificates formerly representing Securities that were exchanged under the Plan of Arrangement shall represent only the right to receive upon surrender of such certificates as contemplated by the Plan of Arrangement: (i) the consideration to which the holders are entitled to receive under the Arrangement, or as to those Securities held by Dissenting Securityholders, other than those Dissenting Securityholders deemed to have participated in the Arrangement, to receive the fair value of the Securities represented by such certificates; and (ii) dividends or distributions with respect to such consideration; in each case subject to compliance with the requirements set forth in the Plan of Arrangement.

Subject to the provisions of the Letter of Transmittal, New Zargon shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Securities of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) and the certificates representing such Securities (which shall be cancelled), either: (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder; certificates representing the number of New Zargon Shares issued to such holder under the Arrangement (together with any dividends or distributions with respect thereto).

Notwithstanding the foregoing, if a participant in the DRIP is the registered holder of Units, all dividends which are payable in respect of the New Zargon Shares issuable in exchange for such Units will be used to purchase additional New Zargon Shares pursuant to the Amended DRIP notwithstanding that such registered holder has not deposited with the Depositary a validly completed and executed Letter of Transmittal together with the certificates representing such Units.

All dividends or distributions, if any, made with respect to any New Zargon Shares for which a certificate has not been issued pursuant to the Arrangement (including any dividends or distributions payable pursuant to the Arrangement to a former holder of Securities and any additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable), shall be paid or delivered to the Depositary to be held by the Depositary, in trust, for the holder of the New Zargon Shares. The Depositary shall pay and deliver to any such holder of such New Zargon Shares, as soon as reasonably practicable, such dividends and distributions (including any additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable) to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate representing the New Zargon Shares issued to such holder in accordance with the Plan of Arrangement.

Any certificate formerly representing Securities that is not deposited with all other documents as required by the Plan of Arrangement and the Letter of Transmittal on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such Securities to receive New Zargon Shares (and any dividends and distributions thereon, including additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable). In such case, such New Zargon Shares (together with all dividends and distributions thereon, including additional New Zargon Shares purchased pursuant to the Amended DRIP, if applicable) shall be returned to AmalgamationCo and such New Zargon Shares shall be cancelled.

Should the Arrangement not be completed, any deposited Trust Units and Exchangeable Shares will be returned to the depositing Holder at Zargon's expense upon written notice to the Depositary from ZOGL by returning the deposited Trust Units and Exchangeable Shares (and any other relevant documents) by first class insured mail in the name of and to the address specified by the Holder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by Zargon's transfer agent.

Right to Dissent

The following description of the right to dissent and appraisal to which Dissenting Securityholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of such Dissenting Securityholder's Securities and is qualified in its entirety by the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix B,

and the text of Section 191 of the ABCA, which is attached to this Information Circular as Appendix F. A Dissenting Securityholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order and to adhere to the procedures established therein may result in the loss of all rights thereunder.

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Pursuant to the Interim Order, a registered Securityholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid the fair value of the Securities held by the holder in respect of which the holder dissents, determined as of the close of business on the last Business Day before the day on which the resolution from which such holder dissents was adopted. **Only registered Securityholders may dissent. Persons who are beneficial owners of Trust Units and Exchangeable Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such securities. Accordingly, a beneficial owner of Trust Units or Exchangeable Shares desiring to exercise Dissent Rights must make arrangements for the securities beneficially owned by that holder to be registered in the name of the securityholder prior to the time the written objection to the Arrangement Resolution is required to be received by Zargon or, alternatively, make arrangements for the registered holder of such securities to dissent on behalf of the securityholder. In such case, the written objection, described below, should set forth the number of Trust Units and Exchangeable Shares, as the case may be, covered by such written objection.**

A Dissenting Securityholder must send to ZOGL a written objection to the Arrangement Resolution, which written objection must be received by ZOGL, c/o Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9 Attention: Daniel J. McDonald, Q.C., by 4:00 p.m. (Calgary time) on the last Business Day immediately preceding the Meeting.

No Securityholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with respect to the Arrangement. Securityholders may not exercise the right to dissent in respect of only a portion of such holder's Securities, but may dissent only with respect to all of the Securities held by the Securityholder.

An application may be made to the Court by New Zargon or by a Dissenting Securityholder to fix the fair value of the Dissenting Securityholder's Securities. If such an application to the Court is made by either New Zargon or a Dissenting Securityholder, New Zargon must, unless the Court otherwise orders, send to each Dissenting Securityholder a written offer to pay such person an amount considered by the board of directors of New Zargon to be the fair value of the Securities held by such Dissenting Securityholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Securityholder at least 10 days before the date on which the application is returnable, if New Zargon is the applicant, or within 10 days after New Zargon is served with notice of the application, if a Dissenting Securityholder is the applicant. The offer will be made on the same terms to each Dissenting Unitholder or Dissenting Exchangeable Shareholder, as the case may be, and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Securityholder may make an agreement with New Zargon for the purchase of such holder's Securities in the amount of New Zargon's offer (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Securities.

A Dissenting Securityholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Securities of all Dissenting Securityholders who are parties to the application, giving judgment in that amount against New Zargon and in favour of each of those Dissenting Securityholders, and fixing the time within which New Zargon must pay that amount payable to the Dissenting Securityholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Securityholder calculated from the date on which the Dissenting Securityholder ceases to have any rights as a Securityholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between New Zargon and the Dissenting Securityholder as to the payment to be made by New Zargon to the Dissenting Securityholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Securityholder will cease to have any rights as a Securityholder other than the right to be paid the fair value of such Securityholder's Securities in the amount agreed to between New Zargon and the Securityholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Securityholder may withdraw his dissent, or if the Arrangement has not yet become effective ZOGL may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Securityholder will be discontinued.

New Zargon shall not make a payment to a Dissenting Securityholder under Section 191 if there are reasonable grounds for believing that New Zargon is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of New Zargon would thereby be less than the aggregate of its liabilities. In such event, New Zargon shall notify each Dissenting Securityholder that it is lawfully unable to pay Dissenting Securityholders for their Securities in which case the Dissenting Securityholder may, by written notice to New Zargon within 30 days after receipt of such notice, withdraw his written objection, in which case such Securityholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Securityholder. If the Dissenting Securityholder does not withdraw his written objection he retains his status as a claimant against New Zargon to be paid as soon as New Zargon is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to New Zargon shareholders.

All Securities held by Securityholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to ZEC, as applicable, in exchange for such fair value as of the Effective Date. If such Securityholders ultimately are not entitled to be paid the fair value for the Securities, such Securities will, be deemed to have been exchanged for New Zargon Shares and such Securityholders will be issued New Zargon Shares on the same basis as all other Securityholders pursuant to the Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of their Securities. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Dissenting Securityholder who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of that section and the Interim Order, the full texts of which are set out in Appendices F and B, respectively, to this Information Circular, and consult their own legal advisor.**

The Arrangement Agreement provides that, unless otherwise waived, it is a condition to the completion of the Arrangement that, holders of not greater than 5% of the outstanding Securities shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

Interests of Certain Persons or Companies in the Matters to be Acted Upon

The directors and officers of ZOGL and their associates, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 935,789 Trust Units and 473,017 Exchangeable Shares, representing approximately 4% and 28% of the issued and outstanding Trust Units and Exchangeable Shares, respectively.

The Arrangement will not result in any change of control, termination or other payments being made to any directors, officers or employees of ZOGL pursuant to employment, change of control or similar agreements or arrangements.

In addition, the Arrangement will not trigger the acceleration of the vesting of any outstanding TURIP Rights. In connection with the Arrangement, the Amended TURIP shall be established and New Zargon will assume the obligations of the Trust in respect of the TURIP. Provided the Arrangement is completed, holders of TURIP Rights will receive New TURIP Rights on the basis of one New TURIP Right for each TURIP Right held and shall thereafter be entitled to receive one New Zargon Share for each New TURIP Right held. See "*The Arrangement – Treatment of TURIP Rights*".

Subject to approval of the New Zargon Share Award Plan by Securityholders at the Meeting, directors, officers and employees of New Zargon will be eligible to participate in the New Zargon Share Award Plan and may be granted New Zargon Share Awards from time to time thereunder following completion of the Arrangement, subject to the terms and limitations contained in the New Zargon Share Award Plan.

Immediately after giving effect to the Arrangement, it is anticipated that the current directors and officers of ZOGL and their associates, as a group, would beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 1,786,685 New Zargon Shares representing approximately 7% of the outstanding New Zargon Shares (using the Exchange Ratio effective as of October 15, 2010 and assuming the same number of Securities are outstanding at the Effective Date as of the date hereof and that no Dissent Rights are exercised).

None of the principal holders of Securities or any director or officer of ZOGL, or any associate or affiliate of any of the foregoing persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, Zargon or any of its affiliates, except as disclosed above or elsewhere in this Information Circular or in the documents incorporated herein by reference herein.

Securities Law Matters

Canada

All securities to be issued under the Arrangement, including, without limitation, the New Zargon Shares to the Unitholders and Exchangeable Shareholders, will be issued in reliance on exemptions from prospectus requirements of applicable Canadian securities laws and, following completion of the Arrangement, the New Zargon Shares will generally be "freely tradable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces of Canada.

Pursuant to MI 61-101, the Arrangement is a "downstream transaction". In accordance with MI 61-101, if the transaction is a "business combination" or a "related party transaction" then a formal valuation and minority securityholder approval of the transaction in accordance with MI 61-101 would be required, unless an exemption is available to the issuer. Since the definition of "business combination" in MI 61-101 specifically excludes a "downstream transaction" and the provisions applying to "related party transactions" do not apply to "downstream transactions", Zargon is not required to obtain a formal valuation or minority approval of the Securityholders of the Arrangement pursuant to MI 61-101. In addition, no "collateral benefit" (as such term is defined in MI 61-101) is being received by any related party to Zargon in connection with the Arrangement and would otherwise be exempt from the formal valuation and minority securityholder approval.

Judicial Developments

The Plan will be implemented pursuant to Section 193 of the ABCA which provides that, where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Zargon for approval of the Arrangement. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approvals – Final Order*" above. Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of Zargon, any recent significant decisions which would apply in this instance. **Securityholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

United States

Status under U.S. securities laws

At the time of the Arrangement, each of Zargon and New Zargon will be a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act. It is the Trust's intention that the New Zargon Shares will be listed for trading on the TSX following completion of the Arrangement. Zargon does not currently intend to seek a listing for the New Zargon Shares on a stock exchange in the United States.

Exemption from the registration requirements of the 1933 Act

The New Zargon Shares to be issued under the Arrangement to Unitholders and Exchangeable Shareholders will not be registered under the 1933 Act. The New Zargon Shares will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court granted the Interim Order on November 10, 2010 and, subject to the approval of the Arrangement by Securityholders, a hearing on the Arrangement will be held on December 15, 2010 by the Court. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approvals – Final Order*" above.

Resales of New Zargon Shares within the United States after the completion of the Arrangement

The New Zargon Shares issuable to Unitholders and Exchangeable Shareholders following completion of the Arrangement will be freely tradable in the United States under U.S. federal securities laws, except by Persons who will be "affiliates" of New Zargon after the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Persons who are affiliates of New Zargon after the Arrangement may not sell the New Zargon Shares that they receive in connection with the Arrangement in the absence of registration under the 1933 Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the 1933 Act.

- Affiliates – Rule 144. In general, under Rule 144, persons who are affiliates of New Zargon after the Arrangement will be entitled to sell in the United States, during any three-month period, the New Zargon Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of 1% of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about New Zargon. Persons who are affiliates of New Zargon after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of New Zargon.
- Affiliates – Regulation S. In general, under Regulation S, persons who are affiliates of New Zargon solely by virtue of their status as an officer or director of New Zargon may sell their New Zargon Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either: (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of New Zargon Shares who is an affiliate of New Zargon after the Arrangement other than by virtue of his or her status as an officer or director of New Zargon.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the resale of New Zargon Shares received upon completion of the Arrangement. **All Securityholders are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Experts

Certain legal matters relating to the Arrangement are to be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Zargon Entities. As at November 9, 2010, the partners and associates of Burnet, Duckworth & Palmer LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Securities. Grant A. Zawalsky, a partner of Burnet, Duckworth & Palmer LLP, is a Director of ZOGL.

The principals of McDaniel do not hold any Securities as of the date hereof.

Ernst & Young LLP, the Trust's auditors and the proposed auditors of New Zargon, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Trust, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act relating to the Arrangement and acquisition, holding and disposition of New Zargon Shares generally applicable to Trust Securityholders and holders of New Zargon Shares (together, "**Holder**s") who, for purposes of the Tax Act, and at all relevant times, hold their Trust Securities and will hold their New Zargon Shares as capital property and deal at arm's length with, and are not affiliated with, the Trust, ZOGL or New Zargon. Trust Securities and New Zargon Shares will generally be considered to be capital property to a Holder unless such securities are held by the Holder in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who are resident in Canada for purposes of the Tax Act and whose Trust Securities or New Zargon Shares might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Trust Securities and New Zargon Shares and every "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Holders who do not hold their Trust Securities as capital property or who will not hold their New Zargon Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to: (i) a Holder that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (ii) a Holder of an interest in which is a "tax shelter investment" as defined in the Tax Act; (iii) a Holder that is a "specified financial institution" as defined in the Tax Act; (iv) a Holder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada; or (v) an Exchangeable Shareholder who, immediately following the exchange of Exchangeable Shares for New Zargon Shares, either: (i) alone or together with other persons with whom such Exchangeable Shareholder does not deal at arm's length controls New Zargon, or (ii) beneficially owns New Zargon Shares which have a fair market value in excess of 50% of the fair market value of all of the outstanding New Zargon Shares immediately following the exchange. In addition, this summary does not discuss all of the income tax considerations in respect of Trust Securities or New Zargon Shares acquired on the exercise of employee stock options. Any Holders to which this paragraph applies should consult their own tax advisor with respect to the Arrangement.

This summary is based on the current provisions of the Tax Act and Burnet, Duckworth & Palmer LLP's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary takes into account all proposed amendments to the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the acquisition, holding or disposition of New Zargon Shares. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in

the CRA's administrative policies and assessing practices, whether by judicial, regulatory or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Holder. Holders should consult their own tax advisors as to the tax consequences to them of the Arrangement and/or the acquisition, holding or disposition of New Zargon Shares.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty, is resident or is deemed to be resident in Canada (a "**Resident Holder**").

Transfer of Trust Units to New Zargon and Receipt of New Zargon Shares

A Resident Holder who transfers a Trust Unit to New Zargon and receives a New Zargon Share pursuant to the Arrangement will generally be deemed to have: (i) disposed of the Trust Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Trust Unit to the Resident Holder immediately before the disposition; and (ii) acquired the New Zargon Share at a cost equal to the cost amount to the Resident Holder of the particular Trust Unit so transferred. As a result, Resident Holders will generally not realize a capital gain or a capital loss on the transfer of their Trust Units and receipt of New Zargon Shares.

The cost amount of a Trust Unit to a Resident Holder immediately before the transfer will generally be equal to the adjusted cost base of the Trust Unit. The cost of a New Zargon Share to a Resident Holder following the Arrangement will generally be the average of the cost of all New Zargon Shares held by such Resident Holder as capital property.

Transfer of Exchangeable Shares to New Zargon and Receipt of New Zargon Shares

A Resident Holder who transfers Exchangeable Shares to New Zargon and receives New Zargon Shares pursuant to the Arrangement will, unless the Resident Holder chooses to recognize a capital gain or capital loss on the exchange as described in the immediately following paragraph, be deemed to have disposed of such Exchangeable Shares for proceeds of disposition equal to the Resident Holder's adjusted cost base thereof.

Such Resident Holder would therefore neither recognize a capital gain nor a capital loss in respect of the transfer of Trust Units and would be deemed to acquire the New Zargon Shares received on the exchange at a cost which is equal to the adjusted cost base of the Exchangeable Shares. This cost will be averaged with the adjusted cost base of all other New Zargon Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each New Zargon Share held by the Resident Holder.

Notwithstanding the foregoing, a Resident Holder who transfers Exchangeable Shares to New Zargon and receives New Zargon Shares may, if the Resident Holder so chooses, recognize all of a capital gain (or all a capital loss) in respect of the disposition by reporting the same in the Resident Holder's income tax return for the taxation year during which the exchange occurs. Such capital gain (or capital loss) will be equal to the amount by which the fair market value of the New Zargon Shares received exceeds (or is exceeded by) the aggregate of the adjusted cost base of the Exchangeable Shares transferred and any reasonable costs of making the disposition. In such circumstances, the cost of the New Zargon Shares acquired on the exchange will be equal to the fair market value thereof. This cost will be averaged with the adjusted cost base of all other New Zargon Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each New Zargon Share held by the Resident Holder. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada - Taxation of Capital Gains or Capital Losses*" below.

Holding and Disposing of New Zargon Shares

Dividends on New Zargon Shares

Dividends on New Zargon Shares will be included in a Resident Holder's income for the purposes of the Tax Act. Such dividends received by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by New Zargon at or prior to the time the dividend is paid, such dividend will be treated as an eligible dividend for the purposes of the Tax Act and a Resident Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. New Zargon has advised that, to the extent permitted under the Tax Act, New Zargon intends to designate all dividends paid on the New Zargon Shares as eligible dividends for these purposes.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

In the case of a Resident Holder of New Zargon Shares that is a corporation, dividends received on the New Zargon Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and will generally be deductible in computing the corporation's taxable income.

A Resident Holder of New Zargon Shares that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the Tax Act to pay a refundable tax of 33^{1/3}% on dividends received on the New Zargon Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

A Resident Holder of New Zargon Shares that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6^{2/3}% on its "aggregate investment income" (as defined in the Tax Act), including any dividends that are not deductible in computing taxable income.

Disposition of New Zargon Shares

A disposition or deemed disposition of a New Zargon Share by a Resident Holder (other than in a tax deferred transaction or a disposition to New Zargon that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in the open market), will generally result in the Resident Holder realizing a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the New Zargon Share immediately before the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada - Taxation of Capital Gains or Capital Losses*" below.

Taxation of Capital Gains or Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year (subject to and in accordance with rules contained in the Tax Act).

Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6^{2/3}% on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

If the Resident Holder is a corporation, the amount of any capital loss otherwise realized on a disposition or deemed disposition of a share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a share or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Dissenting Securityholders Resident in Canada

Pursuant to the Arrangement, a Dissenting Securityholder who is a Resident Holder (a "**Resident Dissenting Holder**") will be deemed to have transferred such Resident Dissenting Holder's Trust Securities, as the case may be, to ZEC and will be entitled to receive a cash payment equal to the fair value of such Trust Securities. Such a Resident Dissenting Holder will realize a capital gain (or a capital loss) equal to the amount by which the cash payment (exclusive of any interest) exceeds (or is less than) the aggregate of the adjusted cost base of the Trust Securities immediately before the disposition and any reasonable costs associated with the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada - Taxation of Capital Gains or Capital Losses*" above.

Interest awarded to a Resident Dissenting Holder by a court will be included in the Resident Dissenting Holder's income for the purposes of the Tax Act. In addition, a Resident Dissenting Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6^{2/3}% on its "aggregate investment income" (as defined in the Tax Act), including interest income.

Eligibility for Investment

Subject to the provisions of a particular plan, provided the New Zargon Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or that New Zargon qualifies as a "public corporation" for the purposes of the Tax Act, New Zargon Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

Notwithstanding that the New Zargon Shares may be a qualified investment for a trust governed by a tax-free savings account (a "**TFSA**"), the holder of a TFSA will be subject to a penalty tax on the New Zargon Shares held in the TFSA if such holder does not deal at arm's length with New Zargon for purposes of the Tax Act or the holder has a "significant interest" (within the meaning of the Tax Act) in New Zargon or a corporation, partnership or trust with which New Zargon does not deal at arm's length for purposes of the Tax Act. Holders intending to hold New Zargon Shares in a TFSA are advised to consult their own advisors.

Holders Not Resident in Canada

This portion of the summary applies to a Holder who, for purposes of the Tax Act and any relevant tax treaty, is not and is not deemed to be resident in Canada and who does not use or hold, and is not deemed to use or hold their Securities or the New Zargon Shares received under the Arrangement in carrying on a business in Canada and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (a "**Non-Resident Holder**").

Transfer of Trust Units to New Zargon and Receipt of New Zargon Shares

A Non-Resident Holder who transfers a Trust Unit to New Zargon and receives a New Zargon Share under the Arrangement will generally be subject to the same Canadian federal income tax consequences as described above under the heading "*Holders Resident in Canada – Transfer of Trust Units to New Zargon and Receipt of New Zargon Shares*" as though each reference therein to a "Resident Holder" were read as a reference to a "Non-Resident Holder".

Where a Trust Unit held by a Non-Resident Holder is "taxable Canadian property" of the Non-Resident Holder, a New Zargon Share received upon the Arrangement will be deemed to be taxable Canadian property to the Non-Resident Holder.

Based on representations of ZOGL, in its capacity as administrator of the Trust, a Trust Unit will generally not be considered to be taxable Canadian property to a Non-Resident Holder at the time of the Arrangement unless, at any time during the 60-month period immediately preceding the disposition of the Trust Unit, the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, held 25% or more of the issued Trust Units.

Non-Resident Dissenting Unitholders

Pursuant to the Arrangement, a Dissenting Unitholder who is a Non-Resident Holder (a "**Non-Resident Dissenting Holder**") will be deemed to have transferred such Non-Resident Dissenting Holder's Trust Units to ZEC and will be entitled to receive a cash payment equal to the fair value of the Non-Resident Dissenting Holder's Trust Units. A Non-Resident Dissenting Holder will be considered to have disposed of such Trust Units for proceeds of disposition equal to the amount of the payment (exclusive of interest) and will realize a capital gain (or a capital loss) equal to the amount by which such cash payment (exclusive of interest) exceeds (or is exceeded by) the adjusted cost base of such Trust Units to the Non-Resident Dissenting Holder.

A Non-Resident Dissenting Holder will generally not be liable for tax under the Tax Act in respect of any capital gain realized on a disposition of such Trust Units unless such Trust Units are or are deemed to be taxable Canadian property to such Non-Resident Dissenting Holder and the Non-Resident Dissenting Holder is not entitled to relief under an applicable tax treaty between Canada and the Non-Resident Dissenting Holder's country of residence. See the discussion above under "*Holders Not Resident in Canada - Transfer of Trust Units to New Zargon and Receipt of New Zargon Shares*" for a general discussion of Trust Units being taxable Canadian property.

An amount paid in respect of interest awarded by the Court to a dissenting Non-Resident Dissenting Holder will generally not be subject to Canadian withholding tax.

Dividends on New Zargon Shares

Dividends paid or deemed to be paid to a Non-Resident Holder on New Zargon Shares will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Holder's jurisdiction of residence. Where the Non-Resident Holder is a United States resident entitled to benefits under the Canada-U.S. Tax Treaty and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

Disposition of New Zargon Shares

A Non-Resident Holder will generally not be liable to Canadian income tax on a disposition or deemed disposition of New Zargon Shares unless the New Zargon Shares are, or are deemed to be, taxable Canadian property to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country in which the Non-Resident Holder is resident.

Provided the New Zargon Shares are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX) at the time of disposition, the New Zargon Shares will generally not constitute taxable Canadian property to a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition of the New Zargon Share: (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of New Zargon; and (ii) more than 50% of the fair market value of the New Zargon Share was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, New Zargon Shares could be deemed to be taxable Canadian property to a Non-Resident Holder (see, for example, "*Holders Resident in Canada – Transfer of Trust Units to New Zargon and Receipt of New Zargon Shares*").

OTHER TAX CONSIDERATIONS

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Unitholders and Exchangeable Shareholders who are resident in jurisdictions other than Canada and the United States should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions and with respect to tax implications in such jurisdictions of owning New Zargon Shares after the Arrangement. Unitholders and Exchangeable Shareholders should also consult their own tax advisors regarding Canadian federal, United States federal, provincial, state, local or territorial tax considerations of the Arrangement or of holding New Zargon Shares.

INFORMATION CONCERNING THE ZARGON ENTITIES

The Trust

General

The Trust is an open-end investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust. The Trustee has been appointed as trustee under the Declaration of Trust. The beneficiaries of the Trust are the Unitholders. The principal and head office of the Trust is located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6.

Corporate Structure

The following are the name, the percentage of voting securities and the jurisdiction governing the Trust's subsidiaries, either direct or indirect, as at the date hereof:

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/ Formation
Zargon Oil & Gas Ltd.	100%	Corporation	Alberta
Zargon ExchangeCo Inc.	100%	Corporation	Alberta
Zargon Energy Ltd.	100%	Corporation	Alberta
Zargon Acquisition Corp. (inactive)	100%	Corporation	Alberta
Zargon Oil & Gas Partnership 1563101 Alberta Ltd.	100%	General Partnership	Alberta
Oakmont Energy Ltd.	100%	Corporation	Alberta
Ashton Oil & Gas Ltd.	100%	Corporation	Alberta
Zargon Acquisition Inc.	100%	Corporation	Wyoming
Zargon Oil (ND) Inc.	100%	Corporation	Delaware
Zargon Americana Inc.	100%	Corporation	Montana

Business of the Trust

The principal undertaking of the Trust is to issue Trust Units and to acquire and hold securities of subsidiaries, trusts and partnerships, net profits interests, royalties, notes and other interests. Zargon's direct and indirect subsidiaries and partnership carry on the business of acquiring, developing, exploiting and holding interests in petroleum and natural gas properties and assets related thereto. At December 31, 2009, ZOGL had 63 employees. Cash flow from the properties of ZOGL is flowed to the Trust by way of interest payments and principal repayments on notes and payments from ZOGL to the Trust pursuant to the NPI.

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

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

See "*Description of Our Business*" in the Zargon AIF which is incorporated by reference herein.

ZOGL

ZOGL is a corporation amalgamated and subsisting pursuant to the laws of Alberta. ZOGL is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Canada. The Trust is the sole common shareholder of ZOGL and the Exchangeable Shares are owned by the public. The head and registered office of ZOGL is located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

ZEC, ZEI, Oakmont, ZEL and ZAC

Each of ZEC, ZEI, Oakmont, ZEL and ZAC are corporations incorporated under the laws of the Province of Alberta and are direct or indirect wholly-owned subsidiaries of the Trust. ZEC was incorporated solely for the purpose of participating in the Arrangement and has not carried on any active business. ZEI was incorporated solely for the purpose of facilitating the exchange of Exchangeable Shares for Trust Units in accordance with the terms of such shares. ZEL carries on the business of holding an interest in the Zargon Partnership. ZAC was incorporated solely for the purpose of participating in and facilitating acquisitions by ZOGL and has not carried on any active business. Oakmont, formerly a private oil and natural gas company, was acquired by Zargon on September 9, 2010 and is held as a wholly-owned subsidiary of ZOGL.

The head and principal office of the above Zargon Entities is located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6.

Zargon Partnership

Zargon Partnership, all of whose partnership interests are held by ZOGL and ZEL, is a general partnership formed under the laws of the Province of Alberta and holds the majority of the tangible assets leased by ZOGL pursuant to the Facilities Lease.

Recent Developments

Alberta Plains Asset Acquisition

On May 31, 2010, Zargon closed an acquisition of working interests in various southern Alberta medium and heavy gravity oil pools with approximately 350 Boe/d of existing production, along with approximately 6.9 thousand net acres of undeveloped land for a cash purchase price of approximately \$25 million. The majority of the acquired assets were either situated adjacent to or in the vicinity of Zargon's Little Bow property. Following the acquisition, Zargon held a 100 percent working interest in Zargon's proposed Little Bow Mannville I Pool Alkaline Surfactant Polymer tertiary recovery flood.

Non-Core Asset Dispositions

During the second and third quarters of 2010, Zargon completed a series of dispositions of certain non-core assets for total proceeds of approximately \$28.9 million. The asset sales related to a fully marketed spring property disposition package that included 17 non-core minor oil properties that were producing approximately 375 Boe/d.

Acquisition of Oakmont Energy Ltd.

On September 9, 2010, ZOGL acquired all of the existing and outstanding common shares of Oakmont, a private oil and natural gas company, for total consideration of approximately 336,000 Trust Units and the assumption of approximately \$3.41 million of net debt, for a total transaction value of approximately \$9.36 million. Zargon acquired approximately 99.5% of the outstanding common shares of Oakmont pursuant to a share purchase agreement with

Oakmont and the holders of the common shares of Oakmont and the balance of the Oakmont Shares pursuant to the compulsory acquisition provisions of the ABCA.

At the time of the acquisition, Oakmont was producing approximately 280 Boe/d consisting of 110 Bbls/d of crude oil and 1.03 Mcf/d of natural gas. These assets are primarily located within Zargon's Alberta Plains South core area and are adjacent to Zargon's Little Bow and Grand Forks properties.

Potential Acquisitions and Financings

The Trust continues to evaluate potential acquisitions of all types of petroleum and natural gas and other energy-related assets as part of its ongoing acquisition program. The Trust is normally in the process of evaluating several potential acquisitions at any one time which individually or together could be material. As of the date hereof, other than the Arrangement, the Trust has not reached agreement on the price or terms of any potential material acquisitions. The Trust cannot predict whether any current or future opportunities will result in one or more acquisitions for the Trust. The Trust may in the future complete financings of Trust Units or debt (which may be convertible into Trust Units) for purposes that may include financing of acquisitions, the Trust's operations and capital expenditures and repayment of indebtedness.

Significant Acquisitions

There are no acquisitions that the Trust has completed within 75 days prior to the date of this Information Circular that is a significant acquisition for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

In addition, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and would be a significant acquisition for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* if completed as of the date of this Information Circular.

Documents Incorporated by Reference

Information in respect of the Trust and its Subsidiaries has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of ZOGL at Suite 700, 333 - 5th Avenue S.W., Calgary, Alberta T2P 3B6. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com. Financial information respecting the Trust is provided in the Trust's financial statements and management's discussion and analysis, which are incorporated herein by reference.

The following documents of the Trust, filed with the various securities commissions or similar authorities in the jurisdictions where the Trust is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

- (a) the Zargon AIF;
- (b) the audited consolidated financial statements and notes thereto of the Trust as at and for the fiscal years ended December 31, 2009 and 2008, respectively, together with the report of the auditors thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of the Trust for the year ended December 31, 2009;
- (d) the unaudited interim consolidated financial statements of the Trust and notes thereto as at and for the three and nine months ended September 30, 2010 (the "**Q3 Financial Statements**");
- (e) management's discussion and analysis of the financial condition and results of operations of the Trust for the three and nine months ended September 30, 2010 (the "**Q3 MD&A**"); and

(f) the Zargon AGM Circular.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Trust with the securities commissions or similar authorities in the provinces of Canada subsequent to the day of this Information Circular and prior to the Effective Date shall be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Price Range and Trading Volume of Trust Units

The Trust Units are listed and posted for trading on the TSX under the trading symbol "ZAR.UN". The following table sets forth the price range for and trading volume of the Trust Units as reported by the TSX for the periods indicated.

	Price Range		Volume (#)
	High (\$)	Low (\$)	
2010			
January	20.20	18.90	1,439,228
February	20.90	19.29	1,044,846
March	20.20	19.38	1,069,947
April	20.68	19.29	730,762
May	20.98	18.16	982,868
June	19.19	17.77	936,255
July	18.34	17.54	731,829
August	18.45	16.99	1,181,334
September	18.85	17.60	1,169,292
October	20.69	18.63	944,784
November (1 –9)	20.48	19.09	566,666

On November 9, 2010, the last trading day prior to the date of this Information Circular, the closing price of the Trust Units was \$20.17.

Price Range and Trading Volume of Exchangeable Shares

Exchangeable Shares

The Exchangeable Shares of ZOGL are listed and posted for trading on the TSX under the trading symbol "ZOG.B". The following table sets forth the price range for and trading volume of the Exchangeable Shares of ZOGL as reported by the TSX for the periods indicated.

	Price Range		Volume (#)
	High (\$)	Low (\$)	
2010			
January	32.50	29.95	600
February	33.00	33.00	15,500
March	—	—	—
April	33.00	33.00	150
May	—	—	—
June	—	—	—
July	—	—	—
August	—	—	—
September	—	—	—
October	33.59	33.59	801
November (1 – 9)	—	—	—

On November 9, 2010, the last trading day prior to the date of this Information Circular, the closing price of the Exchangeable Shares was \$33.59.

Prior Sales

The Trust has not sold or issued any Trust Units or securities convertible into Trust Units during the period from November 1, 2009 to November 10, 2010 other than as follows:

- (a) an aggregate of approximately 259,632 Trust Units were issued pursuant to the exchange of 157,038 Exchangeable Shares;
- (b) an aggregate of approximately 336,000 Trust Units were issued on September 9, 2010 pursuant to the acquisition of Oakmont;
- (c) an aggregate of approximately 87,024 Trust Units at an average deemed price of \$17.50 per Trust Unit were issued pursuant to the DRIP;
- (d) an aggregate of approximately 139,350 Trust Units were issued pursuant to the exercise of outstanding trust unit rights at an average grant price of \$16.03; and
- (e) an aggregate of approximately 490,500 Trust Unit rights were issued at an average exercise price of \$19.68.

Transfer Agent and Registrar

The transfer agent and registrar for the Trust Units and the Exchangeable Shares is Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

Additional Information

Additional information relating to the Trust is available on SEDAR at www.sedar.com. Financial information concerning the Trust is provided in its financial statements for the year ended December 31, 2009 and the three and nine months ended September 30, 2010, respectively, and the accompanying management's discussion and analysis, all of which are incorporated herein by reference and can be accessed on SEDAR.

INFORMATION CONCERNING NEW ZARGON

New Zargon will be the resulting go-forward exploitation and development company to be formed under the ABCA pursuant to the Arrangement upon the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont. The head, principal and registered office of New Zargon will be located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6.

New Zargon will become a reporting issuer in all provinces of Canada and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

Reference is made to "Appendix D - Information Concerning New Zargon" for a more detailed description of New Zargon and its operations.

RISK FACTORS

Certain risk factors relating to the activities of the Trust are contained in the Zargon AIF which is incorporated herein by reference. Securityholders should carefully consider those risk factors as well as the additional risk factors set forth below and consider all other information contained herein and in the Trust's other public filings before making an investment decision. In addition, for risk factors specific to New Zargon, see "Appendix D - Information Concerning New Zargon – Risk Factors".

Moreover, the following is a list of certain key risk factors relating to the Arrangement, the activities of New Zargon and ownership of New Zargon Shares following the Effective Date which prospective investors should carefully consider before making an investment decision relating to New Zargon Shares.

Risk Factors Relating to the Arrangement

Conditions Precedent and Required Regulatory and Third Party Approvals

The completion of the Arrangement in the form contemplated by the Plan is subject to a number of conditions precedent, some of which are outside the control of the Trust, including, without limitation, receipt of Securityholder approval and regulatory approvals (including approval of the TSX for the substitutional listing of the New Zargon Shares) and approval from the Court. There can be no certainty, nor can the Trust provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Directors would likely result in the decision being made not to proceed with the Arrangement. If any of the required regulatory and third party approvals cannot be obtained on terms satisfactory to the Board of Directors or at all, the Plan may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval and, accordingly, the benefits available to Securityholders resulting from the Arrangement may be reduced. Alternatively, if the Plan cannot be amended so as to mitigate the negative consequences of the failure to obtain a required regulatory or third party approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Units and Exchangeable Shares may be adversely affected.

Possible Failure to Realize Anticipated Benefits of the Arrangement

The Trust is proposing to complete the Arrangement to pursue its strategic plan and its strategy of maximizing value creation for Securityholders. Achieving the anticipated benefits of the proposed Arrangement depends in part on a successful transition of functions and operations, procedures, as well as New Zargon's ability to realize on the anticipated growth opportunities resulting from the proposed Arrangement.

Risk Factors Relating to the Activities of New Zargon and the Ownership of New Zargon Shares

The following is a list of certain risk factors relating to the activities of New Zargon and its affiliates and the ownership of New Zargon Shares following the Effective Date:

- the financial condition, operating results and future growth of New Zargon will be substantially dependent on the prevailing and expected prices of oil and natural gas. Any substantial and extended decline in oil and natural gas prices will have an adverse effect on the revenues, profitability and cash from operating activities of New Zargon;
- New Zargon's operations will be subject to extensive government regulation governing development, transportation, production, exports, labour standards, carbon and other emissions, occupational health, protection and reclamation of the environment, including safety, hazardous materials, toxic substances and related matters; the costs of compliance with additional regulation could have a material adverse effect on New Zargon;

- the uncertainty of future dividend payments by New Zargon and the level thereof as New Zargon's dividend strategy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, New Zargon's operating and capital obligations, net income, cash from operating activities, net debt levels, oil and natural gas prices, access to capital markets and timing and level of income tax payments, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends;
- the level of New Zargon's indebtedness from time to time could impair New Zargon's ability to obtain additional financing on a timely basis;
- New Zargon may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of New Zargon which may be dilutive; and
- the inability of New Zargon to manage the exploitation and the production of oil and natural gas properties effectively could have a material adverse impact on its business, operations and prospects.

Securityholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Units, Exchangeable Shares and New Zargon Shares.

INDUSTRY CONDITIONS

Industry regulations related to the business of the Trust will generally apply to New Zargon after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of New Zargon will be subject to various industry regulations as set forth under the heading "*Industry Regulations*" in the Zargon AIF which is incorporated by reference in this Information Circular. Investors should carefully consider the information contained herein and in the materials incorporated by reference.

OTHER MATTERS TO BE CONSIDERED AT THE MEETING

New Zargon Share Award Plan

In anticipation of the conversion of Zargon from a trust to a corporation, the Compensation Committee determined that it was appropriate to review and re-design, as appropriate, the longer term aspects of Zargon's executive compensation program (the "**Long Term Compensation Project**").

The Compensation Committee's objectives for the Long Term Compensation Project included the following:

- to provide incentives which encourage the long-term sustained growth of New Zargon;
- to provide incentives which encourage the retention of highly skilled and talented employees; and
- to encourage and facilitate proprietary ownership in New Zargon.

During September and October 2010, members of the Compensation Committee met with management and Zargon's legal advisors on a number of occasions to discuss the Long Term Compensation Project.

At a meeting of the Compensation Committee held on October 18, 2010, the Compensation Committee reviewed and discussed several long term compensation plan structures and following their deliberations, resolved to recommend that the Board of Directors approve a five year share award plan which would provide for awards of common shares issued from treasury that would vest in quarters over a four year period and expire on the fifth anniversary date of grant.

At the direction of the Compensation Committee, management met with Zargon's legal and tax advisors on several occasions to structure the New Zargon Share Award Plan during September and October 2010. At a meeting held on

October 18, 2010, the Compensation Committee met to review and receive the initial final draft of the New Zargon Share Award Plan. Following this presentation, the Compensation Committee resolved to recommend that the Board of Directors approve the New Zargon Share Award Plan in substantially the form presented to the Compensation Committee, which plan is further described below.

At a meeting of the Board of Directors held November 10, 2010, the Board of Directors approved, subject to the approval of Securityholders, the New Zargon Share Award Plan in substantially the form attached to this Information Circular as Appendix E.

Securityholder Approval of the New Zargon Share Award Plan

At the Meeting, the Trust Securityholders will be asked to consider and, if deemed advisable, approve the adoption by New Zargon of the New Zargon Share Award Plan. In the event that the Arrangement is not approved by the Zargon Securityholders at the Meeting, the Trust will consider the provision of comparable compensation to its Employees (as defined in the New Zargon Share Award Plan) in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Amended TURIPs). In the event that the Arrangement is approved and the New Zargon Share Award Plan is not approved by Trust Securityholders at the Meeting, New Zargon will consider the provision of comparable compensation to its Employees in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Amended TURIPs).

Description of the New Zargon Share Award Plan

The following disclosure assumes that the Arrangement is completed and the New Zargon Share Award Plan is approved by the Trust Securityholders at the Meeting. **Capitalized terms used in the following disclosure in respect of the description of the New Zargon Share Award Plan shall have the meanings ascribed thereto in the New Zargon Share Award Plan, a copy of which is set out in Appendix E to this Information Circular.**

Purpose of the New Zargon Share Award Plan

The principal purposes of the New Zargon Share Award Plan are: (i) to retain and attract qualified Employees that Zargon and the Zargon Entities require; and (ii) to promote a proprietary interest in Zargon by such Employees and to encourage such persons to remain in the employ or service of Zargon and Zargon Entities and put forth maximum efforts for the success of the affairs of Zargon and the business of Zargon Entities.

Overview

Under the New Zargon Share Award Plan, the Board of Directors of New Zargon will delegate the authority to administer the New Zargon Share Award Plan to the Compensation Committee provided that the Board of Directors of New Zargon shall have the authority to appoint itself or another committee to administer the New Zargon Share Award Plan.

The Compensation Committee shall have the authority in its sole discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan subject to and not inconsistent with the express provisions of the Plan, including, without limitation:

- (a) the authority to grant Share Awards;
- (b) to determine the Fair Market Value of the Common Shares on any date;
- (c) to determine the Grant Date for Share Awards, if not the date on which the Committee determines to grant such Share Awards;
- (d) to determine the Employees to whom, and the time or times at which Share Awards shall be granted and shall become issuable;

- (e) to determine the number of Common Shares to be covered by each Share Award;
- (f) to determine Vesting conditions;
- (g) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (h) to interpret the Plan;
- (i) to determine the terms and provisions of Share Award Agreements (which need not be identical) entered into in connection with Share Awards; and
- (j) to make all other determinations deemed necessary or advisable for the administration of the Plan.

Share Awards

Each Share Award will entitle the holder to be issued the number of Common Shares designated in the Share Award with such Common Shares to be issued as to one-quarter on each of the first, second, third and fourth anniversary dates of the date of grant with such Share Award to expire on the fifth anniversary of the date of grant (or such other Vesting Dates or Expiry Dates as may be determined by the Compensation Committee).

Dividend Equivalents

The Plan provides for cumulative adjustments to the number of Common Shares to be issued pursuant to Share Awards on each date that dividends are paid on the Common Shares pursuant to the Adjustment Ratio which shall initially be equal to one and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Record Date, by an amount, rounded to the nearest four decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Common Share, declared on that Dividend Record Date, and having as its denominator the Fair Market Value of the Common Shares on the trading day immediately preceding the Dividend Payment Date.

Additionally, subject to the approval of the Exchange, in the case of a non-cash Dividend, including Common Shares or other securities or other property, the Compensation Committee may, in its sole discretion, determine that such non-cash Dividend be provided to the Share Award holder on the same basis as a holder of a Common Share with the same Dividend Record Date and Dividend Payment Date, regardless of the Share Award vesting date applicable to such Share Award, and, in such event, no adjustment to the Adjustment Ratio will be provided to the Share Award holder. The Compensation Committee may provide such non-cash Dividend to the Share Award holder in the same form as the non-cash Dividend received by a holder of a Common Share or a cash equivalent amount determined in the sole discretion of the Compensation Committee. In the alternate case, where the Share Award holder does not participate in a non-cash Dividend as described above, the Committee will, in its sole discretion, determine the cash value of such non-cash Dividend to be applied to the Adjustment Ratio.

Limitation on Common Shares Reserved

Unless otherwise approved by the Shareholders, the number of Common Shares reserved for issuance from time to time pursuant to outstanding Share Awards granted and outstanding under the Plan shall not exceed the lesser of: (a) a number of Common Shares equal to 5% of the aggregate number of issued and outstanding Common Shares; and (b) a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares less Common Shares reserved for issuance under the TURIPs. This prescribed maximum may be subsequently increased to any specified amount, provided the increase is authorized by a vote of the Shareholders. If any Share Awards granted under the Plan shall expire, terminate or be cancelled for any reason without having been settled in full, any unissued Common Shares to which such Share Awards relate shall be available for the purposes of the granting of further Share Awards under the Plan.

Limitation on Shares Awards

No one Employee may be granted any Share Award which, together with all Share Awards then held by such Grantee, would entitle such Grantee to receive a number of Common Shares which is greater than 10% of the issued and outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to Insiders at any time, under all security based compensation arrangements of Zargon, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to Insiders, within any one year period, under all security based compensation arrangements of Zargon, shall not exceed 10% of the issued and outstanding Common Shares. The participation of each Non-Management Director in the Share Award Plan is limited to the lesser of (a) 1% of the issued and outstanding Common Shares; and (b) an annual equity award value of \$100,000, with the value of each Share Award calculated at the time of grant.

Payment of Share Awards

Zargon shall cause the certificates representing the issued Common Shares to the Grantee or a designated account of the Grantee (or as the Grantee may direct) subject to the provisions of the Plan involving withholding tax obligations, and sent by pre paid mail or delivered to the direction of the Grantee:

- (a) as soon as practicable following a Vesting Date and upon receipt of a notice of exercise from a Grantee in respect of the exercise of all or a portion of the Common Shares covered by such Share Award which are Vested; or
- (b) immediately prior to the Expiry Date, as it may be extended in accordance with Section 6(c)(i) of the Plan;

such date, in each case, being the Issue Date. Notwithstanding the foregoing, unless otherwise approved by the Board, all Common Shares issued to a Grantee on a Leave of Absence shall be held in escrow by Zargon and released to the Grantee after the Leave of Absence ends. Any Common Shares that have not been released on or before the fifth (5th) anniversary of the grant date of the applicable Share Award shall be returned to Zargon for cancellation.

Change of Control

In the event of a Change of Control of New Zargon, all Common Shares awarded pursuant to any Share Awards to a Grantee that have not yet been issued as of such time shall be Vested on the earlier of (i) the next applicable Expiry Date determined in accordance with the above provisions; and (ii) the date which is immediately prior to the date upon which a Change of Control is completed.

Early Termination Events

Unless otherwise determined by the Compensation Committee or unless otherwise expressly set forth in a Share Award Agreement pertaining to a particular Share Award or any written employment or consulting agreement governing a Grantee's role as an Employee, the following provisions shall apply in the event that a Grantee ceases to be an Employee:

- (a) If a Grantee ceases to be an Employee for any reason whatsoever, including termination without cause, other than the death or disability of the Employee (as contemplated under (b) below), there shall be no further vesting of any of such Grantee's Share Awards following the Cessation Date and all outstanding Share Award Agreements under which Share Awards have been made to such Grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee effective as of the earlier of (i) the date that is 30 days from the Cessation Date plus any Black-Out Extension Term if a Black-Out is in effect at the end of such 30 day period; and (ii) the Expiry Date otherwise relating to such Share Award.
- (b) Upon the death or disability of a Grantee, there shall be no further vesting of any of such Grantee's Share Awards following the Cessation Date and all outstanding Share Award Agreements under which Share Awards have been made to such Grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee effective as of the earlier of (i) the date that is six months from the Cessation Date and (ii) the Expiry Date otherwise relating to such Share Award.

Notwithstanding the foregoing, in the event that any of the early termination provisions conflict with or are inconsistent with the express terms of a written employment agreement between an executive officer of Zargon and Zargon, the terms of such employment agreement shall govern.

Non-Transferability

The right to receive Common Shares pursuant to a Share Award granted to an Employee may only be exercised by such Employee personally or through the Employee's personal representative or estate and no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution), vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

Amendment and Termination of Plan

The Plan and any Share Awards granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of Shareholders subject to any required approval of the Exchange. The Compensation Committee may vary the Vesting Dates and Expiry Dates under the Plan provided that the duration of any Share Awards shall not exceed seven (7) years. Notwithstanding the foregoing, the Plan or any Share Award may not be amended without Shareholder approval to:

- (a) increase the number of Common Shares issuable on exercise of outstanding Share Awards at any time pursuant to Section 5 of the Plan;
- (b) extend the Expiry Date of any outstanding Share Awards;
- (c) permit a Grantee to transfer or assign Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) amend the limits on Non-Management Directors contained in Section 6(b);
- (e) increase the number of Common Shares that may be issued to Insiders above the restriction contained in Section 6(b) of the Plan; or
- (f) amend the amending provisions set forth in Section 10 of the Plan to delete any of (a) through (e) above.

Approval Requirements

At the Meeting, Trust Securityholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution to approve the adoption by New Zargon of the New Zargon Share Award Plan:

"BE IT RESOLVED THAT the New Zargon Share Award Plan, in a form substantially as set forth in Appendix E of the Information Circular and Proxy Statement of Zargon Energy Trust and Zargon Oil & Gas Ltd. dated November 10, 2010, be and the same is hereby authorized and approved."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by Trust Securityholders, together as a single class, who vote in person or by proxy at the Meeting. Unless otherwise directed, it is management's intention to vote the proxies in favour of the foregoing resolution. The completion of the Arrangement is not conditional upon the approval of the New Zargon Share Award Plan.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of the Trust and ZOGL to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Zargon who will be specifically remunerated therefor. All costs of the solicitation for the Meeting will be borne by Zargon. Zargon has not made a decision to engage proxy solicitation agents to encourage the return of completed proxies by Securityholders and to solicit proxies in favour of the matters to be considered at the Meeting. Zargon may however do so, and if it does, the costs in respect of such services would be paid by Zargon.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for Unitholders, a form of proxy for Exchangeable Shareholders and a form of voting direction for Exchangeable Shareholders.

Unitholders and Exchangeable Shareholders (defined in this Information Circular as the Trust Securityholders) are entitled to consider and vote upon the Trust Arrangement Resolution as well as the approval of the New Zargon Share Award Plan.

The holder of Common Shares and the Exchangeable Shareholders (defined in this Information Circular as the ZOGL Securityholders) are entitled to consider and vote upon the ZOGL Arrangement Resolution.

The Persons named in the enclosed form of proxy provided, where applicable, to Unitholders in respect of the matters which are being placed before Trust Securityholders for approval at the Meeting are directors and officers of ZOGL. **A Unitholder desiring to appoint a Person (who need not be a holder) to represent such Securityholder at the Meeting, other than the Persons designated in the accompanying form of proxy, may do so either by inserting such Person's name in the blank space provided in the form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of Valiant Trust Company, Attention: Corporate Actions, 310, 606 4th Street S.W., Calgary Alberta, T2P 1T1.** The form of proxy must be received by Valiant Trust Company not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof. Failure to so deposit a form of proxy shall result in its invalidation.

Exchangeable Shareholders are entitled to give Valiant Trust Company voting instructions for a number of votes in respect of the matters which are being placed before Trust Securityholders for approval at the Meeting and in respect of the matters which are being placed before ZOGL Securityholders at the Meeting equal to the number of Exchangeable Shares held by such holder on the Record Date multiplied by the Exchange Ratio as of the Record Date. The form of voting direction provided, where applicable, to Exchangeable Shareholders which accompanies this Information Circular is the means by which holders of Exchangeable Shares may authorize the voting of his or her voting rights associated with the Exchangeable Shares at the Meeting. Valiant Trust Company will exercise each vote only as directed on the voting direction. In the absence of instructions as to voting, Valiant Trust Company will not exercise these votes. A holder of Exchangeable Shares may also instruct Valiant Trust Company to give him or her a proxy entitling him or her or a designee of the holder to vote personally at the Meeting the relevant number of votes or to grant to management of the Trust 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. **To be effective, the voting direction must be received by Valiant Trust Company, Attention: Corporate Actions, 310, 606 4th Street S.W., Calgary Alberta, T2P 1T1 not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.**

A Securityholder who has given a form of proxy or voting direction may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Securityholder or by his attorney duly authorized in writing or, if the Securityholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Valiant Trust Company on or before the second last

Business Day immediately preceding the day of the Meeting or any adjournment thereof or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

The record date for determination of Securityholders entitled to receive notice of and to vote at the Meeting is November 9, 2010. Only Securityholders whose names have been entered in the applicable register of Units or Exchangeable Shares, as the case may be, on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting provided, however, that if any Exchangeable Shareholder transfers Exchangeable Shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of Exchangeable Shareholders entitled to vote at the Meeting on the ZOGL Arrangement Resolution, such transferee shall be entitled to vote such Exchangeable Shares at the Meeting but only in respect of the ZOGL Arrangement Resolution. Except as described above, Securityholders who acquire Units or Exchangeable Shares, as applicable, after the Record Date will not be entitled to vote such Units or Exchangeable Shares at the Meeting.

Signature of Proxy

The applicable form of proxy or voting direction must be executed by the Securityholder or his or her attorney authorized in writing, or if the Securityholder is a corporation, the form of proxy or voting direction should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy or voting direction signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Zargon or ZOGL).

Voting of Proxies

The persons named in the accompanying form of proxy will vote the Units in respect of which they are appointed in accordance with the direction of the Unitholder appointing them. **In the absence of such direction, the Units will be voted FOR the approval of the Arrangement Resolution and the other matters to be considered at the Meeting.**

Exercise of Discretion of Proxy

The enclosed form of proxy confer discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Zargon knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting by Holders of Exchangeable Shares

The Trustee holds one Special Voting Unit of the Trust. The Special Voting Unit is entitled to such number of votes at the Meeting as is equal to the number of Exchangeable Shares which are outstanding on the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date. **Each Exchangeable Shareholder is entitled to give the Trustee voting instructions for a number of votes equal to the number of Exchangeable Shares held by such holder on the Record Date multiplied by the Exchange Ratio.** A voting direction is the means by which a holder of an Exchangeable Share may authorize the voting of his or her voting rights at the Meeting. The Trustee will exercise each vote only as directed by the relevant holder on the voting direction. In the absence of instructions from a holder as to voting, the Trustee will not exercise those votes. Exchangeable Shareholders may also instruct the Trustee to give him or her a proxy entitling him or her or a designee of the holder to vote personally the relevant number of votes or to grant to management of the Trust a proxy to vote those votes.

Nature of Exchangeable Shares

The Exchangeable Shares provide the holder with a security having economic, ownership and voting rights which are, as nearly as practicable, equivalent to those of Trust Units.

Voting Securities and Principal Holders Thereof

As at November 9, 2010, there were 23,812,868 Trust Units issued and outstanding.

As at November 9, 2010, one Special Voting Unit had been issued to the Trustee. The Special Voting Unit is entitled to such number of votes as is equal to the number of Exchangeable Shares which are outstanding on the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date. As at November 9, 2010 there were 1,691,051 Exchangeable Shares issued and outstanding which were exchangeable into 3,041,981 Trust Units based on the Exchange Ratio in effect as of October 15, 2010 of 1.79887.

To the knowledge of the directors and officers of Zargon, as at the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction, over more than 10% of the Securities on a fully diluted basis.

Procedure and Votes Required

Arrangement Resolution

The Interim Order provides that each registered Securityholder at the close of business on the Record Date will be entitled to receive notice of, to attend and to vote at the Meeting.

Pursuant to the Interim Order:

- (a) the Trust Securityholders will vote in respect of the Trust Arrangement Resolution together as a single class of securities at the Meeting. Each Trust Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Trust Arrangement Resolution. The Special Voting Unit held by Valiant Trust Company for the benefit of the Exchangeable Shareholders will be entitled to a number of votes at the Meeting in respect of the Trust Arrangement Resolution equal to the aggregate number of Exchangeable Shares outstanding as at the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date;
- (b) the number of votes required to pass the Trust Arrangement Resolution shall be not less than two-thirds of the aggregate votes cast by Trust Securityholders, either in person or by proxy, voting together as a single class, at the Meeting;
- (c) the ZOGL Securityholders will vote in respect of the ZOGL Arrangement Resolution together as a single class of securities at the Meeting. The Trust, as the sole holder of common shares of ZOGL, is entitled to such number of votes at the Meeting in respect of the ZOGL Arrangement Resolution as is equal to the number of Trust Units which are voted at the Meeting in respect of the Trust Arrangement Resolution. Each Exchangeable Share is entitled to such number of votes in respect of the ZOGL Arrangement Resolution as is equal to the Exchange Ratio for the Exchangeable Shares as of the Record Date;
- (d) the number of votes required to pass the Arrangement Resolution shall be not less than two-thirds of the aggregate votes cast by the ZOGL Securityholders, either in person or by proxy, voting together as a single class, at the Meeting; and
- (e) the quorum at the Meeting shall be two persons entitled to vote thereat holding or representing not less than 5 percent (5%) of the outstanding Trust Units entitled to vote at the Meeting. For the purposes of determining such quorum, the holder of any issued Special Voting Units who are present in person or represented by proxy at the Meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attached to such Special Voting Units pursuant to the Interim Order. If within 30 minutes from the time fixed for the Meeting a quorum is not present, the Meeting shall be adjourned to such day that is not less than 14 days following the day appointed for the Meeting, and to such time and place as may be appointed by the Chairman of the Meeting. If at such adjourned meeting a quorum is not present, the ZOGL Securityholders present in person or by proxy shall be a quorum for all purposes.

Approval of New Zargon Share Award Plan

At the Meeting, Trust Securityholders will also be asked to consider and, if deemed advisable, approve an ordinary resolution to approve the adoption by New Zargon of the New Zargon Share Award Plan . See "*Other Matters to be Considered at the Meeting – Approval of New Zargon Share Award Plan*".

ADDITIONAL INFORMATION

Additional information relating to the Trust is available on SEDAR at www.sedar.com. Financial information in respect of the Trust and its affairs is provided in the Trust's annual audited consolidated financial statements for the fiscal year ended December 31, 2009 and unaudited consolidated financial statements for the three and nine months ended September 30, 2010, respectively, and the related management's discussion and analysis. Copies of the Trust's financial statements and related management's discussion and analysis are available upon request from the Corporate Secretary of ZOGL at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6.

CONSENTS*Consent of Ernst & Young LLP*

We have read the Information Circular and Proxy Statement dated November 10, 2010 with respect to a plan of arrangement involving Zargon Energy Trust (the "**Trust**"), Zargon Oil & Gas Ltd. ("**ZOGL**"), 1563101 Alberta Ltd., Zargon ExchangeCo Inc., Oakmont Energy Ltd., Zargon Energy Ltd., Zargon Acquisition Corp., Zargon Oil & Gas Partnership and the Zargon Securityholders. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Information Circular and Proxy Statement of our report to the unitholders of the Trust on the consolidated balance sheets of the Trust and its subsidiaries as at December 31, 2009 and 2008 and the consolidated statements of earnings and comprehensive income and accumulated earnings and cash flows for the years then ended. Our report is dated March 9, 2010.

Calgary, Alberta
November 10, 2010

(signed) "*Ernst & Young LLP*"
Chartered Accountants

Consent of McDaniel & Associates Consultants Ltd.

We have read the Information Circular and Proxy Statement dated November 10, 2010 with respect to a plan of arrangement involving Zargon Energy Trust (the "**Trust**"), Zargon Oil & Gas Ltd. ("**ZOGL**"), 1563101 Alberta Ltd., Zargon ExchangeCo Inc., Oakmont Energy Ltd., Zargon Energy Ltd., Zargon Acquisition Corp. and Zargon Oil & Gas Partnership, holders of trust units of the Trust and holders of exchangeable shares of ZOGL. We have read the management information circular and proxy statement of Churchill Energy Inc.

We consent to the incorporation by reference in the above-mentioned Information Circular and Proxy Statement of our report effective as at December 31, 2009 evaluating the crude oil, natural gas and natural gas liquids reserves and future net production revenues attributable to Zargon's oil and gas assets as at December 31, 2009.

Calgary, Alberta
November 10, 2010

(signed) "*McDaniel & Associates Consultants Ltd.*"

APPENDIX A

ARRANGEMENT RESOLUTION

PART I – TRUST ARRANGEMENT RESOLUTION

"BE IT RESOLVED THAT:

1. the arrangement ("**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) substantially as set forth in the Plan (the "**Plan**") attached as Exhibit A to Appendix C to the Information Circular and Proxy Statement of Zargon Energy Trust (the "**Trust**") and Zargon Oil & Gas Ltd. ("**ZOGL**") dated November 10, 2010 (the "**Information Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved;
2. the arrangement agreement ("**Arrangement Agreement**") dated November 10, 2010 among the Trust, ZOGL, 1563101 Alberta Ltd., Zargon ExchangeCo Inc., Oakmont Energy Ltd., Zargon Energy Ltd., Zargon Acquisition Corp. and Zargon Oil & Gas Partnership, a copy of which is attached as Appendix C to the Information Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;
3. the amendments of the Declaration of Trust of the Trust as necessary to facilitate the Arrangement be and are hereby authorized and approved;
4. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of ZOGL may, without further notice to or approval of the holders of trust units of the Trust or the holders of exchangeable shares of ZOGL, subject to the terms of the Arrangement, amend or terminate the Arrangement Agreement or the Plan or revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement; and
5. any director or officer of ZOGL is hereby authorized, for and on behalf of ZOGL and the Trust, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

PART II – ZOGL ARRANGEMENT RESOLUTION

"BE IT RESOLVED THAT:

1. the arrangement ("**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) substantially as set forth in the Plan (the "**Plan**") attached as Exhibit A to Appendix C to the Information Circular and Proxy Statement of Zargon Energy Trust (the "**Trust**") and Zargon Oil & Gas Ltd. ("**ZOGL**") dated November 10, 2010 (the "**Information Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved;
2. the arrangement agreement ("**Arrangement Agreement**") dated November 10, 2010 among the Trust, ZOGL, 1563101 Alberta Ltd., Zargon ExchangeCo Inc., Oakmont Energy Ltd., Zargon Energy Ltd., Zargon Acquisition Corp. and Zargon Oil & Gas Partnership, a copy of which is attached as Appendix C to the Information Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;

3. the amendments of the Declaration of Trust of the Trust as necessary to facilitate the Arrangement be and are hereby authorized and approved;
4. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of ZOGL may, without further notice to or approval of the holders of trust units of the Trust, the holders of Series A exchangeable shares of ZOGL or the holders of series B exchangeable shares of ZOGL, subject to the terms of the Arrangement, amend or terminate the Arrangement Agreement or the Plan or revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement; and
5. any director or officer of ZOGL is hereby authorized, for and on behalf of ZOGL and the Trust, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

APPENDIX B
INTERIM ORDER

Clerk's Stamp:
Clerk of the Court
Nov 10 2010
Calgary, Alberta

COURT FILE NUMBER 1001-16813
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

APPLICANTS **ZARGON ENERGY TRUST, 1563101 ALBERTA LTD., ZARGON OIL & GAS LTD., ZARGON EXCHANGE CO INC., OAKMONT ENERGY LTD., ZARGON ENERGY LTD., ZARGON ACQUISITION CORP., ZARGON OIL & GAS PARTNERSHIP AND ZARGON SECURITYHOLDERS**

RESPONDENTS None

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
1400, 350 – 7 Avenue SW
Calgary, Alberta T2P 3N9
Lawyer: D.J. McDonald Q.C.
Phone Number: (403) 260-5724
Fax Number: (403) 260-0332
Email Address: djm@bdplaw.com
File No. 69157-29

Date on Which Order Was Pronounced: Wednesday, November 10, 2010

Name of Judge Who Made This Order: Justice C.A. Kent

UPON the Originating Application of Zargon Energy Trust ("**Zargon**" or the "**Trust**"), 1563101 Alberta Ltd. ("**ZEC**"), Zargon Oil & Gas Ltd. ("**ZOGL**"), Zargon ExchangeCo Inc. ("**ZEI**"), Oakmont Energy Ltd. ("**Oakmont**"), Zargon Energy Ltd. ("**ZEL**"), Zargon Acquisition Corp. ("**ZAC**") and Zargon Oil & Gas Partnership ("**Zargon Partnership**") (collectively, the "**Zargon Entities**");

AND UPON reading the Originating Application and the Affidavit of Jason Dranchuk, Vice President, Finance and Chief Financial Officer of ZOGL, sworn November 10, 2010 and the documents referred to therein (the "**Affidavit**");

AND UPON hearing counsel for the Zargon Entities;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), and that the Executive Director neither consents to nor opposes the application;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Information Circular and Proxy Statement of Zargon (the "**Information Circular**"), a draft copy of which is attached as Exhibit A to the Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix A to the Information Circular.

IT IS HEREBY ORDERED AND ADJUDGED THAT:

General

1. The proposed course of action is an "Arrangement" within the definition of the *ABCA* and the Applicants may proceed with the Arrangement, as described in the Affidavit.
2. The Zargon Entities shall seek approval of the Arrangement by: (i) the holders ("**Unitholders**") of trust units ("**Trust Units**") of Zargon and the holders ("**Exchangeable Shareholders**") of exchangeable shares ("**Exchangeable Shares**") of ZOGL voting together as a single class (the Unitholders and Exchangeable Shareholders collectively referred to herein as the "**Trust Securityholders**") and (ii) the holder of the common share (the "**Common Shareholder**") of ZOGL and the Exchangeable Shareholders voting together as a single class (the Common Shareholder and the Exchangeable Shareholders collectively referred to as the "**ZOGL Securityholders**" and the Trust Securityholders and ZOGL Securityholders are collectively the "**Zargon Securityholders**") in the manner set forth below.

Zargon Securityholders' Meeting

3. Zargon shall call and conduct a joint special meeting (the "**Meeting**") of the Zargon Securityholders on or about December 15, 2010. At the Meeting, Zargon Securityholders will

consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Information Circular.

4. A quorum at the Meeting shall be two persons entitled to vote thereat holding or representing not less than 5% of the outstanding Trust Units entitled to vote at the Meeting. For the purposes of determining such quorum, the holder of the Special Voting Unit if present in person or represented by proxy at the Meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attached to the Special Voting Unit pursuant to the Interim Order. If within 30 minutes from the time fixed for the Meeting a quorum is not present, the Meeting shall be adjourned to such day that is not less than 14 days following the day appointed for the Meeting, and to such time and place as may be appointed by the Chairman of the Meeting. If at such adjourned meeting a quorum is not present, the Zargon Securityholders present in person or by proxy shall be a quorum for all purposes.
5. The Trust Securityholders will vote in respect of the Trust Arrangement Resolution together as a single class of securities at the Meeting. Each Trust Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Trust Arrangement Resolution. The Special Voting Unit will be entitled to a number of votes at the Meeting in respect of the Trust Arrangement Resolution equal to the aggregate number of Exchangeable Shares outstanding as at the Record Date multiplied by the Exchange Ratio for the Exchangeable Shares as of the Record Date.
6. The ZOGL Securityholders will vote in respect of the ZOGL Arrangement Resolution together as a single class of securities at the Meeting. The Trust, as the sole holder of common shares of ZOGL, is entitled to such number of votes at the Meeting in respect of the ZOGL Arrangement Resolution as is equal to the number of Trust Units which are voted at the Meeting in respect of the Trust Arrangement Resolution. Each Exchangeable Share is entitled to such number of votes in respect of the ZOGL Arrangement Resolution as is equal to the Exchange Ratio for the Exchangeable Shares as of the Record Date.
7. The Board of Directors of ZOGL has fixed a Record Date for the Meeting of November 9, 2010. Only Zargon Securityholders whose names have been entered on the applicable register of Trust Units or Exchangeable Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting in accordance with paragraph 6. Zargon

Securityholders who acquire their Trust Units or Exchangeable Shares after the Record Date will not be entitled to vote such Trust Units or Exchangeable Shares at the Meeting.

Conduct of Meeting

8. The Chairman of the Meeting shall be any officer or director of ZOGL.
9. The only persons entitled to attend and speak at the Meeting shall be the Zargon Securityholders or their authorized representatives, ZOGL's directors and officers, Zargon's auditors and the Executive Director.
10. The number of votes required to pass the Arrangement Resolution shall be not less than two-thirds of the votes cast by Trust Securityholders voting together as a single class, either in person or by proxy, at the Meeting and not less than two-thirds of the votes cast by ZOGL Securityholders voting together as a single class, either in person or by proxy at the Meeting.
11. To be valid the applicable voting direction and proxy must be deposited with Zargon in the manner described in the Information Circular.
12. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.

Dissent Rights

13. The registered Zargon Securityholders are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 191 of the *ABCA* with respect to the Arrangement Resolution.
14. In order for a Securityholder (a "**Dissenting Securityholder**") to exercise such right of dissent under subsection 191(5) of the *ABCA*:
 - (a) the Dissenting Securityholder's written objection to the Arrangement Resolution must be received by ZOGL, c/o Burnet Duckworth & Palmer LLP, 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9, Attention: D.J. McDonald Q.C., by 4:00 p.m. (Calgary Time) on the Business Day immediately preceding the Meeting;
 - (b) a Dissenting Securityholder shall not have voted his or her Trust Units or Exchangeable Shares at the Meeting, either by proxy or in person, in favour of the Conversion Resolution;

- (c) a Zargon Securityholder may not exercise the right of dissent in respect of only a portion of the Trust Units or Exchangeable Shares held, but may dissent only with respect to all of the Trust Units and Exchangeable Shares held; and
 - (d) the exercise of such right of dissent must otherwise comply with the requirements of Section 191 of the *ABCA*, as modified by the Interim Order.
15. The fair value of the Trust Units and Exchangeable Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Zargon Securityholders.
16. Subject to further order of this Court, the rights available to the Zargon Securityholders under the *ABCA* and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the Zargon Securityholders with respect to the Arrangement Resolution.
17. Notice to the Zargon Securityholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the *ABCA* and the Arrangement, the fair value of their Trust Units or Exchangeable Shares shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Zargon Securityholders in accordance with paragraph 19 of this Order.

Notice

18. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit with amendments thereto as counsel for Zargon may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Zargon Securityholders at the addresses for such holders recorded in the records of Zargon at the close of business on the Record Date, and to the directors and officers of ZOGL and auditors of Zargon. In calculating the 21 day period, the date of mailing shall be included and the date of the Meeting shall be excluded.
19. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail or delivery at least 21 days prior to the Meeting.

20. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Securityholders, the directors and officers of ZOGL and auditors of Zargon and the Executive Director of:

- (a) the Originating Notice;
- (b) this Order;
- (c) the Notice of the Meeting; and
- (d) the Notice of Application;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy, voting directions and such other material as Zargon may consider fit.

Final Application

21. Subject to further Order of this Court and provided that the Securityholders have approved the Arrangement and the directors of ZOGL have not revoked that approval, Zargon may proceed with an application for approval of the Arrangement and the Final Order on December 15, 2010 at 1:30 p.m. or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate, all Securityholders, Zargon, ZOGL, ZAC, ZEI, ZEL, Oakmont, ZEC and Zargon Partnership and all other persons will be bound by the Arrangement in accordance with its terms.

22. Any Zargon Securityholder or any other interested party (collectively, "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve, upon Zargon, on or before noon (Calgary time) on December 13, 2010, a Notice of Intention to Appear including the Interested Party's address for service, indicating whether such Interested Party intends to support or oppose the application or make submission at the application, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service of this notice on Zargon shall be effected by service upon the solicitors for Zargon, Burnet, Duckworth & Palmer LLP, Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: D.J. McDonald Q.C.

23. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and those Interested Parties servicing a Notice of Intention to Appear in accordance with paragraph 23 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

24. Zargon is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

(signed) "*C.A. Kent*"

Justice of the Court of Queen's Bench of Alberta

APPENDIX C
ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 10th day of November, 2010.

AMONG:

ZARGON ENERGY TRUST, an open-ended unincorporated investment trust formed under the laws of the Province of Alberta (the "**Trust**")

- and -

1563101 ALBERTA LTD., a body corporate incorporated under the laws of the Province of Alberta ("**ZEC**")

- and -

ZARGON OIL & GAS LTD., a body corporate incorporated under the laws of the Province of Alberta ("**ZOGL**")

- and -

ZARGON EXCHANGE CO INC., a body corporate incorporated under the laws of the Province of Alberta ("**ZEI**")

- and -

OAKMONT ENERGY LTD., a body corporate incorporated under the laws of the Province of Alberta ("**Oakmont**")

- and -

ZARGON ENERGY LTD., a body corporate incorporated under the laws of the Province of Alberta ("**ZEL**")

- and -

ZARGON ACQUISITION CORP., a body corporate incorporated under the laws of the Province of Alberta ("**ZAC**")

- and -

ZARGON OIL & GAS PARTNERSHIP, a general partnership formed under the laws of the Province of Alberta ("**Zargon Partnership**")

WHEREAS:

- (a) the parties hereto wish to propose an arrangement with the holders of trust units of the Trust and holders of the exchangeable shares of ZOGL;
- (b) the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the ABCA; and
- (c) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, Alberta R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including Exhibit A hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (c) "**Amalgamation**" means the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;
- (d) "**AmalgamationCo**" means the corporation formed on the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;
- (e) "**Arrangement**" means the proposed arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;
- (f) "**Arrangement Resolution**" means collectively, the Trust Arrangement Resolution and the ZOGL Arrangement Resolution;
- (g) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;
- (h) "**Board of Directors**" means the board of directors of ZOGL;
- (i) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary, in the Province of Alberta, for the transaction of banking business;
- (j) "**Certificate**" means the certificate which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA or, if no certificate is issued, the proof of filing in respect of the Arrangement;
- (k) "**Common Shareholder**" means the Trust, the sole holder of the common shares of ZOGL;
- (l) "**Common Shares**" mean the common shares of ZEC prior to the Amalgamation and the common shares of AmalgamationCo subsequent to the Amalgamation in each case substantially in the form set forth in Schedule A to the Plan of Arrangement;
- (m) "**Court**" means the Court of Queen's Bench of Alberta;
- (n) "**Declaration of Trust**" means the trust indenture made as of the July 14, 2004, between ZOGL and Valiant Trust Company, as may be from time to time amended, supplemented or restated;
- (o) "**Dissent Rights**" means the right of each registered Unitholder and Exchangeable Shareholder pursuant to section 191 of the ABCA and the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the securities in respect of which the holder dissents, all in accordance with section 191 of the ABCA and the Interim Order;
- (p) "**Effective Date**" means the date the Arrangement is effective under the ABCA;
- (q) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

- (r) "**Exchange Ratio**" has the meaning ascribed in the articles of incorporation of ZOGL, as amended in the Plan of Arrangement;
- (s) "**Exchangeable Shareholders**" means the holders of Exchangeable Shares;
- (t) "**Exchangeable Shares**" means the exchangeable shares of ZOGL;
- (u) "**Final Order**" means the final order of the Court approving the Arrangement under subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (v) "**Information Circular**" means the information circular and proxy statement to be prepared by the Trust as part of the proxy solicitation materials in respect of the Meeting;
- (w) "**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (x) "**Meeting**" means the joint special meeting of Zargon Securityholders to be held on December 15, 2010 and any adjournments thereof to consider and vote on the Arrangement Resolution and the other matters outlined in the Notice of Meeting in respect thereof;
- (y) "**Notice of Meeting**" means the Notice of Special Meeting of Securityholders which accompanies the Information Circular;
- (z) "**Person**" means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;
- (aa) "**Plan of Arrangement**" means the plan of arrangement attached hereto as Exhibit A, as from time to time amended, supplemented or restated in accordance with the terms thereof;
- (bb) "**Registrar**" means the Registrar of Corporations appointed under Section 263 of the ABCA;
- (cc) "**Securities**" means collectively, the Trust Units and the Exchangeable Shares;
- (dd) "**Special Voting Unit**" means the special voting units of the Trust;
- (ee) "**subsidiary**" means, with respect to any person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;
- (ff) "**Trust Arrangement Resolution**" means the special resolution of the Trust Securityholders in respect of the Arrangement to be voted upon by the Trust Securityholders at the Meeting;
- (gg) "**Trust Securityholders**" or "**Securityholders**" means collectively, the Unitholders and the Exchangeable Shareholders;
- (hh) "**Trust Unit**" or "**Units**" means a trust unit of the Trust, other than a Special Voting Unit;
- (ii) "**Trustee**" means Valiant Trust Company, the trustee of the Trust, or such other trustee, from time to time of the Trust;
- (jj) "**TSX**" means the Toronto Stock Exchange;
- (kk) "**Unitholders**" means the holders of Trust Units;
- (ll) "**Valiant**" means Valiant Trust Company;

- (mm) "**Voting and Exchange Trust Agreement**" means the agreement dated July 15, 2004 among ZOGL, ZEI and Valiant providing the notice and voting rights for the Exchangeable Shares;
- (nn) "**Zargon Entities**" means, collectively, the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC and Zargon Partnership;
- (oo) "**Zargon Securityholders**" means, collectively, the Trust Securityholders and the ZOGL Securityholders;
- (pp) "**ZOGL Arrangement Resolution**" means the special resolution of the ZOGL Securityholders in respect of the Arrangement, to be voted upon by the ZOGL Securityholders at the Meeting; and
- (qq) "**ZOGL Securityholders**" means, collectively, the Common Shareholder and the Exchangeable Shareholders.

1.2 Currency

All sums of money, which are referred to in this Agreement, are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Article References

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

1.5 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 Entire Agreement

This Agreement, together with Exhibit A attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable in Alberta and shall be treated in all respects as an Alberta contract.

1.8 Exhibits

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

**ARTICLE 2
THE ARRANGEMENT**

2.1 Arrangement

As soon as reasonably practicable, the Zargon Entities shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under Section 193(4) of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution;
- (b) subject to obtaining all necessary approvals of the Securityholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order;
- (c) structure the Arrangement such that each issuance of Common Shares to Securityholders under the Arrangement qualifies for the exemption from registration under the *U.S. Securities Act of 1933*, as amended, provided by Section 3(a)(10) of that Act; and
- (d) subject to fulfillment of the conditions set forth herein, deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order and at the times set out therein without any act or formality.

2.2 ZEC

Zargon has caused ZEC to be incorporated under the ABCA. Prior to the Effective Time, ZEC shall not: (i) issue any additional securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities (other than the Common Share which has been issued on incorporation); or (ii) carry on any business, enter into any transaction or effect any corporate act whatsoever, other than as contemplated herein or as reasonably necessary to carry out the transactions contemplated by the Arrangement.

**ARTICLE 3
COVENANTS**

3.1 Covenants of the Zargon Entities

Each of the Zargon Entities covenants and agrees that it will:

- (a) take all reasonable action necessary and cooperate with the other Zargon Entities to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) solicit or cause to be solicited proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable corporate and securities laws, and file and distribute the same to Securityholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (d) convene the Meeting as ordered by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law, the Trust Indenture and the Voting and Exchange Trust Agreement;

- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Securityholders, as required by the Interim Order, submit the Arrangement to the Court and apply for the Final Order;
- (g) carry out the terms of the Final Order to the extent applicable to it;
- (h) upon issuance of the Final Order and subject to the conditions precedent in Article 4, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar pursuant to subsection 193(9) of the ABCA;
- (i) not, except in the ordinary course of business, as previously publicly announced prior to the date hereof or as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other person or perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;
- (j) until the Effective Date, except as specifically provided for hereunder and in the Arrangement, not alter or amend its constating or governing documents, articles or by-laws or those of its subsidiaries as the same exist at the date of this Agreement in a manner which might interfere with or be inconsistent with the transactions contemplated by this Agreement;
- (k) take all actions and enter into all such agreements as are necessary to complete and give effect to the transactions contemplated by this Agreement and the Arrangement;
- (l) reserve and authorize for issuance the securities issuable by it, if any, as contemplated in the Plan of Arrangement and cause to be reserved and authorized for issuance the securities issuable by each of the Zargon Entities within its control, if any, as contemplated in the Plan of Arrangement and in respect of any share-based compensation arrangements of such Zargon Entity following the Effective Time; and
- (m) prior to the Effective Date, make application to list the Common Shares issuable or reserved for issuance pursuant to the Arrangement on the TSX.

3.2 Amendments to the Trust Indenture

The parties hereto agree that pursuant to the Arrangement, the Trust Indenture, if necessary, shall be amended in a manner satisfactory to the Zargon Entities, acting reasonably, as necessary to facilitate the Arrangement.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Mutual Conditions Precedent

The respective obligations of the Zargon Entities to complete the transactions contemplated by this Agreement shall be subject to the fulfilment or satisfaction, on or before the Effective Date or such other time specified, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Zargon Entities, acting reasonably, not later than November 12, 2010 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Trust Securityholders and the ZOGL Securityholders at the Meeting in accordance with the Trust Indenture, the Interim Order, the Voting and Exchange Trust Agreement and any applicable regulatory requirements;

- (c) the Final Order shall have been granted in form and substance satisfactory to the Zargon Entities, acting reasonably, not later than December 31, 2010 or such later date as the parties hereto may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Zargon Entities, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;
- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (f) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated hereby shall have been completed or obtained;
- (g) there shall not, as of the Effective Date, be holders of Securities, that hold, in aggregate, in excess of 5% of all outstanding Securities, that have validly exercised and not withdrawn their Dissent Rights under the ABCA and the Interim Order;
- (h) the TSX shall have conditionally approved the listing of the Common Shares to be issued and reserved for issuance pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and
- (i) each of the covenants, acts and undertakings of each of the Zargon Entities to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall be duly performed or complied with.

4.2 Notice and Effect of Failure to Comply with Conditions

- (a) Each of the parties hereto shall give prompt notice to the others of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to, result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder provided, however, that no such notification will affect the conditions to the obligations of the parties hereunder.
- (b) If any of the conditions precedent set forth in Section 4.1 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within three Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

4.3 Satisfaction of Conditions

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

**ARTICLE 5
NOTICES**

5.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally or delivered by facsimile or electronic transmission.

**ARTICLE 6
AMENDMENT AND TERMINATION**

6.1 Amendments

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective unitholders or shareholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

6.2 Termination

This Agreement shall be terminated in each of the following circumstances:

- (a) the mutual agreement of the parties;
- (b) the Arrangement shall not have become effective on or before December 31, 2010 or such later date as may be agreed to by the parties hereto; and
- (c) termination of this Agreement under Article 4 hereof.

**ARTICLE 7
GENERAL**

7.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors.

7.2 No Assignment

No party may assign its rights or obligations under this Agreement.

7.3 Exclusivity

None of the covenants of the Trust or Zargon contained herein shall prevent the Board of Directors from responding as required by law to any submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any disclosure to the Unitholders with respect thereto which in the judgment of the Board of Directors, acting upon the advice of outside counsel, is required under applicable law.

7.4 Equitable Remedies

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the Court.

7.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

7.6 Further Assurances

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

7.7 Time of Essence

Time shall be of the essence.

7.8 Liability of the Trust

The parties hereto acknowledge that, except to the extent that Zargon is entering into this Agreement in its own right, it is entering into this Agreement on behalf of the Trust and the obligations of the Trust hereunder shall not be personally binding upon the Trustee or any holder of Units and that any recourse against the Trust, the Trustee, or any holder of Units in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this agreement relates, if any, including without limitation claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the Trust Fund (as defined in the Declaration of Trust, as amended from time to time).

7.9 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

ZARGON ENERGY TRUST, by its administrator, **1563101 ALBERTA LTD.**
Zargon Oil & Gas Ltd.

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

ZARGON OIL & GAS LTD.

ZARGON EXCHANGE CO INC.

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

OAKMONT ENERGY LTD.

ZARGON ENERGY LTD.

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

ZARGON ACQUISITION CORP.

ZARGON OIL & GAS PARTNERSHIP, by its
general partner Zargon Oil & Gas Ltd.

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Craig H. Hansen"
Craig H. Hansen
Chief Executive Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

Per: (signed) "Jason Dranchuk"
Jason Dranchuk
Chief Financial Officer

EXHIBIT A

PLAN OF ARRANGEMENT UNDER SECTION 193

OF THE

***BUSINESS CORPORATIONS ACT* (ALBERTA)**

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, Alberta R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Amalgamation**" means the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;
- (c) "**AmalgamationCo**" means the corporation formed on the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement;
- (d) "**Amended DRIP**" means the Amended and Restated Dividend Reinvestment Plan of ZEC pursuant to which, among other things, the DRIP will be amended and restated;
- (e) "**Amended TURIP**" means the common share rights incentive plans of ZEC to be dated the Effective Date whereby ZEC assumes the obligations of the Trust under the TURIP by the issue Common Shares in lieu of Trust Units;
- (f) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (g) "**Arrangement Agreement**" means the arrangement agreement dated as of November 10, 2010, among the Trust, ZEC, ZOGL, ZEI, Oakmont, ZEL, ZAC and Zargon Partnership providing for the implementation of the Arrangement, as from time to time amended, supplemented or restated;
- (h) "**Arrangement Resolution**" means collectively, the Trust Arrangement Resolution and the ZOGL Arrangement Resolution;
- (i) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;
- (j) "**Board of Directors**" means the Board of Directors of ZOGL;
- (k) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary, in the Province of Alberta, for the transaction of banking business;
- (l) "**Certificate**" means the certificate which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA or, if no certificate is issued, the proof of filing in respect of the Arrangement;

- (m) "**Common Shareholder**" means the Trust, the sole holder of the common shares of ZOGL;
- (n) "**Common Shares**" mean the common shares of ZEC prior to the Amalgamation and the common shares of AmalgamationCo subsequent to the Amalgamation in each case substantially in the form set forth in Schedule A;
- (o) "**Court**" means the Court of Queen's Bench of Alberta;
- (p) "**Declaration of Trust**" means the trust indenture made as of July 14, 2004, between ZOGL and Valiant Trust Company, as may be from time to time amended, supplemented or restated;
- (q) "**Depository**" means Valiant Trust Company, or such other trust company as may be designated by ZOGL;
- (r) "**Dissent Rights**" means the right of each registered Unitholder and Exchangeable Shareholder pursuant to section 191 of the ABCA and the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the securities in respect of which the holder dissents, all in accordance with section 191 of the ABCA and the Interim Order;
- (s) "**Dissenting Exchangeable Shareholders**" means registered Exchangeable Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;
- (t) "**Dissenting Securityholders**" means, collectively, the Dissenting Unitholders and Dissenting Exchangeable Shareholders;
- (u) "**Dissenting Unitholders**" means registered Unitholders who validly exercise the rights of dissent provided to them under the Interim Order;
- (v) "**DRIP**" means the Trust's Distribution Reinvestment Plan;
- (w) "**Effective Date**" means the date the Arrangement is effective under the ABCA;
- (x) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;
- (y) "**Exchange Ratio**" has the meaning ascribed in the articles of incorporation of ZOGL, as amended in this Plan of Arrangement;
- (z) "**Exchangeable Shareholders**" means the holders of Exchangeable Shares;
- (aa) "**Exchangeable Shares**" means the exchangeable shares of ZOGL;
- (bb) "**Facilities Lease**" means the facilities lease between the Zargon Partnership and ZOGL dated July 15, 2004, as amended;
- (cc) "**Facilities Lease Termination Agreement**" means the agreement between AmalgamationCo and the Zargon Partnership terminating the Facilities Lease in consideration for the payment by AmalgamationCo to the Zargon Partnership of the amount specified therein;
- (dd) "**Final Order**" means the final order of the Court approving this Arrangement under subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (ee) "**Information Circular**" means the information circular and proxy statement to be prepared by the Trust as part of the proxy solicitation materials in respect of the Meeting;

- (ff) **"Interim Order"** means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to this Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (gg) **"Meeting"** means the joint special meeting of Zargon Securityholders to be held on December 15, 2010 and any adjournments thereof to consider and vote on the Arrangement Resolution and the other matters outlined in the Notice of Meeting in respect thereof;
- (hh) **"New TURIP Right"** means the rights issued under the Amended TURIP Plan;
- (ii) **"Notice of Meeting"** means the Notice of Special Meeting of Securityholders which accompanies the Information Circular;
- (jj) **"Oakmont"** means Oakmont Energy Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of ZOGL;
- (kk) **"Oil & Gas Asset Conveyance"** means the conveyance by AmalgamationCo of the Oil & Gas Assets to the Zargon Partnership in exchange for:
 - (i) a partnership interest;
 - (ii) the assumption of the liabilities related to such Oil & Gas Assets, and
 - (iii) the repayment of the Zargon Partnership Notes,
 pursuant to the Oil & Gas Asset Conveyance Agreement;
- (ll) **"Oil & Gas Asset Conveyance Agreement"** means the conveyance agreement between AmalgamationCo and the Zargon Partnership effecting the Oil & Gas Asset Conveyance;
- (mm) **"Oil & Gas Assets"** means of the all of the crude oil and natural gas assets (other than the Seismic Data) of AmalgamationCo;
- (nn) **"Person"** means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;
- (oo) **"Plan"** means this Plan of Arrangement, as from time to time amended, supplemented or restated in accordance with the terms hereof;
- (pp) **"Preferred Shares"** means the preferred shares of ZEC substantially in the form set forth in Schedule B;
- (qq) **"Promissory Notes"** means the unsecured subordinated promissory notes issued by ZOGL to the Trust from time to time;
- (rr) **"Registrar"** means the Registrar of Corporations appointed under section 263 of the ABCA;
- (ss) **"Securities "** means, collectively, the Trust Units and Exchangeable Shares;
- (tt) **"Seismic Data"** means all of the seismic data, in whatever form, of AmalgamationCo;
- (uu) **"Special Voting Unit"** means the special voting units of the Trust;
- (vv) **"Support Agreement"** means the support agreement dated July 15, 2004 among the Trust, ZEI and Valiant;

- (ww) "**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended from time to time, including the regulations, from time to time, promulgated thereunder;
- (xx) "**Taxable Income**" means the amount, if any, by which the income of the Trust for its taxation year ending December 31, 2010 computed in accordance with the provisions of the Tax Act (other than paragraph 82(1)(b) and subsection 104(6) thereof) exceeds the amount that became payable or was deemed to become payable to Unitholders in the Trust's taxation year ending December 31, 2010 (other than amounts that became payable to Unitholders on a redemption of Trust Units or amounts that constituted returns of capital);
- (yy) "**Trust**" means Zargon Energy Trust, an unincorporated open-ended investment trust established under the laws of Alberta pursuant to the Declaration of Trust;
- (zz) "**Trustee**" means Valiant Trust Company, the trustee of the Trust, or such other trustee, from time to time, of the Trust;
- (aaa) "**Trust Securityholders**" or "**Securityholders**" means, collectively, the Unitholders and the Exchangeable Shareholders;
- (bbb) "**Trust Unit**" or "**Unit**" means a trust unit of the Trust, other than a Special Voting Unit;
- (ccc) "**TURIP**" means the Trust Unit Incentive Rights Plans of the Trust;
- (ddd) "**TURIP Right**" means the rights issued under the TURIP;
- (eee) "**Unitholders**" means the holders of Trust Units;
- (fff) "**Valiant**" means Valiant Trust Company;
- (ggg) "**Voting and Exchange Trust Agreement**" means the agreement dated July 15, 2004 among ZOGL, ZEI and Valiant;
- (hhh) "**ZAC**" means Zargon Acquisition Corporation, a corporation incorporated under the ABCA and a wholly-owned subsidiary of ZOGL;
- (iii) "**Zargon Partnership**" means Zargon Oil & Gas Partnership a general partnership formed under the laws of the Province of Alberta;
- (jjj) "**Zargon Partnership Notes**" means the unsecured subordinated promissory notes issued by ZOGL to the Zargon Partnership from time to time;
- (kkk) "**Zargon Securityholders**" means, collectively, the Trust Securityholders and the ZOGL Securityholders;
- (lll) "**Zargon Trust Unit Fair Market Value**" means the weighted average trading price of a Trust Unit on the Toronto Stock Exchange for the 10 trading days preceding the Effective Date, or, if the Trust Units are not then listed on the Toronto Stock Exchange, on such other stock exchange or automated quotation system on which the Trust Units are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of Trust Units for that period does not result in a weighted average trading price which reflects the fair market value of a Trust Unit, then the Zargon Trust Unit Fair Market Value of a Trust Unit shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

- (mmm) "**ZEC**" means 1563101 Alberta Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;
- (nnn) "**ZEI**" means Zargon ExchangeCo Inc., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;
- (ooo) "**ZEL**" means Zargon Energy Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of ZOGL;
- (ppp) "**ZOGL**" means Zargon Oil & Gas Ltd., a corporation amalgamated under the ABCA;
- (qqq) "**ZOGL Arrangement Resolution**" means the special resolution of the ZOGL Securityholders in respect of the Arrangement, to be voted upon, by the ZOGL Securityholders at the Meeting; and
- (rrr) "**ZOGL Securityholders**" means, collectively, the Common Shareholder and the Exchangeable Shareholders.
- 1.2 The division of this Plan into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders.
- 1.5 The following schedules to this Plan are incorporated by reference herein and form part of this Plan:
- Schedule A – Common Shares
Schedule B – Preferred Shares
Schedule C – By-laws
- 1.6 In the event that the date on which any action under Article 4 is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.
- 1.7 References in this Plan to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.
- 1.8 Unless otherwise stated all references in this Plan to sums of money are expressed in lawful money of Canada.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan is made pursuant to the provisions of the Arrangement Agreement.
- 2.2 This Plan, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) the Trust Securityholders; (ii) the ZOGL Securityholders; (iii) the Trust; (iv) the Trustee; (v) ZEC; (vi) ZOGL; (vii) Oakmont; (viii) ZAC; (ix) Zargon Partnership; (x) ZEI; (xi) ZEL; and (xii) AmalgamationCo.
- 2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become

effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3 ARRANGEMENT

3.1 The Arrangement involves a number of steps, including the following, which will be deemed to occur sequentially at the times specified:

Amendment to Declaration of Trust

(a) at 4:57 p.m. on the Effective Date the Declaration of Trust shall be amended to the extent necessary to facilitate the Arrangement;

Amendment to ZOGL Articles

(b) at 4:58 p.m. the Effective Date the Articles of Incorporation of ZOGL shall be amended to the extent necessary to facilitate the Arrangement;

Dissenting Securityholders

(c) at 4:59 p.m. on the Effective Date the Trust Units and Exchangeable Shares held by Dissenting Securityholders who have exercised Dissent Rights which remain valid immediately prior to 4:59 p.m. on the Effective Date shall, as of 4:59 p.m. on the Effective Date, be deemed to have been transferred to ZEC and cancelled and cease to be outstanding, and as of 4:59 p.m. on the Effective Date, such Dissenting Securityholders shall cease to have any rights as securityholders of the Trust or ZOGL, as applicable, other than the right to be paid the fair value of their Trust Units and Exchangeable Shares by ZEC;

Final Distributions to Securityholders and Adjustment of Exchange Ratio

(d) at 5:00 p.m. on the Effective Date the Trust shall declare payable to Trust Units of record at 5:00 p.m. (Calgary time) on December 31, 2010 a distribution of \$0.18 per Trust Unit payable on January 17, 2011;

(e) at 5:01 p.m. on the Effective Date the Exchange Ratio shall be increased by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator \$0.18 multiplied by the Exchange Ratio immediately prior to the Effective Date and having as its denominator the Zargon Trust Unit Fair Market Value;

(f) at 5:02 p.m. on the Effective Date the Trust shall declare payable to Trust Units of record at 5:00 p.m. (Calgary time) on December 31, 2010 a distribution per Trust Unit equal to all remaining Taxable Income divided by the total number of Trust Units then outstanding payable in Trust Units with a value equal to such distribution. For the purpose of this paragraph the value of each Trust Unit issued shall be equal to the Zargon Trust Unit Fair Market Value;

(g) if any amount is paid under the preceding paragraph, the number of Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the distribution of Trust Units;

Exchange of Trust Units for Common Shares

(h) at 11:59 p.m. on the Effective Date each Trust Unit shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for Common Shares on the basis of one Common Share for each Trust Unit so sold, assigned and transferred;

Exchange of Exchangeable Shares for Common Shares

- (i) at 11:59 p.m. on the Effective Date each Exchangeable Share (other than Exchangeable Shares held by ZEI) shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for Common Shares on the basis of that number of Common Shares equal to the Exchange Ratio for each Exchangeable Share so sold, assigned and transferred;

Stated Capital

- (j) at 11:59 p.m. on the Effective Date the amount set as the stated capital account in respect of the Common Shares shall be \$170 million in the aggregate or such other amount as determined by the Board of Directors prior to the Effective Date;

Redemption of Common Shares

- (k) at 11:59 p.m. on the Effective Date the Common Shares held by the Trust shall be redeemed by ZEC for an amount equal to the Zargon Trust Unit Fair Market Value times the number of Common Shares so held and such Common Shares shall be cancelled;

Special Voting Units

- (l) at 11:59 p.m. on the Effective Date all of the outstanding Special Voting Units shall be cancelled and the Voting Exchange Trust Agreement and the Support Agreement shall be terminated;

TURIP Plans

- (m) at 11:59 p.m. on the Effective Date:
 - (i) each TURIP Right shall be sold, assigned and transferred to ZEC (free of any claims) in exchange for a New TURIP Right on the basis of one New TURIP Right for each TURIP Right so sold, assigned and transferred;
 - (ii) the Amended TURIP shall become effective; and
 - (iii) the TURIP shall be terminated and be of no further force and effect;

Amendment of the DRIP

- (n) at 11:59 p.m. on the Effective Date the Amended DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under this Plan to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of Common Shares in accordance with the terms and conditions of the Amended DRIP;

Elimination of Consolidated Accounting Deficit

- (o) at 11:59 p.m. on the Effective Date for accounting purposes, the consolidated share capital of ZEC shall be reduced, without payment or reduction to its stated capital, by the consolidated accounting deficit;

Dissolution of the Trust

- (p) at 12:01 a.m. on January 1, 2011:

- (i) all of the assets of the Trust, including, without limitation, the NPI, the Promissory Notes and the common shares of ZOGL, shall be transferred to ZEC;
- (ii) ZEC shall assume all of the liabilities of the Trust;
- (iii) the Trust shall be dissolved; and
- (iv) the Declaration of Trust shall be terminated;

Amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont

- (q) at 12:02 a.m. on January 1, 2011 ZEC, ZOGL, ZAC, ZEI and Oakmont shall be amalgamated and continued as one corporation, AmalgamationCo, in accordance with the following:
 - (i) the stated capital of all of the shares of ZOGL, ZAC, ZEI and Oakmont shall be reduced, in each case, to \$1.00 in aggregate immediately prior to the amalgamation;
 - (ii) the stated capital of the Common Shares will continue to be \$170 million in the aggregate or such other amount as determined by the Board of Directors prior to the Effective Date;
 - (iii) the articles of AmalgamationCo shall be the same as the articles of ZEC, including for greater certainty the Common Shares and Preferred Shares with the rights, privileges and restrictions set out in Schedule A and Schedule B to this Plan, and the name of AmalgamationCo shall be "Zargon Oil & Gas Ltd.";
 - (iv) the shares of ZOGL, ZAC, ZEI and Oakmont shall be cancelled without any repayment of capital;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalgamationCo;
 - (vi) AmalgamationCo shall continue to be liable for the obligations of each of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of each of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against each of the amalgamating corporations may be continued to be prosecuted by or against AmalgamationCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, each of the amalgamating corporations may be enforced by or against AmalgamationCo;
 - (x) the Articles of Amalgamation of AmalgamationCo shall be deemed to be the Articles of Incorporation of AmalgamationCo and the Certificate of Amalgamation of AmalgamationCo shall be deemed to be the Certificate of Incorporation of AmalgamationCo;
 - (xi) the by-laws of AmalgamationCo shall be the by-laws of ZEC as set out in Schedule C to this Plan, until repealed, amended, altered or added to;
 - (xii) the first directors of AmalgamationCo shall be the directors of ZOGL;
 - (xiii) the first officers of AmalgamationCo shall be the officers of ZOGL; and

- (xiv) the registered office of AmalgamationCo shall be the registered office of ZEC;
- (xv) the amalgamation shall be deemed to be effective at 12:02 am (Calgary time) on the day immediately following the Effective Date and articles of amalgamation shall be filed with the Registrar to be effective on such day;

Oil & Gas Assets Conveyance

- (r) at 12:03 a.m. on January 1, 2011, the Oil & Gas Asset Conveyance shall become effective and the Oil & Gas Assets shall be transferred by AmalgamationCo to Zargon Partnership in exchange for:
 - (i) a partnership interest in Zargon Partnership;
 - (ii) the assumption of the liabilities related to such Oil & Gas Assets, and
 - (iii) the repayment of the Zargon Partnership Notes,pursuant to the Oil & Gas Asset Conveyance Agreement; and

Facilities Lease Termination

- (s) at 12:03 a.m. on January 1, 2011, the Facilities Lease Termination Agreement shall become effective and the Facilities Lease shall be terminated,

provided that if any of the foregoing steps fails to occur or be completed then all of such steps will be deemed not to have occurred.

- 3.2 Each of the parties referred to in Section 3.1 shall make the appropriate entries in their securities registers to reflect the matters referred to in Section 3.1.

ARTICLE 4 OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES

- 4.1 From and after the time of exchange specified herein, certificates formerly representing Securities that were exchanged under Article 3 shall represent only the right to receive upon surrender of such certificates as contemplated by Section 4.2: (i) the consideration to which the holders are entitled to receive under Article 3, or as to those Securities held by Dissenting Securityholders, other than those Dissenting Securityholders deemed to have participated in the Arrangement pursuant to Article 3, to receive the fair value of the Securities represented by such certificates; and (ii) dividends or distributions with respect to such consideration pursuant to Section 4.4; in each case subject to compliance with the requirements set forth in this Article 4.
- 4.2 Subject to the provisions of the Letter of Transmittal, AmalgamationCo shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Securities of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depository may reasonably require) and the certificates representing such Securities (which shall be cancelled), either:
 - (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
 - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such holder;

certificates representing the number of Common Shares issued to such holder under the Arrangement (together with any dividends or distributions with respect thereto pursuant to Section 4.4).

- 4.3 Notwithstanding the foregoing, if a participant in the DRIP is the registered holder of Units, all dividends which are payable in respect of the Common Shares issuable in exchange for such Units will be used to purchase additional Common Shares pursuant to the Amended DRIP notwithstanding that such registered holder has not deposited with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Units.
- 4.4 All dividends or distributions, if any, made with respect to any Common Shares for which a certificate has not been issued pursuant to this Arrangement (including any dividends or distributions payable pursuant to this Arrangement to a former holder of Securities and any additional Common Shares purchased pursuant to the Amended DRIP, if applicable), shall be paid or delivered to the Depository to be held by the Depository, in trust, for the holder of the Common Shares. Subject to Section 4.5, the Depository shall pay and deliver to any such holder of such Common Shares, as soon as reasonably practicable, such dividends and distributions (including any additional Common Shares purchased pursuant to the Amended DRIP, if applicable) to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate representing the Common Shares issued to such holder in accordance with Section 4.2.
- 4.5 Any certificate formerly representing Securities that is not deposited with all other documents as required by this Plan of Arrangement and the Letter of Transmittal on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such Securities to receive Common Shares (and any dividends and distributions thereon, including additional Common Shares purchased pursuant to the Amended DRIP, if applicable). In such case, such Common Shares (together with all dividends and distributions thereon, including additional Common Shares purchased pursuant to the Amended DRIP, if applicable) shall be returned to AmalgamationCo and such Common Shares shall be cancelled.
- 4.6 If any certificate which immediately prior to the time of exchange specified herein represented an interest in outstanding Securities that were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depository will issue and deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement as determined in accordance with the Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to AmalgamationCo and its transfer agent, which bond is in form and substance satisfactory to AmalgamationCo and its transfer agent, or shall otherwise indemnify AmalgamationCo and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.
- 4.7 Notwithstanding anything contained in this Plan, no holder of Exchangeable Shares shall be entitled to and neither AmalgamationCo nor the Depository shall deliver fractions of Common Shares. Where the application of this Plan of Arrangement would otherwise result in an Exchangeable Shareholder receiving a fraction of a Common Share, such holder of Exchangeable Shares will only be entitled to receive the nearest whole number of a Common Share (with fractions equal to or greater than 0.5 being rounded up and less than 0.5 being rounded down). Exchangeable Shares held by registered holders of Exchangeable Shares on behalf of beneficial holders will be aggregated for such purposes.
- 4.8 AmalgamationCo and the Depository shall be entitled to deduct and withhold from any consideration or distribution otherwise payable to any former holder of Securities or any holder of Common Shares, such amounts as either AmalgamationCo or the Depository are required to deduct and withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, AmalgamationCo and

the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to AmalgamationCo and the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and AmalgamationCo and the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale to such holder.

ARTICLE 5 DISSENTING SECURITYHOLDERS

- 5.1 Each registered holder of Trust Units and Exchangeable Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Securityholder shall, at the time specified in the Plan, cease to have any rights as a holder of Trust Units or Exchangeable Shares, as the case may be, and shall only be entitled to be paid the fair value of the holder's Trust Units or Exchangeable Shares, as applicable. A Dissenting Securityholder who is paid the fair value of the holder's Trust Units or Exchangeable Shares, as applicable, shall be deemed to have transferred the holder's Trust Units and Exchangeable Shares to ZEC for cancellation in accordance with the Plan, notwithstanding the provisions of section 191 of the ABCA. A Dissenting Securityholder who for any reason is not entitled to be paid the fair value of the holder's Trust Units or Exchangeable Shares, as applicable, shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Trust Units or Exchangeable Shares, notwithstanding the provisions of section 191 of the ABCA. The fair value of the Trust Units or Exchangeable Shares, as the case may be, shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Trust Securityholders and the ZOGL Securityholders at the Meeting but in no event shall the Trust or AmalgamationCo be required to recognize such Dissenting Securityholder as a Unitholder or Exchangeable Shareholders after the time specified in the Plan and the names of such holders shall be removed from the applicable register of Unitholders or Exchangeable Shareholders as at the time specified in the Plan. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

ARTICLE 6 AMENDMENTS

- 6.1 ZEC, ZOGL and the Trust each reserve the right to amend, modify and/or supplement this Plan from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is:
- (a) agreed to by each of ZEC, ZOGL and the Trust;
 - (b) filed with the Court and, if made following the Meeting, approved by the Court; and
 - (c) communicated to Securityholders in the manner required by the Court (if so required).
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement that it is not adverse to the financial or economic interests of any former holder of Securities may be made following the Effective Time by AmalgamationCo.

SCHEDULE A

COMMON SHARES

The unlimited number of Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

- (a) The holders of Common Shares shall be entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such);
- (b) The holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends; and
- (c) The holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.

SCHEDULE B**PREFERRED SHARES**

The 10,000,000 Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

- (a) The Preferred Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the Board of Directors of the Corporation shall, by resolution, fix the number of shares that will form such series and shall, subject to the limitations set out herein, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of the Corporation or otherwise, voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Preferred Shares or payment in respect of capital on any shares in the capital of the Corporation or creation or issue of debt or equity securities; the whole subject to filing with the Registrar (as defined in the *Business Corporations Act* (Alberta) or successor legislation thereto) of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series;
- (b) Notwithstanding paragraph (a), the Board of Directors of the Corporation may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of Preferred Shares;
- (c) Notwithstanding paragraph (a), other than in the case of a failure to declare or pay dividends specified in any series of the Preferred Share, the voting rights attached to the Preferred Shares shall be limited to one vote per Preferred Share at any meeting where the Preferred Shares and Common Shares vote together as a single class;
- (d) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment in satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences not inconsistent with paragraphs (a) through (e) hereof over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined in the case of each such series of Preferred Shares; and
- (e) The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class as provided herein and as may be provided from time to time may be repealed, altered, modified, amended or amplified or otherwise varied only with the sanction of the holders of the Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution passed by the affirmative vote of a least two-thirds of the votes cast at a meeting of holders of Preferred Shares duly called for such purpose and held upon at least 21 days' notice at which a quorum is present

comprising at least two persons present, holding or representing by proxy at least 20% per cent of the outstanding Preferred Shares or by a resolution in writing of all holders of the outstanding Preferred Shares. If any such quorum is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to a date being not less than 15 days later and at such time and place as may be appointed by the chairman and at such meeting a quorum will consist of that number of shareholders present in person or represented by proxy. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every vote taken at every such meeting or adjourned meeting each holder of a Preferred Share shall be entitled to one vote in respect of each one dollar of stated value of Preferred Shares held.

SCHEDULE C

BY-LAWS

BY-LAW NO. 1

**A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF
ZARGON OIL & GAS LTD.**

CONTENTS

Section	Subject
One	Interpretation
Two	Business of Zargon
Three	Directors
Four	Committees
Five	Protection of Directors and Officers
Six	Shares
Seven	Dividends
Eight	Meetings of Shareholders
Nine	Notices
Ten	Effective Date and Repeal

IT IS HEREBY ENACTED as By-law No. 1 of Zargon Oil & Gas Ltd. ("**Zargon**") as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In the by-laws of Zargon, unless the context otherwise requires:

- (a) "**Act**" means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as from time to time amended;
- (b) "**articles**" means the articles attached to the Certificate of Amalgamation of Zargon as from time to time amended or restated;
- (c) "**board**" means the board of directors of Zargon;
- (d) "**by-laws**" means this by-law and all other by-laws of Zargon from time to time in force and effect;
- (e) "**meeting of shareholders**" means any meeting of shareholders, including any meeting of one or more classes or series of shareholders;
- (f) "**recorded address**" means, in the case of a shareholder, the address as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding [or the first address so appearing if there are more than one]; and, in the case of a director, officer, auditor or member of a committee of the board, his or her latest address as recorded in the records of Zargon; and

- (g) **"signing officer"** means any person authorized to sign any document on behalf of Zargon pursuant to these by-laws or by a resolution of the board.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

1.2 Conflict with the Act or the Articles

To the extent of any conflict between the provisions of the by-laws and the provisions of the Act or the articles, the provisions of the Act or the articles shall govern.

1.3 Headings

The headings used throughout the by-laws are inserted for convenience of reference only and are not to be used as an aid in the interpretation of the by-laws.

1.4 Invalidity of any Provision of By-laws

The invalidity or unenforceability of any provision of the by-laws shall not affect the validity or enforceability of the remaining provisions of the by-laws.

ARTICLE 2 BUSINESS OF ZARGON

2.1 Corporate Seal

The corporate seal of Zargon, if any, shall be in such form as the board may from time to time by resolution approve.

2.2 Financial Year

The financial year of Zargon shall end on such date in each year as the board may from time to time by resolution determine.

2.3 Execution of Instruments

Agreements, contracts, deeds, transfers, assignments, obligations, certificates and other instruments may be signed on behalf of Zargon by two directors or officers of Zargon. In addition, the board may from time to time direct the manner in which and the person or persons by whom any instrument or instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.4 Banking Arrangements

The banking business of Zargon including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be authorized by the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.5 Voting Rights in Other Bodies Corporate

The signing officers may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by Zargon.

Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board or, failing the board, the signing officers may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.6 Insider Trading Reports and Other Filings

Any one officer or director of Zargon may execute and file on behalf of Zargon insider trading reports and other filings of any nature whatsoever required under applicable corporate or securities laws.

ARTICLE 3 DIRECTORS

3.1 Number of Directors

Subject to the limitation and requirements provided in the articles, the number of directors of Zargon shall be determined from time to time by resolution of the shareholders or the board.

3.2 Calling and Notice of Meetings

Meetings of the board shall be called and held at such time and at such place as the board, the Chairman of the Board, the chief executive officer or any two directors may determine, and the Corporate Secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the board shall be given in the manner provided in the Act to each director not less than 24 hours before the time when the meeting is to be held, provided that, if a quorum of directors is present, the board may without notice hold a meeting immediately following an annual meeting of shareholders. Notice of a meeting of the board may be given verbally, in writing or by electronic means, telephone or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the board may from time to time fix a day or days in any month or months for regular meetings of the board at a place and hour to be named, in which case, provided that a copy of any such resolution is sent to each director forthwith after being passed and forthwith after each director's appointment, no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat.

Notice of any meeting of directors or the time for the giving of any such notice or any irregularity in any meeting or in the notice thereof may be waived by any director verbally at a meeting of the board, in writing or by electronic means to the Corporation or in any other manner, and any such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at any meeting of directors is a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

3.3 Place of Meetings

Meetings of the board may be held at any place in or outside Alberta. A director who attends a meeting of directors, in person or by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, is deemed to have consented to the location of the meeting except when the director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held.

3.4 Meetings by Electronic Means

A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each

other. A director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

3.5 Quorum

The quorum for the transaction of business at any meeting of the board shall consist of a majority of directors.

3.6 Chairman

The chairman of any meeting of the board shall be Chairman of the Board. If the Chairman of the Board is not present, the directors present shall choose one of their number to be chairman.

3.7 Action by the Board

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote. The powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the board. Resolutions in writing may be signed in counterparts. Resolutions in writing shall become effective on the date set forth therein.

3.8 Adjourned Meeting

Any meeting of directors may be adjourned from time to time by the chairman of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

3.9 Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving Zargon in any other capacity and receiving remuneration therefor.

3.10 Officers

The board from time to time may appoint one or more officers of Zargon and, without prejudice to rights under any employment contract, may remove any officer of Zargon. The powers and duties of each officer of Zargon shall be those determined from time to time by the board and, in the absence of such determination, shall be those usually incidental to the office held.

3.11 Agents and Attorneys

The board shall have the power from time to time to appoint agents or attorneys for Zargon in or outside Canada with such powers of management or otherwise (including the power to sub delegate) as may be thought fit.

ARTICLE 4 COMMITTEES

4.1 Transaction of Business

The powers of any committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. At all meetings of committees every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote. Resolutions in writing may be signed in counterparts. Resolutions in writing shall become effective on the date set forth therein.

4.2 Procedure

Unless otherwise determined by the board, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chairman and the rules for calling, holding, conducting and adjourning meetings of the committee shall be the same as those governing the board. Each member of a committee shall serve during the pleasure of the board of directors and, in any event, only so long as he or she shall be a director. The directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

ARTICLE 5 PROTECTION OF DIRECTORS AND OFFICERS

5.1 Limitation of Liability

No director or officer for the time being of Zargon shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to Zargon through the insufficiency or deficiency of title to any property acquired by Zargon or for or on behalf of Zargon or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to Zargon shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets of or belonging to Zargon or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to exercise the powers and to discharge the duties of his or her office honestly, in good faith and with a view to the best interests of Zargon and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.2 Indemnity

Zargon hereby indemnities, to the maximum extent permitted under the Act, each director and officer and each former director and officer, and may indemnify a person who acts or acted at Zargon's request as a director or officer of a body corporate of which Zargon is or was a shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of Zargon or such body corporate.

5.3 Insurance

Zargon may purchase and maintain insurance for the benefit of any person against any liability incurred by him or her:

- (a) in his or her capacity as a director or officer of Zargon, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of Zargon; or
- (b) in his or her capacity as a director or officer of another body corporate where he or she acts or acted in that capacity at Zargon's request, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of the body corporate.

ARTICLE 6 SHARES

6.1 Non-recognition of Trusts

Subject to the provisions of the Act, Zargon may treat as the absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in Zargon's records or on the share certificate.

6.2 Joint Shareholders

If two or more persons are registered as joint holders of any share:

- (a) Zargon shall record only one address on its books for such joint holders; and
- (b) the address of such joint holders for all purposes with respect to Zargon shall be their recorded address,

and any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

ARTICLE 7 DIVIDENDS

7.1 Dividend Cheques

A dividend payable in cash shall be paid by cheque of Zargon or of any dividend paying agent appointed by the board, to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the shareholder's recorded address, unless such holder otherwise directs and Zargon agrees to follow such direction. In the case of joint holders the cheque shall, unless such joint holders otherwise direct and Zargon agrees to follow such direction, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which Zargon is required to and does withhold.

7.2 Non-receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, Zargon shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

7.3 Unclaimed Dividends

Any dividend unclaimed after the last business day prior to the third anniversary the date on which the same has been declared to be payable shall be forfeited and shall revert to Zargon and shall have been deemed to be transferred to Zargon on such date.

**ARTICLE 8
MEETINGS OF SHAREHOLDERS**

8.1 Chairman, Corporate Secretary and Scrutineers

The chairman of any meeting of shareholders, who need not be a shareholder of Zargon, shall be the first of the Chairman of the Board or an officer who is present at the meeting (in order of seniority). If no such officer is present and willing to act as chairman within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The chairman shall conduct the proceedings at the meeting in all respects and Chairman's decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders. The secretary of any meeting of shareholders shall be the Corporate Secretary of Zargon, provided that, if Zargon does not have a Corporate Secretary or if the Corporate Secretary of Zargon is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The board may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chairman may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, directors, officers or employees of Zargon.

8.2 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be:

- (a) those entitled to vote at such meeting;
- (b) the directors, officers and auditors of Zargon;
- (c) others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws to be present at the meeting;
- (d) legal counsel to Zargon when invited by Zargon to attend the meeting; and
- (e) any other person on the invitation of the chairman or with the consent of the meeting.

8.3 Quorum

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than 25% of the outstanding shares of Zargon carrying voting rights at the meeting, provided that, if there should be only one shareholder of Zargon entitled to vote at any meeting of shareholders, the quorum for the transaction of business at the meeting of shareholders shall consist of the one shareholder.

8.4 Representatives

The authority of an individual to represent a body corporate or association at a meeting of shareholders of Zargon shall be established by depositing with Zargon a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chairman of the meeting.

8.5 Action by Shareholders

The shareholders shall act by ordinary resolution unless otherwise required by the Act, articles or by-laws. In case of an equality of votes either upon a show of hand or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

8.6 Show of Hands

Upon a show of hands every persons who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

8.7 Ballots

A ballot required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which they are entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

8.8 Meetings by Electronic Means

With the consent of the chairman of the meeting or the consent (as evidenced by a resolution) of the persons present and entitled to vote at the meeting, a shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by those means shall be considered present at the meeting and at the place of the meeting.

ARTICLE 9 NOTICES

9.1 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

9.2 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom the shareholder derives title to such share prior to the shareholder's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the shareholder became so entitled) and prior to such person furnishing to Zargon the proof of authority or evidence of the shareholder's entitlement prescribed by the Act.

**ARTICLE 10
EFFECTIVE DATE AND REPEAL**

10.1 Effective Date

This by-law shall come into force when made by the board in accordance with the Act.

10.2 Repeal

All previous by-laws of Zargon are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of Zargon obtained pursuant to, any such bylaw prior to its repeal.

APPENDIX D

INFORMATION CONCERNING NEW ZARGON

TABLE OF CONTENTS

	Page
NOTICE TO READER	3
FORWARD-LOOKING STATEMENTS	3
CORPORATE STRUCTURE	3
Name, Address and Incorporation	3
Intercorporate Relationships	3
Organizational Structure	4
GENERAL DEVELOPMENT OF THE BUSINESS	4
General	4
Three-Year History	4
Recent Developments	5
DESCRIPTION OF THE BUSINESS	5
General	5
Statement of Reserves Data and Other Oil and Gas Information	5
Business Plans of New Zargon	5
Capital Expenditures	6
Potential Acquisitions	6
Competitive Conditions	6
Bankruptcy and Similar Procedures	6
Material Restructuring Transactions	6
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
DIVIDEND POLICY	7
DESCRIPTION OF CAPITAL STRUCTURE	7
New Zargon Shares	8
Preferred Shares	8
CONSOLIDATED CAPITALIZATION	9
ZARGON SHARE AWARD PLAN	9
PRIOR SALES	9
TRADING PRICE AND VOLUME	10
ESCROWED SECURITIES	10
PRINCIPAL SHAREHOLDERS	10
DIRECTORS AND EXECUTIVE OFFICERS	10
COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS	11
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	11
AUDIT COMMITTEE AND CORPORATE GOVERNANCE	11

INDUSTRY REGULATIONS	11
RISK FACTORS	11
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	11
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	12
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	12
Auditors	12
Transfer Agent and Registrar	12
MATERIAL CONTRACTS.....	12

NOTICE TO READER

Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the Arrangement has been effected. New Zargon will be the corporation formed upon the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "Glossary of Terms" in the Information Circular.

FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. All statements other than statements of historical fact contained in this Appendix D are forward-looking statements. Reference is made to "*Information Circular and Proxy Statement – Forward-looking Statements*" in the body of the Information Circular for information regarding forward-looking statements. The forward-looking statements contained in this Appendix D are expressly qualified in their entirety by the cautionary statements set forth in the body of this Information Circular under "*Information Circular and Proxy Statement – Forward-looking Statements*". The forward-looking statements included in this Appendix D are made as of the date of this Information Circular and ZOGL undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

New Zargon will be formed upon the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont pursuant to the Arrangement. Following the Arrangement, New Zargon will operate under the name "Zargon Oil & Gas Ltd." and carry on the business currently carried on by the Trust through its subsidiaries. The head and principal office of New Zargon will be located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6 and its registered office will be located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6.

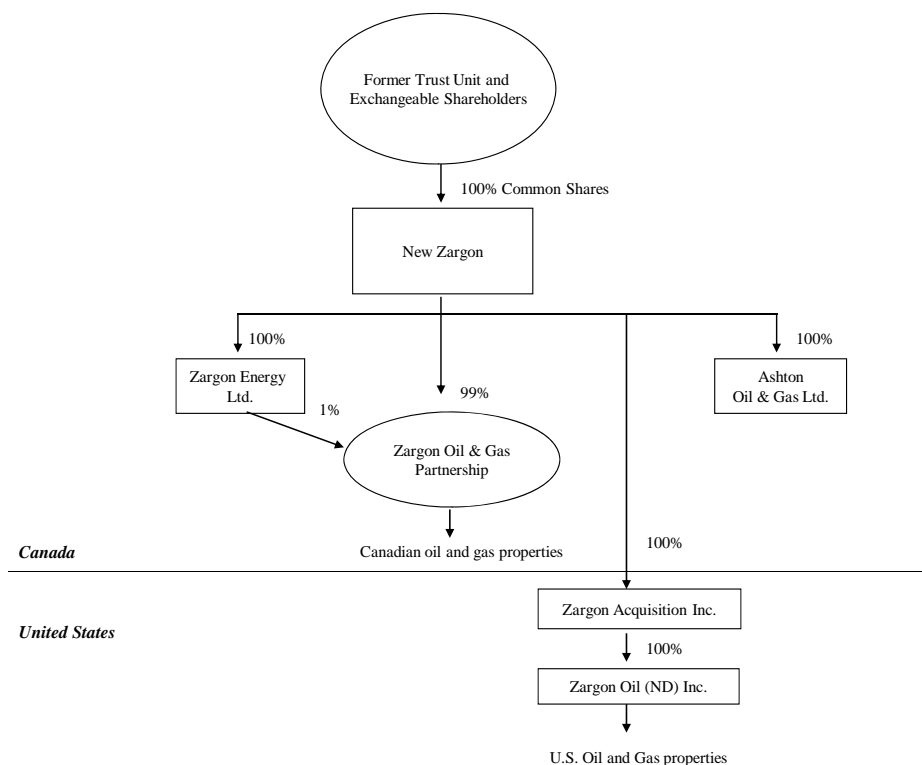
Intercorporate Relationships

The following are the names, the percentage of votes attaching to all voting securities to be beneficially owned, or controlled or directed, directly or indirectly, by New Zargon, and the jurisdiction of incorporation or formation of New Zargon's material subsidiaries after giving effect to the Arrangement.

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

Organizational Structure

The following diagram sets forth the organizational structure of New Zargon immediately following completion of the Arrangement:



GENERAL DEVELOPMENT OF THE BUSINESS

General

Pursuant to the Arrangement, New Zargon will, directly or indirectly, acquire all of the assets and will assume all of the liabilities of the Trust. Securityholders will be the shareholders of New Zargon.

For a description of the general development of the business of Zargon over the last three financial years, see "*General Development of the Business – History and Development*" in the Zargon AIF. For a description of the business to be carried on by New Zargon following completion of the Arrangement, see "*Description of the Business*" in this Appendix D.

New Zargon will become a reporting issuer in certain Canadian jurisdictions and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

The TSX has conditionally approved the listing of the New Zargon Shares to be issued in connection with the Arrangement, subject to New Zargon fulfilling the requirements of the TSX.

Three-Year History

For a description of the general development of the business of the Trust over the last three completed financial years, see "*General Development of The Business – History and Development*" in the Zargon AIF. For a description of the business to be carried on by New Zargon following completion of the Arrangement, see "*Description of the Business*" in this Appendix D.

Recent Developments

Alberta Plains Asset Acquisition

On May 31, 2010, Zargon closed an acquisition of working interests in various southern Alberta medium and heavy gravity oil pools with approximately 350 Boe/d of existing production, along with approximately 6.9 thousand net acres of undeveloped land for a cash purchase price of approximately \$25 million. The majority of the acquired assets were either situated adjacent to or in the vicinity of Zargon's Little Bow property. Following the acquisition, Zargon held a 100 percent working interest in Zargon's proposed Little Bow Mannville I Pool Alkaline Surfactant Polymer tertiary recovery flood.

Non-Core Asset Dispositions

During the second and third quarters of 2010, Zargon completed a series of dispositions of certain non-core assets for total proceeds of approximately \$28.9 million. The asset sales related to a fully marketed spring property disposition package that included 17 non-core minor oil properties that were producing approximately 375 Boe/d.

Acquisition of Oakmont

On September 9, 2010, ZOGL acquired all of the existing and outstanding common shares of Oakmont, a private oil and gas company, for total consideration of approximately 336,000 Trust Units and the assumption of approximately \$3.41 million of net debt, for a total transaction value of approximately \$9.36 million. Zargon acquired approximately 99.5% of the outstanding common shares of Oakmont pursuant to a share purchase agreement with Oakmont and the holders of the common shares of Oakmont and the balance of the Oakmont Shares pursuant to the compulsory acquisition provisions of the ABCA.

At the time of the acquisition, Oakmont was producing approximately 280 Boe/d consisting of 110 Bbls/d of crude oil and 1.03 Mcf/d of natural gas. These assets are primarily located within Zargon's Alberta Plains South core area and are adjacent to Zargon's Little Bow and Grand Forks properties.

DESCRIPTION OF THE BUSINESS

General

Following completion of the Arrangement, New Zargon will carry on the business currently carried on by the Trust through its subsidiaries. New Zargon will be an Alberta-based company engaged in the business of oil and natural gas exploitation, development, acquisition and production in Canada and the United States.

Statement of Reserves Data and Other Oil and Gas Information

A description of the assets to be owned by New Zargon following completion of the Arrangement, including the oil and natural gas reserves attributable to them, is provided in the Zargon AIF, which is incorporated by reference in this Information Circular. See "*Description of Our Business – Disclosure of Reserves Data and Other Oil and Natural Gas Information*" in the Zargon AIF.

Business Plans of New Zargon

The business plan of New Zargon will be to deliver sustainable and profitable oil and natural gas property exploitation and production activities in the oil and gas industry. To accomplish this, New Zargon intends to pursue an integrated growth strategy with active exploitation and exploration drilling within its core areas, together with focused acquisitions, similar to the strategies being currently pursued by the Trust.

All of New Zargon's activities will be directed towards maximizing value creation for shareholders. This will be achieved through a combination of investing capital to enhance the value of New Zargon's assets, operating New Zargon's producing oil and gas properties in a low cost manner to maximize the recovery of reserves, and through making monthly dividends to shareholders. New Zargon will direct its efforts to increase the value of its assets

through exploitation drilling and associated exploitation activities and enhanced oil recovery activities as well as by the periodic acquisition of undeveloped and producing oil and gas properties. New Zargon will acquire oil and natural gas producing properties and primarily participate in exploitation activities that are generally considered to be of a low risk nature in the oil and gas industry. Also, a percentage of each year's capital budget will be devoted to moderate risk exploitation and lower risk exploration opportunities on New Zargon properties.

New Zargon's proposed management team is comprised of a proven team of professional management in all key operational areas of the organization including a team experienced in providing organic growth through full cycle exploration, exploitation and development. See "*Directors and Executive Officers*" in this Appendix D.

Capital Expenditures

New Zargon may approve future capital expenditures or farmouts. Future capital expenditures on the properties will generally be of the type that are intended to maintain or improve production from the properties. New Zargon may finance capital expenditures from production revenues, the proceeds of the issue of additional New Zargon Shares or from the proceeds of disposition of properties, borrowings, farmouts or with working capital.

New Zargon may acquire additional properties and related tangible equipment and fund such acquisitions from production revenues, the net proceeds of any issue of additional New Zargon Shares or from the proceeds of disposition of properties, or from borrowings, farmouts or with working capital. New Zargon may sell any of its interests in properties. In connection with the sale of any interests in the properties, New Zargon will determine whether the net proceeds of the sale should be reinvested in additional properties or capital expenditures, used to repay borrowings or distributed to shareholders.

Potential Acquisitions

New Zargon will evaluate potential acquisitions of all types of oil and natural gas and other energy-related assets as part of its ongoing acquisition program. New Zargon will normally be in the process of evaluating several potential acquisitions at any one time which individually or together could be material. New Zargon will not be able to predict whether any opportunities will result in one or more acquisitions.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. New Zargon will compete with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. New Zargon's competitors will include resource companies, which may have greater financial resources, staff and facilities than those of New Zargon. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. New Zargon anticipates that its competitive position will be equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Trust or ZOGL, or any voluntary receivership, bankruptcy or similar proceeding by the Trust or ZOGL within the three most recently completed financial years or proposed for New Zargon for the current financial year.

Material Restructuring Transactions

Other than the Arrangement, there have been no material restructuring transactions of Trust or ZOGL within the three most recently completed financial years or currently proposed for New Zargon for the current financial year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

If the Arrangement is completed, the business of Zargon will continue to be carried on as before the completion of the Arrangement. New Zargon's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those outlined in management's discussion and analysis of the financial condition and

results of operation of the Trust for the year ended December 31, 2009 and in the Zargon AIF, each of which is incorporated by reference in this Information Circular.

The financial statements of New Zargon will reflect the assets and liabilities of the Trust at the respective carrying amounts. A change of control for tax purposes could result in a change to the carrying amount of future income tax balances. Changes to the carrying amount of future income tax balances will be charged to future income tax expense and may result in a reduction to shareholders' equity and these changes may be material.

In 2011, New Zargon will report its financial results under International Financial Reporting Standards ("**IFRS**"). For information regarding the impact that IFRS will have on New Zargon's accounting policies and financial statements, see "*International Financial Reporting Standards*" in the Q3 MD&A which is incorporated by reference into this Information Circular.

DIVIDEND POLICY

Following completion of the Arrangement, it is anticipated that New Zargon will, subject to confirmation and approval by the Board of Directors of New Zargon, based on New Zargon's available cash flow, current and forecast commodity prices, current and forecast production rates, proposed capital expenditures, levels of indebtedness, access to equity and debt capital and other conditions existing at the time, pay monthly dividends on the outstanding New Zargon Shares with the balance of New Zargon's available cash flow to be directed towards capital expenditures, debt repayment or other corporate purposes. The amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors of New Zargon and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Although it is expected that dividends of New Zargon will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of New Zargon Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends". See "*Effect of the Arrangement on Securityholders and on Distributions*", "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of Securities*" and "*Certain Canadian Federal Income Tax Considerations*".

Subject to the qualifications set forth above, upon completion of the Arrangement, New Zargon anticipates paying a monthly dividend initially set at \$0.14 per Common Share, which will be paid to shareholders of record on or about the 15th day of each month following the completion of the Arrangement with the first dividend anticipated to be paid on February 15, 2011.

Pursuant to the Arrangement, the Amended DRIP shall become effective, all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and the distributions declared and paid under the Plan to a person deemed to be a participant in the Amended DRIP will be automatically applied to the purchase of New Zargon Shares in accordance with the terms and conditions of the Amended DRIP.

DESCRIPTION OF CAPITAL STRUCTURE

Upon the completion of the Arrangement, including the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont contemplated therein, the authorized capital of New Zargon will consist of an unlimited number of common shares without nominal or par value (defined in the Information Circular as "**New Zargon Shares**") and 10,000,000 preferred shares without nominal or par value issuable in series (the "**Preferred Shares**"). The following is a summary of the rights, privileges, restrictions and conditions which will attach to the securities of New Zargon. **For a complete copy of the share provisions, see Schedule A and Schedule B to the Plan of Arrangement which is attached as Exhibit A to the Arrangement Agreement.**

The inclusion of Preferred Shares in the authorized capital of New Zargon is intended to provide it with the flexibility to raise a limited amount of future capital in the form of preferred shares. At the present time, management is not aware of any financing structures for oil and gas companies that involve the issuance of preferred shares. The Preferred Shares will not be utilized as a defense to any take-over bid.

New Zargon Shares

Holders of New Zargon Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of the corporation (other than meetings of a class or series of shares of New Zargon other than the New Zargon Shares as such).

Holders of New Zargon Shares will be entitled to receive dividends as and when declared by the board of directors of New Zargon on the New Zargon Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of New Zargon ranking in priority to the New Zargon Shares in respect of dividends.

Holders of New Zargon Shares will be entitled in the event of any liquidation, dissolution or winding-up of New Zargon, whether voluntary or involuntary, or any other distribution of the assets of New Zargon among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of New Zargon ranking in priority to the New Zargon Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of New Zargon ranking equally with the New Zargon Shares in respect of return of capital on dissolution, in such assets of New Zargon as are available for distribution.

Preferred Shares

The Preferred Shares may be issued in one or more series, at any time or from time to time. Before any shares of a particular series are issued, the Board of Directors of New Zargon will fix the number of shares that will form such series and will, subject to the limitations set out in the preferred share terms described below, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of New Zargon or otherwise, voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Preferred Shares or payment in respect of capital on any shares in the capital of New Zargon or creation or issue of debt or equity securities; the whole subject to filing of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series. Notwithstanding the foregoing: (a) the Board of Directors of New Zargon may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of Preferred Shares; and (b) other than in the case of a failure to declare or pay dividends specified in any series of the Preferred Share, the voting rights attached to the Preferred Shares will be limited to one vote per Preferred Share at any meeting where the Preferred Shares and Common Shares vote together as a single class.

CONSOLIDATED CAPITALIZATION

The following table sets forth as at September 30, 2010: (i) the consolidated capitalization of the Trust before giving effect to the completion of the Arrangement; and (ii) the unaudited pro forma consolidated capitalization of New Zargon after giving effect to completion of the Arrangement (including the amalgamation of ZEC, ZOGL, ZAC, ZEI and Oakmont). See also the Q3 Financial Statements which are incorporated by reference in this Information Circular.

Designation (Authorization)	The Trust Outstanding as at September 30, 2010 before giving effect to the Arrangement	New Zargon Outstanding as at September 30, 2010 after giving effect to the Arrangement
(amounts in millions of \$, except share and unit amounts)		
Zargon Credit Facilities ⁽¹⁾ (\$180)	\$98.29	\$98.29
Trust Units ⁽²⁾⁽³⁾ (unlimited)	23,796,455 (\$201.71)	–
New Zargon Shares ⁽⁴⁾⁽⁵⁾⁽⁶⁾ (unlimited)	–	26,812,302 (\$228.14)
Preferred Shares (10,000,000)	–	Nil –

Notes:

- (1) For additional information in respect of Zargon's credit facilities, see Note 5 in the Q3 Financial Statements. Zargon is in compliance in all material respects with the terms of the agreements governing its credit facilities.
- (2) As at September 30, 2010, Zargon had 1,610,125 TURIP Rights outstanding under the TURIP.
- (3) As at September 30, 2010, ZOGL also had 1,692,955 Exchangeable Shares outstanding. The Exchangeable Shares are convertible into Trust Units at the option of the holders of Exchangeable Shares, at any time, in accordance with the Exchange Ratio. The Exchange Ratio is increased on each distribution payment date by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the distribution, expressed as an amount per Trust Unit, paid on that date multiplied by the exchange ratio immediately prior to the record date for such distribution and having as its denominator the current market price (five day weighted average trading price) on the first business day following the record date for the distribution. Effective September 15, 2010, the Exchange Ratio was 1.78141.
- (4) Assumes that: (i) the same number of Securities are outstanding on the Effective Date as were outstanding on September 30, 2010; (ii) the Exchange Ratio on the Effective Date is the same as the Exchange Ratio on September 30, 2010; and (iii) no Dissent Rights are exercised.
- (5) In addition, as at September 30, 2010 after giving effect to the Arrangement (and assuming that the number of New TURIP Rights outstanding immediately following the Effective Time is the same as the number of TURIP Rights outstanding on September 30, 2010), an aggregate of 1,610,125 New Zargon Shares would be issuable on exercise of rights outstanding under the Amended TURIP.
- (6) The stated capital of the New Zargon Shares is anticipated to be reduced on the Effective Date in connection with the Plan to \$170 million.

ZARGON SHARE AWARD PLAN

The New Zargon Share Award Plan will be considered by Trust Securityholders for approval at the Meeting. The New Zargon Share Award Plan will authorize the board of directors of New Zargon to issue New Zargon Share Awards to eligible officers, employees, consultants and other service providers of New Zargon and its subsidiaries. A draft copy of the New Zargon Share Award Plan is set out in Appendix "E" to the Information Circular and a detailed description of the New Zargon Share Award Plan is provided in the Information Circular under the heading "*Other Matters to be Considered at the Meeting – Description of the New Zargon Share Award Plan*" and "*Other Matters to be Considered at the Meeting – Securityholder Approval of the New Zargon Share Award Plan*".

PRIOR SALES

No securities of New Zargon have been issued prior to the date hereof.

TRADING PRICE AND VOLUME

The New Zargon Shares are not currently traded or quoted on a Canadian marketplace. The TSX has conditionally approved the listing of the New Zargon Shares to be issued in connection with the Arrangement, subject to New Zargon fulfilling the requirements of the TSX.

ESCROWED SECURITIES

No securities of any class of securities of New Zargon are anticipated to be held in escrow following the completion of the Arrangement.

PRINCIPAL SHAREHOLDERS

Immediately following completion of the Arrangement, to the best of knowledge of the directors and officers of ZOGL as of the date of the Information Circular, there is no person or company who will beneficially own, directly or indirectly, or exercise control or direction, over securities carrying more than 10% of the voting rights attached to any class of voting securities of New Zargon.

DIRECTORS AND EXECUTIVE OFFICERS

Following the completion of the Arrangement, it is anticipated that Board of Directors of New Zargon will be comprised of all of the current members of the Board of Directors of ZOGL and that the executive officers of New Zargon will be the same as the current executive officers of ZOGL. See "*Corporate Governance – Directors and Officers*", "*Corporate Governance - Cease Trade Orders, Bankruptcies or Penalties or Sanctions*" and "*Corporate Governance – Conflicts of Interest*" in the Zargon AIF and "*Matters to be Acted Upon at the Meeting - Election of Directors*" in the 2010 Circular, each of which are incorporated by reference in this Information Circular.

On May 12, 2010, Zargon announced that Mark Lake, Vice President, Geosciences and West Central Alberta had announced his retirement effective April 15, 2010 but would continue to provide consulting services on specific projects.

On August 11, 2010, Zargon announced that C.L. (Chuck) Buckley had been appointed appointment as Vice President, Geosciences effective June 1, 2010. Mr. Buckley is a professional geologist with over 30 years experience and was most recently a Senior Vice President with a mid-sized oil and gas company in Calgary. Zargon also announced that during the same quarter, Dan Roulston, Vice President Engineering and Williston Basin, had announced his retirement effective June 30, 2010.

On September 30, 2010, Zargon announced that Mr. Brent C. Heagy, the former Executive Vice President and Chief Financial Officer of ZOGL had resigned to pursue other career opportunities and that Mr. Jason B. Dranchuk had been appointed in his place as Vice President, Finance and Chief Financial Officer. Prior to assuming his current position, Mr. Dranchuk was Vice President, Finance and Controller of ZOGL since June 2002. Prior thereto, Mr. Dranchuk was the Controller for two major energy service companies and worked with public accounting practices in Calgary and Saskatoon. Mr. Dranchuk graduated from the University of Saskatchewan with a bachelor of Commerce degree in 1993 and received his Certified Management Accountant designation in 1995 and his Chartered Accountant designation in 1997.

After giving effect to the Arrangement, and based on certain assumptions, the number of New Zargon Shares beneficially owned, directly or indirectly, by all of the proposed directors and executive officers of New Zargon and their associates following completion of the Arrangement will be an aggregate of approximately 1,786,685 New Zargon Shares representing approximately 7% of the outstanding New Zargon Shares (using the Exchange Ratio effective as of October 15, 2010 and assuming the same number of Securities are outstanding at the Effective Date as of the date hereof and that no Dissent Rights are exercised).

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The proposed directors and executive officers of New Zargon are currently compensated by ZOGL. New Zargon's compensation policies are expected to be similarly structured to those of ZOGL. The main differences will be that there will be no new grants of rights under the Amended TURIP, the TURIP will be discontinued and subject to approval by Securityholders, the New Zargon Share Award will be implemented. See "*Executive Compensation*" in the 2010 Circular and "*Other Matters to be Considered at the Meeting – Approval of the New Zargon Share Award Plan*" in the Information Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Following completion of the Arrangement, it is expected that there will exist no indebtedness of the directors or executive officers of New Zargon, or any of their associates, to New Zargon, nor any indebtedness of any of such persons to another entity which will be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New Zargon.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Following the completion of the Arrangement it is anticipated that New Zargon will substantially adopt the Audit Committee and Corporate Governance policies of ZOGL. See "*Statement of Corporate Governance Practices*" in the 2010 Circular and "*Audit Committee Information*" in the Zargon AIF.

In connection with the Arrangement and in accordance with the requirements of the ABCA, New Zargon will adopt the by-laws set forth in Schedule C to the Plan of Arrangement, attached as Exhibit A to Appendix C of the Information Circular, relating generally to the conduct of its business and affairs. The by-laws provide that, among other things, two persons present and holding or representing by proxy twenty-five percent (25%) of the New Zargon Shares entitled to vote at a meeting of shareholders shall be a quorum. **For a complete copy of the by-laws, see Schedule C to the Plan of Arrangement which is attached as Exhibit A to Appendix C of the Information Circular.**

INDUSTRY REGULATIONS

Industry regulations related to the business of Trust will generally apply to New Zargon after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of New Zargon will be subject to various industry regulations as set forth under the heading "*Industry Conditions*" in the Zargon AIF, which is incorporated by reference in this Information Circular. Investors should carefully consider the information contained herein and in the materials incorporated by reference.

RISK FACTORS

An investment in New Zargon should be considered highly speculative due to the nature of New Zargon's activities. Investors should carefully consider the following:

Risk factors related to the business of the Trust will generally continue to apply to New Zargon after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and investment in, New Zargon will be subject to various risk factors set forth under the headings "*Risk Factors*" in the Information Circular and "*Risk Factors*" in the Zargon AIF which is incorporated by reference in the Information Circular. Investors should consider carefully the information contained herein and in the materials incorporated by reference.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of ZOGL, as at the date hereof, following the completion of the Arrangement, there will be no legal proceedings that New Zargon will be a party to, or that any of its property will be the subject of, that will be material to New Zargon, and there are no such material legal proceedings known to be contemplated. See "*Information Concerning the Zargon Entities – Legal Proceedings and Regulatory Actions*" in the Zargon AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Information Circular or this Appendix D, none of the directors or executive officers of ZOGL or the proposed directors or executive officers of New Zargon, or any person or company that will be the direct or indirect owner of, or will exercise control or direction of, more than 10% of any class or series of New Zargon's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction within the three years before the date of the Information Circular or any proposed transaction that has materially affected or will materially affect New Zargon.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors for New Zargon will be Ernst & Young LLP, Chartered Accountants, Suite 1000, 440 – 2nd Avenue S.W., Calgary, Alberta T2P 5E9.

Transfer Agent and Registrar

The transfer agent and registrar for the New Zargon Shares will be Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Other than the credit agreement dated September 30, 2005, as amended, amended and restated or otherwise supplemented from time to time, currently among ZOGL, Zargon Acquisition Inc. and certain lenders in respect of Zargon's \$180 million syndicated credit facilities, which agreement is described in Note 5 to the Q3 Financial Statements and contracts entered into in the ordinary course of business, there are no contracts to which New Zargon will become a party following completion of the Arrangement, that can reasonably be regarded as material to a proposed investor in the New Zargon Shares.

A copy of the above noted material contracts is available on SEDAR at www.sedar.com and may also be inspected at the registered office of New Zargon to be located at Suite 700, 333 – 5th Avenue S.W., Calgary, Alberta T2P 3B6, during normal business hours.

APPENDIX E

NEW ZARGON SHARE AWARD PLAN

**ZARGON OIL & GAS LTD.
SHARE AWARD INCENTIVE PLAN**

The Board of Directors of Zargon Oil & Gas Ltd. ("**Zargon**") has adopted this Share Award Incentive Plan (the "**Plan**") governing the issuance of Share Awards (as defined herein) of Zargon to Employees (as defined herein).

1. Purposes

The principal purposes of the Plan are as follows:

- (a) to retain and attract qualified Employees that Zargon and Zargon Entities require; and
- (b) to promote a proprietary interest in Zargon by such Employees and to encourage such persons to remain in the employ or service of Zargon and Zargon Entities and put forth maximum efforts for the success of the affairs of Zargon and the business of Zargon Entities.

2. Definitions

As used in this Plan, the following words and phrases shall have the meanings indicated:

- (a) "**Adjustment Ratio**" means, with respect to any Share Award, the ratio used to adjust the number of Common Shares to be issued on the applicable Issue Date pertaining to such Share Award determined in accordance with the terms of the Plan, and, in respect of each Share Award, shall initially be equal to one and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Record Date, by an amount, rounded to the nearest four decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Common Share, declared on that Dividend Record Date, and having as its denominator the Fair Market Value of the Common Shares on the trading day immediately preceding the Dividend Payment Date;
- (b) "**Black-Out Extension Term**" means ten (10) Business Days from the date that any Black-Out Period ends;
- (c) "**Black-Out Period**" means a period of time imposed by Zargon upon certain or all Employees during which those persons may not trade in any securities of Zargon;
- (d) "**Board**" means the board of directors of Zargon as it may be constituted from time to time;
- (e) "**Business Day**" means a day other than a Saturday, Sunday or a day when the Exchange is not open for business or trading;
- (f) "**Cessation Date**" means the date that is the earlier of: (i) the date of the Employee's termination or resignation as the case may be; or (ii) the date that the Employee ceases to be in the active performances of the usual and customary day-to-day duties of the Employee's position or job, regardless of whether adequate or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being an Employee;
- (g) "**Change of Control**" means:
 - (i) a successful "take-over bid" (as defined in the *Securities Act* (Alberta), as amended, or any successor legislation thereto) pursuant to which the "offeror" as a result of such takeover bid, beneficially owns, directly or indirectly, in excess of 50% of the issued and outstanding Common Shares;

- (ii) the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly, including through an arrangement or other form of reorganization, of Common Shares which in the aggregate total 50% or more of the then issued and outstanding Common Shares;
- (iii) the completion of an arrangement, merger or other form of reorganization of Zargon where the holders of the outstanding voting securities or interests of Zargon immediately prior to the completion of the arrangement, merger or other reorganization will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of the arrangement, merger or other form of reorganization; or
- (iv) the winding up or termination of Zargon or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of Zargon to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of Zargon is continued and where the securityholdings in the continuing entity are such that the transaction would not be considered a "Change of Control" if paragraph (iii) above were applicable to the transaction),

provided that notwithstanding the application of any of the foregoing, a "**Change of Control**" shall be deemed to not have occurred if a majority of the Board, in good faith, determines that in substance the arrangement or reorganization has occurred or the circumstances are such that a Change of Control was not intended to occur in the particular circumstances in question and any such determination shall be binding and conclusive for all purposes of the Plan;

- (h) "**Committee**" has the meaning set forth in **Section 3** hereof;
- (i) "**Common Shares**" means the common shares of Zargon;
- (j) "**Dividend**" means any dividend paid by Zargon in respect of the Common Shares, whether in the form of cash, Common Shares or other securities or other property expressed as an amount per Common Share;
- (k) "**Dividend Payment Date**" means any date that a Dividend is paid to Shareholders;
- (l) "**Dividend Record Date**" means the applicable record date in respect of any Dividend used to determine the Shareholders entitled to receive such Dividend;
- (m) "**Employee**" means certain directors, officers and employees of Zargon and any Zargon Entity;
- (n) "**Exchange**" means the Toronto Stock Exchange and such other stock exchange(s) on which the Common Shares are then listed and posted for trading from time to time;
- (o) "**Expiry Date**" means the date determined by the Committee (not to exceed five (5) years from the Grant Date, subject to extension in accordance with **Section 6(c)(i)**), in connection with each Share Award made pursuant to the Plan upon which Common Shares awarded thereunder shall be issued to the Grantee of such Share Award if they have not been exercised by the Grantee;
- (p) "**Fair Market Value**" with respect to a Common Share, as at any date means the weighted average of the prices at which the Common Shares traded on the Exchange (or, if the Common Shares are not then listed and posted for trading on the Exchange or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Committee in its sole discretion) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Committee in its sole discretion, acting reasonably and in good faith;
- (q) "**Grant Date**" means the grant date for a Share Award;

- (r) **"Grantee"** has the meaning set forth in **Section 4** hereof;
- (s) **"Insider"** has the meaning set forth in the applicable rules of the Exchange for this purpose;
- (t) **"Issue Date"** means, with respect to any Share Award, the date upon which Common Shares awarded thereunder shall be issued to the Grantee of such Share Award;
- (u) **"Leave of Absence"** means an Employee being absent from active employment or active service as a result of sabbatical, disability, education leave, maternity or parental leave, or any other form of leave approved by the Committee;
- (v) **"Non-Management Director"** means a director of Zargon who is not an officer or employee of Zargon or a Zargon Entity;
- (w) **"Share Award"** means a share award made pursuant to the Plan;
- (x) **"Share Award Agreement"** has the meaning set forth in **Section 6** hereof;
- (y) **"Shareholder"** means a holder of Common Shares;
- (z) **"TURIPs"** means the trust unit incentive rights plan of Zargon Energy Trust made effective as of July 15, 2004, as amended on April 26, 2007 and the trust unit rights incentive plan of Zargon Energy Trust made effective as of April 22, 2009, as each may be amended, modified or terminated;
- (aa) **"Vested"** means that the applicable vesting conditions in relation to a whole or percentage of the number of Common Shares covered by a Share Award determined by the Committee in connection with each Share Award made pursuant to the Plan, have been met and **"Vesting"** has a comparable meaning;
- (bb) **"Vesting Date"** means a date on which the applicable time and/or any other condition for a Share Award becoming Vested are met; and
- (cc) **"Zargon Entities"** means, collectively, any of Zargon's subsidiaries, partnerships, trusts or other controlled entities.

3. Administration

The Plan shall be administered by the Compensation Committee of the Board (the **"Committee"**), provided that the Board shall have the authority to appoint itself or another committee of the Board to administer the Plan. In the event that the Board appoints itself or another committee of the Board to administer the Plan, all references in the Plan to the Committee will be deemed to be references to the Board or such other committee of the Board, as applicable.

The Committee shall have the authority in its sole discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan subject to and not inconsistent with the express provisions of this Plan and of **Section 10** hereof, including, without limitation:

- (a) the authority to grant Share Awards;
- (b) to determine the Fair Market Value of the Common Shares on any date;
- (c) to determine the Grant Date for Share Awards, if not the date on which the Committee determines to grant such Share Awards;

- (d) to determine the Employees to whom, and the time or times at which Share Awards shall be granted and shall become issuable;
- (e) to determine the number of Common Shares to be covered by each Share Award in accordance with **Section 4** hereof;
- (f) to determine Vesting conditions;
- (g) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (h) to interpret the Plan;
- (i) to determine the terms and provisions of Share Award Agreements (which need not be identical) entered into in connection with Share Awards; and
- (j) to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may delegate to one or more of its members, to the President and Chief Executive Officer of the Corporation, the Vice President, Finance and Chief Financial Officer or to one or more agents such duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Section, the Committee's decision to approve the grant of a Share Award in any period shall not require the Committee to approve the grant of a Share Award to any Employee in any other period; nor shall the Committee's decision with respect to the size or terms and conditions of a Share Award in any period require it to approve the grant of a Share Award of the same or similar size or with the same or similar terms and conditions to any Employee in any other period. The Committee shall not be precluded from approving the grant of a Share Award to any Employee solely because such Employee may previously have been granted a Share Award under this Plan or any other similar compensation arrangement of Zargon or a Zargon Entity. No Employee has any claim or right to be granted a Share Award.

4. Eligibility and Share Award Determination

In determining the Employees to whom Share Awards may be granted ("**Grantees**") and the number of Common Shares to be covered by each Share Award, the Committee may take into account such factors as it shall determine in its sole discretion.

Participation of an Employee in the Plan is voluntary. For greater certainty, a transfer of employment or services between Zargon and a Zargon Entity or between Zargon Entities shall not be considered an interruption or termination of the employment of an employee for any purpose of the Plan.

5. Reservation of Common Shares

Unless otherwise approved by the Shareholders, the number of Common Shares reserved for issuance from time to time pursuant to outstanding Share Awards granted and outstanding under the Plan shall not exceed the lesser of: (a) a number of Common Shares equal to 5% of the aggregate number of issued and outstanding Common Shares; and (b) a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares less Common Shares reserved for issuance under the TURIPs. This prescribed maximum may be subsequently increased to any specified amount, provided the increase is authorized by a vote of the Shareholders.

If any Share Awards granted under this Plan shall expire, terminate or be cancelled for any reason without having been settled in full, any unissued Common Shares to which such Share Awards relate shall be available for the purposes of the granting of further Share Awards under this Plan.

6. Terms and Conditions of Share Awards

Each Share Award granted under the Plan shall be subject to the terms and conditions of the Plan and evidenced by a written agreement between Zargon and the Grantee (a "**Share Award Agreement**") which agreement shall comply with, and be subject to, the requirements of the Exchange and the following terms and conditions (and with such other terms and conditions as the Committee, in its discretion, shall establish):

- (a) **Number and Type of Share Awards** – The Committee shall determine the number of Common Shares to be awarded to a Grantee pursuant to the Share Award (subject to adjustment in accordance with **Section 6(c)(ii)**) in accordance with the provisions set forth in **Section 4** of the Plan.
- (b) **Limitations on Share Awards** – No one Employee may be granted any Share Award which, together with all Share Awards then held by such Grantee, would entitle such Grantee to receive a number of Common Shares which is greater than 10% of the issued and outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to Insiders at any time, under all security based compensation arrangements of Zargon, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to Insiders, within any one year period, under all security based compensation arrangements of Zargon, shall not exceed 10% of the issued and outstanding Common Shares. The participation of each Non-Management Director in the Share Award Plan is limited to the lesser of (a) 1% of the issued and outstanding Common Shares; and (b) an annual equity award value of \$100,000, with the value of each Share Award calculated at the time of grant.
- (c) **Vesting Dates, Expiry Dates and Adjustment of Share Awards**
 - (i) Subject to Section 6(f) hereof, with respect to any Share Award, the Vesting Dates in respect of Share Awards issued pursuant to the Plan shall be as follows unless otherwise determined by the Committee (and, for greater certainty, the Committee may in its sole discretion impose additional or different conditions to the determination of the Vesting Date(s) in respect of or the issue of Common Shares pursuant to any Share Award):
 - (A) as to one-quarter of the Common Shares awarded pursuant to such Share Award, on the first anniversary of the grant date of the Share Award;
 - (B) as to one-quarter of the Common Shares awarded pursuant to such Share Award, on the second anniversary of the grant date of the Share Award;
 - (C) as to one-quarter of the Common Shares awarded pursuant to such Share Award, on the third anniversary of the grant date of the Share Award; and
 - (D) as to the remaining one-quarter of the Common Shares awarded pursuant to such Share Award, on the fourth anniversary of the grant date of the Share Award;

provided however, that:

 - (I) if a Grantee is on a Leave of Absence in excess of three (3) months before any of the Vesting Dates referred to in paragraphs (A), (B), (C) and (D) above, such Vesting Date or Vesting Dates shall be extended by that portion of the duration of the period of the Leave of Absence that is in excess of three (3) months, provided that if any such extension would cause the Vesting Date or Vesting Dates to extend beyond the Expiry Date, the Share Awards that would otherwise

vest on such Vesting Date or Vesting Dates shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee;

- (II) if a Black-Out Period has been imposed upon a Grantee, such Expiry Dates shall be extended to the last day of the Black-Out Extension Term; and
 - (III) in the event of any Change of Control prior to the Vesting Dates and regardless of whether or not a Grantee is on a Leave of Absence, all Common Shares awarded pursuant to any Share Awards to a Grantee that have not yet been issued as of such time shall be Vested on the earlier of (i) the next applicable Expiry Date determined in accordance with the above provisions; and (ii) the date which is immediately prior to the date upon which a Change of Control is completed.
- (ii) Immediately prior to each Issue Date, the number of Common Shares to be issued on such Issue Date shall, if applicable, be adjusted by multiplying such number by the Adjustment Ratio applicable in respect of such Share Award.
 - (iii) Notwithstanding any other provision of this Plan, but subject to the limits described in **Section 5** and **Section 6(b)** hereof and any other applicable requirements of the Exchange or other regulatory authority, the Committee hereby reserves the right to make any additional adjustments to the number of Common Shares to be issued pursuant to any Share Award if, in the sole discretion of the Committee, such adjustments are appropriate in the circumstances having regard to the principal purposes of the Plan and terms of the Share Award.
 - (iv) Notwithstanding any other provision of this Plan, the Committee may, in its sole discretion, determine that a Share Award is vested in relation to all or a percentage of the Common Shares covered thereby for all or any Share Awards at any time and from time to time.
- (d) **Issuance of Common Shares** – Subject to **Section 5**, the number of Common Shares that are issuable to the Grantee on the Issue Date shall be acquired by Zargon on the Exchange or issued from treasury, or a combination thereof, at the discretion of Zargon, provided, however, that the aggregate number of Common Shares that may be so acquired on the Exchange within any twelve month period shall not exceed 5% of the outstanding Common Shares as at the beginning of such period, as fully paid and non-assessable shares valued at not less than the Fair Market Value of the number of Common Shares covered by the Share Award at the Grant Date. No fractional Common Shares will be issued and all fractional entitlements shall be rounded to the nearest whole number.
- (e) **Delivery of Common Shares**: Zargon shall cause the certificates representing the issued Common Shares to the Grantee or a designated account of the Grantee (or as the Grantee may direct) subject to **Section 7** hereof, and sent by prepaid mail or delivered to the direction of the Grantee:
- (i) as soon as practicable following a Vesting Date and upon receipt of a notice of exercise from a Grantee in respect of the exercise of all or a portion of the Common Shares covered by such Share Award which are Vested; or
 - (ii) immediately prior to the Expiry Date, as it may be extended in accordance with **Section 6(c)(i)**;

such date, in each case, being the Issue Date. Notwithstanding the foregoing, unless otherwise approved by the Board, all Common Shares issued to a Grantee on a Leave of Absence shall be held in escrow by Zargon and released to the Grantee after the Leave of Absence ends. Any Common Shares that have not been released on or before the fifth (5th) anniversary of the grant date of the applicable Share Award shall be returned to Zargon for cancellation.

- (f) ***Termination of Relationship as Employee*** – Unless otherwise determined by the Committee or unless otherwise expressly set forth in a Share Award Agreement pertaining to a particular Share Award or any written employment or consulting agreement governing a Grantee's role as an Employee, the following provisions shall apply in the event that a Grantee ceases to be an Employee:
- (i) ***Termination*** – If a Grantee ceases to be an Employee for any reason whatsoever, including termination without cause, other than the death or disability of the Employee (as contemplated under (ii)), there shall be no further vesting of any of such Grantee's Share Awards following the Cessation Date and all outstanding Share Award Agreements under which Share Awards have been made to such Grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee effective as of the earlier of (a) the date that is 30 days from the Cessation Date plus any Black-Out Extension Term if a Black-Out is in effect at the end of such 30 day period; and (b) the Expiry Date otherwise relating to such Share Award.
 - (ii) ***Termination Upon Death or Disability*** – Upon the death or disability of a Grantee, there shall be no further vesting of any of such Grantee's Share Awards following the Cessation Date and all outstanding Share Award Agreements under which Share Awards have been made to such Grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee effective as of the earlier of (a) the date that is six months from the Cessation Date and (b) the Expiry Date otherwise relating to such Share Award.

Notwithstanding the foregoing, in the event that the provisions of this **Section 6(f)** conflict with or are inconsistent with the express terms of a written employment agreement (an "**Executive Employment Agreement**") between an executive officer of Zargon and Zargon, the terms of such Executive Employment Agreement shall govern.

- (g) ***Rights as a Shareholder*** – Until the Common Shares granted pursuant to any Share Award have been issued in accordance with the terms of the Plan, the Grantee to whom such Share Award has been made shall not possess any incidents of ownership of such Common Shares including, for greater certainty and without limitation, the right to receive Dividends on such Common Shares and the right to exercise voting rights in respect of such Common Shares. Such Grantee shall only be considered a Shareholder in respect of such Common Shares when such issuance has been entered upon the records of the duly authorized transfer agent of Zargon.
- (h) ***Treatment of Non-Cash Dividends*** – Subject to the approval of the Exchange, in the case of a non-cash Dividend, including Common Shares or other securities or other property, the Committee may, in its sole discretion, determine that such non-cash Dividend be provided to the Share Award holder on the same basis as a holder of a Common Share with the same Dividend Record Date and Dividend Payment Date, regardless of the Share Award vesting date applicable to such Share Award, and, in such event, no adjustment to the Adjustment Ratio will be provided to the Share Award holder. The Committee may provide such non-cash Dividend to the Share Award holder in the same form as the non-cash Dividend received by a holder of a Common Share or a cash equivalent amount determined in the sole discretion of the Committee.

In the alternate case, where the Share Award holder does not participate in a non-cash Dividend as described above, the Committee will, in its sole discretion, determine the cash value of such non-cash Dividend to be applied to the Adjustment Ratio.

- (i) ***Effect of Certain Changes*** – In the event:
- (i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
 - (ii) that any rights are granted to all Shareholders to purchase Common Shares at prices substantially below the Fair Market Value; or

- (iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities,

then, in any such case, the Committee may, subject to any required approval of the Exchange, make such adjustments to the Plan, to any Share Awards and to any Share Award Agreements outstanding under the Plan as may be appropriate in the circumstances (including changing the Common Shares covered by each Share Award into other securities on the same basis as Common Shares are converted into or exchangeable for such securities in any such transaction) to prevent dilution or enlargement of the rights granted to Grantees hereunder.

7. Withholding Taxes

When a Grantee or other person becomes entitled to receive Common Shares or a cash payment in respect of any Share Award Agreement, Zargon or a Zargon Entity shall have the right to require the Grantee or person to remit to Zargon an amount sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Committee or by applicable law, satisfaction of the withholding tax obligation may be accomplished by any of the following methods or by a combination of such methods:

- (a) the tendering by the Grantee of a cash payment to Zargon in an amount less than or equal to the total withholding tax obligation; or
- (b) the withholding by Zargon or a Zargon Entity, as the case may be, from the Common Shares otherwise due to the Grantee such number of Common Shares as it determines are required to be sold by Zargon, as trustee, to satisfy the total withholding tax obligation (net of selling costs). The Grantee consents to such sale and grants to Zargon an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that Zargon does not accept responsibility for the price obtained on the sale of such Common Shares; or
- (c) the withholding by Zargon or a Zargon Entity, as the case may be, from any cash payment otherwise due to the Grantee such amount of cash as is less than or equal to the amount of the total withholding tax obligation;

provided, however, that the sum of any cash so paid or withheld and the Fair Market Value of any Common Shares so withheld is sufficient to satisfy the total withholding tax obligation.

8. Non-Transferability

The right to receive Common Shares pursuant to a Share Award granted to an Employee may only be exercised by such Employee personally or through the Employee's personal representative or estate and no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution), vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

9. Merger and Sale, etc.

In the event that Zargon enters into any transaction or series of transactions whereby Zargon or all or substantially all of Zargon's undertaking, property or assets would become the property of any other trust, body corporate, partnership or other person (a "**Successor**") whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless prior to or contemporaneously with the consummation of such transaction, Zargon and the Successor shall execute such instruments and do such things as are necessary, if any, to establish that upon the consummation of such transaction the Successor will have assumed all the covenants and obligations of Zargon under this Plan and the Share Award Agreements outstanding on consummation of such transaction in a manner that substantially preserves and does not impair the rights of the

Grantees thereunder in any material respect (including the right to receive shares, securities, cash or other property of the Successor in lieu of Common Shares upon the subsequent vesting of Share Awards). Subject to compliance with this **Section 9**, any such Successor shall succeed to, and be substituted for, and may exercise every right and power of Zargon under this Plan and such Share Award Agreements with the same effect as though the Successor had been named as Zargon herein and therein and thereafter, Zargon shall be relieved of all obligations and covenants under this Plan and such Share Award Agreements and the obligation of Zargon to the Grantees in respect of the Share Awards shall terminate and be at an end and the Grantees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon vesting of the Share Awards.

10. Amendment and Termination of Plan

This Plan and any Share Awards granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of Shareholders subject to any required approval of the Exchange. The Committee may vary the Vesting Dates and Expiry Dates under the Plan provided that the duration of any Share Awards shall not exceed seven (7) years. Notwithstanding the foregoing, the Plan or any Share Award may not be amended without Shareholder approval to:

- (a) increase the number of Common Shares issuable on exercise of outstanding Share Awards at any time pursuant to **Section 5** hereof;
- (b) extend the Expiry Date of any outstanding Share Awards;
- (c) permit a Grantee to transfer or assign Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) amend the limits on Non-Management Directors contained in Section 6(b);
- (e) increase the number of Common Shares that may be issued to Insiders above the restriction contained in **Section 6(b)**; or
- (f) amend this **Section 10** to delete any of (a) through (e) above.

In addition, no amendment to the Plan or Share Awards granted pursuant to the Plan may be made without the consent of the Grantee, if it adversely alters or impairs the rights of any Grantee in respect of any Share Award previously granted to such Grantee under the Plan.

11. Miscellaneous

- (a) ***Effect of Headings*** – The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.
- (b) ***Compliance with Legal Requirements*** – Zargon shall not be obliged to issue any Common Shares if such issuance would violate any law or regulation or any rule of any government authority or stock exchange. Zargon, in its sole discretion, may postpone the issuance or delivery of Common Shares under any Share Award as the Committee may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Common Shares in compliance with applicable laws, rules and regulations. Zargon shall not be required to qualify for resale pursuant to a prospectus or similar document any Common Shares awarded under the Plan, provided that, if required, Zargon shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of the Plan and the granting of Share Awards hereunder in accordance with any such requirements.
- (c) ***No Right to Continued Employment*** – Nothing in the Plan or in any Share Award Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of Zargon or

any Zargon Entities, to be entitled to any remuneration or benefits not set forth in the Plan or a Share Award Agreement or to interfere with or limit in any way the right of Zargon or any Zargon Entity to terminate Grantee's employment or service arrangement with Zargon or any Zargon Entity.

- (d) ***Ceasing to be a Zargon Entity*** – Except as otherwise provided in this Plan, Share Awards granted under this Plan shall not be affected by any change in the relationship between or ownership of Zargon and a Zargon Entity. For greater certainty, all Share Awards remain valid and exercisable in accordance with the terms and conditions of this Plan and are not affected by reason only that, at any time, any corporation, partnership or trust ceases to be a Zargon Entity.
- (e) ***Grantee Information*** - Each Grantee shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer the Plan. Each Grantee acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to the Committee or its appointed administrator and other third parties in connection with the administration of the Plan. Each Grantee consents to such disclosure and authorizes the Corporation to make such disclosure on the Grantee's behalf.
- (f) ***Expenses*** – All expenses in connection with the Plan shall be borne by Zargon.

12. Governing Law

The Plan shall be governed by and construed in accordance with the laws in force in the Province of Alberta.

13. Effective Date

This Plan was approved by the Board on November 10, 2010 and shall take effect on January 1, 2011 subject to the acceptance of the Plan by the Exchange and any other relevant regulatory authorities and approval of the Shareholders.

14. Further Approvals

All unallocated entitlements under the Plan must be approved by Shareholders in the third year following the initial approval by Shareholders of this Plan and every three years thereafter.

APPENDIX F

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

- 191(1) Subject to Sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under Section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (c) amalgamate with another corporation, otherwise than under Section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under Section 189, or
 - (e) sell, lease or exchange all or substantially all its property under Section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under Section 176, other than Section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of his right to dissent.
- (6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5)
- to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
 - (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders, and
 - (c) fixing the time within which the corporation must pay that amount to a shareholder.

- (14) On:
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13);
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,
- notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.
- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.