FINANCIAL & OPERATING HIGHLIGHTS

	Three Months Ended March 31,		
(unaudited)	**2009**	2008	Percent Change
Financial			
Income and Investments ($ millions)			
Petroleum and natural gas revenue	**31.98**	52.24	(39)
Funds flow from operating activities	**17.85**	24.75	(28)
Cash flows from operating activities	**15.73**	15.27	3
Cash distributions	**10.03**	9.55	5
Net earnings	**0.37**	4.56	(92)
Net capital expenditures	**13.44**	59.61	(77)
Per Unit, Diluted			
Funds flow from operating activities ($/unit)	**0.84**	1.23	(32)
Cash flows from operating activities ($/unit)	**0.74**	0.76	(3)
Net earnings ($/unit)	**0.02**	0.26	(92)
Cash Distributions ($/trust unit)	**0.54**	0.54	–
Balance Sheet at Period End ($ millions)			
Property and equipment, net	**385.76**	366.43	5
Bank debt	**85.78**	92.18	(7)
Unitholders' equity	**214.55**	170.70	26
Total Units Outstanding at Period End (millions)	**21.34**	20.41	5
Operating			
Average Daily Production			
Oil and liquids (bbl/d)	**4,560**	4,171	9
Natural gas (mmcf/d)	**27.92**	29.06	(4)
Equivalent (boe/d)	**9,213**	9,015	2
Equivalent per million trust units (boe/d)	**432**	446	(3)
Average Selling Price (before the impact of financial risk management contracts)			
Oil and liquids ($/bbl)	**42.97**	84.93	(49)
Natural gas ($/mcf)	**5.71**	7.56	(24)
Wells Drilled, Net	**7.4**	9.2	(20)
Undeveloped Land at Period End (thousand net acres)	**431**	414	4

Notes:

Throughout this report, the calculation of barrels of oil equivalent ("boe") is based on the conversion ratio that six thousand cubic feet of natural gas is equivalent to one barrel of oil. For a further discussion about this term, refer to the Management's Discussion and Analysis section in this report.

For net capital expenditures, amounts include capital expenditures acquired for cash, equity issuances, acquisition costs and net debt assumed on corporate acquisitions.

Funds flow from operating activities is a non-GAAP term that represents net earnings/losses and asset retirement expenditures except for non-cash items. For a further discussion about this term, refer to the Management's Discussion and Analysis section in this report.

Total units outstanding include trust units plus exchangeable shares outstanding at period end. The exchangeable shares are converted at the exchange ratio at the end of the period.

Average daily production per million trust units is calculated using the weighted average number of units outstanding during the period plus the weighted average number of exchangeable shares outstanding for the period converted at the average exchange ratio for the period.

FINANCIAL & OPERATING HIGHLIGHTS

Zargon Energy Trust is pleased to report its financial results for the first quarter of 2009. Funds flow from operating activities was $17.85 million ($0.84 per diluted trust unit) in the 2009 first quarter compared with $20.40 million ($0.97 per diluted trust unit) in the 2008 fourth quarter and $24.75 million ($1.23 per diluted trust unit) in the 2008 first quarter.

Highlights from the three months ended March 31, 2009 are noted below:

- First quarter 2009 production averaged 9,213 barrels of oil equivalent per day, two percent below the preceding quarter and an increase of two percent from the corresponding quarter of 2008. Lower first quarter production volumes were primarily due to natural declines and weather related outages and were partially offset by additional volumes from the tie-in of the prior quarter's Bellshill Lake infill and step-out drilling program. For the first three months of 2009, Zargon's production averaged 432 barrels of oil equivalent per day per million trust units outstanding compared to 446 barrels of oil equivalent per day per million trust units outstanding for both the prior quarter and corresponding quarter of 2008.
- Revenue and funds flow from operating activities in the 2009 first quarter decreased 22 percent and 13 percent, respectively, from the prior quarter. A decrease in realized oil prices of 20 percent and realized natural gas prices of 18 percent from the prior quarter were partially offset by realized risk management gains.
- The Trust declared three monthly cash distributions of $0.18 per trust unit in the first quarter of 2009 for a total of $10.03 million. These cash distributions were equivalent to a payout ratio of 64 percent of the Trust's first quarter funds flow from operating activities on a diluted trust unit basis and, after considering the effect of the exchangeable shares not receiving distributions, the distributions amounted to 56 percent of funds flow from operating activities.
- The Trust's first quarter exploration and development capital expenditures (excluding property acquisitions and dispositions) decreased 21 percent from the prior quarter to $12.78 million primarily as a result of reduced drilling, seismic and undeveloped land expenditures. In the first quarter, Zargon also completed four smaller property acquisitions for a total of $0.56 million.
- Debt net of working capital (excluding unrealized risk management assets/liabilities and future income taxes) increased five percent from the prior quarter to $91.92 million at March 31, 2009, which represents approximately 51 percent of the Trust's available credit facilities at March 31, 2009. The Trust's balance sheet remains strong with a debt net of working capital to annualized funds flow from operating activities ratio of 1.3 times.

On February 27, 2009, the Trust entered into an Arrangement Agreement pursuant to which Zargon agreed to acquire all the issued and outstanding common shares of Masters Energy Inc. ("Masters"). This corporate acquisition was completed on April 29, 2009, for a total consideration of approximately 1.475 million Zargon trust units, $5.70 million in cash and the assumption of approximately $13.20 million of net debt (including adjustments and transactions costs) for a total transaction value of approximately $41.40 million. This acquisition brings 1,230 barrels of oil equivalent per day of production along with a significant Alkaline Surfactant Polymer (ASP) tertiary oil recovery opportunity at the Little Bow oil property in Southern Alberta.

Production (1)

Oil and liquids production averaged 4,560 barrels per day in the 2009 first quarter, a three percent increase from the preceding quarter and a nine percent increase from the corresponding 2008 quarter. The increase in production volumes was primarily due to the completion and tie-in of Bellshill Lake infill and step-out wells drilled in the fourth quarter of 2008. Further oil production increases are anticipated for the balance of 2009 with the recently completed acquisition of 630 barrels of oil equivalent per day from the Masters acquisition being augmented by Williston Basin Steelman and Alberta Plains Taber oil exploitation drilling. With these additions and for the first time in recent history, Zargon's production in the remainder of the year will be more than 50 percent weighted to oil.

Natural gas production volumes in the first quarter of 2009 averaged 27.92 million cubic feet per day, a six percent decrease from the previous quarter and a four percent decrease from the corresponding period of 2008. The first quarter 2009 natural gas production decreased primarily due to natural declines, weather related outages and a redeployment of natural gas directed field capital to corporate and property acquisitions. For the remainder of the year, we anticipate natural gas production volumes will show a moderate increase as the addition of the 3.60 million cubic feet per day from the Masters properties will more than offset the natural declines experienced in the existing Zargon properties during this period of very low natural gas prices and consequently restricted natural gas capital programs.

Capital Expenditures (1)

Zargon's first quarter field capital program totalled $12.78 million, a 36 percent increase from the 2008 first quarter field capital expenditures. During the quarter Zargon drilled eight gross wells (7.4 net) that resulted in 2.9 net oil wells and 4.5 net natural gas wells for a 100 percent success ratio. The drilling program included three Jarrow natural gas exploration wells in the Alberta Plains, one Steelman horizontal and one Frys (Fertile) vertical well in the Williston Basin and finally two oil wells (Spirit River and Highvale) and one gas well (Rycroft) in the West Central Alberta core area.

During the 2009 summer months, Zargon will proceed with an oil exploitation focused drilling program that is currently planned to include three Steelman oil exploitation horizontal wells in the Williston Basin, two Taber oil exploitation horizontal wells. Also, in West Central Alberta a natural gas exploration well at Carrot Creek and three Alberta Plains Jarrow natural gas exploration wells are planned.

In the first quarter of 2009, the purchase of 13 thousand net acres of Crown lands at an average price of $38 per acre, allowed Zargon to increase its quarter end undeveloped land inventory to 431 thousand net acres, up 12 thousand net acres from the balance reported at the end of 2008. For the remainder of the year, Zargon will continue to be an active participant at Alberta Crown land sales during this period of low Crown land sale costs.

Recently, Zargon has taken advantage of the industry's currently lower property and corporate acquisition costs with the announcement and closing of the acquisition of Masters Energy Inc. During this period of opportunity, Zargon will continue to use its strong balance sheet and solid cash flows augmented by substantial hedge gains to pursue additional property and corporate acquisitions.

Guidance (1)

In the March 2, 2009 press release announcing the acquisition of Masters, Zargon provided updated production guidance of 9,300 barrels of oil equivalent per day initially, and then 10,200 barrels of oil equivalent per day for the remainder of 2009 after the acquisition of Masters which closed on April 29, 2009. During the first quarter, Zargon's production averaged 9,213 barrels of oil equivalent, approximately one percent lower than guidance. Production for the second quarter will be curtailed by a series of one time events, which include unusually severe Williston Basin spring access related shut-ins, a commodity price related accelerated battery and compressor facility turn-around schedule at the Alberta Plains Jarrow, Bellshill Lake, Taber and Little Bow properties, the shut in of selected high cost gas sweetening facilities and the temporary shut-in of last year's Highvale gassy oil discovery until the ERCB approves gas conservation credits. With the addition of the Masters volumes for two months, Zargon now anticipates second quarter 2009 production to average 9,500 barrels of oil equivalent per day. For the last six months of 2009, production is anticipated to increase to approximately 10,000 barrels of oil equivalent per day. This guidance continues to be premised on the previously announced oil exploitation focused 2009 field capital budget of $37 million. The allocation of the 2009 field capital program is $14 million to the Alberta Plains, $14 million to the Williston Basin and $9 million to the West Central Alberta core areas and includes the drilling of 24 net wells.

Zargon continues to be well positioned during this current period of lower commodity prices and related industry uncertainties with a continued strong balance sheet, attractive commodity hedge position and an inventory of promising exploitation, development and exploration opportunities that has recently been augmented by the Masters acquisition. We are pleased that our historical conservative hedging, debt and distribution policies have enabled our organization to maintain the current monthly $0.18 per unit distribution for 42 consecutive months. Going forward, Zargon will continue with its disciplined approach pertaining to the matching of our cash flow sources with our distributions and/or field capital and acquisition expenditure uses. To date during this commodity price downturn, we have been able to maintain distributions primarily due to our substantial 2009 positive hedges and the shape of the forward commodity price strip which indicates significantly improved pre-hedge cash flows in 2010. As we move towards December 2010, we will continue to carefully balance our projected cash flows with the competing uses for our cash resources, while recognizing that Zargon remains committed to our partial cash flow distributing model both before and after the trust sunset date.

Board of Directors Appointment

We are pleased to announce the appointment of Geoffrey C. Merritt to the Board of Directors of Zargon Oil & Gas Ltd. Mr. Merritt was previously President and Chief Executive Officer of Masters and we look forward to his contribution to the future success of Zargon.

(1) Please see comments on "Forward-Looking Statements" in the Management's Discussion and Analysis section in this report.

Management's discussion and analysis ("MD&A") is a review of Zargon Energy Trust's 2009 first quarter financial results and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2009 and the audited consolidated financial statements and related notes for the year ended December 31, 2008. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in Canadian dollars unless otherwise noted. All references to "Zargon" or the "Trust" refer to Zargon Energy Trust and all references to the "Company" refer to Zargon Oil & Gas Ltd.

In the MD&A, reserves and production are commonly stated in barrels of oil equivalent ("boe") on the basis that six thousand cubic feet of natural gas is equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalent conversion method primarily applicable to the burner tip and does not represent a value equivalent at the wellhead.

The following are descriptions of non-GAAP measures used in this MD&A:

- *The MD&A contains the term "funds flow from operating activities" ("funds flow"), which should not be considered an alternative to, or more meaningful than, "cash flows from operating activities" as determined in accordance with Canadian GAAP as an indicator of the Trust's financial performance. This term does not have any standardized meaning as prescribed by GAAP and, therefore, the Trust's determination of funds flow from operating activities may not be comparable to that reported by other trusts. The reconciliation between cash flows from operating activities and funds flow from operating activities can be found in the table below and in the consolidated statements of cash flows in the consolidated financial statements. The Trust evaluates its performance based on net earnings and funds flow from operating activities. The Trust considers funds flow from operating activities to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to pay distributions, repay debt and to fund future capital investment. It is also used by research analysts to value and compare oil and gas trusts, and it is frequently included in published research when providing investment recommendations. Funds flow from operating activities per unit is calculated using the diluted weighted average number of units for the period.*

Funds Flow from Operating Activities Reconciliation

	Three Months Ended March 31,	
($ millions)	**2009**	2008
Cash flows from operating activities	**15.73**	15.27
Changes in non-cash operating working capital	**2.12**	9.48
Funds flow from operating activities	**17.85**	24.75

- *The Trust also uses the term "debt net of working capital" or "net debt". Debt net of working capital, as presented, does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable with the calculation of similar measures for other entities. Debt net of working capital, as used by the Trust, is calculated as bank debt and any working capital deficit excluding unrealized risk management assets/liabilities and future income taxes.*

- *Operating netbacks per boe equal total petroleum and natural gas revenue per boe adjusted for realized risk management gains and/or losses per boe, royalties per boe and production costs per boe. Operating netbacks are a useful measure to compare the Trust's operations with those of its peers.*

- *Funds flow netbacks per boe are calculated as operating netbacks less general and administrative expenses per boe, interest and financing charges per boe, asset retirement expenditures per boe and current income taxes per boe. Funds flow netbacks are a useful measure to compare the Trust's operations with those of its peers.*

References to "production volumes" or "production" in this document refer to sales volumes.

Forward-Looking Statements – This document offers our assessment of Zargon's future plans and operations as at May 12, 2009, and contains forward-looking statements including:

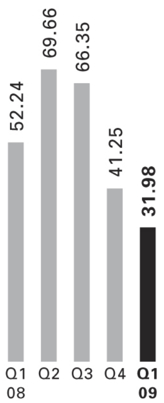
- *our expectations for production referred to under the heading "Financial & Operating Highlights";*
- *our expectations for royalties referred to under the headings "Financial Analysis" and "Business Risks";*
- *our expectations for production costs referred to under the heading "Financial Analysis";*
- *our expectations for current taxes referred to under the headings "Financial Analysis";*
- *our distribution policy referred to under the headings "Financial & Operating Highlights", "Cash Distributions", and "Liquidity and Capital Resources";*
- *our expected sources of funds for distributions and capital expenditures referred to under the headings "Liquidity and Capital Resources" and "Financial & Operating Highlights";*
- *our expectations of the impact of legislated modifications to Alberta Crown royalties referred to under the heading "Business Risks"; and*
- *our expectations for future commodity pricing and operating results referred to under the headings "Financial & Operating Highlights" and "Outlook".*

Such statements are generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof). By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including such as those relating to results of operations and financial condition, general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form, which is available on our website and at www.sedar.com. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

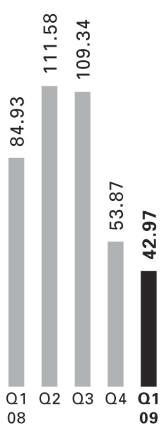
You are cautioned that the assumptions, including among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding our assets; our ability to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition, our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and acquisition activities used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is that Zargon disclaims, except as required by law, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This MD&A has been prepared as of May 12, 2009.

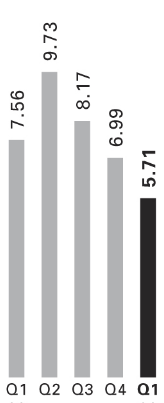
Petroleum and Natural Gas Revenue
($ millions)



Oil and Liquids Prices
($/bbl)



Natural Gas Prices
($/mcf)



SUMMARY OF SIGNIFICANT EVENTS IN THE FIRST QUARTER

- During the first quarter of 2009, the Trust realized funds flow from operating activities of $17.85 million and declared total distributions of $10.03 million ($0.54 per trust unit) to unitholders. For Canadian income tax purposes, the distributions are currently estimated to be 100 percent taxable income to unitholders.
- Average field prices received (before the impact of financial risk management contracts) for oil and liquids and for natural gas decreased 20 percent to $42.97 per barrel and 18 percent to $5.71 per thousand cubic feet, respectively, compared to the fourth quarter of 2008.
- First quarter production volumes were 9,213 barrels of oil equivalent per day, a two percent decrease from the fourth quarter 2008 production levels.
- During the first quarter of 2009, the Trust drilled eight gross wells (7.4 net) with a 100 percent success rate. Total field exploration and development capital expenditures (excluding property acquisitions and dispositions) were $12.78 million for the quarter compared to $16.17 million for the prior quarter.
- The Trust continues to maintain a strong balance sheet with a combined debt net of working capital (excluding unrealized risk management assets/liabilities and future income taxes) of $91.92 million, which represents slightly more than 50 percent of the Trust's available credit facilities at March 31, 2009.
- On February 27, 2009, Zargon entered into an Arrangement Agreement pursuant to which Zargon agreed to make an offer to acquire all the issued and outstanding common shares of Masters Energy Inc. ("Masters") and assume approximately $13.20 million of net debt (including transaction costs) subject to a number of conditions. Zargon successfully completed this corporate acquisition of Masters Energy Inc. on April 29, 2009. Pursuant to the Arrangement Agreement, Masters shareholders received approximately 1.475 million Zargon trust units and $5.70 million in cash. Tax pools acquired with the Masters transaction are estimated at $39 million.

FINANCIAL ANALYSIS

First quarter 2009 revenue of $31.98 million was 22 percent below the $41.25 million in the fourth quarter of 2008 and 39 percent below the $52.24 million in the first quarter of 2008. An 18 percent decrease in natural gas prices received, a 20 percent decrease in oil and liquids prices received and a two percent decline in production volumes were the primary reasons for the decreased revenues when compared to the prior quarter amounts. First quarter 2009 realized oil and liquids field prices averaged $42.97 per barrel before the impact of financial risk management contracts and were 20 percent lower than the preceding quarter's $53.87 per barrel and were 49 percent lower than the $84.93 per barrel recorded in the 2008 first quarter. Zargon's crude oil field price differential from the Edmonton par price decreased to $6.55 per barrel in the first quarter of 2009 compared to $9.34 per barrel in the fourth quarter of 2008. Natural gas field prices received averaged $5.71 per thousand cubic feet before the impact of financial risk management contracts in the first quarter of 2009, an 18 percent decrease from the preceding quarter levels and 24 percent below the 2008 first quarter prices. Zargon's realized field prices differ from the benchmark AECO average daily price due to a combination of fixed price physical contracts (See note 10 to the interim unaudited consolidated financial statements) and from the impact of Zargon receiving AECO monthly index pricing for a portion of its natural gas production.

Pricing

Average for the period	Three Months Ended March 31, 2009	2008	Percent Change
Natural Gas:			
NYMEX average daily spot price ($US/mmbtu)	**4.57**	8.67	(47)
AECO average daily spot price ($Cdn/mmbtu)	**4.95**	7.97	(38)
Zargon realized field price before the impact of financial risk management contracts ($Cdn/mcf)	**5.71**	7.56	(24)
Zargon realized field price before the impact of physical and financial risk management contracts ($Cdn/mcf)	**4.84**	7.73	(37)
Zargon realized field price after the impact of physical and financial risk management contracts ($Cdn/mcf)	**6.33**	7.90	(20)
Zargon realized natural gas field price differential/(premium) (1)	**(0.76)**	0.41	
Crude Oil:			
WTI ($US/bbl)	**43.08**	97.86	(56)
Edmonton par price ($Cdn/bbl)	**49.52**	97.50	(49)
Zargon realized field price before the impact of financial risk management contracts ($Cdn/bbl)	**42.97**	84.93	(49)
Zargon realized field price after the impact of financial risk management contracts ($Cdn/bbl)	**57.73**	75.00	(23)
Zargon realized oil field price differential (2)	**6.55**	12.57	

(1) Calculated as Zargon's realized field price before the impact of financial risk management contracts ($Cdn/mcf) as compared to AECO average daily spot price ($Cdn/mmbtu). Note: premiums may occur as a result of the realization of fixed price physical contracts and the impact of Zargon receiving AECO monthly index pricing for a portion of its natural gas production.

(2) Calculated as Zargon's realized field price before the impact of financial risk management contracts ($Cdn/bbl) as compared to Edmonton par price ($Cdn/bbl).

Oil and Liquids Production
(bbl/d)

Natural Gas Production
(mmcf/d)

Natural gas production volumes decreased by six percent in the first quarter of 2009 to 27.92 million cubic feet per day from 29.86 million cubic feet per day in the fourth quarter of 2008 and were four percent lower than the 2008 first quarter. When compared to the prior quarter, the 2009 first quarter decrease in natural gas production volumes were as a result of weather related shut-ins and natural production declines. Oil and liquids production during the first quarter of 2009 was 4,560 barrels per day, which is three percent above the 2008 fourth quarter rate of 4,434 barrels per day and nine percent above the first quarter of 2008 level. The year-over-year increase in oil and liquids was primarily due to production volume additions from the tie-in of wells drilled during the 2008 fourth quarter capital expenditure program. On a barrel of oil equivalent basis, Zargon produced 9,213 barrels of oil equivalent per day in the first quarter of 2009, which represents a two percent decrease from the 9,410 barrels of oil equivalent per day in the fourth quarter of 2008 and a two percent increase when compared to the first quarter of 2008.

Production by Core Area

Three Months Ended March 31,	**2009**			2008		
	Oil and Liquids (bbl/d)	**Natural Gas (mmcf/d)**	**Equivalents (boe/d)**	Oil and Liquids (bbl/d)	Natural Gas (mmcf/d)	Equivalents (boe/d)
Alberta Plains	**1,395**	**17.16**	**4,255**	1,134	19.36	4,361
West Central Alberta	**377**	**10.32**	**2,097**	240	9.30	1,790
Williston Basin	**2,788**	**0.44**	**2,861**	2,797	0.40	2,864
	4,560	**27.92**	**9,213**	4,171	29.06	9,015

Zargon's commodity price risk management policy, which is approved by the Board of Directors, allows the use of forward sales, costless collars and other instruments up to a 24 month term for a targeted range of 20 to 30 percent of oil and natural gas working interest production in order to partially offset the effects of large commodity price fluctuations. Zargon's management considers financial risk management contracts to be effective on an economic basis, but has decided not to designate these contracts as hedges for accounting purposes and, accordingly, for these contracts, an unrealized gain or loss is recorded based on the fair value (mark-to-market) of the contracts at the period end.

Specifically, in the 2009 first quarter, relatively lower oil and natural gas prices brought about a net realized financial risk management gain totalling $7.63 million, consisting of a $1.57 million gain on natural gas contracts and a $6.06 million gain on oil contracts (foreign exchange contracts are considered in conjunction with the oil contracts), that compares to a $4.11 million realized net gain in the fourth quarter of 2008 and a $2.87 million realized net loss in the first quarter of 2008.

The 2009 first quarter unrealized risk management loss resulted from oil contract (including related foreign exchange contract) losses of $5.27 million, and by unrealized risk management natural gas contract losses of $0.90 million resulting in a total loss of $6.17 million for the quarter, which compares to a net $34.29 million gain for the 2008 fourth quarter and a net $6.86 million loss in the first quarter of 2008. These non-cash unrealized risk management gains or losses are generated by the change over the reporting period in the mark-to-market valuation of Zargon's risk management contracts. Recent volatility in commodity prices has resulted in significant fluctuations in the mark-to-market amount of unrealized risk management assets and liabilities. The period-over-period changes in these valuations directly impact net earnings/losses. Zargon's commodity risk management positions are fully described in note 10 to the unaudited consolidated interim financial statements.

Royalties, inclusive of the Saskatchewan Resource Surcharge, totalled $5.59 million for the first quarter of 2009, a decrease of 34 percent from the $8.43 million preceding quarter expense and a decrease of 48 percent from $10.71 million in the first quarter of 2008. Through 2008, the variations in royalty rates had generally tracked changes in production volumes and prices. As a percentage of petroleum and natural gas revenue, royalty rates had tended to move in a relatively narrow range from 20.5 percent in the first quarter of 2008 to 20.4 percent in the fourth quarter of 2008. Commencing in 2009, the oil and natural gas royalty structure has changed for Alberta production volumes (as disclosed in our 2008 Annual Financial Report). On a consolidated basis, the first quarter of 2009 royalties resulted in a rate of 17.5 percent (18.8 percent excluding revenue that does not attract royalty expenses). For the remainder of the year Zargon expects that its royalty rate will remain in the 18 to 20 percent range, but will ultimately depend on the actual price received for our production.

On a unit of production basis, production costs of $13.56 per barrel of oil equivalent in the first quarter of 2009 compares with $12.61 per barrel of oil equivalent in the preceding quarter and $11.17 per barrel of oil equivalent in the first quarter of 2008. The increase in the 2009 first quarter costs relate to additional weather related expenses, and prior period adjustments. Despite the addition of the slightly more expensive Masters properties, Zargon anticipates that production costs can be maintained in the $13.00 to $13.50 range for the remainder of the year.

Operating Netbacks

Three Months Ended March 31,	**2009**		2008	
	Oil and Liquids ($/bbl)	**Natural Gas ($/mcf)**	Oil and Liquids ($/bbl)	Natural Gas ($/mcf)
Production revenue	**42.97**	**5.71**	84.93	7.56
Realized risk management gain/(loss)	**14.76**	**0.63**	(9.93)	0.34
Royalties	**(8.26)**	**(0.87)**	(17.34)	(1.56)
Production costs	**(15.65)**	**(1.92)**	(13.59)	(1.51)
Operating netbacks	**33.82**	**3.55**	44.07	4.83

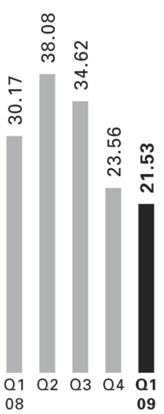
Measured on a unit of production basis (net of recoveries), general and administrative expenses were $4.07 per barrel of oil equivalent in the first three months of 2009 compared to $2.72 in the first three months of 2008 and $3.08 for the twelve month period of 2008. The year-over-year increase in general and administrative expenses on a per unit of production basis are primarily related to the expansion of Zargon's technical staff and consultants as Zargon repositions itself for its renewed exploitation and acquisition initiatives. Included in the 2009 first quarter are one-time employment related charges that increased the general and administrative expenses by approximately $0.43 per barrel of oil equivalent.

Expensing of unit-based compensation in the first three months of 2009 was $0.14 million, a 44 percent decrease from the first three months of 2008. The decrease is a result of a general decline in the quantity and valuation of recent quarterly grants and an increase in forfeitures of unit rights in the first three months of 2009.

Zargon's borrowings are through its syndicated bank credit facilities. Interest and financing charges on these facilities in the 2009 first quarter were $0.62 million, $0.35 million lower than the previous quarter amount of $0.97 million and a decrease of $0.71 million from $1.33 million in the first quarter of 2008. This year-over-year decrease is primarily due to a decrease in average bank debt levels and declining interest rates. Zargon's current available syndicated committed credit facilities and borrowing base are $180 million, with approximately 50 percent unutilized at March 31, 2009. The next renewal date is July 28, 2009. These facilities continue to be available for general corporate purposes and the potential acquisition of oil and natural gas properties.

Current income taxes for the 2009 first quarter were $0.47 million, and related primarily to the United States operations. When compared to prior periods, current income taxes decreased $0.49 million from the 2008 first quarter and decreased $0.94 million relative to the fourth quarter of 2008. The decreased 2009 taxable income is primarily due to reduced oil prices. A reduced capital program for this geographic region tends to result in reduced tax pool claims and, therefore, continues to cause minimal levels of United States taxes. Provided that oil prices remain low, a similar level of United States current income taxes is predicted for the remaining quarters of 2009. Total corporate tax pools as at March 31, 2009, are approximately $195 million, which represents an increase of four percent from the comparable $188 million of tax pools available to Zargon at December 31, 2008, primarily a result of the 2009 first quarter field capital program and reduced tax pool claims arising from reduced commodity prices.

Funds Flow Netbacks
($/boe)



Trust Netbacks

($/boe)	Three Months Ended March 31, 2009	2008
Petroleum and natural gas revenue	**38.57**	63.68
Realized risk management gain/(loss)	**9.20**	(3.49)
Royalties	**(6.74)**	(13.06)
Production costs	**(13.56)**	(11.17)
Operating netbacks	**27.47**	35.96
General and administrative	**(4.07)**	(2.72)
Interest and financing charges	**(0.74)**	(1.63)
Asset retirement expenditures	**(0.56)**	(0.27)
Current income taxes	**(0.57)**	(1.17)
Funds flow netbacks [(1)]	**21.53**	30.17

(1) Throughout this report, funds flow from operating activities is now calculated inclusive of asset retirement expenditures. All prior period calculations have been restated to reflect this change.

Depletion and depreciation expense for the first quarter of 2009 decreased five percent to $14.72 million compared to $15.43 million in the prior quarter and increased three percent when compared to the first quarter of 2008 expense of $14.23 million. On a per barrel of oil equivalent basis, the depletion and depreciation rates were $17.34, $17.82 and $17.75 for the first and fourth quarters of 2008 and the first quarter of 2009, respectively. The 2008 calendar year depletion and depreciation rate was $17.61 per barrel of oil equivalent. The primary reasons for the year-over-year expense increase are due the financial impact of the conversion of exchangeable shares pursuant to the application of EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts", increased production volumes and the capital asset additions resulting from the 2008 Rival and Newpact corporate acquisitions.

The provision for accretion of asset retirement obligations for the first three months of 2009 was $0.59 million, a 17 percent increase compared to the first three months of 2008. The year-over-year increase is due to changes in the estimated future liability for asset retirement obligations as a result of wells added through Zargon's drilling program inclusive of wells acquired/disposed of in the current year and wells acquired with the prior year Rival Energy Ltd. ("Rival") and Newpact Energy Corp. ("Newpact") corporate acquisitions.

The recovery of future taxes for the first quarter of 2009 was $3.73 million compared to an expense of $8.24 million in the prior quarter and a recovery of $1.98 million in the first quarter of 2008. The 2009 first quarter increase in the future tax recovery, when compared to the 2008 fourth quarter expense, is primarily related to a decrease in net earnings as a result of the increase in unrealized risk management losses in the quarter and reduced operating revenues resulting from significantly lower commodity prices.

On October 31, 2006, the Federal Government announced tax proposals pertaining to taxation of distributions paid by trusts and the personal tax treatment of trust distributions. Currently, the Trust does not pay tax on distributions as tax is paid by the unitholders. On June 12, 2007, the Federal Government enacted these tax proposals, which would have resulted in taxation of distributions at the Trust level at a rate of 31.5 percent effective January 1, 2011. Subsequent 2007 fourth quarter legislation lowered this tax rate to 29.5 percent in 2011 and 28.0 percent beyond 2011 to assimilate recent corporate tax rate changes. Prior to June 2007, the Trust estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes to have a nil effective tax rate. On February 26, 2008, the Federal Government, in its Federal Budget, announced further changes to the specified investment flow through ("SIFT") tax rules. The provincial component of the SIFT tax will be based on the provincial rates where the SIFT has a permanent establishment rather than using a 13.0

percent flat rate. During the 2009 first quarter this tax rate change had been substantively enacted, and the future income tax impact has been recorded in the financial statements. Under the legislation, the Trust now estimates the effective tax rate on the post 2010 reversal of these temporary differences to be approximately 26.5 percent for 2011 and 25.0 percent thereafter. Until 2011, Zargon's future tax obligations are reduced as distributions are made from the Trust and, consequently, it is anticipated that Zargon's effective tax rate will continue to be low until that time.

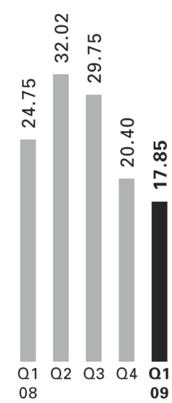
On December 15, 2006, the Canadian Federal Department of Finance stated its intention to allow conversions of SIFT income trusts to a corporation without any adverse tax consequences to investors. On July 14, 2008, the Department of Finance released the draft legislative proposals to allow the conversion of these SIFT trusts into corporations. Zargon is currently reviewing and assessing this recent legislation and is considering its potential impact on the organization while Zargon's management develops its strategic plan beyond 2010, which is the effective date of the new SIFT tax rules.

According to the January 19, 2005 CICA pronouncement, EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts", Zargon Energy Trust must reflect the exchangeable securities issued by its subsidiary (Zargon Oil & Gas Ltd.) as a non-controlling interest. Prior to 2005, these exchangeable shares were reflected as a component of unitholders' equity. Accordingly, the Trust has reflected a non-controlling interest of $27.43 million on the Trust's consolidated balance sheet as at March 31, 2009. Consolidated net earnings have been reduced for net earnings attributable to the non-controlling interest of $0.05 million in the first quarter of 2009. In accordance with EIC-151 and given the circumstances in Zargon's case, each exchangeable share redemption is accounted for as a step-purchase, which in the first quarter of 2009 resulted in an increase in property and equipment of $0.08 million, an increase in unitholders' equity of $0.11 million and an increase in future income tax liability of $0.02 million. Funds flow was not impacted by this change. The cumulative impact to date of the application of EIC-151 has been to increase property and equipment by $55.23 million, unitholders' equity and non-controlling interest by $65.98 million, future income tax liability by $18.21 million and an allocation of net earnings to exchangeable shareholders of $28.96 million.

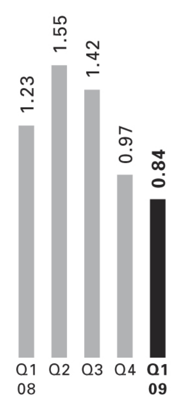
Funds flow from operating activities in the 2009 first quarter of $17.85 million was $2.55 million, or 13 percent lower than the preceding quarter and $6.90 million or 28 percent lower than the prior year first quarter. The decrease in funds flow from the preceding quarter was primarily due to decreased revenues (net of related royalties) as a result of lower average field commodity prices and slightly lower production volumes. Compared to the prior year first quarter, a two percent increase in production volumes and an increase in realized risk management contract gains were more than offset by rising production costs, general and administrative costs and a decrease in commodity prices of 39 percent. Funds flow on a per diluted trust unit basis was $0.84 for the first quarter of 2009, a 13 percent decrease from the prior quarter and a 32 percent decrease from the 2008 first quarter.

Net earnings of $0.37 million for the 2009 first quarter were 99 percent below the $28.19 million of net earnings in the preceding quarter and 92 percent below the $4.56 million in the first quarter of 2008. The net earnings track the funds flow from operating activities for the respective periods modified by asset retirement expenditures and non-cash charges, which include depletion and depreciation, unrealized risk management gains/losses, future income taxes/recoveries and non-controlling interest. In addition to the previously noted items impacting funds flow, the primary reason for the reduced first quarter 2009 net earnings are due to $6.17 million of non-cash unrealized risk management losses in the quarter.

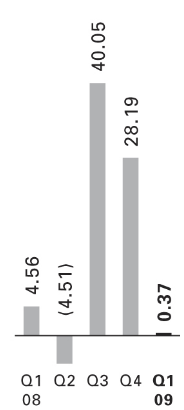
Funds Flow from Operating Activities
($ millions)



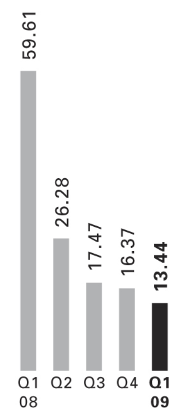
Funds Flow Per Unit
($/unit – diluted)



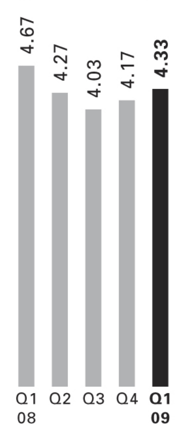
Net Earnings/ (Losses)
($ millions)



Net Capital Expenditures
($ millions)



Net Debt Per Unit
($/unit – diluted)



Capital Expenditures

($ millions)	Three Months Ended March 31, 2009	2008
Undeveloped land	**1.40**	2.20
Geological and geophysical (seismic)	**0.72**	1.30
Drilling and completion of wells	**6.22**	4.21
Well equipment and facilities	**4.44**	1.71
Exploration and development	**12.78**	9.42
Property acquisitions (1)	**0.56**	2.46
Property dispositions	**–**	(0.02)
Net property acquisitions/(dispositions) (1)	**0.56**	2.44
Corporate acquisitions assigned to property and equipment (2)	**–**	47.63
Total net capital expenditures excluding administrative assets (1) (2)	**13.34**	59.49
Administrative assets	**0.10**	0.12
Total net capital expenditures (1) (2)	**13.44**	59.61

(1) Amounts include capital expenditures acquired for cash and equity issuances.

(2) Amounts include capital expenditures acquired for cash, equity issuances, acquisition costs and net debt assumed on corporate acquisitions.

CORPORATE ACQUISITION

On February 27, 2009, Zargon entered into an Arrangement Agreement pursuant to which Zargon agreed to make an offer to acquire all the issued and outstanding common shares of Masters Energy Inc. and assume approximately $13.20 million of net debt (including transaction costs) subject to a number of conditions. Zargon successfully completed this corporate acquisition of Masters on April 29, 2009. Pursuant to the Arrangement Agreement, Masters shareholders received approximately 1.475 million Zargon trust units and $5.70 million in cash.

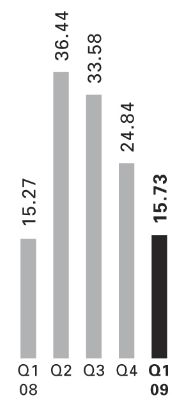
LIQUIDITY AND CAPITAL RESOURCES

Total net capital expenditures (including net property acquisitions and consideration and net debt assumed for corporate acquisitions) of $13.44 million in the first three months of 2009 were 77 percent lower than the first three months of 2008 which had included the Rival corporate acquisition. Field expenditures of $12.78 million reflected a reduced exploration and development field program when compared to $16.17 million for the 2008 fourth quarter, a 21 percent decline, but conversely represented a 36 percent increase over the 2008 first quarter $9.42 million field program. Drilling and completion expenses of $6.22 million were 48 percent higher than the prior year's first quarter amount of $4.21 million. During the first quarter of 2009, 7.4 net wells were drilled compared to 13.9 net wells in the fourth quarter of 2008 and 9.2 net wells in the first quarter of 2008. Field capital expenditures (excluding net property acquisitions) for the first three months of 2009 were allocated to Alberta Plains – $4.90 million, West Central Alberta – $4.63 million and Williston Basin – $3.25 million.

Funds flow from operating activities in the 2009 first three months of $17.85 million, proceeds from the issuance of trust units of $1.22 million (due to unit right exercises) and the increase in bank debt of $8.20 million funded the capital program including corporate and property acquisitions, the changes in working capital and the cash distributions to the unitholders.

At March 31, 2009, the Trust continues to maintain a strong balance sheet with a combined debt net of working capital (excluding unrealized risk management assets and liabilities and future income taxes) of $91.92 million, compared to $87.71 million at the end of the 2008 fourth quarter, which represents slightly more than 50 percent of the Trust's available credit facilities at March 31, 2009.

Cash Flows from Operating Activities
($ millions)

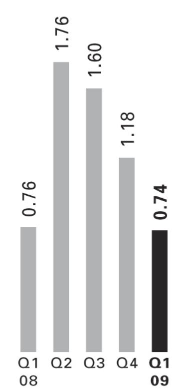


The volatility of oil and natural gas prices, the changes relating to Alberta royalties and Canadian income trust tax rules and recent global economic concerns have partially restricted the oil and natural gas industry's ability to attract new capital from debt and equity markets. Zargon's historically conservative strategy of maintaining a relatively low cash distribution to funds flow ratio and conservative debt levels should enable Zargon to continue its capital and distribution programs during periods of limited access to debt and equity capital.

Cash Distributions Analysis

($ millions)	Three Months Ended March 31, 2009	2008
Cash flows from operating activities	**15.73**	15.27
Net earnings	**0.37**	4.56
Actual cash distributions paid or payable relating to the period	**(10.03)**	(9.55)
Excess of cash flows from operating activities over cash distributions paid	**5.70**	5.72
Excess (shortfall) of net earnings over cash distributions paid	**(9.66)**	(4.99)

Cash Flows Per Unit
($/unit – diluted)



During the first three months of 2009, Zargon has maintained a base monthly distribution of $0.18 per trust unit. Management monitors the Trust's distribution policy with respect to forecasted net cash flows, debt levels and capital expenditures. Zargon's cash distributions are discretionary to the extent that these distributions do not cause a breach of the financial covenants under Zargon's credit facilities and to the extent the Trust (non-consolidated) is not taxable. As a crude oil and natural gas Trust, Zargon's reserve base is depleted with production and Zargon, therefore, relies on ongoing exploration, development and acquisition activities to replace reserves and to offset production declines. The success of these exploration, development and acquisition capital programs, along with commodity price fluctuations and the Trust's ability to manage costs, are the main factors influencing the sustainability of the Trust's distributions.

For the quarter ended March 31, 2009, cash flows from operating activities (after changes in non-cash working capital) of $15.73 million exceeded cash distributions of $10.03 million. This was consistent with the quarter ended March 31, 2008, in which cash flows from operating activities (after changes in non-cash working capital) of $15.27 million exceeded cash distributions of $9.55 million.

For the quarter ended March 31, 2009, cash distributions of $10.03 million exceeded the net earnings of $0.37 million. Net earnings include significant non-cash charges ($17.95 million in 2009) that do not impact cash flow. For the quarter ended March 31, 2008, cash distributions of $9.55 million exceeded net earnings of $4.56 million. Net earnings also include fluctuations in future income taxes due to changes in tax rates and tax rules. In the instances where distributions exceed net earnings, a portion of the cash distribution paid to unitholders may represent an economic return of the unitholders' capital.

For the quarter ended March 31, 2009, cash distributions and net capital expenditures totalled $23.47 million, which was $7.74 million higher than the cash flows from operating activities (after changes in non-cash working capital) of $15.73 million. For the quarter ended March 31, 2008, cash distributions and net capital expenditures totalled $69.16 million ($21.53 million excluding the $47.63 million of equity issuances attributed to corporate acquisitions), which was $53.89 million higher than the cash flows from operating activities (after changes in non-cash working capital) of $15.27 million. Zargon relies on access to debt and capital markets to the extent cash distributions and net capital expenditures exceed cash flows from operating activities (after changes in non-cash working capital). Over the long term, Zargon expects to fund cash distributions and capital expenditures with its cash flows from operating activities; however, it will continue to fund acquisitions and growth through additional debt and equity issuances. In the crude oil and natural gas industry, because of the nature of reserve reporting, the natural reservoir declines and the risks involved in capital investment, it is not possible to distinguish between capital spent on maintaining productive capacity and capital spent on growth opportunities. Therefore, maintenance capital is not disclosed separately from development capital spending.

Capital Sources and Uses

	Three Months Ended March 31,	
($ millions)	**2009**	2008
Funds flow from operating activities	**17.85**	24.75
Change in bank debt	**8.20**	35.32
Issuance of trust units	**1.22**	13.55
Cash distributions to unitholders	**(10.03)**	(9.55)
Changes in working capital and other	**(3.80)**	(4.46)
Total capital sources	**13.44**	59.61

CHANGES IN ACCOUNTING POLICIES

As disclosed in the December 31, 2008 annual audited consolidated financial statements, on January 1, 2009, the Trust adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Section:

Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". Under this new guidance, fewer items meet the criteria for capitalization. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Requirements concerning goodwill are unchanged from the requirements included in the previous Section 3062, as the new Section was only amended for intangible assets. The adoption of the abstract did not significantly impact the Trust's consolidated financial statements.

Effective January 1, 2009, the Trust retrospectively adopted the recommendations of Emerging Issues Committee abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which was issued in January 2009, without restatement of prior periods. The abstract requires that an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of the abstract did not significantly impact the Trust's consolidated financial statements.

In addition, the Trust has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined the following may have a significant impact on the Trust:

In December 2008, the CICA issued Section 1582 "Business Combinations", which will replace CICA Section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from the non-current assets in the purchase price allocation. Section 1582 will be effective for the Trust on January 1, 2011, with prospective application. The Trust is currently evaluating the impact of the adoption of the new Section on its consolidated financial statements.

In December 2008, the CICA issued Sections 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests", which replaces existing guidance under Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will be effective for the Trust on January 1, 2011. The Trust is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As Zargon will be required to report its results in accordance with IFRS starting in 2011, the Trust is assessing the potential impacts of this changeover and developing its plan accordingly. Zargon has enlisted an independent consulting firm to assist with the assessment and planning of this project. To date, Zargon management with the assistance of an independent consulting firm, has performed an analysis of key differences between Canadian GAAP as it pertains to Zargon and IFRS. Zargon's internal steering committee is in the process of planning the steps required to achieve the proper implementation of IFRS.

MANAGEMENT AND FINANCIAL REPORTING SYSTEMS

Zargon is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", otherwise referred to as Canadian SOX ("C-Sox"). The 2009 certificate requires that the Trust disclose in the interim MD&A any changes in the Trust's internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Trust's internal control over financial reporting. The Trust confirms that no such changes were made to the internal controls over financial reporting during the first quarter of 2009.

Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

OUTLOOK

With a strong balance sheet, 431 thousand net acres of undeveloped land and a promising internally generated project inventory and its ability to execute accretive asset and/or corporate acquisitions, Zargon continues to be well positioned to meet its value-creating objectives in 2009 and beyond. At this time in early May 2009, future commodity markets indicate that in 2009 both oil and natural gas prices will be considerably lower than their 2008 averages. Furthermore, there is evidence that some of the upward pressures on the industry's input costs have been alleviated, allowing for improved capital program efficiencies for field activities and for property and corporate acquisitions.

Although the recent world-wide economic crisis, depressed commodity prices, changes to the Canadian income trust tax rules after 2010 and the Alberta Government's 2009 royalty changes have negatively impacted our industry, we are optimistic about Zargon's long term value-seeking strategy in this evolving business. Consistent with its history, Zargon will continue to adhere to a conservative and focused strategy of exploiting its existing asset base while executing accretive acquisitions which will be funded by debt or equity issuances.

SUMMARY OF QUARTERLY RESULTS

	2008				2009
	Q1	Q2	Q3	Q4	**Q1**
Petroleum and natural gas revenue ($ millions)	52.24	69.66	66.35	41.25	**31.98**
Net earnings/(losses) ($ millions)	4.56	(4.51)	40.05	28.19	**0.37**
Net earnings/(losses) per diluted unit ($)	0.26	(0.25)	2.20	1.53	**0.02**
Funds flow from operating activities ($ millions)	24.75	32.02	29.75	20.40	**17.85**
Funds flow from operating activities per diluted unit ($)	1.23	1.55	1.42	0.97	**0.84**
Cash flows from operating activities ($ millions)	15.27	36.44	33.58	24.84	**15.73**
Cash flows from operating activities per diluted unit ($)	0.76	1.76	1.60	1.18	**0.74**
Cash distributions ($ millions)	9.55	9.71	9.87	9.96	**10.03**
Cash distributions declared per trust unit ($)	0.54	0.54	0.54	0.54	**0.54**
Net capital expenditures ($ millions) (1) (2) (3)	59.61	26.28	17.47	16.37	**13.44**
Total assets ($ millions)	396.90	418.88	426.63	447.60	**440.76**
Bank debt ($ millions)	92.18	85.45	74.95	77.58	**85.78**
Average daily production (boe)	9,015	9,239	9,340	9,410	**9,213**
Average realized commodity field price before the impact of financial risk management contracts ($/boe)	63.68	82.85	77.22	47.65	**38.57**
Funds flow netback ($/boe)	30.17	38.08	34.62	23.56	**21.53**

(1) First quarter 2008 expenditures include corporate acquisition amounts as follows; cash consideration of $16.40 million, transaction costs of $0.29 million, net debt assumed of $17.77 million and the equity issuance of trust units valued at $13.37 million.

(2) Second quarter 2008 net capital expenditures include corporate acquisition amounts as follows; transaction costs of $0.15 million, net debt assumed of $2.49 million and the equity issuance of trust units valued at $9.39 million.

(3) Third quarter 2008 net capital expenditures include property acquisition amounts as follows; the equity issuance of trust units valued at $1.14 million.

	2007			
	Q1	Q2	Q3	Q4
Petroleum and natural gas revenue ($ millions)	38.53	39.21	36.64	41.13
Net earnings ($ millions)	5.22	11.63	5.50	2.20
Net earnings per diluted unit ($)	0.31	0.68	0.32	0.13
Funds flow from operating activities ($ millions)	21.80	20.56	17.38	20.10
Funds flow from operating activities per diluted unit ($)	1.12	1.05	0.88	1.02
Cash flows from operating activities ($ millions)	18.35	19.09	24.64	14.23
Cash flows from operating activities per diluted unit ($)	0.94	0.97	1.25	0.72
Cash distributions ($ millions)	9.12	9.17	9.19	9.21
Cash distributions declared per trust unit ($)	0.54	0.54	0.54	0.54
Net capital expenditures ($ millions)	20.93	10.97	16.43	18.35
Total assets ($ millions)	324.31	324.96	327.54	343.11
Bank debt ($ millions)	37.68	46.74	44.10	56.87
Average daily production (boe)	8,483	8,465	8,501	8,790
Average realized commodity field price before the impact of financial risk management contracts ($/boe)	50.47	50.91	46.84	50.86
Funds flow netback ($/boe)	28.55	26.69	22.22	24.86

ADDITIONAL INFORMATION

Additional information regarding the Trust and its business operations, including the Trust's Annual Information Form for December 31, 2008, is available on the Trust's SEDAR profile at www.sedar.com.

"Signed" C.H. Hansen
President and Chief Executive Officer

Calgary, Alberta
May 12, 2009

CONSOLIDATED BALANCE SHEETS

(unaudited)

($ thousands)	**March 31, 2009**	December 31, 2008
ASSETS		
Current		
Accounts receivable	**20,156**	20,725
Prepaid expenses and deposits	**1,245**	1,162
Unrealized risk management asset [note 10]	**26,505**	29,641
	47,906	51,528
Long term deposit	**1,612**	1,612
Unrealized risk management asset [note 10]	**2,511**	4,745
Goodwill	**2,969**	2,969
Property and equipment, net [notes 3 and 4]	**385,762**	386,746
	440,760	447,600
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**24,199**	28,687
Cash distributions payable [note 14]	**3,346**	3,326
Unrealized risk management liability [note 10]	**1,512**	724
Future income taxes	**7,393**	8,553
	36,450	41,290
Long term debt	**85,778**	77,581
Unrealized risk management liability [note 10]	**296**	281
Asset retirement obligations [note 5]	**28,962**	28,592
Future income taxes	**47,294**	49,704
	198,780	197,448
NON-CONTROLLING INTEREST		
Exchangeable shares [note 7]	**27,432**	27,610
UNITHOLDERS' EQUITY		
Unitholders' capital [note 6]	**122,547**	120,650
Contributed surplus [note 6]	**4,391**	4,617
Accumulated earnings	**257,471**	257,104
Accumulated cash distributions [note 14]	**(169,861)**	(159,829)
	214,548	222,542
	440,760	447,600

See accompanying notes.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND ACCUMULATED EARNINGS

(unaudited)	Three Months Ended March 31,	
($ thousands, except per unit amounts)	**2009**	2008
REVENUE		
Petroleum and natural gas revenue	**31,980**	52,239
Unrealized risk management (loss) [note 10]	**(6,171)**	(6,860)
Realized risk management gain/(loss) [note 10]	**7,629**	(2,867)
Royalties	**(5,586)**	(10,711)
	27,852	31,801
EXPENSES		
Production	**11,245**	9,161
General and administrative	**3,376**	2,233
Unit-based compensation [note 6]	**143**	255
Interest and financing charges	**620**	1,333
Unrealized foreign exchange gain	**(4)**	(150)
Accretion of asset retirement obligations [note 5]	**592**	507
Depletion and depreciation	**14,718**	14,229
	30,690	27,568
EARNINGS/(LOSSES) BEFORE INCOME TAXES	**(2,838)**	4,233
INCOME TAXES		
Current	**469**	961
Future (recovery)	**(3,727)**	(1,984)
	(3,258)	(1,023)
EARNINGS FOR THE PERIOD BEFORE NON-CONTROLLING INTEREST	**420**	5,256
Non-controlling interest – exchangeable shares [note 7]	**(53)**	(700)
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE PERIOD	**367**	4,556
ACCUMULATED EARNINGS, BEGINNING OF PERIOD	**257,104**	188,819
ACCUMULATED EARNINGS, END OF PERIOD	**257,471**	193,375
NET EARNINGS PER UNIT [note 8]		
Basic	**0.02**	0.26
Diluted	**0.02**	0.26

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three Months Ended March 31,	
($ thousands)	**2009**	2008
OPERATING ACTIVITIES		
Net earnings for the period	**367**	4,556
Add (deduct) non-cash items:		
Non-controlling interest – exchangeable shares	**53**	700
Unrealized risk management loss	**6,171**	6,860
Depletion and depreciation	**14,718**	14,229
Accretion of asset retirement obligations	**592**	507
Unit-based compensation	**143**	255
Unrealized foreign exchange gain	**(4)**	(150)
Future income taxes (recovery)	**(3,727)**	(1,984)
Asset retirement expenditures	**(465)**	(223)
	17,848	24,750
Changes in non-cash operating working capital [note 11]	**(2,119)**	(9,476)
	15,729	15,274
FINANCING ACTIVITIES		
Advances of bank debt	**8,197**	18,402
Cash distributions to unitholders	**(10,032)**	(9,545)
Exercise of unit rights	**1,225**	184
Changes in non-cash financing working capital [note 11]	**20**	109
	(590)	9,150
INVESTING ACTIVITIES		
Additions to property and equipment	**(13,443)**	(11,995)
Proceeds on disposal of property and equipment	**–**	20
Corporate acquisitions (cash portion)	**–**	(16,687)
Long term deposit	**–**	(81)
Changes in non-cash investing working capital [note 11]	**(1,696)**	4,319
	(15,139)	(24,424)
NET CHANGE IN CASH DURING THE PERIOD AND CASH, END OF PERIOD	**–**	–

See accompanying notes.

For the three months ended March 31, 2009 and 2008 (unaudited).

1. BASIS OF PRESENTATION

The interim unaudited consolidated financial statements of Zargon Energy Trust (the "Trust" or "Zargon") have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim unaudited consolidated financial statements have been prepared following the same accounting policies and methods in computation as the consolidated financial statements for the fiscal year ended December 31, 2008, except as noted below. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. These interim unaudited consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto in the Zargon Energy Trust annual financial report for the year ended December 31, 2008.

The Trust's principal business activity is the exploration for and development and production of petroleum and natural gas in Canada and the United States ("US").

2. CHANGES IN ACCOUNTING POLICIES

As disclosed in the December 31, 2008 annual audited consolidated financial statements, on January 1, 2009, the Trust adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Section:

Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets". Under this new guidance, fewer items meet the criteria for capitalization. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Requirements concerning goodwill are unchanged from the requirements included in the previous Section 3062, as the new Section was only amended for intangible assets. The adoption of the abstract did not significantly impact the Trust's consolidated financial statements.

Effective January 1, 2009, the Trust retrospectively adopted the recommendations of Emerging Issues Committee abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which was issued in January 2009, without restatement of prior periods. The abstract requires that an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of the abstract did not significantly impact the Trust's consolidated financial statements.

In addition, the Trust has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined the following may have a significant impact on the Trust:

In December 2008, the CICA issued Section 1582 "Business Combinations", which will replace CICA Section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from the non-current assets in the purchase price allocation. Section 1582 will be effective for the Trust on January 1, 2011, with prospective application. The Trust is currently evaluating the impact of the adoption of the new Section on its consolidated financial statements.

In December 2008, the CICA issued Sections 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests", which replaces existing guidance under Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will be effective for the Trust on January 1, 2011. The Trust is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Trust is currently reviewing the standards to determine the potential impact on its consolidated financial statements. The Trust, with the assistance of an independent consulting firm, has performed a diagnostic analysis that identifies differences between the Trust's current accounting policies and IFRS. At this time, the Trust is evaluating the impact of these differences and assessing the need for amendments to existing accounting policies in order to comply with IFRS.

3. ACQUISITIONS

Rival Energy Ltd.

On January 23, 2008, a subsidiary of the Trust acquired all of the outstanding shares of Rival Energy Ltd. ("Rival"), a public oil and gas company, for consideration of $30.06 million. Consideration consisted of $16.40 million cash, the issuance of 573,300 Zargon trust units valued at $23.32 per unit and acquisition costs of $0.29 million.

The results of operations for Rival have been included in the consolidated financial statements since January 23, 2008.

The acquisition was accounted for by the purchase method and the purchase price allocation is as follows:

Net Assets Acquired

($ thousands)	
Property and equipment	54,065
Goodwill	2,969
Working capital deficiency	(854)
Long term debt	(16,914)
Future income tax liability	(5,443)
Asset retirement obligations	(3,767)
Total net assets acquired	30,056

Consideration

($ thousands)	
Cash	16,400
Trust units issued	13,369
Acquisition costs	287
Total purchase price	30,056

Newpact Energy Corp.

On May 16, 2008, a subsidiary of the Trust acquired all of the outstanding shares of Newpact Energy Corp. ("Newpact"), a private oil and gas company, for consideration of $9.54 million. Consideration consisted of the issuance of 425,940 Zargon trust units valued at $22.04 per unit and acquisition costs of $0.15 million.

The results of operations for Newpact have been included in the consolidated financial statements since May 16, 2008.

The acquisition was accounted for by the purchase method and the purchase price allocation is as follows:

Net Assets Acquired

($ thousands)	
Property and equipment	13,925
Working capital deficiency	(2,491)
Future income tax liability	(922)
Asset retirement obligations	(976)
Total net assets acquired	9,536

Consideration

($ thousands)	
Trust units issued	9,388
Acquisition costs	148
Total purchase price	9,536

4. PROPERTY AND EQUIPMENT

	March 31, 2009		
($ thousands)	**Cost**	**Accumulated Depletion and Depreciation**	**Net Book Value**
Petroleum, natural gas properties and other equipment [(1)]	**685,058**	**299,296**	**385,762**

	December 31, 2008		
($ thousands)	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum, natural gas properties and other equipment [(1)]	671,324	284,578	386,746

(1) As a result of shareholders redeeming exchangeable shares, property and equipment has cumulatively increased $55.23 million, $0.08 million relating to the first three months of 2009, $3.39 million relating to 2008 and $51.76 million relating to prior years. The effect of these increases has resulted in additional depletion and depreciation expense of approximately $23.59 million, $1.28 million relating to the first three months of 2009, $5.59 million relating to 2008, and $16.72 million relating to prior years.

5. ASSET RETIREMENT OBLIGATIONS

The following table reconciles Zargon's asset retirement obligations:

	Three Months Ended March 31,	
($ thousands)	**2009**	2008
Balance, beginning of period	**28,592**	21,184
Net liabilities incurred/acquired	**211**	4,072
Liabilities settled	**(465)**	(223)
Accretion expense	**592**	507
Foreign exchange	**32**	32
Balance, end of period	**28,962**	25,572

6. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of voting trust units.

Trust Units

	Three Months Ended March 31, 2009	
(thousands)	Number of units	Amount ($)
Balance, beginning of period	**18,479**	**120,650**
Unit rights exercised for cash	**93**	**1,225**
Unit-based compensation recognized on exercise of unit rights	**–**	**384**
Issued on conversion of exchangeable shares	**19**	**288**
Balance, end of period	**18,591**	**122,547**

The proforma total units outstanding at March 31, 2009, including trust units outstanding and trust units issuable upon conversion of exchangeable shares, after giving effect to the exchange ratio at the end of the period (see note 7) is 21.344 million units.

The following table summarizes information about the Trust's contributed surplus account:

Contributed Surplus

($ thousands)	Three Months Ended March 31, 2009
Balance, beginning of period	**4,617**
Unit-based compensation expense (1)	**158**
Unit-based compensation recognized on exercise of unit rights	**(384)**
Balance, end of period	**4,391**

(1) During the fourth quarter of 2008, the Trust issued 10,000 unit appreciation rights ("UARS"). The intrinsic value at March 31, 2009 has decreased by $0.02 million since December 31, 2008 ($0.04 million). These UARS are awards entitling the recipients to receive cash in an amount equivalent to any excess of the market value of a stated number of units over a stated price. UARS are included in unit-based compensation expense; however rewards settled in cash are liabilities and therefore are not included in contributed surplus.

Trust Unit Rights Incentive Plan and Unit-Based Compensation

The Trust has a unit rights incentive plan (the "Plan") that allows the Trust to issue rights to acquire trust units to directors, officers, employees and other service providers. The Trust is authorized to issue up to 2.36 million unit rights; however, the number of trust units reserved for issuance upon exercise of the rights shall not at any time exceed 10 percent of the aggregate number of the total outstanding units, including units issuable upon exchange of exchangeable shares of Zargon and other fully paid securities of Zargon entities exchangeable into units, which are the economic equivalent of units including full voting rights. At the time of grant, unit right exercise prices approximate the market price for the trust units. At the time of exercise, the rights holder has the option of exercising at the original grant price or the exercise price as calculated under the Plan (the "modified price"). The modified price is calculated by deducting from the grant price the amount by which monthly distributions, on a per unit basis, made by the Trust after the grant date exceed a monthly return of 0.833 percent of the Trust's recorded net book value of oil and natural gas properties. Rights granted under the Plan generally vest over a three-year period and expire approximately five years from the grant date. Zargon uses a fair value methodology to value the unit rights grants.

Zargon did not grant any unit rights for the three months ended March 31, 2009. The continued vesting of unit rights granted in prior years resulted in unit-based compensation expense for the three months ended March 31, 2009 of $0.14 million (2008 – $0.26 million).

Compensation expense associated with unit rights granted under the Plan is recognized in earnings over the vesting period of the Plan with a corresponding increase in contributed surplus. The exercise of trust unit rights is recorded as an increase in trust units with a corresponding reduction in contributed surplus. Forfeiture of rights are recorded as a reduction in expenses in the period in which they occur.

The following table summarizes information about the Trust's unit rights:

	Three Months Ended March 31, 2009	
	Number of Unit Rights (thousands)	Weighted Average Exercise Price Initial and Modified ($/unit right)
Outstanding at beginning of period	**1,654**	**25.57 / 23.63**
Unit rights granted	**–**	**–**
Unit rights exercised	**(93)**	**13.16**
Unit rights forfeited	**(64)**	**27.36**
Outstanding at end of period	**1,497**	**25.98 / 24.17**
Unit rights exercisable at period end	**1,097**	**26.87 / 24.65**

7. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

Zargon Oil & Gas Ltd. is authorized to issue an unlimited number of exchangeable shares. The exchangeable shares are convertible into trust units at the option of the shareholder, based on the exchange ratio, which is adjusted monthly to reflect the distribution paid on the trust units. Cash distributions are not paid on the exchangeable shares. During the three months ended March 31, 2009, a total of 0.01 million (2008 – 0.01 million) exchangeable shares were converted into 0.02 million (2008 – 0.02 million) trust units based on the exchange ratio at the time of conversion. At March 31, 2009, the exchange ratio was 1.48838 trust units per exchangeable share.

Non-Controlling Interest – Exchangeable Shares

	Three Months Ended March 31, 2009	
(thousands, except exchange ratio)	Number of Shares	Amount ($)
Balance, beginning of period	**1,862**	**27,610**
Exchanged for trust units at book value and including earnings attributed during the period	**(13)**	**(231)**
Earnings attributable to non-controlling interest	**–**	**53**
Balance, end of period	**1,849**	**27,432**
Exchange ratio, end of period	**1.48838**	
Trust units issuable upon conversion of exchangeable shares, end of period	**2,752**	

Per EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts", if certain conditions are met, the exchangeable shares issued by a subsidiary must be reflected as non-controlling interest on the consolidated balance sheets and, in turn, net earnings must be reduced by the amount of net earnings attributed to the non-controlling interest.

The non-controlling interest on the consolidated balance sheets consists of the book value of exchangeable shares at the time of the Plan of Arrangement, plus net earnings attributable to the exchangeable shareholders, less exchangeable shares (and related cumulative earnings) redeemed. The net earnings attributable to the non-controlling interest on the consolidated statements of earnings and comprehensive income represents the cumulative share of net earnings attributable to the non-controlling interest based on the trust units issuable for exchangeable shares in proportion to total trust units issued and issuable each period end.

The effect of EIC-151 on Zargon's unitholders' capital and exchangeable shares is as follows:

($ thousands)	Zargon Energy Trust Units	Zargon Oil & Gas Ltd. Exchangeable Shares	Total
Balance at January 1, 2009	**120,650**	**27,610**	**148,260**
Issued on redemption of exchangeable shares at book value	**30**	**(30)**	**–**
Effect of EIC-151	**258**	**(148)**	**110**
Unit-based compensation recognized on exercise of unit rights	**384**	**–**	**384**
Unit rights exercised for cash	**1,225**	**–**	**1,225**
Balance at March 31, 2009	**122,547**	**27,432**	**149,979**

8. WEIGHTED AVERAGE NUMBER OF TOTAL UNITS

Basic per unit amounts are calculated using the weighted average number of trust units outstanding during the period. Diluted per unit amounts are calculated using the treasury stock method to determine the dilutive effect of unit-based compensation. Diluted per unit amounts also include exchangeable shares using the "if-converted" method. Due to the fact that at the time of exercise, the rights holder has the option of exercising at the original grant price or a modified price as calculated under the Plan, the prices used in the treasury stock calculation are the lower prices calculated under the Plan.

	Three Months Ended March 31,	
(thousands of units)	**2009**	2008
Basic	**18,560**	17,523
Diluted	**21,224**	20,203

9. CAPITAL DISCLOSURES

The Trust's capital structure is comprised of unitholders' equity plus long term debt. The Trust's objectives when managing its capital structure are to:

i) maintain financial flexibility so as to preserve Zargon's access to capital markets and its ability to meet its financial obligations; and

ii) finance internally generated growth as well as acquisitions.

The Trust monitors its capital structure and short term financing requirements using the non-GAAP financial metric of debt net of working capital ("net debt") to funds flow from operating activities. Net debt, as used by the Trust, is calculated as bank debt and any working capital deficit excluding the current portion of unrealized risk management assets and liabilities and future income taxes. Funds flow from operating activities represents net earnings/losses and asset retirement expenditures except for non-cash items. The metric is used to steward the Trust's overall debt position as a measure of the Trust's overall financial strength and is calculated as follows:

($ thousands, except ratio)	**March 31, 2009**	December 31, 2008
Net debt	**91,922**	87,707
Annualized funds flow from operating activities	**71,392**	106,909
Net debt to funds flow from operating activities ratio	**1.3**	0.8

Zargon's net debt to funds flow from operating activities ratio was 1.3, an increase from 0.8 at December 31, 2008, primarily due to weak commodity prices negatively affecting funds flow from operating activities.

To manage its capital structure, the Trust may adjust capital spending, adjust distributions paid to unitholders, issue new units, issue new debt or repay existing debt.

The Trust's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented. Zargon is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTRACTS

All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by CICA Section 3855.

Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in fair value recognized in earnings. Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income ("OCI") until the asset is removed from the consolidated balance sheets. Financial assets classified as "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization.

Fair Value of Financial Assets and Liabilities

Zargon's financial assets and liabilities are comprised of accounts receivable, deposits, accounts payable, cash distributions payable, unrealized risk management assets and liabilities and long term debt. Fair values of financial assets and liabilities, summarized information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

A) Fair Value of Financial Assets and Liabilities

Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, cash distributions payable and long term debt are designated as "other liabilities". The fair values of these accounts approximate their carrying amounts.

Risk management assets and liabilities are derivative financial instruments classified as "held-for-trading". These accounts are recorded at their estimated fair value based on the current mark-to-market method of accounting, using quoted market prices.

B) Risk Management Assets and Liabilities

The Trust is a party to certain financial instruments that have fixed the price of a portion of its oil and natural gas production and foreign exchange conversion rates. The Trust enters into these contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of oil and natural gas commodity prices and foreign exchange rates. For financial risk management contracts, the Trust considers these contracts to be effective on an economic basis but has decided not to designate these contracts as hedges for accounting purposes and accordingly, any unrealized gains or losses are recorded based on the fair value (mark-to-market) of the contracts at year end. The unrealized loss for the first three months of 2009 was $6.17 million and the unrealized loss for the first three months of 2008 was $6.86 million.

As at March 31, 2009, the Trust had the following outstanding commodity and foreign currency risk management contracts:

Commodity Financial Risk Management Contracts:

	Rate	Weighted Average Price	Range of Terms	Fair Market Value Gain ($ thousands)
Oil swaps	500 bbl/d	$87.58 US/bbl	Apr. 1/09 – Jun. 30/09	2,054
	300 bbl/d	$107.40 US/bbl	Apr. 1/09 – Sep. 30/09	3,731
	500 bbl/d	$114.97 US/bbl	Apr. 1/09 – Dec. 31/09	10,399
	500 bbl/d	$85.30 US/bbl	Jul. 1/09 – Dec. 31/09	3,332
	300 bbl/d	$132.98 US/bbl	Oct. 1/09 – Jun. 30/10	7,533
Natural gas swaps	2,000 gj/d	$9.60/gj	Apr. 1/09 – Oct. 31/09	1,967
Total Fair Market Value, Commodity Price Financial Contracts				**29,016**

Oil swaps are settled against the NYMEX WTI pricing index, whereas natural gas swaps are settled against the AECO pricing index.

Foreign Exchange Financial Risk Management Contracts:

	Average Monthly US Dollar Volume	Foreign Exchange Rate ($Cdn/$US)	Range of Terms	Fair Market Value Loss ($ thousands)
Foreign exchange forwards	$1,590,000	1.1760	Apr. 1/09 – Dec. 31/09	(1,177)
	$1,272,000	1.2550	Apr. 1/09 – Dec. 31/09	(43)
	$1,203,000	1.1715	Jan. 1/10 – Jun. 30/10	(588)
Total Fair Market Value, Foreign Exchange Financial Contracts				**(1,808)**

The contracts are settled based on the average daily noon close rate for US dollars converted to Canadian dollars as published by the Bank of Canada.

Physical Risk Management Contracts:

	Rate	Weighted Average Price	Range of Terms	Fair Market Value Gain ($ thousands)
Natural gas fixed price	3,000 gj/d	$8.47/gj	Apr. 1/09 – Oct. 31/09	2,224
Total Fair Market Value, Physical Contracts				**2,224**

Contracts settled by way of physical delivery are recognized as part of the normal revenue stream. These instruments have no book values recorded in the consolidated financial statements.

Commodity Price Sensitivities

The following table summarizes the sensitivity of the fair value of the Trust's risk management positions to fluctuations in commodity prices, with all other variables held constant. When assessing the potential impact of these commodity price changes, the Trust believes 10 percent volatility is a reasonable long term measure.

Fluctuations in commodity prices could have resulted in unrealized gains/(losses) on risk management contracts impacting net earnings as follows:

	Three Months Ended March 31,	
($ thousands)	**2009**	2008
Natural gas price	**214**	1,811
Crude oil price	**2,894**	7,572

C) Risks Associated with Financial Assets and Liabilities

The Trust is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk (commodity prices, interest rates and foreign exchange rates), credit risk and liquidity risk.

- Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and is comprised of the following:

- Commodity Price Risk

As a means of mitigating exposure to commodity price risk volatility, the Trust has entered into various derivative agreements. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Trust's policy is to not use derivative financial instruments for speculative purposes.

Natural Gas – To partially mitigate the natural gas commodity price risk, the Trust enters into swaps, which fix the Canadian dollar AECO prices.

Crude Oil – The Trust has partially mitigated its exposure to the WTI NYMEX price with fixed price swaps.

- Interest Rate Risk

Borrowings under bank credit facilities are market rate based (variable interest rates); thus, carrying values approximate fair values.

At March 31, 2009, and at existing debt pricing levels, the increase or decrease in net earnings for each one percent change in interest rates would amount to $0.21 million (2008 - $0.15 million).

- Foreign Exchange Risk

As Zargon operates in North America, fluctuations in the exchange rate between the US/Canadian dollar can have a significant effect on the Trust's reported results. A $0.01 change in the US to Canadian dollar exchange rate would have resulted in a $0.06 million (2008 - $0.29 million) increase or decrease in net earnings at March 31, 2009. In order to mitigate the Trust's exposure to foreign exchange fluctuations, the Trust enters into foreign exchange derivative agreements.

- Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Trust incurring a financial loss. This credit exposure is mitigated with credit practices that limit transactions according to counterparties' credit quality. A substantial portion of the Trust's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

The maximum credit risk exposure associated with accounts receivable, accrued revenues and risk management assets is the total carrying value. The Trust monitors these balances monthly to limit the risk associated with collection. Of Zargon's accounts receivable at March 31, 2009, approximately 42 percent was owing from two companies and Zargon anticipates full collection. As at December 31, 2008, approximately 37 percent was owing.

- Liquidity Risk

Liquidity risk is the risk the Trust will encounter difficulties in meeting its financial liability obligations. The Trust manages its liquidity risk through cash and debt management. See note 9 for a more detailed discussion.

As at March 31, 2009, Zargon had available unused committed bank credit facilities of approximately $93.69 million compared to $101.90 at December 31, 2008. The Trust believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

($ thousands)	1 year	2–3 years	Total
Accounts payable and accrued liabilities	**24,199**	**–**	**24,199**
Cash distributions payable	**3,346**	**–**	**3,346**
Risk management liabilities (1)	**1,512**	**296**	**1,808**
Long term debt	**–**	**85,778**	**85,778**

(1) See the section titled "Foreign Exchange Risk" in this note for a better understanding of the volatility around these amounts.

11. CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended March 31,	
($ thousands)	**2009**	2008
Changes in non-cash working capital items:		
Accounts receivable	**569**	(4,014)
Prepaid expenses and deposits	**(83)**	365
Accounts payable and accrued liabilities	**(4,488)**	(1,179)
Cash distributions payable	**20**	109
Working capital acquired from corporate acquisitions	**–**	(661)
Foreign exchange and other	**187**	332
	(3,795)	(5,048)
Changes relating to operating activities	**(2,119)**	(9,476)
Changes relating to financing activities	**20**	109
Changes relating to investing activities	**(1,696)**	4,319
	(3,795)	(5,048)

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31,	
($ thousands)	**2009**	2008
Cash interest paid	**826**	683
Cash taxes paid	**65**	59

13. SEGMENTED INFORMATION

Zargon's entire operating activities are related to exploration, development and production of oil and natural gas in the geographic segments of Canada and the US.

	Three Months Ended March 31,	
($ thousands)	**2009**	2008
Petroleum and Natural Gas Revenue		
Canada	**29,336**	45,514
United States	**2,644**	6,725
Total	**31,980**	52,239
Net Capital Expenditures (1)		
Canada	**13,442**	59,200
United States	**1**	406
Total	**13,443**	59,606

(1) For net capital expenditures, amounts include capital expenditures acquired for cash, equity issuances, acquisition costs and net debt assumed on corporate acquisitions.

($ thousands)	**March 31, 2009**	December 31, 2008
Property and Equipment, net		
Canada	**352,889**	353,174
United States	**32,873**	33,572
Total	**385,762**	386,746
Goodwill		
Canada	**2,969**	2,969
United States	–	–
Total	**2,969**	2,969

14. CASH DISTRIBUTIONS

During the three month period, the Trust declared distributions to the unitholders in the aggregate amount of $10.03 million (2008 – $9.55 million) in accordance with the following schedule:

2009 Distributions	Record Date	Distribution Date	Per Trust Unit
January	January 31, 2009	February 16, 2009	$0.18
February	February 28, 2009	March 16, 2009	$0.18
March	March 31, 2009	April 15, 2009	$0.18

For Canadian income tax purposes, the distributions are currently estimated to be 100 percent taxable income to unitholders.

15. SUBSEQUENT EVENT

On February 27, 2009, Zargon entered into an Arrangement Agreement pursuant to which Zargon agreed to make an offer to acquire all the issued and outstanding common shares of Masters Energy Inc. ("Masters") and assume approximately $13.20 million of net debt (including transaction costs) subject to a number of conditions. Zargon successfully completed this corporate acquisition of Masters on April 29, 2009. Pursuant to the Arrangement Agreement, Masters shareholders received approximately 1.475 million Zargon trust units and $5.70 million in cash.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Craig H. Hansen
Calgary, Alberta

K. James Harrison (3) (4)
Chairman of the Board
Oakville, Ontario

Kyle D. Kitagawa (1) (2)
Calgary, Alberta

Geoffrey C. Merritt (2)
Calgary, Alberta

Margaret A. McKenzie (1) (3)
Calgary, Alberta

Jim Peplinski (2) (4)
Calgary, Alberta

J. Graham Weir (1) (2)
Calgary, Alberta

Grant A. Zawalsky (3) (4)
Calgary, Alberta

OFFICERS

Craig H. Hansen
President and Chief Executive Officer

Brent C. Heagy
Executive Vice President and Chief Financial Officer

Daniel A. Roulston
Executive Vice President, Engineering

Henry J. Baird
Vice President, Exploitation

Jason B. Dranchuk
Controller and Treasurer

Tracy L. Howard
Corporate Secretary

Brian G. Kergan
Vice President, Corporate Development and Reserves

Mark I. Lake
Vice President, Exploration

Lorne D. Schwetz
Vice President, Land

Al D. Thorsen
Vice President, Operations

(1) Audit Committee
(2) Reserves Committee
(3) Governance and Nominating Committee
(4) Compensation Committee

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Zargon Energy Trust
Trust Units
Trading Symbol: ZAR.UN

Zargon Oil & Gas Ltd.
Exchangeable Shares
Trading Symbol: ZOG.B

TRANSFER AGENT

Valiant Trust Company
310, 606 – 4th Street S.W.
Calgary, Alberta T2P 1T1

BANKERS

The Toronto Dominion Bank
910, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1

Canadian Imperial Bank of Commerce
9th Floor, Bankers Hall East
855 – 2nd Street S.W.
Calgary, Alberta T2P 2P2

The Bank of Nova Scotia
2000, 700 – 2nd Street S.W.
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