ZARGON OIL & GAS LTD.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 30, 2016

The annual general meeting of the shareholders of Zargon Oil & Gas Ltd. will be held in the Viking Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W. Calgary, Alberta on May 30, 2016 at 10:00 a.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2015, together with the report of the auditors;

2. elect seven (7) directors;

3. appoint our auditors and authorize our directors to fix their remuneration as such; and

4. transact such other business as may properly be brought before the meeting or any adjournment thereof.

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

If you are unable to attend the meeting in person, we request that you date and sign the enclosed form of proxy and deposit it with our transfer agent Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Mountain Time) on May 26, 2016 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

Only shareholders of record at the close of business on April 14, 2016 will be entitled to vote at the meeting, unless that shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

DATED at Calgary, Alberta this 14 day of April, 2016.

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

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

ZARGON OIL & GAS LTD.

Information Circular - Proxy Statement
for the Annual General Meeting to be held on May 30, 2016

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at our annual general meeting to be held on May 30, 2016 at 10:00 a.m. (Calgary time) in the Viking Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W. Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be deposited with Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Mountain Time) on May 26, 2016 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. The website may also be used to appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions. Shareholders can also appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions. Solicitation of proxies will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by our officers, directors or employees at a nominal cost. The cost of solicitation will be borne by us.

Only shareholders of record at the close of business on April 14, 2016 will be entitled to vote at the meeting, unless that shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

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

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

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common shares can be recognized and acted upon at the meeting. If common shares are listed in your account statement provided by your broker, then in almost all cases those common shares will not be registered in your name on our records. Such common shares will likely be registered under the name of your broker or an agent of that broker.

In Canada, the vast majority of such common shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms. Common shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your common shares. We do not know for whose benefit the common shares registered in the name of CDS & Co. are held. The majority of common shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

If you do not hold your shares in your own name, you may give permission to your broker or other intermediary to release your name and address to us so that we can send proxy related materials to you directly. Alternatively, you may instruct your broker or other intermediary who holds your common shares to not provide your name and address to us, in which case, your broker or other intermediary is required to send such materials to you. We currently do not provide proxy related materials directly to beneficial shareholders and we assume the costs associated with the delivery of meeting materials to beneficial shareholders.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your common shares are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications which mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number or access the internet to vote your common shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of common shares to be represented at the meeting. If you receive a voting instruction form from Broadridge Investor Communications it cannot be used as a proxy to vote common shares directly at the meeting as the proxy must be returned to them well in advance of the meeting in order to have the common shares voted.

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

The Canadian Securities Administrators have adopted a "notice-and-access" regime for shareholder meetings which permits issuers to send a reduced package of meeting materials to shareholders, together with the document required to cast their vote. We have elected not to use the "notice-and-access" regime for the meeting and paper copies of such materials will be sent to all of our shareholders.

Revocability of Proxy

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

Persons Making the Solicitation

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

Exercise of Discretion by Proxy

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

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of common shares without nominal or par value and 10,000,000 preferred shares without nominal or par value issuable in series. As at April 14, 2016, there were 30,470,137 common shares and no preferred shares outstanding. As a holder of common shares, you are entitled to one vote for each common share you own.

To the best of the knowledge of our directors and executive officers, as at April 14, 2016, no person or company beneficially owns, or controls or directs, directly or indirectly, 10% or more of our issued and outstanding common shares, except as set forth below:

Name	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly	Percentage of Issued and Outstanding Common Shares
Franklin Resources, Inc.	4,534,902	14.88%

Note:

(1) Based on an alternative monthly report dated March 31, 2016 filed on SEDAR at *www.sedar.com* on April 8, 2016.

As at April 14, 2016, our directors and executive officers as a group, beneficially owned, or controlled or directed, directly or indirectly, 3,959,343 common shares or approximately 13.0% of our issued and outstanding common shares and $470,000 principal amount of our convertible debentures.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

Our board of directors has been fixed at seven members. At the meeting, shareholders will be asked to elect the seven directors referred to below. Each director elected will hold office until our next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of the election as directors of the seven nominees set forth below:

K. James Harrison
Craig H. Hansen
Kyle D. Kitagawa
Geoffrey C. Merritt
Jim Peplinski
Ron Wigham
Grant A. Zawalsky

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

The following information relating to the proposed nominees is based partly on our records and partly on information received by us from the nominees, and sets forth the names, ages and cities of residence of the persons proposed to be nominated for election as our directors, their committee memberships, the year in which each became a director of us (or a predecessor of us), the present occupations and brief biographies of such persons, and the number of our securities owned, controlled or directed, directly or indirectly, by each, as at April 14, 2016 in respect of 2015 and as at April 14, 2015 in respect of 2014:

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed		Share Awards		Total Market Value of Securities Owned (1) (2)	
			2015	2014	2015	2014	2015	2014
K. James Harrison (3) Oakville, Ontario	55	1995	273,464 (3)	270,482 (3)	37,600	39,600	$185,956	$1,255,832

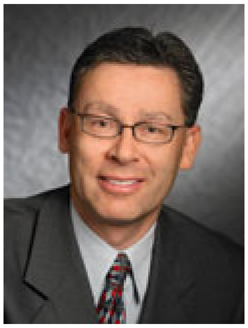
Mr. Harrison is our Chairman. He is the founder of K.J. Harrison & Partners Inc., a private client investment management firm in Toronto, Ontario. Prior to 2000, he was the Vice-Chairman and Chief Executive Officer of Connor Clark Ltd. He is a LL.B., M.B.A. graduate of the University of Western Ontario and has a Chartered Financial Analyst designation.

Member of:
- Governance and Compensation Committee
- Special Committee of the Board

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed		Share Awards		Total Market Value of Securities Owned (1) (2)	
			2015	2014	2015	2014	2015	2014
Craig H. Hansen Calgary, Alberta	59	1992	2,398,894	2,254,675	83,425	83,425	$1,631,248	$9,469,306

Mr. Hansen has been our President and its predecessor, Zargon Energy Trust, since 1993. Mr. Hansen obtained a B.Sc. (Hons.) in Chemical Engineering from the University of Alberta in 1978 and is a professional engineer registered with APEGGA. Mr. Hansen was employed with Dome Petroleum Ltd. (1978-1980) and NRG Engineering Ltd. (1980-1984). He founded C.H. Hansen Engineering Ltd., an engineering consulting company, which provided reservoir, exploitation, and acquisition engineering services during the period 1984 through 1993. Mr. Hansen is a member of the Board of Directors of the Canadian Association of Petroleum Producers (CAPP), where he is currently Chair of the Fiscal Executive Policy Group.

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed		Share Awards		Total Market Value of Securities Owned (1) (2)	
			2015	2014	2015	2014	2015	2014
Kyle D. Kitagawa (4) Calgary, Alberta	55	2001	72,897 (4)	64,796 (4)	21,825	28,000	$49,570	$375,824

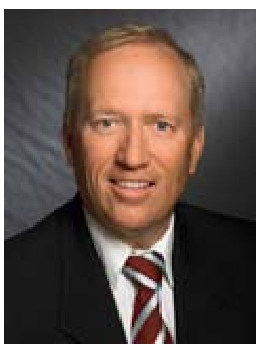


Mr. Kitagawa brings over 25 years experience in commodity trading, equity investing, and structured finance in energy and energy intensive industries. Prior to April 2003, he held senior executive positions in a global energy trading and capital corporation. Mr. Kitagawa has been an independent businessperson since 2003. In addition, Mr. Kitagawa serves as Chairman of Canadian Energy Services & Technology Corp.

Mr. Kitagawa holds a Master of Business Administration degree from Queen's University, a Bachelor of Commerce from the University of Calgary and is a Chartered Accountant.

Member of:
- Audit and Reserves Committee (Chairman)
- Special Committee of the Board

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed		Share Awards		Total Market Value of Securities Owned (1) (2)	
			2015	2014	2015	2014	2015	2014
Geoffrey C. Merritt Calgary, Alberta	61	2009	92,496	88,373	26,700	28,000	$62,897	$471,311



Mr. Merritt has over 30 years of experience in the upstream oil and gas sector. He was the founder of Masters Energy Inc., a public exploration and production company, incorporated in 2003 and acquired by us in April 2009. From 1998 to 2003, Mr. Merritt was the President and CEO of Sunfire Energy. Prior to 1998, he was the Vice President and General Manager of the oil and gas division of Pembina Corporation. Mr. Merritt currently sits on the board of Perpetual Energy Inc.

Mr. Merritt received a B.Sc. in Chemical Engineering from the University of Alberta in 1978 and is a graduate of the Harvard Business School.

Member of:
- Audit and Reserves Committee
- Special Committee of the Board

Nominee for Election as Director	Age	Director Since	Securities Owned, Controlled or Directed 2015	Securities Owned, Controlled or Directed 2014	Share Awards 2015	Share Awards 2014	Total Market Value of Securities Owned (1) (2) 2015	Total Market Value of Securities Owned (1) (2) 2014
Jim Peplinski Calgary, Alberta	55	1997	251,029	251,029	28,000	28,000	$170,700	$1,130,067

Mr. Peplinski's main focus is commercial vehicle lessor Jim Peplinski Leasing Inc. He is also VP Business Development of the Calgary Flames Hockey Club as well as an investor in real estate and oil and gas.

Member of:
- Audit and Reserves Committee
- Governance and Compensation Committee (Chairman)
- Special Committee of the Board

Nominee for Election as Director	Age	Director Since	Securities Owned, Controlled or Directed 2015	Securities Owned, Controlled or Directed 2014	Share Awards 2015	Share Awards 2014	Total Market Value of Securities Owned (1) (2) 2015	Total Market Value of Securities Owned (1) (2) 2014
Ron Wigham (5) Calgary, Alberta	59	2015	247,700	-	15,000	-	$168,436	$-

Mr. Wigham is an independent businessperson and a director of Spur Resources Ltd. and Tourmaline Oil Corp. In 2014 Mr. Wigham retired from the position of Vice-Chairman of Peters & Co. Limited.

Mr. Wigham received a B.A. Finance in 1978 from the Honors College, University of Oregon and LLB from the University of Victoria in 1981.

Member of:
- Governance and Compensation Committee
- Special Committee of the Board

Nominee for Election as Director	Age	Director Since	Securities Owned, Controlled or Directed		Share Awards		Total Market Value of Securities Owned (1) (2)	
			2015	2014	2015	2014	2015	2014
Grant A. Zawalsky Calgary, Alberta	56	2000	30,338	28,400	26,700	28,000	$20,630	$228,420

Mr. Zawalsky is the Managing Partner of Burnet, Duckworth & Palmer LLP (Barristers and Solicitors) where he has been a partner since 1994.

Mr. Zawalsky currently sits on the board of directors of a number of private and public companies, including NuVista Energy Ltd., PrairieSky Royalty Ltd. and Whitecap Resources Inc., and is Corporate Secretary of ARC Resources Ltd., Bonavista Energy Corporation and RMP Energy Inc. Mr. Zawalsky is also a Governor of the Calgary Petroleum Club.

Mr. Zawalsky holds a B.Comm and LL.B. from the University of Alberta and is a member of the Law Society of Alberta.

Member of:
- Governance and Compensation Committee

Notes:

(1) For 2015, the "Total Market Value of Securities Owned" was determined by multiplying the number of common shares held by the nominee as of April 14, 2016 by the closing price of our common shares on the Toronto Stock Exchange on such date ($0.68), plus the number of common shares issuable upon exercise of share awards held multiplied by the closing price of our common shares on the Toronto Stock Exchange on such date. For calculation purposes, no adjustment has been made to the number of common shares issuable upon exercise of share awards to give effect to dividends paid since the share award was granted.

(2) For 2014, the "Total Market Value of Securities Owned" was determined by multiplying the number of common shares held by the nominee as of April 14, 2015 by the closing price of our common shares on the Toronto Stock Exchange on such date ($4.05), plus the number of common shares issuable upon exercise of share awards held multiplied by the closing price of our common shares on the Toronto Stock Exchange on such date. For calculation purposes, no adjustment has been made to the number of common shares issuable upon exercise of share awards to give effect to dividends paid since the share award was granted.

(3) Mr. Harrison has control or direction over 125,472 common shares in 2015 and had control over 125,472 common shares in 2014 that are held by clients of K.J. Harrison & Partners Inc. For the purposes of calculating Mr. Harrison's "Total Market Value of Securities Owned" the 125,472 common shares in 2015 and the 125,472 common shares in 2014 have not been included.

(4) Mr. Kitagawa, as a trustee, has control or direction over 127,500 common shares in 2015 and had control or direction over 127,500 common shares in 2014 that are held by North River Capital Corp. For the purposes of calculating Mr. Kitagawa's "Total Market Value of Securities Owned" the 127,500 common shares in 2015 and the 127,500 common shares in 2014 have not been included.

(5) Mr. Wigham joined our board on July 20, 2015.

Additional Disclosure Relating to Proposed Directors

To the knowledge of our directors and executive officers, none of our proposed directors is, as of the date hereof, or has been within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer. None of our proposed directors is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In addition, none of our proposed directors has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Majority Voting for Directors

Our board of directors has adopted an individual director voting policy which allows you to vote with respect to each individual director. The individual voting results will be reviewed by our governance and compensation committee and will be considered as part of the committee's overall review and assessment of the nominees recommended to the shareholders at the next annual general meeting of shareholders.

Our board of directors has adopted a policy stipulating that if the votes in favour of the election of a director nominee at a shareholders' meeting represent less than a majority of the common shares voted and withheld, the nominee will submit his or her resignation promptly after the meeting, for our governance and compensation committee's consideration. The governance and compensation committee will make a recommendation to our board of directors after reviewing the matter, and our board of directors' decision to accept or reject the resignation offer will be disclosed to the public within 90 days of the applicable shareholders' meeting. Resignations shall be expected to be accepted except in situations where extenuating circumstances would warrant the applicable director to continue to serve as a board member. The nominee will not participate in any committee or board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Ernst & Young LLP, Chartered Professional Accountants, as our auditors, to hold office until the next annual meeting of our shareholders and to authorize the directors to fix their remuneration as such. See "*Audit and Reserves Committee Information*" in our annual information form for the year ended December 31, 2015 for additional information including a description of fees we paid to Ernst & Young LLP during the past two years.

DIRECTORS COMPENSATION

Compensation of Directors

Our board of directors, through the governance and compensation committee, is responsible for the development and implementation of a compensation plan for our independent directors. Our directors who are also our officers are not paid any compensation for acting as a director.

The main objectives of our compensation plan for directors are to attract and retain the services of the most qualified individuals and to compensate our directors in a manner that is commensurate with the risks and responsibilities assumed in board and committee membership and at a level that is similar to the compensation paid to directors of a peer group of oil and gas companies. In addition, our philosophy of using compensation to foster a culture of ownership also extends to our director compensation policies. Our board of directors believes it is important that directors demonstrate their commitment to our stewardship through common share ownership. As a result, all of our independent directors are required to hold common shares with a total value aggregating not less than four times their annual board retainer. New directors have two years from being appointed to the board to comply with this policy. See "*Common Share Ownership Guidelines*" below.

In response to the constraints on our business due to the commodity price environment, we reduced our directors' fees by 50% in 2015. The following table sets forth the principal elements of the compensation plan for our outside directors for the year ended December 31, 2015.

Compensation Element	Amount ($)
Board Retainer – Annual	10,000
Additional Chair Retainers – Annual: Board Audit and Reserves Governance and Compensation	 12,500 5,000 2,500
Meeting Attendance Fee	500

Outside directors are eligible to receive awards under our share award plan which became effective on January 1, 2011. Participation of each non-management director in the share award plan is limited to the lesser of (a) 1% of our issued and outstanding common shares; and (b) an annual equity award value of $100,000, with the value of each award calculated at the time of grant. See "*Executive Compensation – Executive Compensation Discussion and Analysis – Incentive Plans – Share Award Plan*" for a description of our share award plan. On March 12, 2015 our Chairman of the board was granted 21,000 share awards and our other outside directors were granted 15,000 share awards each pursuant to our share award incentive plan. These share awards vest equally over a four year period commencing on January 1, 2016 and expire on March 12, 2020. On August 31, 2015 an outside director was granted 15,000 share awards pursuant to our share award incentive plan. These share awards vest equally over a four year period commencing on January 1, 2016 and expire on August 31, 2020. Following May 15, 2016 we will no longer be able to grant share awards, see "*Incentive Plans – Share Award Plan*".

As at December 31, 2015, our outside directors held an aggregate of 159,125 share awards, which represented approximately 0.5% of our issued and outstanding common shares as at such date. For information regarding the outstanding share awards held by our independent directors as at December 31, 2015, see "*Outstanding Option-based and Share-based Awards*" and "*Share-based Awards – Value Vested or Earned during the Year*" below.

The following table sets forth the cash retainers and fees that were paid to each of our independent directors during the year ended December 31, 2015. Directors' fees are paid on a quarterly basis.

Name	Board Retainer ($)	Chair of Board Retainer ($)	Committee Chair Retainer ($)	Meeting Attendance Fees ($)	Total Fees Earned ($)
K. James Harrison	10,000	12,500	-	8,000	30,500
Kyle D. Kitagawa	10,000	-	5,000	9,500	24,500
Geoffrey C. Merritt	10,000	-	-	10,000	20,000
Jim Peplinski	10,000	-	2,500	11,000	23,500
Ron Wigham (1)	5,000	-	-	2,500	7,500
Grant A. Zawalsky	10,000	-	-	7,500	17,500

Note:

(1) Mr. Wigham was appointed as a director on July 20, 2015.

Summary Compensation Table

The following table sets forth information concerning the compensation for our independent directors for the year ended December 31, 2015. Please refer to "*Executive Compensation*" for details regarding the compensation paid to our President and Chief Executive Officer, who is also one of our directors.

Name	Fees earned ($)	Share-based awards [1] ($)	Option-based awards [2] ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
K. James Harrison	30,500	44,310	-	-	-	-	74,810
Kyle D. Kitagawa	24,500	31,650	-	-	-	-	56,150
Geoffrey C. Merritt	20,000	31,650	-	-	-	-	51,650
Jim Peplinski	23,500	31,650	-	-	-	-	55,150
Ron Wigham [3]	7,500	19,200	-	-	-	-	26,700
Grant A. Zawalsky [4]	17,500	31,650	-	-	-	-	49,150

Notes:

(1) The value disclosed represents the fair value of the share award on the grant date using a fair value pricing model valued on the grant date. The fair value calculation includes weighted average assumptions such as a forfeiture rate and an expected life of the share award. No adjustment has been made to the number of share awards granted during the year for dividends.
(2) No option-based awards were granted to our outside directors in 2015.
(3) Mr. Wigham was appointed a director on July 20, 2015.
(4) Mr. Zawalsky is the Managing Partner at the law firm of Burnet, Duckworth & Palmer LLP, which receives fees for the provision of legal services to us.

Directors' Outstanding Option-based Awards and Share-based Awards

The following table sets forth all option-based awards and share-based awards outstanding held by our independent directors at December 31, 2015.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised incentive rights (#)	Incentive right exercise price ($)	Incentive rights expiration date	Value of unexercised in-the-money incentive rights ($)	Number of shares that have not vested (#)	Market or payout value of share-based awards that have not vested [1] ($)	Market or payout value of vested share-based awards not paid out or distributed [1] ($)
K. James Harrison	-	-	-	-	30,625	26,644	7,808
Kyle D. Kitagawa	-	-	-	-	21,825	18,988	Nil
Geoffrey C. Merritt	-	-	-	-	21,825	18,988	5,372
Jim Peplinski	-	-	-	-	21,825	18,988	5,372
Ron Wigham	-	-	-	-	15,000	13,050	Nil
Grant A. Zawalsky	-	-	-	-	21,825	18,988	4,241

Note:

(1) Calculated based on the closing price of our common shares on the Toronto Stock Exchange on December 31, 2015 (being $0.87). No adjustment has been made to the number of share awards granted for dividends.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each of our independent directors the value of option-based awards and share-based awards which vested during the year ended December 31, 2015 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2015.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year (1) ($)	Non-equity incentive plan compensation – Value earned during the year ($)
K. James Harrison	-	17,577	-
Kyle D. Kitagawa	-	12,285	-
Geoffrey C. Merritt	-	12,285	-
Jim Peplinski	-	12,285	-
Ron Wigham (2)	-	-	-
Grant A. Zawalsky	-	12,285	-

Notes:

(1) Calculated based on the closing price of our common shares on the Toronto Stock Exchange as of December 31, 2014 (being $3.78), which was the last trading day before the vesting date of January 1, 2015. No adjustment has been made to the number of share awards to give effect to dividends paid since the share award was granted.

(2) Mr. Wigham was appointed a director on July 20, 2015.

Common Share Ownership Guidelines

Directors (other than our President and Chief Executive Officer) are expected to own common shares having a market value of at least four times the amount of their annual board retainer. New directors are required to attain the minimum ownership level within a period of two years from the date of their election. Our President and Chief Executive Officer is expected to own common shares having a market value of at least two times his annual base salary.

In calculating ownership levels, common shares that an individual beneficially owns or controls or directs, directly or indirectly, may be counted. The ownership of common share incentive rights or share awards does not count towards these requirements.

Following the phase-in period, directors and our President and Chief Executive Officer are expected to be in continuous compliance with the guidelines. In the event that an individual who has achieved the target ownership level subsequently falls below such target ownership level due solely to a decline in the market price of our common shares, such individual shall be considered to be in compliance with our ownership guidelines as long as the cost base of his or her common shares exceeds the target ownership level.

The following table sets out the ownership levels of our President and Chief Executive Officer and each of our independent directors as at December 31, 2015.

Name	Ownership Guideline		Ownership Value		Guideline Met or Investment Required to Meet Guideline
	Multiple	Amount ($)	Multiple	Amount ($) (1) (2)	
Craig H. Hansen	2 x base salary	520,969	3.97	2,066,818	Yes
Independent Directors:					
K. James Harrison	4 x retainer	40,000	5.88	235,319	Yes
Kyle D. Kitagawa	4 x retainer	40,000	1.59	63,420	Yes
Geoffrey C. Merritt	4 x retainer	40,000	1.92	76,885	Yes
Jim Peplinski	4 x retainer	40,000	5.46	218,395	Yes
Ron Wigham (3)	4 x retainer	40,000	5.39	215,499	Yes
Grant A. Zawalsky	4 x retainer	40,000	0.66	26,394	Yes

Notes:

(1) Based on the closing price of our common shares on the Toronto Stock Exchange on December 31, 2015 (being $0.87).
(2) For the purposes of compliance with the policy, the value of these holdings is based on the greater of the cost to acquire the shares or the market price. As a result, the value presented may be less than the target although the guideline has been met.
(3) Mr. Wigham was appointed as a director on July 20, 2015.

Meeting Attendances

The following table outlines the attendance record of our directors in 2015.

Name	Board Meeting	Audit and Reserves Committee	Governance and Compensation Committee	Special Committee of the Board
K. James Harrison	11/11	-	4/4	1/1
Craig H. Hansen (1)	11/11	6/6	4/4	1/1
Kyle D. Kitagawa (2)	10/11	6/6	2/2	1/1
Geoffrey C. Merritt (2)	11/11	6/6	2/2	1/1
Jim Peplinski	11/11	6/6	4/4	1/1
Ron Wigham (3)	3/3	-	1/1	1/1
Grant A. Zawalsky (4)	11/11	-	4/4	1/1

Notes:

(1) Mr. Hansen attended the audit and reserves committee, governance and compensation and special committee meetings in his capacity as President and Chief Executive Officer of our company and not as a member of the committee.
(2) Mr. Kitagawa and Mr. Merritt were invited to attend the governance and compensation committee meetings in their capacity as members of the Board of Directors and not as a member of the committee.
(3) Mr. Wigham was appointed as a director on July 20, 2015.
(4) Mr. Zawalsky attend the special committee meeting in his capacity as a member of the Board of Directors and not as a member of the committee.

EXECUTIVE COMPENSATION

Statement of Executive Compensation

For the year ended December 31, 2015, our named executive officers ("**NEO**") were:

Craig H. Hansen,	President and Chief Executive Officer ("**CEO**")
Jeffrey N. Post	Chief Financial Officer ("**CFO**")
Brian G. Kergan	Vice President, Corporate Development
Randolph J. Doetzel	Vice President, Operations
Robert T. Moriyama	Vice President, Enhanced Recovery

Executive Compensation Discussion and Analysis

Compensation Objectives and Philosophy

Compensation plays an important role in achieving short and long term business objectives that ultimately drive business success. We have developed a compensation strategy built on offering a competitive compensation package, which is oriented toward developing a culture of ownership by making long term equity-based incentives, through the granting of incentive rights, a significant component of executive compensation. This approach is based on the assumption that the performance of our share price over the long term is an important indicator of long term performance.

Our compensation philosophy is based on the following fundamental principles:

- Compensation programs align with shareholder interests – we align the goals of our executives with maximizing long term shareholder value;

- Performance sensitive – compensation for our executive's should be linked to our operating and market performance; and

- Offer market competitive compensation to attract and retain talent – our compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of our compensation program in compensating our executives were developed based on the above-mentioned compensation philosophy and are as follows:

- To attract and retain highly qualified executive officers;

- To align the interests of executive officers with shareholders' interests and with the execution of our business strategy;

- To evaluate executive performance on the basis of key measurements that correlate to long term shareholder value; and

- To tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

Compensation Governance

Our governance and compensation committee assists our board of directors in fulfilling its responsibilities by monitoring our compensation plans and practises and ensuring their congruence with our objectives and goals by assessing and making recommendations regarding compensation, benefits, short and long term incentive programs and employee retention.

Our governance and compensation committee is currently composed of four independent directors, Messrs. Peplinski (Chairman), Harrison, Wigham and Zawalsky. Each is an independent member of our board and is knowledgeable about compensation design and administration. All of our governance and compensation committee members have served as a senior executive officer and/or director of numerous organizations and have direct experience in executive and corporate compensation programs. Reference should also be made to each member's biography found under "*Election of Directors*" above.

The governance and compensation committee annually reviews and recommends the compensation of members of the executive team, specifically the CEO, the CFO and the Vice Presidents, and granting of long term incentives. Recommendations regarding executive compensation and the granting of long term incentives are presented to the governance and compensation committee in January with the year-end bonus recommendations being presented in February. Given the current economic condition, no long term incentives were granted to employees and a target bonus of nil was set.

Compensation Risks

In establishing our executive compensation program our governance and compensation committee also considers the implication of the risks associated with our compensation program, including:

- The risk of executives taking inappropriate or excessive risks;
- The risk of inappropriate focus on achieving short term goals at the expense of long term return to shareholders;
- The risk of encouraging aggressive accounting practises; and
- The risk of excessive focus on financial returns and operational goals at the expense of regulatory, environmental and health and safety.

While no program can fully mitigate these risks we believe that many of these risks are mitigated by:

- Weighting our long term incentives towards share ownership and vesting our long term incentives over a number of years;
- Establishing a uniform incentive program for all executive officers and employees;
- Avoiding narrowly focused performance goals which may encourage loss of focus on providing long term shareholder return and retaining adequate discretion to insure that our corporate governance & compensation committee and board retain their business judgment in assessing actual performance; and
- Establishing a strong "tone at the top" for accounting, regulatory, environmental and health and safety compliance.

Elements of Compensation Plan

Our executive compensation package provides a balanced set of elements designed to deliver the objectives of our compensation philosophy. The fixed elements, salary and perquisites, provide a competitive base of secure compensation necessary to attract and retain executive talent. The variable elements, bonus and long term incentives are designed to balance short term gains with our long term interests and motivate the superior performance of both. Our long term incentive plan also aligns our executive's with shareholders and helps retain executive talent. Our employee savings plan further aligns our executive's with shareholders and allows executive's to accumulate wealth for retirement or other purposes. The combination of the fixed elements and the variable incentive opportunities delivers a competitive compensation package.

While our CEO and other executives have a large proportion of their compensation "at risk", the quantum of the incentive compensation and the mix between short term and long term compensation is intended to discourage inappropriate risk taking and does not reward actions that could produce short term success at the cost of long term results.

In addition, pursuant to our insider trading policy, our directors, officers and employees are prohibited from selling any of our shares they do not own or have not fully paid for, unless the director, officer or employee owns another security convertible into our shares and, within 10 days after the sale, such person exercises the conversion privilege, option or right and delivers the associated commons share to the purchaser or transfers the convertible security, option or right, if transferable to the purchaser. Directors, officers and employees are also prohibited from buying or selling a call or put in respect of any of our securities.

Our CEO presents recommendations and rationale to our governance and compensation committee regarding salary adjustments, bonuses and long term incentives for all staff. The focus of the discussion is on the individual executive salaries and bonuses with a review of the aggregate level of salary and bonuses for the balance of the staff. The governance and compensation committee makes specific recommendations to our board of directors on our CEO's salary, bonus payments and incentive plan allocations. Our board of directors reviews all recommendations of the governance and compensation committee before final approval. Any director who is also an officer is excused from the directors' meeting during any discussion of his compensation. Our governance and compensation committee also approves the salaries, bonus payments and incentive plan allocations of all other senior officers.

In determining annual bonuses, raises and other compensation, our governance and compensation committee considers overall corporate performance, performance across a number of operating measures such as production and reserves per share, finding and developments costs and recycle ratio, and advancement of our major projects to assess the operational effectiveness of the execution of our strategy, financial, regulatory and environmental compliance and other elements such as the strengthening of staff resources, processes and internal communication and individual performance. The measures described here are considered as subjective factors and are not defined in such a way as to limit the authority of the governance and compensation committee or to restrict the latitude they have to guide the compensation process. During the past year the committee did not use any formal benchmarking process when considering compensation.

Base Salary

In setting base salaries, our governance and compensation committee, consistent with our long term policy, has targeted our executive's base salaries at a competitive range for comparable organizations in the oil and gas industry. Salaries reflect market conditions and levels of responsibility. Salaries of senior executive officers are determined utilizing salary survey information from comparator companies. In January of each year, our Chief Executive Officer makes salary recommendations to our governance and compensation committee, which in turn makes its own recommendation to our board of directors. Given the current economic condition, salary rollbacks were introduced during the 2015 year.

The following table summarizes base salaries paid to our NEOs for the years ended December 31, 2014 and December 31, 2015.

Name and principal position	2014 Base Salary ($)	2015 Base Salary ($)	% Increase/ (Decrease)
Craig H. Hansen President and CEO	337,906	260,484	(22.9)
Jeffrey N. Post [(1)] Chief Financial Officer	135,400	169,117	24.9
Brian G. Kergan Vice President, Corporate Development	258,580	234,763	(9.2)
Randolph J. Doetzel Vice President, Operations	242,097	238,062	(1.7)
Robert T. Moriyama Vice President, Enhanced Recovery	236,492	232,550	(1.7)

Note:

(1) Mr. Post was promoted from our Corporate Controller to our Chief Financial Officer on May 14, 2015.

For 2015, no increase in overall salaries from 2014 levels was planned. Further, in response to the sustained decline in oil and gas prices and profitability concerns in the oil and gas industry, our President and Chief Executive Officer and our Vice President, Corporate Development agreed to a rollback of their salaries for the period from March 1, 2015 to February 29, 2016. These rollbacks were maintained after February 29, 2016. Effective November 1, 2015 salaries of the senior management team (who did not previously agree to a salary rollback) were reduced by 10 percent. The average salary decreases for our NEOs was six percent.

Bonuses

Our governance and compensation committee approves targeted amounts of annual bonuses for each of our executive officers. If all targets are met, this methodology results in an amount that roughly aligns with industry benchmarking data. For 2015, due to the current commodity price environment, our overall corporate targeted bonus amount was set at zero and consequently no bonuses were paid to our NEOs for the year ended December 31, 2015. Our board of directors, however, approved a retention bonus for our staff, excluding officers, payable on April 30, 2016, provided the employee remains with us until April 30, 2016.

The following table summarizes bonuses paid to our NEOs for the years ended December 31, 2014 and December 31, 2015.

Name and principal position	2014 Bonus ($)	2015 Bonus ($)	2015 Bonus as a % of 2015 Base Salary
Craig H. Hansen President and CEO	100,000	-	-
Jeffrey N. Post Chief Financial Officer	34,000	-	-
Brian G. Kergan Vice President, Corporate Development	60,000	-	-
Randolph J. Doetzel Vice President, Operations	60,000	-	-
Robert T. Moriyama Vice President, Enhanced Recovery	63,000	-	-

Incentive Plans

The compensation committee's objectives for a new long term compensation program include the following:

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

Share Award Plan

Our share award plan is our only incentive plan. Our executive management participate in our share award plan and the terms and conditions of share awards granted under the plan are determined by our governance and compensation committee. Previous grants are taken into account when considering new grants. Share awards for executives are generally approved annually and are granted in March, subject to the imposition of trading blackout periods, in which case share awards scheduled for grant will be granted subsequent to the end of the blackout period. Additional one time grants may also be awarded throughout the year to reward exemplary performance.

During 2015, an aggregate of 142,000 share awards were granted to our NEOs. These share awards vest equally over a four year period commencing on January 1, 2016. Of the total, 137,000 share awards expire on March 13, 2020 and the remaining 5,000 share awards expire on May 31, 2020.

Pursuant to the rules of the Toronto Stock Exchange, all unallocated rights, options or other entitlements under a security based compensation arrangement which does not have a fixed maximum number of securities issuable thereunder must be approved by an issuer's directors and equity shareholders every three years. Our share award plan was last approved in May of 2013. We are not seeking approval of the unallocated awards under our share award plan from our shareholders at the meeting and as such we will no longer be able to issue common shares from treasury to settle the award value of any unallocated share awards, being those which have not been granted as of May 15, 2016. Share awards granted prior to this date will continue unaffected.

The principal purposes of our share award plan are: (i) to retain and attract qualified certain directors, officers and employees for us and our subsidiaries, partnerships or other controlled entities; and (ii) to promote a proprietary interest in us by such persons and to encourage such persons to remain in our employ or service and put forth maximum efforts for the success of our business and affairs. Our share award plan is designed to encourage ownership and entrepreneurship on the part of our senior management and other employees. Our governance and compensation committee believes that the plan aligns the interests of our executive officers' with shareholders.

In accordance with its terms, our board of directors has delegated the authority to administer the share award plan to our governance and compensation committee. The governance and compensation committee has the authority in its sole discretion to administer the plan and to exercise all the powers and authorities either specifically granted to it under the plan or necessary or advisable in the administration of the plan subject to and not inconsistent with the express provisions of the plan, including, without limitation, the authority to grant awards under the plan and to determine those persons to whom, and the time or times at which share awards shall be granted and become issuable.

Each share award entitles the holder be issued that number of common shares designated in the share award with such common shares to vest as to one-quarter every January 1 over a four year period with such share award to expire on the fifth anniversary of the date of grant (or such other vesting dates or expiry dates as may be determined by our governance and compensation committee).

If a holder is prohibited from trading in our securities as a result of the imposition by us of a trading blackout and the issue date of a share award held by such holder falls within the trading blackout period, then the expiry date for the common shares will be extended to the date that is ten business days following the end of the blackout period.

The plan provides for cumulative adjustments to the number of common shares to be issued pursuant to share awards on each date that dividends are paid on the common shares pursuant to the adjustment ratio set forth in the plan. Additionally, subject to the approval of the Toronto Stock Exchange, the plan also provides for an adjustment to the number of common shares to be issued or the payment or a cash equivalent amount in the case of a non-cash dividend in certain circumstances.

Unless otherwise approved by our shareholders, the number of common shares reserved for issuance from time to time pursuant to outstanding share awards granted and outstanding under the plan may not exceed the number of common shares equal to 5% of the aggregate number of issued and outstanding common shares. This prescribed maximum may be subsequently increased to any specified amount, provided the increase is authorized by a vote of our shareholders. If any share awards granted under the plan expire, terminate or are cancelled for any reason without having been settled in full, any unissued common shares to which such share awards relate will be available for the purposes of the granting of further share awards under the plan.

The plan also limits the level of participation of each holder. No one holder may be granted any share award which, together with all share awards then held by such holder, would entitle such holder to receive a number of common shares which is greater than 10% of our issued and outstanding common shares, calculated on an undiluted basis. In addition: (i) the number of common shares issuable to insiders at any time, under the plan and all of our other security based compensation arrangements, may not exceed 10% of our issued and outstanding common shares; and (ii) the number of common shares issued to insiders, within any one year period, under the plan and all of our other security based compensation arrangements, may not exceed 10% of our issued and outstanding common shares. Participation of each non-management director in the share award plan is also limited. Such participation may not exceed the lesser of: (a) 1% of our issued and outstanding common shares; and (b) an annual equity award value of $100,000, with the value of each share award calculated at the time of grant.

In the event of a "change of control" of us (as such term is defined in the plan), all common shares awarded pursuant to any share awards to a holder that have not yet been issued as of such time shall be vested on the earlier of (i) the next applicable expiry date; and (ii) the date which is immediately prior to the date upon which the change of control is completed.

Unless otherwise determined by our governance and compensation committee or unless otherwise expressly set forth in a share award agreement pertaining to a particular share award or any written employment or consulting agreement governing a holder's role as an employee, the following provisions shall apply in the event that a holder ceases to be a director, officer or employee of us (or of our subsidiaries, partnerships or other controlled entities):

(a) if a holder ceases to be a director, officer or employee for any reason whatsoever, including termination without cause, other than the death or disability of the holder (as contemplated under (b) below), there shall be no further vesting of any of such holder's share awards following the cessation date and all outstanding share award agreements under which share awards have been made to such holder shall be terminated and all rights to receive common shares thereunder shall be forfeited by the holder effective as of the earlier of (i) the date that is 30 days from the cessation date plus any blackout extension term if a blackout is in effect at the end of such 30 day period; and (ii) the expiry date otherwise relating to such share award;

(b) upon the death or disability of a holder, there shall be no further vesting of any of such holder's share awards following the cessation date and all outstanding share award agreements under which share awards have been made to such holder shall be terminated and all rights to receive common shares thereunder shall be forfeited by the holder effective as of the earlier of (i) the date that is six months from the cessation date and (ii) the expiry date otherwise relating to such share award.

Notwithstanding the foregoing, in the event that any of the early termination provisions conflict with or are inconsistent with the express terms of a written employment agreement between a holder and us, the terms of the employment agreement will govern.

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

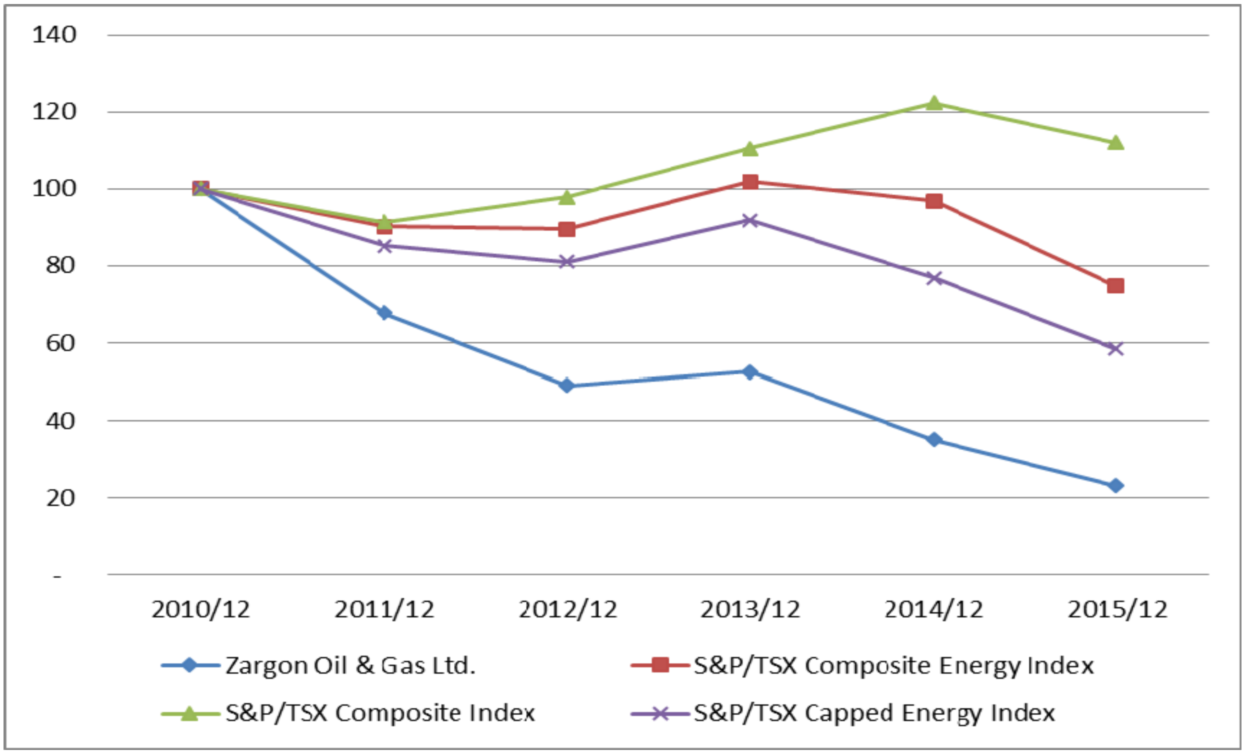
The share award plan and any share awards granted thereunder may be amended, modified or terminated by our board of directors without approval of our shareholders subject to any required approval of the Toronto Stock Exchange. Our governance and compensation committee may also vary the vesting dates and expiry dates under the plan provided that the duration of any share awards shall not exceed seven (7) years. Notwithstanding the foregoing, the plan or any share award may not be amended without shareholder approval to: (a) increase the number of common shares issuable on exercise of outstanding share awards at any time in excess of the limits described above; (b) extend the expiry date of any outstanding share awards; (c) permit a holder to transfer or assign share awards to a new beneficial holder other than for estate settlement purposes; (d) amend the limits on the permitted level of participation under the plan by non-management directors; (e) increase the number of common shares that may be issued to insiders above the restriction contained in the plan; or (f) amend the amending provisions of the plan to delete any of (a) through (e).

Employee Savings Plan

We also have an employee savings plan whereby all employees, including executive officers, are encouraged to contribute up to a maximum of 10% of their salary to the employee savings plan. The contributions by employees are equally matched by us. The funds are used to purchase common shares in the open market. Since the plan is available to all employees it has been successful in encouraging employees to become shareholders and promoting the principle of alignment with shareholders. Our governance and compensation committee considers this program to be competitive. There is no other form of retirement or savings program. All of our executive officer's participated in the program in 2015. These amounts are included in the "*All Other Compensation Category*" in the Summary Compensation Table below.

Performance Graph

The following graph illustrates our five year cumulative securityholder return assuming an initial investment of $100 in each of us (and our predecessor, Zargon Energy Trust) and the S&P/TSX Composite Index, the S&P/TSX Composite Energy Index and the S&P/TSX Capped Energy Index on December 31, 2010, with all distributions and dividends reinvested.



	2010/12	2011/12	2012/12	2013/12	2014/12	2015/12
Zargon Energy Trust/Zargon Oil & Gas Ltd.	100	68	49	52	35	23
S&P/TSX Composite Index	100	91	98	111	122	112
S&P/TSX Composite Energy Index	100	90	90	102	97	75
S&P/TSX Capped Energy Index	100	85	81	92	77	58

Compensation for management is based on the achievement of certain pre-determined criteria at the beginning of each fiscal year. These criteria include capital efficiency measures (such as finding, development and acquisition costs), meeting of sustainability objectives (such as production, reserves and dividends on a per share basis) and other subjective objectives (such as the building of core area team capabilities and improving business processes in the organization). The achievement of these pre-determined objectives are reflected in the determination of the meeting of corporate, team and individual targets, as described earlier and do not necessarily track the changes in the market value of our common shares.

Compensation of Named Executive Officers

The following table sets forth the information concerning the compensation for our CEO and CFO and our three most highly compensated executive officers, other than the CEO and CFO, for the year ended December 31, 2015, whose total compensation was more than $150,000.

Name and principal position	Year	Salary ($)	Share-based awards (1) ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation (2) ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Craig H. Hansen President and CEO	2015 2014 2013	260,484 337,906 331,280	154,000 109,620 107,520	- - -	- 100,000 122,574	- - -	- - -	37,544 45,093 44,171	452,028 592,619 605,545
Jeffrey N. Post (3) Chief Financial Officer	2015 2014 2013	169,117 135,400 116,504	51,100 24,360 21,504	- - -	- 34,000 25,500	- - -	- - -	26,449 22,510 20,112	246,666 216,270 183,620
Brian G. Kergan Vice President, Corporate Development	2015 2014 2013	234,763 258,580 253,510	70,000 80,388 78,848	- - -	- 60,000 82,074	- - -	- - -	35,252 37,466 36,736	340,015 436,434 451,168
Randolph J. Doetzel Vice President, Operations	2015 2014 2013	238,062 242,097 237,350	53,200 87,580 71,680	- - -	- 60,000 71,205	- - -	- - -	34,007 34,541 34,204	325,269 424,218 414,439
Robert T. Moriyama Vice President, Enhanced Recovery	2015 2014 2013	232,550 236,492 225,230	70,000 123,888 78,848	- - -	- 63,000 67,569	- - -	- - -	35,505 35,740 33,618	338,055 459,120 405,265

Notes:

(1) The value disclosed represents the fair value of these awards on the grant date using a fair value pricing model valued on the grant date. The fair value calculation includes weighted average assumptions such as a forfeiture rate and an expected life of the share based awards. No adjustment has been made to the number of share awards granted during the year for dividends.

(2) The amounts in this column represent perquisites and other taxable benefits.

(3) Mr. Post was promoted from our Corporate Controller to our Chief Financial Officer on May 14, 2015.

Named Executive Officers' Outstanding Option-based Awards and Share-based Awards

The following table sets forth for each NEO all option-based awards and share-based awards outstanding at December 31, 2015.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised incentive rights (#)	Incentive right exercise price) ($)	Incentive rights expiration date	Value of unexercised in-the-money incentive rights ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (1) ($)	Market or payout value of vested share-based awards not paid out or distributed (1) ($)
Craig H. Hansen	-	-	-	-	83,425	72,580	-
Jeffrey N. Post	-	-	-	-	24,125	20,989	5,024
Brian G. Kergan	-	-	-	-	45,595	39,668	9,714
Randolph J. Doetzel	-	-	-	-	39,825	34,648	20,423
Robert T. Moriyama	-	-	-	-	51,220	44,561	17,870

Note:

(1) Calculated based on the closing price of our common shares on the Toronto Stock Exchange on December 31, 2015 (being $0.87). No adjustment has been made to the number of share awards for dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (1)
Equity compensation plans approved by securityholders Share Award Plan (2)	908,055	N/A	610,254
Equity compensation plans not approved by securityholders	-	-	-
Total	908,055		610,254

Notes:

(1) The number of common shares reserved for issuance from time to time pursuant to outstanding share awards under our share award plan may not exceed the number of common shares equal to 5% of our aggregate number of issued and outstanding common shares.

(2) We are not seeking shareholder approval of the common shares issuable to unallocated awards under the share award plan at the meeting. As such, in accordance with the rules of the Toronto Stock Exchange, we will be unable to grant share awards pursuant to our share award plan after May 15, 2016.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each executive officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2015 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2015.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year (1) ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Craig H. Hansen	-	59,441	-
Jeffrey N. Post	-	12,191	-
Brian G. Kergan	-	46,929	-
Randolph J. Doetzel	-	41,864	-
Robert T. Moriyama	-	47,968	-

Note:

(1) Calculated based on the closing price of our common shares on the Toronto Stock Exchange as of December 31, 2014 (being $3.78), which was the last trading day before the vesting date of January 1, 2015. No adjustment has been made to the number of share awards to give effect to dividends paid since the share award was granted.

Pension Plan Benefits

We do not have any pension plans for our employees. We have established a savings plan to assist employees in meeting their savings goals. See "*Executive Compensation Discussion and Analysis – Employee Savings Plan*".

Employment Contracts

We have entered into employment agreements with each of the NEO's pursuant to which we have agreed to make a lump-sum payment to each executive in the event of termination without cause or if the executive elects to terminate his employment within 30 days following a "change of control". For these purposes, a "change of control" shall be deemed to occur upon the effective date of the earlier of any of the following event, provided that such event results in an actual change of control of us:

- a successful "take-over bid" (as defined in the Securities Act (Alberta), as amended, or any successor legislation thereto) pursuant to which the "offeror" as a result of such take-over bid, beneficially owns, directly or indirectly, in excess of 50% of our issued and outstanding common shares;

- the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly, which in the aggregate total 50% or more of our then issued and outstanding common shares;

- the completion of an arrangement, merger or other form of reorganization of us where the holders of our outstanding voting securities or immediately prior to the completion of the arrangement, merger or other reorganization will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of the arrangement, merger or other form of reorganization; or

- the winding-up or termination of us or the sale, lease or transfer of all or substantially all of our directly or indirectly held assets to any other person or persons (other than pursuant to an internal reorganization or in circumstances where our business is continued and where the security holdings in the continuing entity are such that the transaction would not be considered a "Change of Control" if the third paragraph above were applicable to the transaction),

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

The following table outlines the compensation arrangements that would be provided to our NEO's in the event of a change of control.

	Termination Event
	Change of Control Provision
Craig H. Hansen President and CEO [1] [2]	A retiring allowance equal to one and a half (1.5) times the executive's then annual base salary plus an additional one-twelfth (1/12th) of the executive's then annual base salary for each full year of service after the start date, up to a maximum payment of two (2) times the executive's then annual base salary; An additional retiring allowance equal to twenty (20%) percent of the amount calculated pursuant to the retiring allowance to compensate the executive for the loss of employment benefits; and An additional retiring allowance equal to the average of the last three (3) annual bonuses (or averaged over such lesser period of time as the executive has been employed with us) multiplied by one (1) plus an additional one-twelfth (1/12th) for each full year of service after the start date up to a maximum of two (2) times.
Brian G. Kergan Vice President, Corporate Development [2] Randolph J. Doetzel Vice President, Operations [2] Robert T. Moriyama Vice President, Enhanced Recovery [2]	A retiring allowance equal to one (1) times the executive's then annual base salary plus an additional one-twelfth (1/12th) of the executive's then annual base salary for each full year of service after the start date, up to a maximum payment of two (2) times the executive's then annual base salary; An additional retiring allowance equal to twenty (20%) percent of the amount calculated pursuant to the retiring allowance to compensate the executive for the loss of employment benefits; and An additional retiring allowance equal to the average of the last three (3) annual bonuses (or averaged over such lesser period of time as the executive has been employed with us) multiplied by one (1) plus an additional one-twelfth (1/12th) for each full year of service after the start date up to a maximum of two (2) times.
Jeffrey N. Post Chief Financial Officer [2]	A retiring allowance equal to six (6) months of the executive's then annual base salary plus an additional one twelfth (1/12th) of the executive's then annual base salary for each full year of service after the effective date, up to a maximum payment of one (1) times the executive's then annual base salary; An additional retiring allowance equal to twenty (20%) percent of the amount calculated pursuant to the retiring allowance to compensate the executive for the loss of employment benefits; and An additional retiring allowance equal to the average of the last three (3) annual bonuses (or averaged over such lesser period of time as the executive has been employed with us) multiplied by one half (0.5) plus an additional one-twelfth (1/12th) for each full year of service after the effective date up to a maximum of one (1) times.

Notes:

(1) On February 5, 2009, our compensation committee approved amendments to our existing executive employment agreements. Mr. Hansen was permitted to retain his previously approved executive employment arrangement, which included a single-trigger, change of control provision. All other executive employment agreements were approved with a double-trigger, change of control provision.

(2) For the purpose of calculating the termination payments, the executive's base salary will not be adjusted for the salary reductions.

The following table sets forth the estimated incremental payments (rounded to the nearest thousand dollars) that would be made to each of our NEO's, assuming that a change of control event (as described in the table above) occurred on December 31, 2015.

Name	Severance Period (months)	Salary (1) ($)	Benefits and Perquisites (2) ($)	Bonus ($)	Incentive Rights ($)	Share Awards (3) ($)	Total Incremental Payment ($)
Craig H. Hansen	24	675,812	135,162	148,383	-	72,580	1,031,937
Jeffrey N. Post	6	90,000	18,000	9,917	-	26,013	143,930
Brian G. Kergan	20	430,967	86,193	78,930	-	49,381	645,471
Randolph J. Doetzel	18	363,146	72,629	65,603	-	55,071	556,449
Robert T. Moriyama	16	315,323	63,065	58,031	-	62,431	498,850

Notes:

(1) For the purpose of calculating the termination payments to our executives, the executive's base salary will not be adjusted for the salary reductions.

(2) The amounts in this column represent compensation for the loss of employment benefits.

(3) On the effective date of the change of control, any unvested share awards vest and become immediately exercisable. The amounts shown in the table includes the in-the-money value of unvested share awards, which is calculated based on the closing price of our common shares on the Toronto Stock Exchange on December 31, 2015 (being $0.87). No adjustment has been made to the number of share awards for dividends.

Liability Insurance of Directors and Officers

We maintain directors' and officers' liability insurance coverage in the amount of $20 million for losses to us if we are required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. This insurance protects us against liability (including costs), subject to standard policy exclusions, which may be incurred by our directors and/or officers acting in such capacity.

All of our directors and officers are covered by the policy and the amount of insurance applies collectively to all. The term of the policy is from December 1, 2015 to December 1, 2016.

In addition, we have entered into indemnity agreements with each of our directors and officers pursuant to which we have agreed to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform to the provisions of the *Business Corporations Act* (Alberta).

Pursuant to our by-laws, we have also indemnified, to the maximum extent permitted under the *Business Corporations Act* (Alberta), each of our directors and officers and each of our former directors and officers, and we may indemnify a person who acts or acted at our request as a director or officer of a body corporate of which we are or was a shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of us or such body corporate.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board of Directors

The majority of the members of our board are independent. Our board has determined that Messrs. Harrison, Kitagawa, Merritt, Peplinski, Wigham and Zawalsky are independent for the purposes of National Instrument 58-101. Mr. Hansen is not considered independent as he is our President and Chief Executive Officer.

The Chairman of our board is Mr. K. James Harrison, an independent director. The primary responsibilities of our Chairman include:

- ensuring that our board is organized properly, functions effectively and meets its obligations and responsibilities in all aspects of its work;
- coordinating the affairs of the board and ensuring effective relations with directors, officers, securityholders, other stakeholders and the public; and
- interacting with our CEO to ensure that the wishes of the board are communicated.

Our independent board members hold regularly scheduled meetings, generally immediately following regularly scheduled board meetings at which members of management are not in attendance. Since the beginning of our most recently completed financial year, our independent directors have held three such meetings.

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

Director	Names of Other Issuers
K. James Harrison	None
Kyle D. Kitagawa	Canadian Energy Services & Technology Corp.
Geoffrey C. Merritt	Perpetual Energy Inc.
Jim Peplinski	None
Ron Wigham	Tourmaline Oil Corp.
Grant A. Zawalsky	NuVista Energy Ltd., PrairieSky Royalty Ltd. and Whitecap Resources Inc.

Board Mandate

Our board, either directly or through its committees, is responsible for the supervision of management of our business and affairs with the objective of enhancing shareholder value. The board's mandate includes the following:

The board of directors is responsible for the stewardship of us and our subsidiaries and partnerships. In discharging its responsibility, the board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to our best interests. In general terms, the board will:

- in consultation with the CEO, define our principal objectives;
- supervise the management of our business and affairs with the goal of achieving our principal objectives as defined by our board;
- discharge the duties imposed on the board by applicable laws; and
- take all such actions as the board deems necessary or appropriate for the purpose of carrying out the foregoing responsibilities.

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

Strategic Direction and Capital and Financial Plans

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

Monitoring and Acting

- monitor our progress towards achieving our goals, and to revise and alter our direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning;
- appoint the CEO and determine the terms of the CEO's employment;
- approve our dividend policy;
- ensure systems are in place for the implementation and integrity of our internal control and management information systems;
- in consultation with the CEO, develop a position description for the CEO;
- evaluate the performance of the CEO at least annually;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting our business;
- in consultation with the CEO, appoint our officers and approve the terms of each officer's employment;
- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in our management organization structure;
- approve all retirement plans for our officers and employees;
- in consultation with the CEO, establish our disclosure policy;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for our securities.

Finances and Controls

- review our systems to manage the risks of our business and, with the assistance of management, our auditors and others (as required), evaluate the appropriateness of such systems;
- monitor the appropriateness of our capital structure;
- ensure that our financial performance is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
- in consultation with the CEO, establish the ethical standards to be observed by all of our officers and employees and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by us and our officers and employees;

- require the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
- require and approve material contracts to be entered into by us;
- recommend to our shareholders a firm of chartered professional accountants to be appointed as our auditors;
- ensure our oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and
- take reasonable actions to gain reasonable assurance that all financial information made public by us (including our annual and quarterly financial statements) is accurate and complete and represents fairly our financial position and performance including review and approval of annual and quarterly financial statements.

Governance and Nominating

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

Delegation

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

Composition

- the board should be composed of at least 6 individuals elected by the shareholders at the annual general meeting;
- a majority of board members should be independent (within the meaning of National Instrument 58-101) and free from any business or other relationship that could impair the exercise of independent judgment;
- members should have or obtain sufficient knowledge of us and the oil and gas business to assist in providing advice and counsel on relevant issues; and board members should offer their resignation from the board to the Chairman of the governance and compensation committee following:
    - a change in personal circumstances which would reasonably interfere with the ability to serve as a Director; and
    - a change in personal circumstances which would reasonably reflect poorly on us (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

Meetings

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

Authority

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

Board Committees

In 2012, the committees of our board were restructured to more equitably distribute responsibilities, and to improve costs and efficiencies. As a result, we consolidated our audit committee and reserves committee into our audit and reserves committee and our governance and nominating committee and our compensation committee into our governance and compensation committee. All committee members are independent directors. Our board has accepted overall responsibility for health, safety and environment and no separate committees have been established to deal with these issues. The full text of the mandates of each committee is available on our website at *www.zargon.ca*.

In August of 2015, we announced the formation of the special committee of the board, organized to examine alternatives that would maximize shareholder value in a manner that would recognize our fundamental inherent value related to our long-life, low-decline conventional oil assets and the significant long term oil potential related to the Little Bow ASP project. This ongoing strategic and financial review might include, but is not limited to a strategic financing, merger or other business combination, the sale of us or a portion of our business or assets or any combination thereof, as well as the continued execution of its business plan. The special committee of the board held one meeting during the year ended December 31, 2015.

Audit and Reserves Committee

The members of the audit and reserves committee currently are: Mr. Kitagawa (Chair), Mr. Merritt and Mr. Peplinski. The committee's mandate includes:

- reviewing our annual audited consolidated financial statements and the auditors' report thereon prior to submission to the board for approval;
- reviewing the quarterly consolidated financial statements prior to submission to the board for approval;
- reviewing the scope of external and internal audits;
- reviewing and discussing accounting and reporting policies and changes in accounting principles;
- reviewing our internal control systems and procedures;
- meeting with the external auditors independently of our management;
- reviewing management's recommendations for the appointment of the independent engineer;
- reviewing the terms of the independent engineers' engagement and the appropriateness and reasonableness of the proposed fees;
- reviewing the scope and methodology of the independent engineers' evaluation;

- reviewing any significant new discoveries, additions, revisions and acquisitions;
- reviewing assumptions and consistency with prior years;
- reviewing any problems experienced by the independent engineer in preparing the reserves report, including any restrictions imposed by management or significant issues on which there was a disagreement with management; and
- reviewing all public disclosure documents containing reserves information prior to its release, including, the annual report, the annual information form and management's discussion and analysis.

Governance and Compensation Committee

The members of the governance and compensation committee are: Mr. Peplinski (Chair), Mr. Zawalsky, Mr. Wigham and Mr. Harrison. The governance and compensation committee's mandate includes:

- assessing our corporate governance practises and making recommendations to the board with respect to corporate governance practises;
- establishing a nomination process and making recommendations to the board with respect to the nomination of directors;
- assessing, at least annually, the effectiveness of the board and its committees;
- determining compensation and terms of employment for executives, including the granting of shares and incentive programs;
- approving our benefit plans; and
- assessing, at least annually, the compensation and terms of employment of the Chairman, President and Chief Executive Officer.

Orientation and Continuing Education

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

Ethical Business Conduct

Our board has adopted a code of business conduct, a copy of which is available to review on our website at *www.zargon.ca*. It is intended that annually each employee, officer and director confirms in that he or she has read, understood and complied with the code. Any reports of variance from the code will be reported to the board.

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

Position Descriptions

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

Nomination of Directors

We have established a governance and compensation committee which, among other things, has the responsibility for establishing a nomination process and making recommendations to the board with respect to nomination of directors. See "*Board Committees – Governance and Compensation Committee*" for a summary of the committee's mandate. The governance and compensation committee is composed entirely of independent directors. In accordance with the mandate of the governance and compensation committee, the guidelines include considering what competencies and skills the board, as a whole, should possess, the competencies and skills the board considers each existing director to possess and the competencies and skills each proposed nominee will bring to the board as well as whether the new nominee can devote sufficient time and resources to his or her duties as a member of the board. In seeking nominees the governance and compensation committee encourages input from all members of the board and may use the services of professional recruiters if required.

Diversity

In response to the capital markets' desire for more clarity and information, our board has adopted a policy regarding board diversity. Our board believes that board nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the board at the time. We are committed to a meritocracy and believe that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve our business objectives, without reference to their age, gender, race, ethnicity or religion, is in our best interests and all of our stakeholders. Our board recognizes benefits of diversity within the board but has not set quotas or targets. We currently do not have any women directors.

Board Assessment

We commenced an annual formal process of assessing our board and its committees or the individual directors in 2005 under the direction of the governance and compensation committee and have conducted annual reviews since 2005.

Our governance and compensation committee has established the following "skills matrix" outlining the skills and experience which they believe are required by the members of our board of directors. This skills matrix is reviewed annually by the committee and updated as necessary. The committee also annually reviews the skills and experience of our current directors and assesses the knowledge and character of all nominees to our board of directors to ensure general compliance with the skills matrix. In seeking nominees our governance and compensation committee also maintains an "evergreen list" of potential board nominees.

In establishing the "evergreen list" the committee considers both the "skills matrix" described below and board diversity.

Skills Matrix	
Executive Leadership	Experience as a CEO or equivalent.
Enterprise Risk Assessment	Board or executive experience in evaluating and managing risks in the oil and natural gas business.
Value Creation	Board or executive experience in evaluating, and executing on, value creation opportunities through acquisitions, divestiture, mergers or developmental opportunities.
Health, Safety & Environment	Board or management experience with environmental compliance and workplace health and safety in the oil and gas industry.
Operations	Management experience with oil and natural gas operations.
Reserves and Resource Evaluation	Board experience with, or management responsibility for, oil and natural gas reserve and resource evaluation and reporting.
Compensation and Human Resources	Management experience in human resources and executive compensation.
Accounting & Finance	Financial literacy in reading financial statements, financial accounting and operational accounting experience as well as corporate finance knowledge and experience usually from senior accounting and financial management, audit firm background or banking experience.
Legal, Regulatory and Governmental	Broad understanding of corporate, securities, land tenure and oil and natural gas law, regulatory regimes in Western Canada and governmental royalty, incentive and taxation policies usually through management experience or a legal background.
Corporate Governance	Broad understanding of good corporate governance usually through experience as a board member or as a senior executive officer.

The following outlines the experience and background of, but not necessarily the technical expertise of, our outside directors based on information provided by such individuals:

Name	**Executive Leadership**	**Enterprise Risk Assessment**	**Value Creation**	**Health, Safety & Environment**	**Operations**	**Reserves and Resource Evaluation**	**Compensation and Human Resources**	**Accounting & Finance**	**Legal, Regulatory and Governmental**	**Corporate Governance**
Craig H. Hansen	√	√	√	√	√	√	√	√	√	√
K. James Harrison	√	√	√	-	-	√	√	√	√	√
Kyle D. Kitagawa	√	√	√	√	-	√	√	√	√	√
Geoffrey C. Merritt	√	√	√	√	√	√	√	√	√	√
Jim Peplinski	√	√	√	-	-	√	√	√	√	√
Ron Wigham	√	√	√	-	-	√	√	√	√	√
Grant A. Zawalsky	√	√	√	√	-	-	√	-	√	√

Succession Planning

Our board receives regular updates on the status of the succession plans and the professional development of individuals within our organization. We do not consider the level of representation of women in executive officer positions when making executive officer appointments. Consistent with our board diversity policy, our board believes that executive officer appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates. We are committed to a meritocracy and believe that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve our business objectives, without reference to their age, gender, race, ethnicity or religion, is in our best interests and all of our stakeholders. We have no target for the number of women in executive positions and currently there are no women serving in executive officer positions, although we have six women in head office management positions, which represent approximately 40 percent of our head office management positions.

Director Term Limits

Our board of directors does not believe that fixed term limits are in the best interests of Zargon. Our governance and compensation committee considers both the term of service of individual directors, the average term of the board as a whole and turnover of directors over prior three years when proposing a slate of nominees. The committee considers the benefits of regular renewal in the context of the needs of the board at the time and the benefits of the institutional knowledge of the board members.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2015, or in any proposed transaction, which has affected or would materially affect us or any of our subsidiaries.

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

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

ADDITIONAL INFORMATION

We undertake to provide, upon request, a copy of our 2015 annual financial report, containing financial information in the management's discussion and analysis of financial condition and results of operations and the 2015 audited financial statements, as well as a copy of our annual information form, subsequent interim financial statements and this information circular - proxy statement. Our annual information form also contains disclosure relating to our audit and reserves committee and the fees paid to Ernst & Young LLP in 2015. Copies of these documents may be obtained on request without charge from the President and Chief Executive Officer of Zargon Oil & Gas Ltd. at 700, 333 – 5th Avenue S.W., Calgary, Alberta, T2P 3B6, telephone (403) 264-9992 or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at *www.sedar.com* or on our website at *www.zargon.ca.*

OTHER MATTERS

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

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

Dated: April 14, 2016