

FOR IMMEDIATE RELEASE: February 18, 2011

TSX SYMBOL: ZAR

**ZARGON OIL & GAS LTD. ANNOUNCES CANADIAN TAX TREATMENT
OF 2010 DISTRIBUTIONS**

CALGARY, ALBERTA - Zargon Oil & Gas Ltd. ("Zargon") successfully completed the plan of arrangement pursuant to which Zargon Energy Trust (the "Trust") converted from an income trust into a dividend-paying corporation on December 31, 2010. Zargon today releases information for the Trust that, for Canadian tax reporting purposes, all distributions paid to unitholders with Record Dates in the 2010 taxation year are taxable.

The information contained herein is based on Zargon's understanding of the Canadian Income Tax Act and is provided for general information purposes only. Unitholders should consult their tax advisors with respect to their particular circumstances.

UNITS HELD WITHIN AN RRSP, RRIF, RESP, TFSA OR DPSP

With respect to units of the Trust held in an individual's Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Registered Education Savings Plan (RESP), Tax Free Savings Account (TFSA) or Deferred Profit Sharing Plan (DPSP) during 2010, no amount should be reported on the individual's 2010 Income Tax Return ("T1").

UNITS HELD OUTSIDE AN RRSP, RRIF, RESP, TFSA OR DPSP

Unitholders who held their trust units outside an RRSP, RRIF, RESP, TFSA or DPSP will receive a T3 Supplementary Slip for 2010 ("T3") that will report all such distributions as "other income" in Box 26 of the T3. Registered unitholders will receive a T3 slip from Zargon's transfer agent, Valiant Trust Company, while beneficial unitholders who held units through intermediaries will receive a T3 slip from the intermediary.

FOR CANADIAN TAXPAYERS

The following table summarizes, on a monthly basis, distributions with record dates in 2010 to unitholders, indicating that the full amount is taxable and no portion is considered to be a return of capital.

| Record Date | Payment Date | Taxable Amount (Other Income) | Return of Capital | Total Cash Distribution |
|--------------------|--------------------|----------------------------------|-------------------|-------------------------|
| January 31, 2010 | February 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| February 28, 2010 | March 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| March 31, 2010 | April 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| April 30, 2010 | May 17, 2010 | \$0.18 | \$0.00 | \$0.18 |
| May 31, 2010 | June 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| June 30, 2010 | July 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| July 31, 2010 | August 16, 2010 | \$0.18 | \$0.00 | \$0.18 |
| August 31, 2010 | September 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| September 30, 2010 | October 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| October 31, 2010 | November 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| November 30, 2010 | December 15, 2010 | \$0.18 | \$0.00 | \$0.18 |
| December 31, 2010 | January 17, 2011 | \$0.18 | \$0.00 | \$0.18 |
| | Total | \$2.16 | \$0.00 | \$2.16 |

Based in Calgary, Alberta, Zargon's securities trade on the Toronto Stock Exchange (TSX) under the symbol "ZAR".

In order to learn more about Zargon, we encourage you to visit Zargon's website at www.zargon.ca where you will find a current shareholder presentation, financial reports and historical news releases.

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