

FOR IMMEDIATE RELEASE: February 18, 2011

TSX SYMBOL: ZAR

ZARGON OIL & GAS LTD. RELEASES US TAX INFORMATION

FOR 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 to a dividend-paying corporation on December 31, 2010. Zargon today releases information for the Trust necessary for the 2010 United States ("U.S.") tax reporting. Zargon's tax advisors have advised us, for U.S. federal income tax purposes, that the units of the Trust are more likely than not equity in a corporation, rather than debt, and that distributions paid to its individual U.S. unitholders should be dividends. Furthermore such dividends should be qualified dividends for U.S. tax purposes and be eligible for the reduced rate of tax applicable to net capital gains.

The portion of the Trust's distribution that is considered a dividend for U.S. income tax purposes is determined based upon the Trust's current and accumulated earnings & profits ("E&P") as determined in accordance with U.S. income tax principles.

With respect to distributions paid in 2010 to U.S. individual unitholders, 100 percent should be reported as taxable dividends.

Zargon is not required to issue Form 1099DIV to U.S. unitholders however; U.S. unitholders may have received a Form 1099DIV from a broker or intermediary that may not reflect the distributions as "qualified dividends". As a result of this, U.S. unitholders should consult their brokers and tax advisors to ensure that this information is accurately reflected on their tax returns. Brokers and/or intermediaries may or may not be required to issue an amended Form 1099DIV. There may be certain individual circumstances where the dividends may not be qualified dividends (situations where the individual unitholder does not meet a holding period test). Readers should consult their own legal or tax advisors as to their particular tax consequences of holding trust units.

The information contained in this press release is of a general nature only and not exhaustive of all possible U.S. tax considerations. It is not intended to constitute legal or tax advice to any holder of trust units in 2010.

Canadian resident taxpayers should note that the above information has no impact on the Canadian tax information disclosed in the Canadian Tax Treatment of 2010 Distributions press release also dated February 18, 2011.

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.

For further information please contact:

Zargon Oil & Gas Ltd.
C.H. Hansen

President and Chief Executive Officer
403-264-9992

- or -

J.B. Dranchuk
Vice President, Finance and Chief Financial Officer
403-264-9992
zargon@zargon.ca
www.zargon.ca