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IN THE UNITED STATES

FOR IMMEDIATE RELEASE: MAY 1, 2012

TSX SYMBOL: ZAR

**ZARGON OIL & GAS LTD. ANNOUNCES CLOSING OF \$50 MILLION
BOUGHT DEAL CONVERTIBLE DEBENTURE OFFERING**

CALGARY, ALBERTA – Zargon Oil & Gas Ltd. ("Zargon") (TSX:ZAR) is pleased to announce that it has closed its previously announced offering (the "Offering") of \$50,000,000 aggregate principal amount of 6.00% convertible unsecured subordinated debentures of Zargon (the "Debentures") at a price of \$1,000 per Debenture. The Offering was completed through a syndicate of underwriters that was led by TD Securities Inc. and included CIBC World Markets Inc., Scotia Capital Inc., Peters & Co. Limited, Raymond James Ltd. and Salman Partners Inc. (collectively, the "Underwriters").

Zargon has also granted the Underwriters an over-allotment option to purchase up to an additional \$7,500,000 aggregate principal amount of Debentures on the same terms and conditions of the Offering, exercisable in whole or in part at any time until and including May 31, 2012.

Zargon expects to use the net proceeds of the Offering to initially reduce bank indebtedness.

The Debentures bear interest at a rate of 6.00% per annum, payable in equal semi-annual installments on the last day of June and December in each year commencing on December 31, 2012, and will mature on June 30, 2017 (the "Maturity Date"). The Debentures are convertible at the holder's option into common shares of Zargon (the "Shares") at any time prior to the earlier of the Maturity Date and the date fixed for redemption at a conversion price of \$18.80 per Share (the "Conversion Price"), subject to adjustment in certain circumstances. The Debentures are not redeemable before June 30, 2015. On or after June 30, 2015 but prior to maturity, the Debentures are redeemable at Zargon's option at par plus accrued and unpaid interest, provided that the weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. Zargon shall provide not more than 60 nor less than 30 days notice prior to redemption.

The Debentures are listed for trading on the Toronto Stock Exchange under the symbol “ZAR.DB”.

This press release is not an offer of securities for sale in the United States. The securities being offered have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “Act”), and accordingly may not be offered or sold in the United States unless registered under the Act or pursuant to an available exemption from the registration requirements thereof.

FORWARD-LOOKING STATEMENTS

This press release offers our assessment of Zargon's future plans and operations as at May 1, 2012, and contains forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Such statements are generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof). In particular, this press release contains forward-looking statements pertaining to the use of proceeds of the Offering.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including that the closing of the Offering could be delayed or the Offering may not close at all if the required approvals are not obtained on a timely basis or some other condition to the Offering is not satisfied and those relating to results of operations and financial condition, general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form dated March 12, 2012, which is available on our website and at www.sedar.com.

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

FURTHER INFORMATION

Zargon is a Calgary based oil and natural gas company working in the Western Canadian and Williston sedimentary basins that has delivered a long history of returns, dividends

(distributions) and value creation. Zargon's business is focused on oil exploitation projects where we employ a careful reservoir engineering inspired technical approach to profitably increase oil recovery factors from existing oil reservoirs.

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- or -

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