



**FALCON OIL & GAS LTD.**  
**("Falcon" or the "Company" or the "Group")**

**Interim results for the three months ended 31 March 2015**

28 May 2015 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) is pleased to announce its financial results for the three months ended 31 March 2015.

The following should be read in conjunction with the complete Interim Financial Statements and the accompanying Management's Discussion and Analysis for the three months period ended 31 March 2015 filed with the TSXV. These filings are available at [www.sedar.com](http://www.sedar.com) and on Falcon's website at [www.falconoilandgas.com](http://www.falconoilandgas.com).

**Operational highlights**

- Initial, three well fully funded drilling campaign in the Beetaloo Basin, Australia is on track to commence mid 2015.
- Tendering and contracting for the rig and key well services, and recruiting additional project resources are ongoing.
- Drilling locations identified following technical evaluation undertaken by Origin, Sasol and Falcon.
- Well locations designed to penetrate oil mature through to dry gas mature sections of the Middle Velkerri shale.
- Company's exploration license application in South Africa's Karoo Basin is currently being processed.
- South African Department of Mineral Resources ("DMR") expected to issue licences in 2015.

**Financial highlights**

- Strong financial position, debt free with cash and cash deposits of US\$11.5 million.
- Continued focus on strict cost management and efficient operation of the portfolio.
- G&A expenses decreased 40% quarter on quarter to US\$0.6 million (Q1 2014: US\$1 million).

**Philip O'Quigley, CEO of Falcon Oil & Gas commented:**

"Despite the challenging market conditions, Falcon is well placed with a strong financial position and a number of value enhancing events ahead. Our initial three well, fully funded exploration drilling campaign in the Beetaloo basin, Australia is on track to commence shortly and we are working closely with our partners Origin and Sasol to complete preparations ahead of drilling this highly attractive basin."

"The South African Department of Mineral Resources continues to show encouraging signs in regards to shale gas exploration in the Karoo and is expected to begin issuing licences this year. We were delighted to receive formal notification that a decision has been taken to proceed with the processing of Falcon's application for a shale gas exploration licence in the Karoo basin."

"We look forward to updating shareholders in the near future on our exciting fully funded 2015 Australian drilling campaign."

### **Australia – Initial three well fully funded drilling campaign on track to commence mid 2015.**

Preparations for the Group's 2015 Australian three well drilling programme in the Beetaloo Basin, Northern Territory with our partners Origin and Sasol are at an advanced stage with drilling expected to commence mid 2015.

During 2014 significant progress was made with a comprehensive technical evaluation undertaken to identify a selection of appropriate well locations to penetrate oil mature through to dry gas mature sections of the Middle Velkerri shale. The principal objectives of the 2015 drilling programme are to:

- penetrate the Middle Velkerri formation to assess hydrocarbon saturation and reservoir quality;
- evaluate oil versus gas maturity and determine the most prospective areas and depth window;
- provide wide geographical cover of the target Middle Velkerri formation; and
- collect data points for subsequent vertical/horizontal drilling, completion and production testing.

Formation evaluation and reservoir characterisation will be carried out from these initial three wells through petrophysical interpretation, core analysis, geomechanical studies and stimulation design.

Tendering and contracting for the rig and key well services, and recruiting additional project resources are ongoing.

### **South Africa – exploration licence being processed by the Petroleum Agency of South Africa (“PASA”)**

The PASA is proceeding with the processing of the Company's application for a shale gas Exploration Licence in South Africa's Karoo Basin and the Company expects that the South African DMR will issue Falcon with a licence to explore for shale gas in 2015.

The Company has updated its Environmental Management Programme where necessary in accordance with the South African Mineral and Petroleum Resources Development Act 2002.

As a reminder to shareholders, the Company was granted a Technical Cooperation Permit in 2009 covering 7.5 million (30,327 km<sup>2</sup>) acres in the southern part of the Karoo Basin and the Company has a cooperation agreement (as announced on 12 December 2012) with Chevron Business Development South Africa Limited. (“**Chevron**”), which enables the Group to work exclusively with Chevron for a period of five years in jointly obtaining exploration licences.

### **Hungary – review of operations and future plans**

Further to the Group's press release of 26 January 2015, which detailed the expiry of the extension of the Naftna Industrija Srbije jsc (“**NIS**”) three well drilling contract at 31 December 2014, Falcon continues to evaluate all options available to the Group to derive shareholder value as NIS has not fulfilled its commitments under the Agreement. In addition, the Group continues to review its operation and future plans in Hungary. The Group maintains its 100% interest in the Máko Trough.

### **Financial review**

Falcon incurred a loss of US\$0.2 million during the three months ended 31 March 2015, decreasing from a loss of US\$0.3 million during the three months ended 31 March 2014. The decrease reflects the continued focus of strict cost management and efficient operation of the portfolio.

During the period, the Group placed US\$2.0 million on deposit for the benefit of the Hungarian mining authority as a security deposit with regards the Group's decommissioning obligations. Falcon's cash and cash deposits balance at 31 March 2015 was US\$11.5 million (31 December 2014: US\$14.8 million).

**Falcon Oil & Gas Ltd.**  
**Interim Condensed Consolidated Statement of Operations and Comprehensive Loss**  
(Unaudited)

	Three months ended 31 March 2015 \$'000	Three months ended 31 March 2014 \$'000
<b>Revenue</b>		
Oil and natural gas revenue	3	10
	<b>3</b>	<b>10</b>
<b>Expenses</b>		
Exploration and evaluation expenses	(376)	(198)
Production and operating expenses	(6)	(7)
Depreciation	(8)	(43)
General and administrative expenses	(616)	(1,019)
Share based compensation	(162)	(195)
Foreign exchange gain / (loss)	921	(33)
Other income	-	137
	<b>(247)</b>	<b>(1,358)</b>
<b>Results from operating activities</b>	<b>(244)</b>	<b>(1,348)</b>
Fair value gain - outstanding warrants	128	991
Finance income	4	59
Finance expense	(125)	(35)
Net finance (expense) \ income	<b>(121)</b>	<b>24</b>
<b>Loss and comprehensive loss for the period</b>	<b>(237)</b>	<b>(333)</b>
Loss and comprehensive loss attributable to:		
Equity holders of the company	(235)	(329)
Non-controlling interests	(2)	(4)
<b>Loss and comprehensive loss for the period</b>	<b>(237)</b>	<b>(333)</b>
Loss per share attributable to equity holders of the company:		
Basic and diluted	<b>(\$0.000)</b>	<b>(\$0.000)</b>

**Falcon Oil & Gas Ltd.**  
**Interim Condensed Consolidated Statement of Financial Position**  
(Unaudited)

	At 31 March 2015 \$'000	At 31 December 2014 \$'000
<b>Assets</b>		
<b>Non-current assets</b>		
Exploration and evaluation assets	39,616	39,619
Property, plant and equipment	95	103
Trade and other receivables	100	104
Restricted cash	2,210	331
	<b>42,021</b>	<b>40,157</b>
<b>Current assets</b>		
Cash and cash on deposit	11,465	14,753
Trade and other receivables	504	443
	<b>11,969</b>	<b>15,196</b>
<b>Total assets</b>	<b>53,990</b>	<b>55,353</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	382,853	382,853
Contributed surplus	42,822	42,660
Retained deficit	(382,584)	(382,349)
	<b>43,091</b>	<b>43,164</b>
<b>Non-controlling interests</b>	<b>711</b>	<b>713</b>
<b>Total equity</b>	<b>43,802</b>	<b>43,877</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Decommissioning provision	8,356	9,493
	<b>8,356</b>	<b>9,493</b>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	1,446	1,469
Derivative financial liabilities	386	514
	<b>1,832</b>	<b>1,983</b>
<b>Total liabilities</b>	<b>10,188</b>	<b>11,476</b>
<b>Total equity and liabilities</b>	<b>53,990</b>	<b>55,353</b>

**Falcon Oil & Gas Ltd.**  
**Interim Condensed Consolidated Statement of Cash flows**  
(Unaudited)

	Three months ended 31 March	
	2015	2014
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Net loss for the period	(237)	(333)
Adjustments for:		
Share based compensation	162	195
Depreciation	8	43
Fair value gain - outstanding warrants	(128)	(991)
Net finance expense / (income)	121	(24)
Effect of exchange rates on operating activities	(921)	33
Change in non-cash working capital:		
Trade and other receivables	(57)	(269)
Accounts payable and accrued expenses	244	108
Restructuring spend	(219)	-
Interest received	4	17
<b>Net cash used in operating activities</b>	<b>(1,023)</b>	<b>(1,221)</b>
<b>Cash flows from investing activities</b>		
Increase in restricted cash	(1,991)	-
Exploration and evaluation assets	-	(373)
Property, plant and equipment	-	(8)
<b>Net cash used in investing activities</b>	<b>(1,991)</b>	<b>(381)</b>
Change in cash and cash equivalents	(3,014)	(1,602)
Effect of exchange rates on cash & cash equivalents	(274)	50
Cash and cash equivalents at beginning of period	8,753	8,431
<b>Cash and cash equivalents at end of period</b>	<b>5,465</b>	<b>6,879</b>

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This announcement has been reviewed by Dr. Gábor Bada, Falcon Oil & Gas Ltd's Head of Technical Operations. Dr. Bada obtained his geology degree at the Eötvös L. University in Budapest, Hungary and his PhD at the Vrije Aniversiteit Amsterdam, the Netherlands. He is a member of AAPG and EAGE.

All dollar amounts in this document are in United States dollars "\$", except as otherwise indicated.

**About Falcon Oil & Gas Ltd.**

Falcon Oil & Gas Ltd is an international oil & gas company engaged in the acquisition, exploration and development of conventional and unconventional oil and gas assets, with the current portfolio focused in Australia, South Africa and Hungary. Falcon Oil & Gas Ltd is incorporated in British Columbia, Canada and headquartered in Dublin, Ireland with a technical team based in Budapest, Hungary.

For further information on Falcon Oil & Gas Ltd. please visit [www.falconoilandgas.com](http://www.falconoilandgas.com)

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*Certain information in this press release may constitute forward-looking information. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Such information may include, but is not limited to, comments made with respect to the type, number and objectives of the wells to be drilled in the Beetaloo basin Australia, the prospectivity of the Middle Velkerri shale play and the prospect of the exploration programme being brought to commerciality and comments made with respect to the granting of an exploration right in South Africa. Actual results might differ materially from results suggested in any forward-looking statements. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward looking-statements unless and until required by securities laws applicable to the Company. Additional information identifying risks and uncertainties is contained in the Company's filings with the Canadian securities regulators, which filings are available at [www.sedar.com](http://www.sedar.com).*