



## **FALCON OIL & GAS LTD. ANNOUNCES LETTER OF INTENT WITH NAFTNA INDUSTRIJA SRBIJE FOR MAKÓ TROUGH PROJECT**

**DENVER, June 9, 2011 /CNW/** -- Falcon Oil & Gas Ltd. (TSXV: FO) ("Falcon"), an international oil and gas exploration and production company, announced today that TXM Oil and Gas Exploration Kft. ("TXM"), Falcon's 100 percent owned Hungarian subsidiary, has entered into a Letter of Intent with Naftna Industrija Srbije, j.s.c. Novi Sad ("NIS"), for the acquisition by NIS of an interest in producing the Algö play within Falcon's Makó production license in Hungary in an area of approximately 995 square kilometers, from a depth of 2,300 m down to the base of the Algö Formation (the "Agreement Area"). TXM will retain all rights within the entire production license deeper than the base of the Algö Formation such as the Szolnok and Endröd formations. The Algö Formation is a prospective, pervasive, hydrocarbon-bearing sandstone found predominantly between 2,500 and 3,500 m from surface.

Under the terms of the agreement, NIS will make a US\$ 1.5 million payment to TXM upon signing of a Participation Agreement. NIS shall then, at its sole expense drill, test and complete three wells in the Agreement Area. These wells, to be drilled and tested before December 31, 2012, shall be located so that each well tests an independent Algö prospect. NIS will earn a 50 percent interest in production from each prospect if the discovery well is tied in and placed on production at the cost of NIS. After the drilling of the three wells is completed, NIS has the right to acquire a 50 percent interest in production from the entire Agreement Area by paying to TXM an additional US\$ 2.75 million (the "earn-in"). If NIS does not fulfill their drilling obligations under the Participation Agreement, TXM will retain 100 percent interest in the Agreement Area.

If the NIS earn-in is completed, NIS and TXM will share future exploration, appraisal and development costs and production in the Agreement Area in accordance with their participating interests held under a Joint Operating Agreement. TXM shall be the Operator under both the Participation Agreement and the Joint Operating Agreement.

Robert Macaulay, CEO of Falcon and Managing Director of TXM, said, "Our partnership with NIS is a very exciting development for our exploration efforts in the Makó Trough. NIS is an active player in Serbia and has a growing presence in the region, including exploration in the same type of targets addressed in this agreement, and brings to the table complementary skills, knowledge and opportunities."

Dr. György Szabó, CEO of TXM, said "These signatures represent a major latter-day milestone on the road of collaboration between the two neighboring countries' petroleum industries, which goes back more than half century. Falcon-TXM is absolutely confident that the application of experiences gained through its projects in South-Eastern Hungary, along with the adaptation of proven North American technology and equipment, will be rewarded by success not only in the boundaries of its own mining plot but in the field of cooperation in Serbia as well."

General Manager of NIS, Kirill Kravchenko, said: "The intention of NIS to join the project for exploration in Hungary is one more step for the company to expand business outside of Serbia. Hungary is the fourth country in which NIS has projects in field of research and production, in addition to Angola, Bosnia and Romania. Realization of a joint project with TXM Oil and Gas Ltd will allow us to participate in the development of the resources of the exploration block Makó and will bring NIS closer to achieving our strategic goals - increasing reserves up to 50 million tons, and production of oil and gas to 5 million tons of oil equivalent in year 2020".

COO of NIS, Denis Sugaipov added: "For our company this project is first of all the project of seeking for technology. Working closer with Falcon on this hydrocarbon system we want to look at their ongoing unconventional activities. Serbia has a huge potential of shale gas exploration and cooperation with Falcon in Hungary will allow us to learn and prepare our geologists and engineers for such us technology challenge. Working with different international companies abroad we going to find the right high technology experienced partner for further deep exploration in Serbia".

The forthcoming Participation Agreement and the Joint Operating Agreement are subject to the approval of the Board of Directors of each of Falcon and NIS, and the transaction as a whole is subject to receipt of all regulatory consents, including the TSX Venture Exchange.

#### **About Naftna Industrija Srbije, j.s.c. Novi Sad**

Naftna Industrija Srbije a.d Novi Sad was established in 1991 as a public company for exploration, production, refining and trade in crude oil, petroleum products and natural gas. Since 2005. In 2009, based on the international agreement between Russia and Serbia, 51% of NIS shares were acquired by the Russian company "Gazprom Neft", one of the largest and fastest growing E&P companies in Russia. Today, NIS is one of the largest, vertically integrated oil and gas companies in Southeast Europe, dealing with exploration, production and refining of crude oil and natural gas, as well as with the sales of a broad range of petroleum products.

#### **About Falcon Oil & Gas Ltd.**

Falcon Oil & Gas Ltd. is an international oil and gas exploration and production company, headquartered in Denver, Colorado, incorporated in British Columbia, Canada, and trading on the TSX Venture Exchange under the symbol "FO." The company specializes in the business of unconventional and conventional oil and gas exploration and production and holds interests in prospective properties in Australia, Hungary, and South Africa. The company is focused on discovering, acquiring, and maturing a globally diversified portfolio of drilling opportunities with a goal of maximizing shareholder value through strategic relationships. Additional information concerning Falcon Oil & Gas Ltd. is available at [www.falconoilandgas.com](http://www.falconoilandgas.com). Investor inquiries may be directed to [investor@falconoilandgas.com](mailto:investor@falconoilandgas.com). Investor inquiries may be directed to [hmitchell@falconoilandgas.com](mailto:hmitchell@falconoilandgas.com) or to [investor@falconoilandgas.com](mailto:investor@falconoilandgas.com).

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