Falcon Oil & Gas Ltd – Interim results for six months ended 30 June 2014

29 August 2014 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) (the "Company" or the "Group") announces that it has filed its results for the three and six months ended 30 June 2014.

The following should be read in conjunction with the complete Interim Financial Statements and the accompanying Management's Discussion and Analysis for the three and six months period ended 30 June 2014 filed with the TSXV. These filings are available at www.sedar.com and www.falconoilandgas.com.

Highlights

- Completion of the transformational Farm-Out Agreement and Joint Operating Agreements of the Beetaloo permits, Northern Territory, Australia.
- Positive developments toward the processing of shale gas exploration rights in South Africa – expected awarding of exploration right in 2014.
- Total depth of the second well in Hungary, fully carried by Naftna Industrija Srbije JSC ("NIS") reached and contract with NIS extended.
- Continued focus on strict cost management and efficient operation of the portfolio.
- The Group incurred a loss of US$2.4 million in the six months ended 30 June 2014, decreasing from a loss of US$6.6 million in the six months ended 30 June 2013.
- Strong financial position, debt free with cash and cash equivalents of US$5.5 million (31 December 2013: US$8.4 million). Subsequently, on closing of Beetaloo Farm-out, Falcon received A$20 million cash from the Farminees in August 2014.

Philip O'Quigley, CEO of Falcon commented:

"2014 has been a busy year thus far for the Group with the execution and completion of the Agreements with Origin and Sasol of our Beetaloo permits in the Northern Territory, Australia. Together with the A$20 million cash received, the deal is worth up to approximately A$200 million to Falcon. I look forward to updating the market and making further announcements on the Group's progress throughout the remainder of the year."

Australia

Farm-out of Beetaloo permits, Northern Territory, Australia

On 21 August 2014, Falcon completed its Farm-Out Agreement and Joint Operating Agreement with Origin and Sasol each farming into 35% of Falcon's exploration permits in the Beetaloo Basin, Australia. The main transaction details are:

- Falcon retains a 30% interest in the Permits.
- Falcon has received A$20 million cash from the Farminees.
- Origin is appointed as Operator.

- Farminees to carry Falcon in a nine well exploration and appraisal program over the next four years, detailed as follows:
    - 3 vertical exploration/stratigraphic wells and core studies;
    - 1 hydraulic fracture stimulated vertical exploration well and core study;
    - 1 hydraulic fracture stimulated horizontal exploration well, commercial study and 3C resource assessment; and
    - 4 hydraulic fracture stimulated horizontal exploration/appraisal wells, micro-seismic and 90 day production tests.
- Drilling/testing specifically targeted to take the project towards commerciality.
- Farminees will pay for the full cost of completing the first five wells estimated at A$64 million, and will fund any cost overruns. This drilling programme will commence by mid 2015.
- Farminees to pay up to the full cost of the next four horizontally fracture stimulated wells, 90 day production tests and micro seismic with a capped expenditure up to A$101 million, any cost overrun funded by each Party in proportion to their working interest.
- Farminees may reduce or surrender their interests back to Falcon only after:
    - the drilling of the first five wells or
    - the drilling and testing of the next two horizontally fracture stimulated wells.

Overriding Royalty Agreements

In addition at completion of Falcon's Beetaloo Farm-out, Falcon paid Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("TOG Group") US$5 million to acquire 5%; and CR Innovations AG ("CRIAG") US$999,000 to acquire 3% of their respective Overriding Royalties over Falcon's Exploration Permits in the Beetaloo Basin. The Overriding Royalty is now at 4%. Falcon and the Farminees have the option to reduce this Royalty further to 1% by the exercise of two 5 year call options. The call options will be funded by Falcon and each of the Farminees in proportion to their interest in the permits.

South Africa

In May 2014, President Zuma and the ANC was returned to government and continued to highlight the importance of exploration efforts progressing. In addition, a cabinet reshuffle occurred where Mr. Ngoako Ramatlhodi was appointed as the new Minister for Mineral Resources.

The Mineral and Petroleum Resources Development Amendment ("MPRDA") Bill which was approved by the National Council of Provinces is now with the President for assent. Some of the proposed new terms had raised concern within the oil and gas industry. In Q2 2014, Mr. Ngoako Ramatlhodi requested the President delay the signature of the MPRDA Bill in order to give him time to investigate the matter. If the President has reservations regarding the constitutionality of the Bill he can refer it back to the National Assembly. In the event that this course of action is decided upon, the impugned provisions of the MPRDA Bill will be reconsidered by the National Assembly and the National Council of Provinces and may be modified.

The Board expects that the exploration right over the acreage will be awarded in 2014. As a reminder to shareholders and as announced in press release of 12 December 2012, the Group entered into an exclusive cooperation agreement with Chevron to jointly seek unconventional exploration opportunities in the Karoo Basin. The agreement provides for the Group to work exclusively with Chevron for a period of five years to jointly seek to obtain exploration rights in the Karoo Basin.

Hungary

Hungary Drilling Update – contract with NIS extended
As announced on 15 July 2014 initial drilling operations on the Besa-D-1 well have reached total depth ("TD") of 3,000 metres having encountered gas shows. Besa-D-1 is the second of a planned three well programme to evaluate the gas potential of the Algyő Formation in the Makó Trough License. The well has now been cased to TD and is suspended pending further technical evaluation in order to determine an appropriate testing programme later this year. No operational problems occurred during drilling.

In January 2013, the Group agreed a three-well drilling programme with Naftna industrija Srbije jsc ("**NIS**") to target the Algyő Play, whereby NIS made a cash payment of US$1.5 million to the Group in February 2013, and agreed to drill three wells by July 2014 at their cost. The July 2014 date for completion of drilling and testing of the NIS three well programme has been extended to 31 December 2014. This extension has been granted to allow NIS to:

- Complete the testing of Besa-D-1;
- Evaluate the hydrocarbon potential of the entire Makó Trough including the Deep Makó play; and
- Fulfill the third well obligation of the NIS three-well drilling programme.

Results for operating activities
The Group incurred a loss of US$2.4 million in the six months ended 30 June 2014, decreasing from a loss of US$6.6 million in the six months ended 30 June 2013.

The Group's cash and cash equivalent balance at 30 June 2014 was US$5.5 million (31 December 2013: US$8.4 million). Subsequently, on closing of Beetaloo Farm-out, Falcon has received A$20 million cash from the Farminees.

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About Falcon Oil & Gas Ltd.
Falcon 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 spread between

Australia, South Africa and Hungary. Falcon 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

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Certain information in this press release may constitute forward-looking information. This information including comments made with respect to the type and number of wells and expected costs of the work program under the Farm-out, the project being brought towards commerciality and the award of an exploration license in South Africa is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results might differ materially from results suggested in any forward-looking statements. Falcon 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 Falcon. Additional information identifying risks and uncertainties is contained in Falcon's filings with the Canadian securities regulators, which filings are available at www.sedar.com.

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

	Three months ended 30 June 2014 $'000	Three months ended 30 June 2013 $'000	**Six months ended 30 June 2014 $'000**	Six months ended 30 June 2013 $'000
Revenue				
Oil and natural gas revenue	**7**	4	**17**	7
	7	4	**17**	7
Expenses				
Exploration and evaluation expenses	**(206)**	(210)	**(404)**	(408)
Production and operating expenses	**(8)**	(7)	**(15)**	(12)
Depreciation	**(30)**	(62)	**(73)**	(207)
General and administrative expenses	**(1,231)**	(1,419)	**(2,250)**	(2,604)
Share based compensation	**(12)**	(178)	**(207)**	(273)
Foreign exchange loss	**(22)**	-	**(55)**	-
Other income	**162**	102	**299**	339
	(1,347)	(1,774)	**(2,705)**	(3,165)
Results from operating activities	**(1,340)**	(1,770)	**(2,688)**	(3,158)
Fair value (loss) / gain – outstanding warrants	**(768)**	557	**223**	(1,324)
Finance income	**69**	268	**128**	262
Finance expense	**(35)**	(951)	**(70)**	(2,422)
Net finance income / (expense)	**34**	(683)	**58**	(2,160)
Loss and comprehensive loss for the period	**(2,074)**	(1,896)	**(2,407)**	(6,642)
Loss and comprehensive loss attributable to:				
Equity holders of the company	**(2,069)**	(1,805)	**(2,398)**	(6,506)
Non-controlling interests	**(5)**	(91)	**(9)**	(136)
Loss and comprehensive loss for the period	**(2,074)**	(1,896)	**(2,407)**	(6,642)
Loss per share attributable to equity holders of the company:				
Basic and diluted	**(0.002 cent)**	(0.002 cent)	**(0.003 cent)**	(0.009 cent)

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

	At 30 June 2014 $'000	At 31 December 2013 $'000
Assets		
Non-current assets		
Exploration and evaluation assets	**74,869**	74,517
Property, plant and equipment	**5,336**	5,403
Trade and other receivables	**107**	77
Restricted cash	**376**	396
	80,688	80,393
Current assets		
Cash and cash equivalents	**5,513**	8,431
Restricted cash	**219**	219
Trade and other receivables	**752**	473
	6,484	9,123
Total assets	**87,172**	89,516
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	**382,853**	382,853
Contributed surplus	**42,670**	42,463
Retained deficit	**(353,003)**	(350,605)
	72,520	74,711
Non-controlling interests	**728**	737
Total equity	**73,248**	75,448
Liabilities		
Non-current liabilities		
Decommissioning provision	**11,192**	11,138
	11,192	11,138
Current liabilities		
Accounts payable and accrued expenses	**1,558**	1,533
Derivative financial liabilities	**1,174**	1,397
	2,732	2,930
Total liabilities	**13,924**	14,068
Total equity and liabilities	**87,172**	89,516

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

	Six months ended 30 June	
	2014	2013
	$'000	$'000
Cash flows from operating activities		
Net loss for the period	**(2,407)**	(6,642)
Adjustments for:		
Share based compensation	**207**	273
Depreciation	**73**	207
Fair value (gain) / loss - outstanding warrants	**(223)**	1,324
Net finance (income) / expense	**(58)**	2,160
Other	**55**	-
Contribution to past costs - Chevron	**-**	1,000
Change in non-cash working capital	**(166)**	(693)
Interest paid	**-**	(573)
Interest received	**26**	63
Net cash used in operating activities	**(2,493)**	(2,881)
Cash flows from investing activities		
Exploration and evaluation assets	**(538)**	(560)
Proceeds from farm-out transaction – NIS	**-**	1,500
Property, plant and equipment	**(6)**	(26)
Net cash (used in) / generated by investing activities	**(544)**	914
Cash flows from financing activities		
Proceeds from private placement	**-**	25,672
Transaction costs relating to private placement	**-**	(1,897)
Repayment of 11% debenture	**-**	(10,197)
Net cash from financing activities	**-**	13,578
Change in cash and cash equivalents	**(3,037)**	11,611
Effect of exchange rates on cash & cash equivalents	**119**	218
Cash and cash equivalents at beginning of period	**8,431**	2,884
Cash and cash equivalents at end of period	**5,513**	14,713