FALCON OIL & GAS LTD. ANNOUNCES AUSTRALIAN OPERATIONAL UPDATE

TORONTO, August 20, 2012 /CNW/ -- Falcon Oil & Gas Ltd. (TSXV: FO), ("Falcon or the Company") the Toronto listed and Dublin headquartered company focused on unconventional oil and gas exploration and producing assets in Hungary, Australia and South Africa, is pleased to announce an operational update on exploration activities on its seven million acres (28,000 KM^2) in the Beetaloo Basin, NT Australia, which are held 100% by Falcon Oil & Gas Australia Limited, a 73% owned subsidiary of Falcon.

Summary

- Hess increases its capital expenditure on the 2D seismic program from US$40m to an anticipated US$57.5m
- 1,200km of the targeted 3,600km 2D seismic acquired to date
- Two seismic crews acquiring 25km of 2D seismic per day should put Hess on target to complete seismic program by year end
- Falcon remains fully carried on the entire 2D seismic program
- Hess must exercise its option to elect to drill five exploration wells no later than 30th June 2013 to earn 62.5%
- Falcon fully carried for its 37.5% of the five well exploration program
- Additional carry - Falcon will be fully carried on the first US$10MM gross cost of the first development well
- The additional carry and the later drilling election date are contingent on obtaining Northern Territory Department of Resources (DoR) approval for a 12 month extension of the Permits until 31 December 2013
- Discussions with third parties are ongoing on the farm-out of EP99 and the Shenandoah well area

2D Seismic Program

Hess commenced the 2D seismic program on EP's 76, 98 and 117 in 2011 pursuant to its obligations under the Participation Agreement with Falcon (as outlined in Falcon's release on 2 May 2011). However, due to unseasonably early and heavier rainfalls than normal, Hess acquired 470km of the 3,600km in 2011 and an additional 630km to date in 2012. Hess has now deployed two seismic crews, Western Geco and Terrex, in the Beetaloo Basin. At the current "run rate" of 25km of 2D seismic per day, Hess should be on target to complete the acquisition of the entire 3,600km before the end of 2012 and has increased its capital expenditure to the program from US$40m to an anticipated US$57.5m. Falcon remains fully carried throughout the seismic program.

Exploration Drilling Phase

Hess has until 30th June 2013 to commit to the drilling of five exploration wells on EP's 76, 98 and 117 to earn 62.5% in the exploration permits. This is a revised date agreed with Falcon which will allow Hess adequate time to complete the acquisition and processing of the 3,600km of 2D seismic.

Should Hess commit to the drilling of the exploration wells, Falcon's interest in EP's 76, 98 and 117 will reduce to 37.5%, but Falcon will be fully carried through the drilling of all five wells.

Development Drilling Phase
In addition to carrying Falcon on the five well exploration program, should Hess elect to proceed to the "development phase", Hess has also agreed to carry Falcon, on the first development well, up to a gross cost of US$10m.

EP99 and Shenandoah Well Area
Falcon retains 100% of EP99 and the 100,000 acres surrounding the Shenandoah well area, a well completed and tested in 2011. The Company has received expressions of interest from a number of third parties regarding a farm-out on the combined area measuring approx. 670,000 acres. Further updates to the market will be issued in due course.

Philip O'Quigley, CEO of Falcon commented:
"Today's operational update is very significant in many respects. The anticipated increase in financial and technical resources being deployed for the seismic program under Falcon's Participation Agreement with Hess in the Beetaloo, demonstrates commitment to our Permits in the Beetaloo Basin. We remain optimistic for a positive election by Hess to commit to drilling the five exploration wells which would leave Falcon fully carried through that entire programme. In addition, we are encouraged by the number of approaches we have received from third parties to farm-in to the combined EP99 and Shenandoah well acreage and will update shareholders in due course."

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About Falcon Oil & Gas Ltd.
Falcon Oil & Gas Ltd. is an international oil and gas exploration and production company, listed on the TSX Venture Exchange in Toronto under the symbol "FO." It is headquartered in Dublin, Ireland, and has an office in Budapest, Hungary.

The Company is focussed on unconventional and conventional oil and gas exploration and production, and holds producing assets in three major underexplored basins in Australia, Hungary, and South Africa.

Falcon Oil & Gas Ltd. has a strong and experienced management team. John Craven, Chairman and Chief Executive Officer of Cove Energy, is a petroleum geologist with thirty-seven years in senior technical and executive positions in major and junior oil and gas companies.

Philip O'Quigley, Chief Executive Officer, has over 20 years' experience in the oil and gas industry, which spans a number of London and Dublin listed E & P companies. Prior to joining Falcon Oil & Gas Ltd. he was the Finance Director for Providence Resources, an Irish oil and gas exploration and production company.

For further information on Falcon Oil & Gas Ltd. please visit www.falconoilandgas.com.

About the Beetaloo Basin and EP's 76, 98, 117 and 99
The Beetaloo Basin is situated 600km south of Darwin within the Northern Territory of Australia and EP's 76, 98, 117 and 99 cover an area of 7m acres (the Permits"). Local infrastructure including a major highway, two gas pipelines and a railway offer transport options.

The Permits are held 100% by Falcon Oil & Gas Australia Limited, a 73% owned subsidiary of Falcon. A number of wells (11) were drilled in the Beetaloo by Rio Tinto between 1988 and 1992. Oil and gas bleeds and data confirm all necessary elements of productive shale oil and gas play exist in multiple independent petroleum systems. A Ryder Scott report carried out in 2010 estimates recoverable resources of 18 MMBO and 64 TCF gas from three primary shale and two sandstones. (the full Ryder Scott report is available at www.SEDAR.com). [(1)]

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 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 statement. 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.

GLOSSARY

TCF – Trillion Cubic Feet of Gas
MMBO – Million Barrels of Oil

[(1)] The Ryder Scott Company-Canada Resource Report, dated May 3 2010, on the Beetaloo Basin Project in the Northern Territory (NT), Australia (the "Beetaloo Basin Project") entitled "Falcon Oil & Gas Ltd. Evaluation of the Unconventional Oil Resource Potential Pertaining to Certain Acreage Interests in the Beetaloo Basin Northern Territory, Australia as of May 1, 2010" (the "Report"). The Report on the unconventional oil resource potential of the Beetaloo Basin Project describes a possible distribution of the un-risked prospective (recoverable) portion of un-risked "undiscovered original oil-in-place resources," as defined by the Canadian Oil and Gas Evaluation Handbook ("COGEH") and does not represent an estimate of reserves or contingent resources. The Report has been prepared in accordance with the Canadian standards set out in the COGEH and is compliant with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities." Under Section 5.2 of COGEH: Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, it may not be economically viable or technically feasible to produce any of the resources.