



### **Falcon Oil & Gas Ltd - Hungary Drilling Update**

DUBLIN, July 23<sup>rd</sup>, 2013 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) ("Falcon" or the "Company"), is pleased to announce that initial drilling operations on the Kútvölgy-1 well have ceased, the well having reached total depth ("TD") of 3,305 metres.

Kútvölgy-1 is the first of a planned three well programme to evaluate the gas potential of the Algyő formation in the Máko Trough. As prognosed, the top of the Algyő formation was encountered at 2,985 metres; the well then penetrating an alternating sequence of sandstones, siltstones and shales over a gross interval of 320 metres to TD, with gas shows throughout. Two conventional cores have been taken and extensive wireline logs were run. As planned the well has been cased to TD and is now suspended while further technical evaluation is undertaken prior to carrying out an appropriate rigless testing programme later this year. No operational problems or accidents occurred during drilling.

The location of the second of the three well programme will be decided after a full evaluation of the Kútvölgy-1 well results. Operations on the second well are expected to commence in Q4 this year.

In accordance with the terms of the agreement with NIS, announced on 14 January 2013, Falcon is fully carried, as all costs associated with this three well drilling program are funded by NIS. Any hydrocarbon sales revenue resulting from this program will be shared equally between Falcon and NIS.

#### **Philip O'Quigley, CEO of Falcon commented:**

"We are pleased to confirm that our well successfully reached its target Algyő formation and encountered hydrocarbons, and thanks to the close collaboration with NIS, drilling was completed without any operational difficulties. I am looking forward to the technical evaluation of the well results and then the testing programme that will take place during Q4 2013."

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This announcement has been reviewed by Dr. Gábor Bada, Falcon'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, EAGE and SPE. Definitions in this press release are consistent with SPE guidelines.

### **About the Algyö**

The Algyö is a relatively shallow play between 2,300m and 3,500m. A number of Falcon wells have been drilled through the Algyö in recent years, some of which encountered gas shows, but to date no well has ever tested the play concept at an optimal location as previous wells targeted deeper intervals of up to 6,000m.

Multiple Algyö prospects have subsequently been identified by Falcon through extensive AVO analysis. The ongoing exploration drilling program with NIS is targeting three separate high-graded prospects.

A recent independent study by RPS Energy (January 2013) included for the first time Prospective Resource recoverable volumes attributable to the shallow Algyö Play. According to the RPS report, eight of the ten prospects identified by Falcon contain 568 BCF of prospective recoverable gas resources, each with a 10% Geological Probability of Success ("GPoS").

### **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](http://www.falconoilandgas.com).

### **About NAFTA INDUSTRIJA SRBIJE JSC ("NIS")**

NIS is one of the largest, vertically integrated oil and gas companies in Southeast Europe, focusing on exploration and production of hydrocarbons, refining of crude oil and sales of a broad range of petroleum products.

For further information on NIS please visit [www.nis.rs](http://www.nis.rs).

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