



FALCON OIL & GAS LTD. ANNOUNCES FINAL APPROVAL OF A MULTI-WELL DRILLING EXPLORATION PROGRAM WITH NAFTNA INDUSTRIJA SRBIJE JSC (“NIS”)

TORONTO, January 14, 2013 /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 production in Hungary, Australia and South Africa, announces that further to its press release dated July 31, 2012, its Hungarian subsidiary TXM Oil and Gas Exploration LLC has executed the agreement in relation to a significant exploration program with NIS, a Serbian oil and gas company in which JSC Gazprom Neft has a 56% stake (the “Transaction”).

Transaction Summary

- NIS to drill three exploration wells targeting the shallow “Algyo Play” reservoir
- Falcon to be fully carried on the drilling and testing estimated to cost a minimum of \$20m
- NIS to make an immediate cash payment of \$1.5m to Falcon
- Drilling preparations are already underway
- Falcon and NIS expect to commence drilling the first well by the end of March 2013
- Second and third wells likely to be completed by the end of Q3 2013
- NIS to earn 50% of any net production revenues from the 3 wells
- Falcon to retain 100% in the “Deep Mako Trough” potential below the Algyo

The Algyo is a relatively shallow play between 2,300m and 3,500m. A number of Falcon wells have been drilled through the Algyo 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 Algyo prospects have subsequently been identified by Falcon through extensive AVO analysis and the upcoming exploration drilling program with NIS will be targeting three separate high-graded prospects.

Under the terms of the Transaction, NIS shall drill three exploration wells targeting the “Algyo Play” within the Company’s Mako Trough production licence in the Pannonian Basin, Hungary. NIS will earn, after undertaking the 3 well drilling obligation, 50% of the net production revenues from the 3 wells drilled. In addition, NIS will have an option to acquire a right of first negotiation for future drilling operations in the “Algyo Play”, sharing any potential future costs and revenue 50:50 with Falcon. Falcon will still retain 100% interest in the “Deep Mako Trough”.

Preparation for drilling operations is already underway and the Falcon and NIS are planning to drill the first of the three wells before the end of March 2013, subject to normal regulatory approvals.

Philip O'Quigley, CEO of Falcon commented:

"We are delighted to have successfully executed our Agreement with NIS and we can now look forward to the start of a multi-well exploration drilling program in Hungary. We are pleased to have NIS as a partner and look forward to our cooperation with them which has the potential to expand further in the region. Hopefully, this is part of a series of deals that will see multi-well carried drilling programs being carried out across our portfolio in the near future."

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About Falcon Oil & Gas Ltd.

Falcon Oil & Gas Ltd. is an international oil and gas exploration and production company, Toronto listed under the symbol "FO." It is headquartered in Dublin, Ireland, with offices 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.

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

The company's headquarters and main production assets are located in Serbia, with part of the oil production coming from offshore Angola, where NIS has been present since 1980. The company has two refineries and a network of more than 450 filling stations which comprise the backbone of its downstream operations.

Since 2010 the NIS has increased its international activities by acquiring a number of exploration and production as well as retail assets in the region. At present the company operates in Bosnia and Herzegovina, Hungary, Romania and Bulgaria with offices in Banja Luka, Budapest, Bucharest, Timisoara, Sofia, Ashkhabad, Brussels, Zagreb and Moscow.

For further information on NIS please visit www.nis.rs.

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.

Forward-looking Statements

Forward-looking statements include, but are not limited to, statements with respect to: the focus of capital expenditures; the sale, farming in, farming out or development of certain exploration properties using third party resources; the impact of changes in petroleum and natural gas prices on cash flow; drilling plans; processing capacity; operating and other costs; the existence, operation and strategy of the commodity price risk management program; the approximate and maximum amount of forward sales; Falcon's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom; Falcon's goal to sustain or grow production and reserves through prudent management and acquisitions; the emergence of accretive growth opportunities; Falcon's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets; development costs and the source of funding thereof; the quantity of petroleum and natural gas resources or reserves; treatment under governmental regulatory regimes and tax laws; liquidity and financial capital; the impact of potential acquisitions and the timing for achieving such impact; expectations regarding the ability to raise capital and continually add to reserves through acquisition and development; the performance characteristics of Falcon's petroleum and natural gas properties; and realization of the anticipated benefits of acquisitions and dispositions.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the Republic of Hungary, the Commonwealth of Australia, the Republic of South Africa and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risks; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; the ability of our industry partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; the need to obtain required approvals from regulatory authorities; and the other factors considered under "Risk Factors" in Falcon's annual information form (AIF) dated December 31, 2011. Risks and uncertainties that could cause Falcon's actual results to materially differ from current expectations have not changed from those disclosed in Falcon's Management's Discussion and Analysis (MD&A) as at September 30, 2012. The AIF and MD&A have been filed with Canadian securities regulatory authorities and are available at www.sedar.com. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement. Falcon disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulation.

In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.