

Falcon Oil & Gas Ltd. Interim Results for Nine Months Ended 30 September 2013

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DUBLIN, IRELAND--(Marketwired - Nov 28, 2013) - Falcon Oil & Gas Ltd. (TSX VENTURE:FO) (AIM:FOG) (ESM:FAC) ("**Falcon**") announces its results for the nine months ended 30 September 2013.

The following should be read in conjunction with the complete Interim Financial Statements and the accompanying Management's Discussion and Analysis for the nine months period ended 30 September 2013 filed with the TSXV. These filings are available at www.sedar.com and on Falcon's website at www.falconoilandgas.com.

Highlights

- Farm-out discussions advancing in Australia
- Consolidation of interest in Australian subsidiary completed
- Results of Seismic Program in Beetaloo Basin, Australia encouraging
- The Overriding Royalty, Beetaloo Basin, Australia reduced, thus increasing the asset value
- Drilling of first well in Hungary, fully carried by Naftna Industrija Srbije JSC ("NIS"), completed and awaiting start of extensive testing
- Focus on strict cost management and efficient operation of the portfolio
- Healthy financial position with cash and cash equivalents at US\$10.8 million

Philip O'Quigley, CEO of Falcon commented:

"As expected, we have had an extremely busy start to the second half of 2013. Our attention is focused on securing a new farm-out of our acreage in Australia, preparing for the testing of the Kútvölgy-1 well in Hungary and working with Chevron under our Cooperation Agreement in South Africa. We are delighted to report that progress to date on all of these fronts is in line with our expectations."

Australia

Farm out discussions advancing in Australia

Further to the announcement on 1 July 2013, Falcon has been approached by several oil and gas companies interested in farming into its assets in the Beetaloo Basin. Falcon is well advanced in its discussions with a number of those companies and is confident of securing an attractive farm - out with a large oil and gas company. Falcon will provide an update to the market when appropriate.

Consolidation of interest in Australian subsidiary

Falcon completed the acquisition of a 25.4% minority interest in its subsidiary Falcon Oil & Gas Australia Ltd ("**Falcon Australia**"). Falcon Australia is the registered holder of four exploration permits in the Beetaloo Basin, Northern Territory, Australia. Following the completion of the above transaction, Falcon holds 202,462,686 shares in Falcon Australia, representing 98.1% of its issued share capital.

Results of Seismic Program in Beetaloo Basin, Australia

Under the terms of the joint venture with Hess, in 2011 and 2012, Hess acquired 3,490 kilometres of 2D seismic data and invested approximately US\$80 million during that period, substantially more than initially

expected and at no cost to Falcon. The seismic database has now been passed on to Falcon and along with existing well data, provides a very solid platform to extrapolate a detailed structural and stratigraphic model for the main parts of the Beetaloo Basin.

All the necessary elements of a productive unconventional and conventional petroleum system have been identified in multiple shales and sand reservoirs, and it is now clear that the Beetaloo Basin is an active petroleum system.

Three hydrocarbon plays have been identified:

- the shale gas potential in the basin centre;
- a shale oil play in the northern part of the permits; and
- conventional prospects throughout the acreage.

Recent interpretation of the seismic database mapped out several conventional drilling targets that are promising areas of hydrocarbon accumulation in the form of structural closures and traps.

Reducing the Overriding Royalty, Beetaloo Basin, Australia

On 1 November 2013, Falcon announced that Falcon Australia, had entered into an agreement with CR Innovations AG ("**CRIAG**") to acquire its 4% Overriding Royalty Interest ("**ORRI**") relating to its exploration permits in the Beetaloo Basin ("**the CRIAG Agreement**"). The transaction details were:

- Falcon Australia made an initial payment to CRIAG of US\$999,000 on signing the CRIAG Agreement;
- Falcon Australia to make a second payment to CRIAG of US\$999,000 to acquire the first 3% of the ORRI;
- Second payment to be made upon completion of a farm - out deal in Australia;
- CRIAG has granted Falcon Australia a five year call option to acquire the remaining 1% for US\$5 million; and
- All ORRI's acquired under the CRIAG Agreement have been immediately cancelled by Falcon Australia.

Falcon believes that this transaction should help to further progress the farm - out negotiations, which are at an advanced stage. Together with the significant seismic programme completed last year, this transaction further increases the value of the Group's assets in the Northern Territory.

Hungary Drilling

Drilling operations on the first joint well between NIS and Falcon, Kút völgy-1 well were completed in July 2013, the well having reached total depth ("**TD**") of 3,305 metres. As anticipated, the top of the Algyo 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 were taken and extensive wireline logs were run. As planned the well has been cased to TD and is now suspended. The operations were conducted to a high standard with no accidents occurring during drilling.

Technical evaluation of the well results has been concluded and preparations are now well underway to complete and test this well. The process will involve conventional testing of up to 8 gas bearing intervals as a first phase. A decision on whether hydraulic fracturing of the penetrated tight sands is required will be made upon evaluating the results of conventional flow tests. We expect technical operations to commence in January 2014.

Preparations for drilling the second well have commenced. Actual drilling operations on this well are expected to start in Quarter 1 of 2014.

Results for operating activities

Falcon incurred a loss of US\$3.7 million in the nine months ended 30 September 2013, decreased from a loss of US\$16.6 million in the nine months ended 30 September 2012.

Falcon's cash and cash equivalent balance at 30 September 2013 was US\$10.8 million (31 December 2012: US\$2.9 million).

Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	Three months ended 30 September 2013 \$'000	Three months ended 30 September 2012 \$'000
Revenue		
Oil and natural gas revenue	4	4
Expenses		
Exploration and evaluation expenses	(206)	(206)
Production and operating expenses	(5)	(5)
Depreciation	(54)	(54)
General and administrative expenses	(1,140)	(1,140)
Share based compensation	(214)	(214)
Restructuring expenses	-	-
Foreign exchange gain	197	197
Other income / (expense)	152	152
	(1,270)	(1,270)
Results from operating activities	(1,266)	(1,266)
Fair value gain / (loss) - outstanding warrants	3,844	3,844
Finance income	375	375
Finance expense	(41)	(41)
Net finance income / (expense)	334	334
Net income / (loss) and comprehensive income / (loss) for the period	2,912	2,912
Net income / (loss) and comprehensive income / (loss) attributable to:		
Equity holders of the company	2,929	2,929
Non - controlling interests	(17)	(17)
Net income / (loss) and comprehensive income / (loss) for the period	2,912	2,912
Net income / (loss) per share attributable to equity holders of the company:		
Basic and diluted	0.003 cent	0.003 cent

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Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

	At 30 September 2013 \$'000	At 31 December 2012 \$'000
Assets		
Non - current assets		
Exploration and evaluation assets	72,456	74,019
Property, plant and equipment	5,447	5,703
Trade and other receivables	562	1,265
	78,465	80,987
Current assets		
Cash and cash equivalents	10,844	2,884
Restricted cash	387	386
Trade and other receivables	592	1,756
	11,823	5,026
Total assets	90,288	86,013
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	382,844	339,334
Contributed surplus	42,257	41,858
Retained deficit	(350,771)	(334,279)

	74,330	46,913
Non - controlling interests	743	10,882
Total equity	75,073	57,795
Liabilities		
Non - current liabilities		
Derivative financial liabilities	638	5,292
Decommissioning provision	10,236	10,955
	10,874	16,247
Current liabilities		
Accounts payable and accrued expenses	2,207	3,122
Convertible debentures	-	8,773
Derivative financial liabilities	2,134	26
Decommissioning provision	-	50
	4,341	11,971
Total liabilities	15,215	28,218
Total equity and liabilities	90,288	86,013

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Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended 30 September	
	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Net loss for the period	(3,730)	(16,641)
Adjustments for:		
Share based compensation	487	2,204
Depreciation	261	295
Fair value (gain) / loss - outstanding warrants	(2,520)	3,956
Net finance expense	1,826	3,214
Other	(322)	(636)
Contribution to past costs - Chevron	1,000	-
Change in non-cash working capital	(637)	1,308
Interest paid	(573)	(579)
Interest received	87	53
Net cash used in operating activities	(4,121)	(6,826)
Cash flows from investing activities		
Exploration and evaluation assets	(664)	(2,827)
Proceeds from farm-out transaction - NIS	1,500	-
Property, plant and equipment	(29)	(21)
Net cash generated by / (used in) investing activities	807	(2,848)
Cash flows from financing activities		
Proceeds from private placement - March 2013	25,672	-
Transaction costs relating to private placement - March 2013	(1,902)	-
Repayment of 11% debenture	(10,197)	-
Share acquisition in Falcon Oil & Gas Australia Ltd ("Falcon Australia")	(3,000)	-
Transaction costs associated with share acquisition in Falcon Australia	(60)	-
Increase in restricted cash	-	(268)
Proceeds from exercise of share options	112	90
Net cash from / (used in) financing activities	10,625	(178)
Change in cash and cash equivalents	7,311	(9,852)
Effect of exchange rates on cash & cash equivalents	649	48
Cash and cash equivalents at beginning of period	2,884	15,358
Cash and cash equivalents at end of period	10,844	5,554

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, including comments made with respect to when payments due under the CRIAG agreement will be made, the ability to secure a new farm- out partner in Australia and the expected timeframe for drilling operations and testing in Hungary. 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 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.

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