Falcon Oil & Gas Ltd.: Transformational Farm-Out of Beetaloo Unconventional Acreage, Northern Teritory, Australia

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DUBLIN, IRELAND--(Marketwired - May 2, 2014) - Falcon Oil & Gas Ltd. (TSX VENTURE:FO)(AIM:FOG)(ESM:FAC) ("Falcon" or the "Company") is delighted to announce that its 98% subsidiary, Falcon Oil & Gas Australia Ltd ("Falcon Australia"), has executed Definitive Agreements including a Farm-Out Agreement and Joint Operating Agreements (collectively "the Agreements") with Origin Energy Resources Limited, a subsidiary of Origin Energy Limited ("Origin") and Sasol Petroleum Australia Limited, a subsidiary of Sasol Limited ("Sasol"), collectively referred to herein as "the Farminees", to each farm into 35% of Falcon's Exploration Permits in the Beetaloo Basin, Australia ("the Permits"). The Agreements are subject to conditions inter alia Government, statutory authority consents and relevant Stock Exchange approvals.

Transaction details

- Farminees to carry Falcon in a nine well exploration and appraisal program over five 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
  - 4 hydraulic fracture stimulated horizontal exploration/appraisal wells, micro-seismic and 90 day production tests
- Drilling to commence as soon as possible following completion of the Agreements - targeting 2014 subject to the normal regulatory requirements and rig availability.
- Drilling/testing specifically planned to take the project towards commerciality.
- Farminees to pay Falcon A$20 million cash on completion of the Agreements.
- Origin and Sasol to each earn 35% interest in the Permits.
- Falcon to retain a 30% interest in the Permits.
- Origin to be the Operator.
- 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 work is expected to be completed within the first three years.
- Farminees to pay the full cost of the following two horizontally fracture stimulated wells, 90 day production tests and micro seismic with a capped expenditure of A$53 million, any cost overrun funded by each Party in proportion to their working interest. This work programme is expected to be undertaken in year 4.
- Farminees to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A$48 million, any cost overrun funded by each Party in proportion to their working interest. This work programme is expected to be undertaken in year 5.
- As part of the agreements to reduce the overriding royalties from what was originally 12% to 1%, Farminees will pay their pro-rata share (US$14 million) of the two five year call options entered into by Falcon as part of agreements announced on 1 November 2013 with CR Innovations AG and 17 December 2013 with the TOG Group, should Farminees and Falcon decide to exercise the call options.
- 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.

Renewal and Relinquishment:

Three (EP-76, EP-98 and EP-117) of Falcon Australia's four Beetaloo Permits were due for renewal at 31 December 2013. As part of the renewal process, Falcon agreed to relinquish approximately 26% of the three Permits which was not considered to be core to the unconventional play in the Beetaloo Basin by Falcon, Origin and Sasol. The renewal of the three Permits was completed on 30 April 2014. Falcon Australia's

fourth permit, EP-99, which was due for renewal at 31 December 2014 was surrendered as it too was not considered to be core to the unconventional play**.**

Philip O'Quigley, CEO of Falcon commented:

"We are delighted that we have brought two great fit for purpose partners, Origin and Sasol to work alongside us in the evaluation of our highly prospective acreage in the Beetaloo Basin as we move the project towards commercial reality.

The Farm-Out announced today marks a significant milestone in the history of Falcon as it provides for a five year, nine well, technically comprehensive exploration work program in the Beetaloo. Together with A$20 million cash up front, the deal is worth up to approximately A$200 million to Falcon.

This Farm-Out marks the end of a very busy period for Falcon. In July 2013 we consolidated our interest in Falcon Australia and increased our shareholding from 73% to 98%. In November and December 2013 we completed two agreements that will result in the reduction of the 12% privately held Overriding Royalty Interests on the Permits to just 1%.

Origin brings with it an enormous wealth of expertise as an Unconventional Operator in Australia. Sasol, through its interest in the Montney unconventional shale play in North America brings with it enormous expertise of operating unconventional shale plays and is a world leader in gas to liquids. In addition, Origin and Sasol offer many potential options for the monetisation of any natural gas discovered on the Permits".

John Craven, Chairman of Falcon said:

"This is a monumental deal for Falcon. Apart from the value of the carried, no cost drilling programme to Falcon, the real value is that with Origin/Sasol we now have the financial and technical fire-power to unlock the real hydrocarbon potential of the Beetaloo Basin. I am particularly pleased that the initial focus of evaluation will be on the Middle Velkerri formation which according to RPS* has prospective potentially recoverable oil and gas resources of over 12.7 billion BBLS of oil and 74.5 TCF of natural gas in the Beetaloo.

I see this is as a win win for all stakeholders, particularly the people of Northern Territory where any success will have a major impact.

I would like to thank shareholders for their patience. It is because of our belief in the potential of the Beetaloo Basin that management has in recent months focussed on maximising shareholders' upside to the Beetaloo play by increasing Falcon's stake in our Australian affiliate and significantly reducing legacy royalties, both of which were necessary to allow a successful farm out process to occur.

Finally I would like to thank and congratulate all those who have worked on this project for their hard work and diligence in making this happen".

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. Falcon Australia is a 98% subsidiary of Falcon and is the registered holder of three Exploration Permits covering approximately 4.6 million acres in the Beetaloo Basin, Northern Territory, Australia.

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

About Origin

Origin Energy (ASX: ORG) is the leading Australian integrated energy company focused on gas and oil exploration and production, power generation and energy retailing. A member of the S&P/ASX 20 Index, the company has more than 6,000 employees and is a leading producer of gas in eastern Australia. Origin is Australia's largest energy retailer servicing 4.3 million electricity, natural gas and LPG customer accounts and has the country's largest and one of the most flexible generation portfolios with approximately 6,010 MW of capacity, through either owned generation or contracted rights. Through Australia Pacific LNG, its incorporated joint venture with ConocoPhillips and Sinopec, Origin is developing one of Australia's largest CSG to LNG projects based on Australia's largest 2P CSG reserves base.

In New Zealand, Origin is the major shareholder in Contact Energy, a leading integrated energy company, operating geothermal, thermal and hydro generation facilities and servicing electricity, gas and LPG customers across both the North and South islands. Origin is also a major operator and participant in petroleum exploration acreage in New Zealand.

For more information go to www.originenergy.com.au

About Sasol

Sasol Limited, through its subsidiary Sasol Canada, owns a 50 per cent working interest in two natural gas fields in British Columbia and is pursuing the opportunity to build Canada's first gas-to-liquids (GTL) facility to convert natural gas into high-quality transportation fuels. Sasol entered Canada in early 2011 through a $2 billion acquisition for a 50 per cent working interest in Talisman Energy's natural gas assets in one of the most prolific shale plays in North America: the Montney shale basin located in northeast British Columbia. The Sasol/Talisman partnership holds 108,000 total net acres of land in the Montney basin with approximately 20 TCF of contingent resource. 134 production wells have been drilled to date.

Sasol Limited is an integrated energy and chemical company and is the world's largest producer of synthetic fuels. It is the World leader in gas-to-liquids (GTL) and coal-to-liquids (CTL) technology with over 60 years' experience. Sasol is present in 38 Countries and employs 34,000 people Worldwide. Sasol is listed on the JSE and NYSE with a market capitalisation of A$36 billion.

Glossary of terms

TCF	Trillion cubic feet
BBLS	Barrels of oil
BCF	Billion cubic feet
A$	Australian dollars
MW	Megawatt

** Source: RPS Energy in its Competent Person Report ("CPR") titled "Evaluation of the Hydrocarbon Resource Potential Pertaining to Certain Acreage Interests in the Beetaloo Basin, Onshore Australia and Makó Trough, Onshore Hungary" (the "RPS 2013 Report") dated 1 January 2013 (filed on www.sedar.com and on Falcon Oil & Gas Ltd's website at www.falconoilandgas.com). 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.*

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Certain information in this press release may constitute forward-looking information, including comments made with respect to the type and number of wells and expected costs of the work program under the Farm-out and the project being brought towards commerciality. 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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