



Falcon Oil & Gas Ltd. Announces Closing of Beetaloo Basin Transaction

Denver, Colo. – October 2, 2008 – Falcon Oil & Gas Ltd. (TSXV: FO) (“Falcon” or the “Company”) today announced that the Company has closed the transaction to acquire its previously announced 50% working interest in PetroHunter Energy Corporation's ("PetroHunter") 7 million acre prospect in Northern Territory, Australia (the "Beetaloo Basin"). As consideration for the Beetaloo Basin transaction Falcon issued PetroHunter US\$20 million of Falcon securities convertible into common shares of Falcon stock on a one for one basis, in addition to the US \$5 million paid by Falcon to PetroHunter on August 25, 2008. The conversion of the convertible securities will result in the issuance of a maximum of 28,888,888 shares of Falcon at a minimum deemed value of \$0.72 per share.

Falcon also today announced that it has loaned PetroHunter US\$5 million. The temporary bridge loan must be repaid within 120 days and bears interest at a rate of 10% per annum. PetroHunter will not receive the proceeds of the loan directly; rather, the loan proceeds will be advanced directly to certain creditors of PetroHunter who are due payment for services or other obligations directly related to the Beetaloo Basin and Buckskin Mesa properties. The loan is secured by a first mortgage in favor of Falcon on five wellbores owned by PetroHunter and by a pledge of US\$7.5 million worth of the convertible securities issued to PetroHunter in connection with the Beetaloo Basin transaction.

Under the terms of the loan, Falcon also negotiated an amendment to the Beetaloo Basin purchase agreement and an amendment to the escrow agreement associated with the Initial Buckskin Mesa transaction. The amendment to the Beetaloo Basin purchase agreement reduces the maximum amount due to PetroHunter from US\$7 million to US\$3.5 million in the event that Falcon's share price at the time of receipt for a (final) prospectus with respect to the convertible securities is issued is less than \$0.63 per share. The amendment to the Initial Buckskin Mesa escrow agreement provides that the final decision on the initial testing program for the five initial Buckskin Mesa wells requires mutual agreement between senior management of Falcon and PetroHunter.

Falcon and PetroHunter continue to work diligently to satisfy or waive or all conditions to the acquisition by Falcon of a 25% working interest in five wells located within PetroHunter's 20,000 acre Buckskin Mesa project located in the Piceance Basin, Colorado and an option to acquire a 50% working interest in the entire Buckskin Mesa property.

About Falcon Oil & Gas Ltd.

Falcon Oil & Gas Ltd. is a British Columbia corporation in the business of oil and gas exploration and production. It has operations in Hungary through its wholly owned subsidiary TXM Oil and Gas Exploration, LLC, in Romania through its wholly owned subsidiary JVX Energy Corporation and in Australia through its wholly owned subsidiary Falcon Oil & Gas Australia Pty Ltd. Further information about Falcon is available at www.falconoilandgas.com.

Contacts:**Investor and Public Relations****Falcon Oil and Gas Ltd.**

Alexander Hubbard-Ford

(303) 951-1116

investor@falconoilandgas.com

Falcon Oil & Gas Ltd.**Corporate Address**

1875 Lawrence Street, Suite 1400

Denver Colorado 80202 USA

Phone (303) 893-1800,

Fax (303) 572-8927

In the interests of providing Company shareholders and potential investors with information regarding the Company, including the Company's assessment of its and its subsidiaries' future plans and operations, certain statements included in this press release may constitute forward-looking information or forward looking statements (collectively, "forward-looking statements"). All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate", "believe", "expect", "estimate" and similar expressions are generally intended to identify forward-looking statements. Similarly, forward-looking statements in this press release include, but are not limited to anticipated developments of the Company's drilling project in Hungary and the timing thereof, the Company's drilling project in Romania and the timing thereof, capital investment levels and the allocation thereof, pipeline capacity, government royalty rates, reserve and resources estimates, the level of expenditures for compliance with environmental regulations, site restoration costs including abandonment and reclamation costs, exploration plans, acquisition and disposition plans including farmout plans, net cash flows, geographic expansion and plans for seismic surveys. In addition, please note that statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future. Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and incentive fees or revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions. Actual events or results may differ materially. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company and the foregoing list of important factors is not exhaustive. These forward-looking statements made as of the date hereof disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Company shareholders and potential investors should carefully consider the information contained in the Company's filings with Canadian securities administrators at www.sedar.com before making investment decisions with regard to the Company.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.