



## **FALCON OIL & GAS LTD. ANNOUNCES LETTER OF INTENT WITH HESS CORPORATION FOR BEETALOO BASIN PROJECT**

**DENVER, CO February 22, 2011** - Falcon Oil & Gas Ltd. ("Falcon"), an international oil and gas exploration and production company, announced today that Falcon Oil & Gas Australia Ltd ("Falcon Australia"), Falcon's 73 percent owned subsidiary, has entered into a letter of intent with Hess New Ventures Limited ("Hess"), a unit of Hess Corporation, for the acquisition by Hess of an interest in onshore Exploration Permits 76, 98 and 117 in the Beetaloo Basin, Northern Territory, Australia (the "Agreement Area"). The agreement area consists of approximately 25,200 square kilometers (6,227,500 acres) and will ultimately be held jointly, with Falcon Australia holding a 37.5 percent undivided working interest and Hess holding a 62.5 percent undivided working interest. Falcon Australia will retain 100 percent interest in the whole of Exploration Permit 99 consisting of approximately 2,590 square kilometers (639,300 acres), and will also retain the entire interest in the existing Shenandoah-1 wellbore in Exploration Permit 98 and approximately 405 square kilometers (100,000 acres) around the Shenandoah-1 wellbore. This will result in Falcon Australia retaining a net interest in the four exploration permits of approximately 44%. Under the terms of the letter of intent, Hess will make a US\$17.5 million payment to Falcon Australia upon completion of a participation agreement and a joint operating agreement. Hess will pay Falcon US\$2.5 million and Falcon will issue Hess 10,000,000 warrants exercisable into an equal amount of common shares in the capital of Falcon ("Shares") at an exercise price per Share equal to the greater of the closing price of the Shares on February 18, 2011 and February 22, 2011. Under the terms of the agreement Hess will undertake a US\$40 million seismic acquisition program beginning in 2011. After completion, processing and interpretation of the seismic data Hess can elect to continue to the next phase of the work program which includes conducting a five well program to explore and appraise the agreement area, beginning in 2012. Hess will cover the full cost of this work program. Falcon Australia plans to test the prospective intervals in the Shenandoah-1 wellbore in the third quarter of 2011. Upon conclusion of the testing Hess will pay Falcon Australia US\$2 million for the data acquired.

Robert Macaulay, CEO of Falcon and Falcon Australia, said, "Falcon is very excited to enter in to this partnership with Hess and looks forward to working with them to explore and develop the Beetaloo Basin. Not only does Hess bring to the table their vast international experience in both conventional and unconventional plays, but they are also a well-established, trusted and successful company in Australia." The participation agreement and the joint operating agreement are subject to the approval of the Board of Directors of each of Falcon, Falcon Australia and Hess, and the transaction as a whole is subject to receipt of all governmental and regulatory consents, including the TSX Venture Exchange.

### **About Falcon Oil & Gas Ltd.**

Falcon Oil & Gas Ltd. is an international oil and gas exploration and production company, headquartered in Denver, Colorado, incorporated in British Columbia, Canada, and trading on the TSX Venture Exchange under the symbol "FO." The company specializes in the business of unconventional and conventional oil and gas

exploration and production and holds interests in prospective properties in Australia, Hungary, and South Africa. The company is focused on discovering, acquiring, and maturing a globally diversified portfolio of drilling opportunities with a goal of maximizing shareholder value through strategic relationships. Additional information concerning Falcon Oil & Gas Ltd. is available at [www.falconoilandgas.com](http://www.falconoilandgas.com). Investor inquiries may be directed to [investor@falconoilandgas.com](mailto:investor@falconoilandgas.com).

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