



**AUSTRALIA BEETALOO BASIN
AGREEMENT TO REDUCE OVERRIDING ROYALTY to 1%**

17th December 2013 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) ("Falcon" or the "Company") announces that its subsidiary, Falcon Oil & Gas Australia Ltd ("FOGA"), has entered into an Agreement ("the Agreement") with Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("TOG Group") to acquire up to 7% (seven eighths) of the remaining 8% private Overriding Royalty Interest ("ORRI") over FOGA's Exploration Permits in the Beetaloo Basin for the following consideration:

- FOGA will make a payment to TOG Group of US\$5m to acquire 5% (five eighths) of their ORRI only on completion of a Beetaloo farm-out transaction acceptable to Falcon
- TOG Group will grant FOGA a five year call option to acquire a further 2% (one quarter) of their ORRI for a payment of US\$15m
- All ORRIs acquired under the Agreement will be immediately cancelled by FOGA
- TOG Group will retain a 1% ORRI

Philip O'Quigley, CEO of Falcon commented:

"We are delighted to have concluded a further significant reduction in the private Overriding Royalty Interest over our Australian assets.

This transaction, combined with the ORRI transaction announced on the 1st November 2013, will allow for the reduction of the privately held Overriding Royalty Interests from 12% to just 1% and will help to further progress our farm-out negotiations, which are at an advanced stage.

We have now completed two agreements to acquire 8% of the privately held Overriding Royalty Interests at a total cost of just \$7m, of which \$6m is payable only upon completion of a farm-out acceptable to Falcon. In addition, we have secured agreement to acquire a further 3% based on two five year call options granted to Falcon at a future combined cost of \$20m leaving only a 1% Royalty in private hands."

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

About the Overriding Royalty Interests

The total amount of the private ORRI's is 12%. The ORRI entitles its owners to earn 12% of the gross well head proceeds of any future production, subject only to transportation and marketing costs. The TOG Group, predominately based in the USA is the owner of 8% with the balance of 4% being held by CR Innovations. The privately held ORRI's were created during the years 2006 to 2008 when the Exploration Permits were sold by their original owners.

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

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Certain information in this press release may constitute forward-looking information, including comments made with respect to when payments due under the agreement will be made. 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.