



Falcon Oil & Gas Ltd.

Interim results for nine months ended 30 September 2014 and Operational Update

27 November 2014 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) (the "Group" or the "Company") announces that it has filed its results for the three and nine months ended 30 September 2014 and provides the following operational update for its operations in Australia, South Africa and Hungary.

The following should be read in conjunction with the complete Interim Financial Statements and the accompanying Management's Discussion and Analysis for the three and nine months period ended 30 September 2014 filed with the TSXV. These filings are available at www.sedar.com and www.falconoilandgas.com.

Financial highlights

- Strong financial position, debt free with cash and cash deposits up 119% to US\$18.4 million at 30 September 2014 (31 December 2013: US\$8.4 million).
- Continued focus on strict cost management and efficient operation of the portfolio.
- The Group's operating expenses decreased from US\$4.4 million in the nine months ended 30 September 2013 to US\$3.9 million in the nine months ended 30 September 2014.

Operational highlights

- Preparations for initial three wells in 2015 in the Beetaloo Basin, Australia, at an advanced stage.
- Drilling locations identified following technical evaluation undertaken by Origin, Sasol and Falcon.
- Well locations to penetrate oil mature through to dry gas mature sections of the Middle Velkerri shale.
- Civil construction works expected to start early 2015 - tendering and contracting for rig and key well services ongoing.
- Company's Exploration License application in South Africa's Karoo Basin being processed.
- South African Department of Mineral Resources ("DMR") expected to issue licences in 2015.
- The Group's Karoo Environmental Management Programme is being updated.
- Second Algyó Formation well in Hungary (the Company 100% carried) not commercial - working with partner on options to derive shareholder value for the remainder of three well programme.

Philip O'Quigley, CEO of Falcon Oil & Gas commented:

"I am delighted to provide this update on the Group's financial position and operations. During the period, net cash increased to US\$18.4 million up from US\$8.4 million at 31 December 2013 and our work programme remains fully carried. Ongoing expenses have been reduced during the period."

"Operationally it has been a busy first three quarters of the year. In Australia, progress to date with our joint venture partners Origin and Sasol has been excellent. Our experience has shown that we made the optimal choice for our shareholders in partnering with Origin and Sasol. Origin's operatorship of the exploration program to date in working with all stakeholders has been very smart, professional and a pleasure to be involved with. We look forward to the forthcoming "Dry Season" in the Beetaloo Basin and the commencement of our drilling programme. We will update the market in due course as the 2015 three well drilling campaign commences."

“With activity levels in South Africa picking up and the regulatory environment developing, we look to the future with excitement that 2015 will provide our shareholders with a number of very high value adding events in our acreage in both Australia and South Africa.”

Interim results for the nine months ended 30 September 2014

The Group incurred a loss of US\$4 million in the nine months ended 30 September 2014, (US\$3.7 million in the nine months ended 30 September 2013). Operating expenses decreased from US\$4.4 million in the nine months ended 30 September 2013 to US\$3.9 million in the nine months ended 30 September 2014.

The Group’s cash and cash on deposit balance at 30 September 2014 was US\$18.4 million (31 December 2013: US\$8.4 million).

Australia - Drilling preparations underway in the Beetaloo Basin

Preparations for the Group’s 2015 Australian drilling programme, comprising the initial three wells in the Beetaloo Basin are at an advanced stage.

2014 has seen significant progress of the agreed work programme with our joint operating partners Origin Energy Resources Limited (“Origin”, acting as operator) and Sasol Petroleum Australia Limited (“Sasol”) with the objective of moving the project towards commerciality. A comprehensive technical evaluation undertaken in 2014 has enabled the selection of appropriate well locations to penetrate oil mature through to dry gas mature sections of the Middle Velkerri shale play. The principal objectives of the 2015 drilling programme are to:

- penetrate the Middle Velkerri formation to assess hydrocarbon saturation and reservoir quality;
- evaluate oil versus gas maturity and determine the most prospective areas and depth window;
- provide wide geographical cover of the target Middle Velkerri formation; and
- collect data points for subsequent vertical/horizontal drilling, completion and production testing.

Formation evaluation and reservoir characterisation will be carried out from these initial three wells through petrophysical interpretation, core analysis, geomechanical studies and stimulation design.

Drilling permit applications are being prepared for regulatory approval. Civil construction works are expected to commence early in 2015. Tendering and contracting for the rig and key well services, and recruiting additional project resources are ongoing. Spudding of the first well is expected in mid-2015 subject to weather conditions as the wet season ends. Two further wells will be drilled back-to-back before the dry season ends in 2015.

Background

On 2 May 2014, the Group announced it had entered into a Farm-Out Agreement and Joint Operating Agreement with Origin and Sasol (collectively referred to herein as the “Farminees”) with each farming into 35% of the Group’s exploration permits in the Beetaloo Basin, Australia through its 98% subsidiary, Falcon Oil & Gas Australia Ltd (“Falcon”). At completion of the Farm-Out Agreement and Joint Operating Agreement on 21 August 2014, Falcon received A\$20 million cash from the Farminees.

The Farminees will carry Falcon in a nine well exploration and appraisal programme over the next four years. The exploration programme focuses on the Middle Velkerri shale play which according to RPS* has prospective potentially recoverable resources of 2.7 billion BBLS of oil and 74.5 TCF of natural gas in the Beetaloo basin.

South Africa – Exploration Licence being processed by Petroleum Agency SA

The Petroleum Agency of South Africa (“PASA”) is proceeding with the processing of the Company’s application for a shale gas Exploration Licence in South Africa’s Karoo Basin and the Company expects that the South African Department of Mineral Resources (“DMR”) will issue Falcon with a licence to explore for shale

gas in 2015. The Group is updating its Environmental Management Programme where necessary in accordance with the South African Mineral and Petroleum Resources Development Act 2002.

As a reminder to shareholders, the Company was granted a Technical Cooperation Permit in 2009 covering 7.5 million (30,327 km²) acres in the southern part of the Karoo Basin and the Company has a cooperation agreement (as announced on 12 December 2012) with Chevron Business Development South Africa Limited. ("Chevron"), which enables the Group to work exclusively with Chevron for a period of five years in jointly obtaining Exploration Licences.

Hungary - Operational Update

Further to the Group's press release of 15 July 2014, which detailed the extension of the Naftna Industrija Srbije jsc ("NIS") three well drilling contract to 31 December 2014, the Group announces that it and its partner, NIS have mutually agreed to plug and abandon the second well, Besa-D-1, in the planned work programme. As per the contract with NIS, the Company was fully carried on all costs associated with the wells.

Well testing operations on Besa-D-1 are now completed. The testing of two sand intervals, both part of the tight turbiditic sequence in the lower Algyó Formation at depths of 2,976 meters to 2,986 meters and 2,960.5 meters to 2,970 meters, indicated that well production did not meet commercial rates.

In January 2013, the Group and NIS agreed to a three-well drilling programme targeting the relatively shallow Algyó play by July 2014, whereby NIS made a cash payment of US\$1.5 million and agreed to carry the Group 100% over the programme. The July 2014 deadline for completion of drilling and testing of the three well programme was subsequently extended to 31 December 2014. In accordance with the agreement with NIS, the Group is fully carried on all costs associated with the three well drilling programme and is working with NIS in evaluating all options to derive shareholder value for the remainder of the programme.

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This announcement has been reviewed by Dr. Gábor Bada, Falcon Oil & Gas Ltd's Head of Technical Operations. Dr. Bada obtained his geology degree at the Eötvös L. University in Budapest, Hungary and his PhD at the Vrije Aniversiteit Amsterdam, the Netherlands. He is a member of AAPG and EAGE.

All dollar amounts in this document are in United States dollars "\$", except as otherwise indicated.

About Falcon Oil & Gas Ltd.

Falcon Oil & Gas Ltd 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 focused in

Australia, South Africa and Hungary. Falcon Oil & Gas Ltd 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

About Origin Energy

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 approximately 6,700 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 one of the country's largest and most flexible generation portfolios with approximately 6,010 MW of capacity, through either owned generation or contracted rights. Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth across the energy industry. 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 totalling 2,359 MW and servicing approximately 568,000 electricity, gas and LPG customers across both the North and South islands. Origin also operates several oil and gas projects in New Zealand and is one of the largest holders of petroleum exploration acreage in the country.

Origin has a strong focus on ensuring the sustainability of its operations, is the largest green energy retailer in Australia and has significant investments in renewable energy technologies. 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 the \$2 billion acquisition of 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 37 Countries and employs over 33,000 people Worldwide. Sasol is listed on the JSE and NYSE with a market capitalisation of US\$31 billion.

About Chevron Business Development South Africa Limited.

Chevron Business Development South Africa Limited is a subsidiary of Chevron Global Energy Inc. Chevron is one of the world's leading integrated energy companies, with subsidiaries that conduct business worldwide. The company is involved in virtually every facet of the energy industry. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and lubricants; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and develops the energy resources of the future, including biofuels. Chevron is based in San Ramon, California. More information about Chevron is available at www.chevron.com

About Naftna Industrija Srbije JSC (NIS)

NIS is one of the largest, vertically integrated oil and gas companies in Southeast Europe, focusing on exploration and production of hydrocarbons, refining of crude oil and sales of a broad range of petroleum products.

For further information on NIS please visit www.nis.eu

** 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.*

Glossary of terms

BBLS	Barrels of oil
BCF	Billion cubic feet
CSG	Coal seam gas
LNG	Liquefied natural gas
A\$	Australian dollars
MW	Megawatt
TCF	Trillion cubic feet

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. This information including comments made with respect to the type, number and objectives of the wells to be drilled in the Beetaloo basin Australia, the prospectively of the Velkerri shale play and the prospect of the exploration programme being brought to commerciality and comments made with respect to the granting of an exploration right in South Africa 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. The Company 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 the Company. Additional information identifying risks and uncertainties is contained in the Company’s filings with the Canadian securities regulators, which filings are available at www.sedar.com.

Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

	Three months ended 30 September 2014 \$'000	Three months ended 30 September 2013 \$'000	Nine months ended 30 September 2014 \$'000	Nine months ended 30 September 2013 \$'000
Revenue				
Oil and natural gas revenue	5	4	22	11
	5	4	22	11
Expenses				
Exploration and evaluation expenses	(191)	(206)	(595)	(614)
Production and operating expenses	(7)	(5)	(22)	(17)
Depreciation	(29)	(54)	(102)	(261)
General and administrative expenses	(868)	(1,140)	(3,118)	(3,744)
Share based compensation	(65)	(214)	(272)	(487)
Foreign exchange (loss) / gain	(127)	197	(182)	197
Other income	73	152	372	491
	(1,214)	(1,270)	(3,919)	(4,435)
Results from operating activities	(1,209)	(1,266)	(3,897)	(4,424)
Fair value gain – outstanding warrants	283	3,844	506	2,520
Finance income	10	375	36	637
Finance expense	(651)	(41)	(619)	(2,463)
Net finance (expense) / income	(641)	334	(583)	(1,826)
(Loss) / income and Comprehensive (loss) / income for the period	(1,567)	2,912	(3,974)	(3,730)
Loss and comprehensive loss attributable to:				
Equity holders of the company	(1,556)	2,929	(3,954)	(3,577)
Non-controlling interests	(11)	(17)	(20)	(153)
(Loss) / income and comprehensive (loss) / income for the period	(1,567)	2,912	(3,974)	(3,730)
(Loss) / income per share attributable to equity holders of the company:				
Basic and diluted	(0.002 cent)	0.003 cent	(0.004 cent)	(0.004 cent)

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

	At 30 September 2014 \$'000	At 31 December 2013 \$'000
Assets		
Non-current assets		
Exploration and evaluation assets	61,431	74,517
Property, plant and equipment	5,274	5,403
Trade and other receivables	105	77
Restricted cash	349	396
	67,159	80,393
Current assets		
Cash and cash on deposit	18,383	8,431
Restricted cash	-	219
Trade and other receivables	465	473
	18,848	9,123
Total assets	86,007	89,516
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	382,853	382,853
Contributed surplus	42,735	42,463
Retained deficit	(354,559)	(350,605)
	71,029	74,711
Non-controlling interests	717	737
Total equity	71,746	75,448
Liabilities		
Non-current liabilities		
Decommissioning provision	10,343	11,138
	10,343	11,138
Current liabilities		
Accounts payable and accrued expenses	3,027	1,533
Derivative financial liabilities	891	1,397
	3,918	2,930
Total liabilities	14,261	14,068
Total equity and liabilities	86,007	89,516

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)

Nine months ended 30 September

	2014	2013
	\$'000	\$'000
Cash flows from operating activities		
Net loss for the period	(3,974)	(3,730)
Adjustments for:		
Share based compensation	272	487
Depreciation	102	261
Fair value gain - outstanding warrants	(506)	(2,520)
Net finance expense	583	1,826
Other	182	(322)
Contribution to past costs - Chevron	-	1,000
Change in non-cash working capital:		
Trade and other receivables	6	288
Accounts payable and accrued expenses	(764)	(925)
Interest paid	-	(573)
Interest received	36	87
Net cash used in operating activities	(4,063)	(4,121)
Cash flows from investing activities		
Decrease in restricted cash	219	-
Increase in cash on deposit – other receivables	(6,000)	-
Exploration and evaluation assets	(6,577)	(664)
Proceeds from farm-out transaction – NIS	-	1,500
Proceeds from farm-out transaction – Origin and Sasol	20,471	-
Property, plant and equipment	(10)	(29)
Net cash generated by investing activities	8,103	807
Cash flows from financing activities		
Proceeds from private placement	-	25,672
Transaction costs relating to private placement	-	(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)
Proceeds from exercise of share options	-	112
Net cash from financing activities	-	10,625
Change in cash and cash equivalents	4,040	7,311
Effect of exchange rates on cash & cash equivalents	(88)	649
Cash and cash equivalents at beginning of period	8,431	2,884
Cash and cash equivalents at end of period	12,383	10,844

Note: Cash and cash on deposit

	At 30 September 2014 \$'000
Cash and cash equivalents	12,383
Cash on deposit	6,000
At 30 September 2014	18,383