



**FALCON OIL & GAS LTD.**  
**("Falcon" or the "Company" or the "Group")**

**Full Year Results**

29 April 2015 - Falcon Oil & Gas Ltd. (TSXV: FO, AIM: FOG, ESM: FAC) is pleased to announce its financial results for the twelve months 31 December 2014.

The following should be read in conjunction with the complete audited Financial Statements and Management, Discussion & Analysis ("**MD&A**") for the year ended 31 December 2014.

**Highlights**

**Operational**

- Transformational farm-out with Origin Resources Limited ("**Origin**") and Sasol Petroleum Australia Limited ("**Sasol**") completed.
- Preparations for initial three well drilling campaign to commence mid 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.
- Company's Exploration License application in South Africa's Karoo Basin is currently being processed.
- South African Department of Mineral Resources ("**DMR**") expected to issue licences in 2015.
- The Company's updated Karoo Environmental Management Programme was submitted on 27 February 2015.
- The Group continues to review its operations and plans in Hungary following the expiry of the extension of the Naftna Industrija Srbije jsc ("**NIS**") three well drilling contract.

**Financial**

- Strong financial position, debt free with cash and cash deposits up 75% to US\$14.8 million (FY 2013: US\$8.4 million).
- A\$20 million payment from the farm-out with Sasol and Origin received.
- Continued focus on strict cost management and efficient operation of the portfolio.
- G&A expenses decreased 13% to US\$4.0 million (FY 2013: US\$4.7 million)
- Non-cash impairment of Group's Hungarian assets of US\$26.6 million.

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

"Operationally it has been a busy twelve months for Falcon, following the execution of our transformational farm-out with Origin and Sasol of our Beetaloo permits in Australia, as we work with our partners to progress preparations for our 2015 three well drilling campaign in this highly attractive basin.

"We continue to make solid progress in South Africa as we work hard to move forward our licence application and were encouraged to be notified that a decision had been taken to proceed with the processing of Falcon's application for a shale gas exploration licence in the Karoo basin."

“Looking ahead, with our fully funded 2015 Australian drilling campaign on track to commence this summer and a decision expected from the South African DMR later this year, Falcon has a number of value driving events coming up in the months ahead.”

#### **Australia – drilling preparation underway in the Beetaloo Basin**

Preparations for the Group’s 2015 Australian three well drilling programme in the Beetaloo Basin, Northern Territory with our partners Origin and Sasol are at an advanced stage with drilling expected to commence mid-year 2015.

During 2014 significant progress was made with a comprehensive technical evaluation undertaken to identify a selection of appropriate well locations to penetrate oil mature through to dry gas mature sections of the Middle Velkerri shale. 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.

Tendering and contracting for the rig and key well services, and recruiting additional project resources are ongoing and the drilling campaign remains on track to begin in mid 2015.

#### **South Africa – exploration licence being processed by Petroleum Agency of South Africa (“PASA”)**

The 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 DMR will issue Falcon with a licence to explore for shale gas in 2015.

The Company has updated 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 km<sup>2</sup>) 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 – review of operations and future plans**

Further to the Group’s press release of 26 January 2015, which detailed the expiry of the extension of the NIS three well drilling contract at 31 December 2014, Falcon is currently evaluating, and will pursue, all options available to the Group to derive shareholder value as NIS has not fulfilled its commitments under the Agreement.

In January 2013, Falcon and NIS agreed to complete a three-well drilling programme (the “**Agreement**”) targeting the relatively shallow Algyő Play, by July 2014. Under the terms of the Agreement, NIS made a cash payment of US\$1.5 million and agreed to carry Falcon for 100% of all costs associated with the drilling and testing programme. The July 2014 deadline for completion of drilling and testing of the three-well programme was subsequently extended by Falcon to 31 December 2014 to enable NIS to fulfil its three well obligation. As of 31 December 2014, NIS has only drilled and tested two wells.

In reviewing the carrying value of the Group's Hungarian assets, management concluded that indicators of impairment were present at 31 December 2014. An impairment test was completed. The principal impairment indicator was the Company's ability to finance future exploration to commercially develop the asset. The capitalised value of the Group's Hungarian assets has been impaired by US\$26.5 million at 31 December 2014. In addition the Group has restructured and rationalised its technical function in Budapest during Quarter 4, 2014 to meet its changing needs. Currently the Group is reviewing its operations and plans in Hungary and retains a 100% interest in the Makó Trough Licence including the deep play.

#### **Financial review**

Falcon incurred a loss of US\$31.8 million during the year ended 31 December 2014, increasing from a loss of US\$3.6 million during the year ended 31 December 2013. The increase reflects the non-cash impairment charge relating to the Group's Hungarian assets of US\$26.6 million. Excluding the impairment loss, the Group's results from operating activities decreased from a loss of US\$5.6 million in the 12 months ended 31 December 2013 to US\$5.4 million in the 12 months ended 31 December 2014.

Falcon's cash and cash deposits balance at 31 December 2014 was US\$14.8 million (31 December 2013: US\$8.4 million), an increase of 75% year on year.

#### **Filing of Financial statements, MD&A, AIF and Reserves data**

Falcon has filed its audited financial statements for the year ended 31 December 2014, the accompanying management's discussion and analysis ("MD&A") for year ended 31 December 2014 dated 28 April 2015, its Annual Information Form ("AIF") dated 28 April 2015 and the Statement of Reserves Data and Other Oil and Gas Information (National Instrument 51-101, Forms 51-101F1, 51-101F2 and 51-101F3) with the relevant provincial securities regulators. These filings are available for review at [www.sedar.com](http://www.sedar.com). The audited financial statements, MD&A and AIF are also available on Falcon's website [www.falconoilandgas.com](http://www.falconoilandgas.com).

**Falcon Oil & Gas Ltd.**  
**Consolidated Statement of Operations and Comprehensive Loss**

|                                                               | Year Ended 31 December<br>2014<br>\$'000 | Year Ended 31 December<br>2013<br>\$'000 |
|---------------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Revenue</b>                                                |                                          |                                          |
| Oil and natural gas revenue                                   | 26                                       | 17                                       |
|                                                               | <b>26</b>                                | <b>17</b>                                |
| <b>Expenses</b>                                               |                                          |                                          |
| Exploration and evaluation expenses                           | (852)                                    | (899)                                    |
| Production and operating expenses                             | (27)                                     | (27)                                     |
| Depreciation                                                  | (128)                                    | (307)                                    |
| General and administrative expenses                           | (4,046)                                  | (4,656)                                  |
| Share based compensation                                      | (197)                                    | (693)                                    |
| Restructuring expenses                                        | (444)                                    | -                                        |
| Impairment                                                    | (26,526)                                 | -                                        |
| Foreign exchange (loss) / gain                                | (189)                                    | 326                                      |
| Other income                                                  | 482                                      | 683                                      |
|                                                               | <b>(31,927)</b>                          | <b>(5,573)</b>                           |
| <b>Results from operating activities</b>                      | <b>(31,901)</b>                          | <b>(5,556)</b>                           |
| Fair value gain – outstanding warrants                        | 883                                      | 3,895                                    |
| Finance income                                                | 49                                       | 601                                      |
| Finance expense                                               | (799)                                    | (2,510)                                  |
| Net finance expense                                           | <b>(750)</b>                             | <b>(1,909)</b>                           |
| <b>Loss and comprehensive loss for the year</b>               | <b>(31,768)</b>                          | <b>(3,570)</b>                           |
| Loss and comprehensive loss attributable to:                  |                                          |                                          |
| Equity holders of the company                                 | (31,744)                                 | (3,411)                                  |
| Non-controlling interests                                     | (24)                                     | (159)                                    |
| <b>Loss and comprehensive loss for the year</b>               | <b>(31,768)</b>                          | <b>(3,570)</b>                           |
| Loss per share attributable to equity holders of the company: |                                          |                                          |
| Basic and diluted                                             | <b>(\$0.034)</b>                         | <b>(\$0.004)</b>                         |

**Falcon Oil & Gas Ltd.**  
**Consolidated Statement of Financial Position**

|                                                    | At 31 December<br>2014<br>\$'000 | At 31 December<br>2013<br>\$'000 |
|----------------------------------------------------|----------------------------------|----------------------------------|
| <b>Assets</b>                                      |                                  |                                  |
| <b>Non-current assets</b>                          |                                  |                                  |
| Exploration and evaluation assets                  | 39,619                           | 74,517                           |
| Property, plant and equipment                      | 103                              | 5,403                            |
| Trade and other receivables                        | 104                              | 77                               |
| Restricted cash                                    | 331                              | 396                              |
|                                                    | <b>40,157</b>                    | <b>80,393</b>                    |
| <b>Current assets</b>                              |                                  |                                  |
| Cash and cash on deposit                           | 14,753                           | 8,431                            |
| Restricted cash                                    | -                                | 219                              |
| Trade and other receivables                        | 443                              | 473                              |
|                                                    | <b>15,196</b>                    | <b>9,123</b>                     |
| <b>Total assets</b>                                | <b>55,353</b>                    | <b>89,516</b>                    |
| <b>Equity and liabilities</b>                      |                                  |                                  |
| <b>Equity attributable to owners of the parent</b> |                                  |                                  |
| Share capital                                      | 382,853                          | 382,853                          |
| Contributed surplus                                | 42,660                           | 42,463                           |
| Retained deficit                                   | (382,349)                        | (350,605)                        |
|                                                    | <b>43,164</b>                    | <b>74,711</b>                    |
| <b>Non-controlling interests</b>                   | <b>713</b>                       | <b>737</b>                       |
| <b>Total equity</b>                                | <b>43,877</b>                    | <b>75,448</b>                    |
| <b>Liabilities</b>                                 |                                  |                                  |
| <b>Non-current liabilities</b>                     |                                  |                                  |
| Decommissioning provision                          | 9,493                            | 11,138                           |
|                                                    | <b>9,493</b>                     | <b>11,138</b>                    |
| <b>Current liabilities</b>                         |                                  |                                  |
| Accounts payable and accrued expenses              | 1,469                            | 1,533                            |
| Derivative financial liabilities                   | 514                              | 1,397                            |
|                                                    | <b>1,983</b>                     | <b>2,930</b>                     |
| <b>Total liabilities</b>                           | <b>11,476</b>                    | <b>14,068</b>                    |
| <b>Total equity and liabilities</b>                | <b>55,353</b>                    | <b>89,516</b>                    |

**Falcon Oil & Gas Ltd.**  
**Consolidated Statement of Cash flows**

|                                                                          | Year Ended 31 December |                |
|--------------------------------------------------------------------------|------------------------|----------------|
|                                                                          | 2014                   | 2013           |
|                                                                          | \$'000                 | \$'000         |
| <b>Cash flows from operating activities</b>                              |                        |                |
| Net loss for the year                                                    | (31,768)               | (3,570)        |
| Adjustments for:                                                         |                        |                |
| Share based compensation                                                 | 197                    | 693            |
| Depreciation                                                             | 128                    | 307            |
| Impairment                                                               | 26,526                 | -              |
| Fair value gain - outstanding warrants                                   | (883)                  | (3,895)        |
| Net finance expense                                                      | 750                    | 1,909          |
| Other                                                                    | 228                    | (383)          |
| Contribution to past costs - Chevron                                     | -                      | 1,000          |
| Change in non-cash working capital                                       |                        |                |
| Trade and other receivables                                              | 3                      | 337            |
| Accounts payable and accrued expenses                                    | (567)                  | (1,191)        |
| Interest paid                                                            | -                      | (573)          |
| Interest received                                                        | 49                     | 102            |
| <b>Net cash used in operating activities</b>                             | <b>(5,337)</b>         | <b>(5,264)</b> |
| <b>Cash flows from investing activities</b>                              |                        |                |
| Proceeds from farm-out transaction – Origin - Sasol                      | 20,471                 | -              |
| GST remitted on farm-out proceeds                                        | (1,861)                | -              |
| Decrease in restricted cash                                              | 219                    | 258            |
| Exploration and evaluation assets                                        | (7,130)                | (1,964)        |
| Proceeds from farm-out transaction – NIS                                 | -                      | 1,500          |
| Increase in cash deposits – other receivables                            | (6,000)                | -              |
| Property, plant and equipment                                            | (9)                    | (32)           |
| <b>Net cash generated / (used) in investing activities</b>               | <b>5,690</b>           | <b>(238)</b>   |
| <b>Cash flows from financing activities</b>                              |                        |                |
| Proceeds from exercise of share options                                  | -                      | 112            |
| Proceeds from private placement – March 2013                             | -                      | 25,672         |
| Transaction costs relating to private placement – March 2013             | -                      | (2,157)        |
| 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  | -                      | (97)           |
| <b>Net cash from financing activities</b>                                | <b>-</b>               | <b>10,333</b>  |
| Change in cash and cash equivalents                                      | 353                    | 4,831          |
| Effect of exchange rates on cash & cash equivalents                      | (31)                   | 716            |
| Cash and cash equivalents at beginning of year                           | 8,431                  | 2,884          |
| <b>Cash and cash equivalents at end of year</b>                          | <b>8,753</b>           | <b>8,431</b>   |

## CONTACT DETAILS:

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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](http://www.falconoilandgas.com)

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*Certain information in this press release may constitute forward-looking information. This may include, but is not limited to, 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 Middle 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](http://www.sedar.com).*