



FALCON OIL & GAS LTD. ANNOUNCES PRELIMINARY APPROVAL OF A MULTI-WELL DRILLING EXPLORATION PROGRAM WITH NAFTNA INDUSTRIJA SRBIJE JSC ("NIS")

TORONTO, July 31, 2012 /CNW/ -- Falcon Oil & Gas Ltd. (TSXV: FO), (the "Company") the Toronto listed and Dublin headquartered company focused on unconventional oil and gas exploration and producing assets in Hungary, Australia and South Africa, announces that further to its press release dated June 9, 2011, its Hungarian subsidiary, TXM Oil and Gas Exploration LLC has concluded negotiations on a significant exploration program with NIS, the Serbian oil and gas company which is owned 56% by JSC Gazprom Neft.

Transaction Summary

- NIS to drill three exploration wells on the shallow "Algyo Play"
- Falcon to be fully carried on the drilling and testing costs of three exploration wells
- Company hopeful first well to spud in Q4 2012 with the second and third wells in early 2013
- NIS to earn 50% of the production revenues from shallow production if drilling is successful
- Falcon to retain 100% in the Deep Mako Trough potential
- Transaction subject to favourable ruling of the negotiated tax and accounting treatment by the Hungarian Ministry of Finance

Under the terms of the Transaction, the tax and accounting consequences of which are still subject to favourable ruling to be requested from the Hungarian Ministry of Finance, NIS shall drill three exploration wells targeting the "Algyo Play" within the company's Mako Trough production licence in the Pannonian Basin, Hungary. NIS would earn, by conclusion of the drilling obligation, 50% of the production revenues from the wells drilled and an option to acquire a right of first negotiation for future drilling operations in the "Algyo Play".

The Algyo is a relatively shallow play between 2,300m and 3,500m. A number of Falcon wells have been drilled through the Algyo in recent years but to date no well has ever tested the play concept as previous wells targeted deeper intervals of up to 6,000m. Falcon will still retain 100% interest in the "Deep Mako Trough" which based on a previous report prepared by RPS Scotia has a P50 estimation of potentially recoverable contingent resources of approximately 44 TCF and 100 MMBO (the full RPS Scotia report is available at www.SEDAR.com).⁽¹⁾⁽²⁾

Multiple Algyo prospects have subsequently been identified through extensive AVO analysis and the upcoming exploration drilling program with NIS will be targeting the three top ranked prospects.

The transaction remains subject to favourable ruling of the negotiated tax and accounting treatment by the Hungarian Ministry of Finance. However, the Company is hopeful that the first of the three wells may spud in the fourth quarter of 2012 with the second and third wells immediately following in early 2013.

Philip O’Quigley, CEO of Falcon commented:

“NIS, being an established Central European oil and gas company, will bring significant experience and expertise to the development of the Algyo exploration prospects identified by Falcon and we very much look forward to working with them going forward. The 400 MMBOE Algyo Field is between 5 and 23 kilometres away and with its associated existing infrastructure and gas processing facility it would be very beneficial to the project economics as well as the timeline for monetisation of any exploration discovery in the Algyo Play. The full RPS Scotia report is available at www.SEDAR.com.

Final approval of the deal with NIS is going to mark the start of the ‘turning of the drill bit’ on the Company’s current portfolio of assets, and this is a trend we intend to continue over the coming months and years to drive shareholder value.”

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About Falcon Oil & Gas Ltd.

Falcon Oil & Gas Ltd. is an international oil and gas exploration and production company, Toronto listed under the symbol “FO.” It is headquartered in Dublin, Ireland, with offices in Budapest, Hungary.

The Company is focussed on unconventional and conventional oil and gas exploration and production, and holds producing assets in three major underexplored basins in Australia, Hungary, and South Africa.

Falcon Oil & Gas has a strong and experienced management team. John Craven, Chairman and Chief Executive Officer of Cove Energy, is a petroleum geologist with thirty-seven years in senior technical and executive positions in major and junior oil and gas companies.

Philip O’Quigley, Chief Executive Officer, has over 20 years’ experience in the oil and gas industry, which spans a number of London and Dublin listed E & P companies. Prior to joining Falcon Oil & Gas he was the Finance Director for Providence Resources, an Irish oil and gas exploration and production company.

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

About NAFTA 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.

The company's headquarters and main production assets are located in Serbia, with part of the oil production coming from offshore Angola, where NIS has been present since 1980. The company has two refineries and a network of more than 450 filling stations which comprise the backbone of its downstream operations.

Since 2010 the NIS has increased its international activities by acquiring a number of exploration and production as well as retail assets in the region. At present the company operates in Bosnia and Herzegovina, Hungary, Romania and Bulgaria with offices in Banja Luka, Budapest, Bucharest, Timisoara, Sofia, Ashkhabad, Brussels, Zagreb and Moscow.

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

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 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 statement. 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.

GLOSSARY

TCF – Trillion Cubic Feet of Gas

MMBO – Million Barrels of Oil

MMBOE - barrel of oil equivalent

NOTES

⁽¹⁾ The resource estimate has been conducted using the definitions specified by the Canadian Oil and Gas Evaluation Handbook. The Makó Trough resource falls under the "Discovered Resources" classification. The values refer to the probabilistically estimated recoverable fraction of "Contingent Resources" within that classification. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but are not currently economic. The economic nature of this resource has not yet been assessed due to the early stage of data gathering for the Makó Trough resource. The recoverable portion of this "Contingent Resource" is contingent upon the demonstration of productive capability of the various zones of interest through well testing and longer term production testing which has not occurred as of the effective date of the report and there is no certainty that it will be commercially viable to produce any portion of the resources.

⁽²⁾ Estimates are as of March 31st, 2008, the effective date of the RPS Scotia Report.