



Falcon Oil & Gas Ltd. And Naftna Industrija Srbije Announces Letter of Intent for Makó Trough Project

TXM Oil and Gas Exploration Kft. ("TXM"), Falcon Oil & Gas Ltd. ("Falcon") 100 percent owned Hungarian subsidiary and Naftna Industrija Srbije, j.s.c. Novi Sad ("NIS") have on 9 June 2011 signed Letter of Intent for the acquisition by NIS of an interest in producing the Algyö Play within Falcon's Makó production license in Hungary (the "Agreement Area").

The Agreement Area consists of approximately 995 square kilometers from a depth of 2,300 m down to the base of the Algyö Formation. TXM will retain all rights within the entire production license deeper than the base of the Algyö Formation. The Algyö is a prospective, pervasive, hydrocarbon-bearing sandstone found predominantly between 2,500 and 3,500 m from surface.

"Under the terms of the agreement NIS shall, at its sole expense drill, test and complete three wells in the agreement area. These wells, to be drilled and tested before 31 December 2012, shall be located so that each well tests an independent Algyö prospect. NIS will earn a 50 percent interest in production from each prospect if the discovery well is tied in and placed on production at the cost of NIS. After the drilling of the three wells is completed, NIS has the right to acquire a 50 percent interest in production from the entire Algyö Play within the Agreement. If NIS does not fulfill their drilling obligations under the agreement, TXM will retain 100 percent interest in the Agreement Area. After the NIS earn-in is completed, NIS and TXM will share future exploration, appraisal and development costs and production in the Algyö Play in accordance with the participating interest. TXM shall be the Operator under both the Participation Agreement and the Joint Operating Agreement."

Dr. György Szabó, CEO of TXM, said "These signatures represent a major latter-day milestone on the road of collaboration between the two neighboring countries' petroleum industries, which goes back more than half century. Falcon-TXM is absolutely confident that the application of experiences gained through its projects in South-Eastern Hungary, along with the adaptation of proven North American technology and equipment, will be rewarded by success not only in the boundaries of its own mining plot but in the field of cooperation in Serbia as well."

Robert Macaulay, CEO of Falcon and Managing Director of TXM, said, "Our partnership with NIS is a very exciting development for our exploration efforts in the Makó Trough. NIS is an active player in Serbia and has a growing presence in the region, including exploration in the same type of targets addressed in this agreement, and brings to the table complementary skills, knowledge and opportunities."

General Manager of NIS, Kirill Kravchenko, said: "The intention of NIS to join the project for exploration in Hungary is one more step for the company to expand business outside of Serbia. Hungary is the fourth country in which NIS has projects in field of research and production, in addition to Angola, Bosnia and Romania. Realization of a joint project with TXM Oil and Gas Ltd will allow us to participate in the development of the resources of the exploration block Makó and will bring NIS closer to achieving our strategic goals - increasing reserves up to 50 million tons, and production of oil and gas to 5 million tons of oil equivalent in year 2020".

COO of NIS, Denis Sugaipov added: "For our company this project is first of all the project of seeking for technology. Working closer with Falcon on this hydrocarbon system we want to look at their ongoing unconventional activities. Serbia has a huge potential of shale gas exploration and cooperation with Falcon in Hungary will allow us to learn and prepare our geologists and engineers for such us technology challenge. Working with different international companies abroad we going to find the right high technology experienced partner for further deep exploration in Serbia"



The Participation Agreement and the Joint Operating Agreement are subject to the approval of the Board of Directors of each of Falcon and NIS, and the transaction as a whole is subject to receipt of all 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. Investor inquiries may be directed to investor@falconoilandgas.com.

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