



Building Value in Venezuela

FOR IMMEDIATE RELEASE

**PETROFALCON CORPORATION ANNOUNCES SECOND QUARTER 2006
INTERIM FINANCIAL STATEMENTS AND OPERATIONS UPDATE**

CARACAS, August 14, 2006 - PetroFalcon Corporation (“PetroFalcon” or the “Corporation”) released its interim consolidated financial statements and related Management Discussion and Analysis (“MD&A”) for the three and six months ended June 30, 2006, and 2005.

For the three months ended June 30, 2006, the Corporation reported a net loss of US\$1.7 million (loss per share of US\$0.02) compared to net income of US\$561,385 (earnings per share of US\$0.01) for the three months ended June 30, 2005. The loss for the three months ended June 30, 2006, is due to the current inability to recognize revenue or equity earnings from second quarter operations in Venezuela.

For the six months ended June 30, 2006, the Corporation reported a net loss of US\$2.3 million (loss per share of US\$0.03) compared to net income of US\$1.5 million (earnings per share of US\$0.01) for the six months ended June 30, 2005.

Juan Francisco Clerico, the Corporation’s Chairman and CEO, said, “We understand there is a lot of uncertainty for investors now, especially due to the fact that we cannot yet recognize revenue or earnings from second quarter production in the East and West Falcon blocks. However, during the transition period from the former operating service agreements to the Empresa Mixta, we are being reimbursed for our operating and capital expenditures by our partner, PDVSA. We are certainly not the only company in the middle of this transition. In fact, only six of the twenty joint ventures in Venezuela have now been incorporated. We expect this process to be completed in the third quarter, and we look forward to working together with PDVSA to increase production in the East and West Falcon blocks.”

As at June 30, 2006, the Corporation had working capital of US\$8.7 million compared to working capital of US\$10.3 million on December 31, 2005.

CURRENT STATUS OF OPERATIONS OF PETROFALCON

As previously announced, PetroFalcon, through its wholly-owned subsidiary, Vinccler Oil and Gas, C.A. (“Vinccler Venezuela”) is currently negotiating with Petróleos de Venezuela, S.A. (“PDVSA”) and its affiliated entity, Corporación Venezolana del

Petróleo (“CVP”), on the creation of a jointly-owned entity (the “Empresa Mixta”) that will hold all the operating rights to the West Falcon Block and the East Falcon Block. As of August 14, 2006, the negotiations have not been finalized and the Empresa Mixta has not yet been incorporated. In addition, PetroFalcon has been advised that the two operating service agreements governing the West Falcon Block and the East Falcon Block (the “Operating Service Agreements”) are no longer in force and as such cannot govern the operations of the West Falcon Block and the East Falcon Block.

Vinccler Venezuela has agreed with PDVSA to continue operating the East Falcon Block and the West Falcon Block during a transitional period effectively starting April 1, 2006, until the Empresa Mixta is incorporated (“Transitional Period Terms”) under the following general terms:

- Vinccler Venezuela will be reimbursed 100% by PDVSA for capital expenditures and expenses incurred related to the East and West Falcon blocks
- Vinccler Venezuela will continue delivering oil and natural gas production from the East Falcon Block and the West Falcon Block to PDVSA, which will be invoiced by the Empresa Mixta once Petrocumarebo is incorporated

However, the Transitional Period Terms do not address the allocation of revenue and, therefore, PetroFalcon, through Vinccler Venezuela, is not yet in a position to record any revenue for the quarter ended June 30, 2006. Pursuant to the Transition Period Terms, Vinccler Venezuela will continue to pay 100% of the operating expenses for the East Falcon Block and the West Falcon Block, with subsequent reimbursements expected from PDVSA.

Although Management expects that, upon completion of the conversion of the Empresa Mixta, there will be an adjustment between the parties to obtain the same economic result as if the conversion had been completed on April 1, 2006, Management has decided, in consultation with the auditors, that PetroFalcon will not be able to include the results of the Empresa Mixta operations in our consolidated financial statements unless and until the conversion to the Empresa Mixta is complete with Vinccler Venezuela holding an equity interest of 40%.

MATTERS CONCERNING THE EMPRESA MIXTA

On March 31, 2006, Vinccler Venezuela reached an initial agreement with the Venezuelan government with respect to its oil and natural gas rights in Venezuela. Vinccler Venezuela signed a Memorandum of Understanding (“MOU”) with PDVSA and its affiliated entity, CVP, to create the Empresa Mixta. It is currently intended that the name of the Empresa Mixta will be Petrocumarebo (recently changed from the previous Petromiranda). The transition to the Empresa Mixta converts Vinccler Venezuela’s interests in the East Falcon Block and West Falcon Block, covering more than 800,000 acres in northwestern Venezuela, into a single development entity, and it gives the

Empresa Mixta the exclusive right to produce and sell oil and associated natural gas from the two blocks.

The contract relating to the Empresa Mixta has not yet been executed, and the final agreements have not yet been fully negotiated between the parties. However, the MOU established the following general structure for the Empresa Mixta:

- the Empresa Mixta will pay a royalty at the rate of 33.3% on oil and natural gas production
- the Empresa Mixta will have an applicable income tax rate of 50%
- the Empresa Mixta will have a term of 20 years
- Vinccler Venezuela will receive dividends from the Empresa Mixta in US dollars on a quarterly basis derived from its 40% participation
- The effective date of the Empresa Mixta is April 1, 2006
- Vinccler Venezuela will be responsible for 40% of the Empresa Mixta's approved 2006 capital expenditure budget of \$40.7 million and 40% of the operating expenses

There can be no assurance that the final incorporation and terms of the Empresa Mixta will be structured in accordance with the MOU or that the Empresa Mixta will be incorporated at all. Currently, this incorporation is expected to take place in the third quarter of 2006.

PetroFalcon has filed its interim consolidated financial statements and related Management Discussion and Analysis for the three and six months ended June 30, 2006 with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("SEDAR"). Copies of the financial statements and related Management Discussion and Analysis of PetroFalcon for the three and six months ended June 30, 2005 may be accessed electronically on SEDAR at www.sedar.com or at www.petrofalcon.com.

PetroFalcon Corporation is a natural resource company currently engaged in oil and gas operations in Venezuela through its wholly-owned subsidiaries, Vinccler Oil and Gas, C.A. and West Falcon Hydrocarbons, S.R.L. The Common shares of PetroFalcon trade on the Toronto Stock Exchange under the symbol "PFC".

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Cautionary Statement regarding Forward-Looking Information

Except for statements of historical fact, all statements in this press release, without limitation, regarding the Empresa Mixta, joint ventures, new projects, forecasted production, future plans, objectives and results constitute forward-looking information within the meaning of applicable Canadian securities legislation, which involve risks, uncertainties and assumptions, many of which are beyond our control. All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Except as required by law, PetroFalcon Corporation and its subsidiaries expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained herein is expressly qualified by this cautionary statement.