



*Building Value in Venezuela*

FOR IMMEDIATE RELEASE

**PetroFalcon Corporation Announces Agreement to Acquire Lundin Latina de Petróleos and Private Placement with Lundin Petroleum**

*PetroFalcon to Acquire Lundin Latina de Petróleos for Stock; PetroFalcon Cash Balance to Increase by US\$30 million; Lundin Petroleum Will Own 40% of PetroFalcon.*

July 18, 2007, Caracas, Venezuela – PetroFalcon Corporation (“PetroFalcon” or the “Corporation”) (TSX: PFC), a publicly-traded natural resource company with oil and gas operations in Venezuela, announces the signing of a binding letter of intent (the “Agreement”) for the all-stock acquisition of Lundin Latina de Petróleos, S.A. (“Lundin Venezuela”), as well as a private placement with a subsidiary of Lundin Petroleum AB (“Lundin Petroleum”) (OMX: LUPE).

Subject to approval by the appropriate Venezuelan authorities, PetroFalcon intends to acquire Lundin Venezuela from Lundin Petroleum for US\$41 million by the issuance of approximately 54 million shares of the Corporation at a deemed price of Canadian \$0.80 per share. Lundin Venezuela has approximately US\$0.6 million in cash and US\$21.4 million in accounts receivable from Lundin Petroleum. The accounts receivable will be paid at closing. Lundin Venezuela owns 5% of Baripetrol, S.A. (“Baripetrol”), a joint venture between Petróleos de Venezuela, S.A. (“PDVSA”), Tecpetrol and Perenco. Baripetrol operates the Colon Unit in western Venezuela and has current daily gross production of 10,500 barrels of oil and 5 million cubic feet of natural gas, with gross proved and probable remaining reserves of 61 million barrels of oil equivalent (mmboc) as of January 1, 2007.

Concurrent to the Lundin Venezuela acquisition, Lundin Petroleum will subscribe to a US\$8 million private placement of units of PetroFalcon at a price of Canadian \$0.80 per share. The Corporation will issue approximately 10 million PetroFalcon common shares, as well as 5 million warrants with an exercise price of Canadian \$1.20 per share for a period of 2 years from the date of issue. The proceeds of the private placement will be used by PetroFalcon to fund capital expenditure commitments and business development activities.

In total, PetroFalcon will issue approximately 64 million shares to Lundin Petroleum, and PetroFalcon will receive a 5% interest in Baripetrol and approximately US\$30 million in cash from the acquisition and private placement. In addition, Lundin Petroleum will nominate two representatives to join the Board of Directors of PetroFalcon. Following these transactions, PetroFalcon will have approximately 150 million common shares outstanding and 162 million common shares on a fully diluted basis.

Juan Francisco Clerico, Chairman and CEO of the Corporation, said, “We are very excited about our new partnership with Lundin. The Lundin family has an impressive track record of success in the international oil and gas business, and we look forward to having them as a major shareholder of PetroFalcon. Through this transaction, we are continuing our expansion in Venezuela, and we are gaining a strategic shareholder committed to further expansion in the region. The US\$30 million from Lundin gives us a unique opportunity to accelerate our growth by continuing to consolidate assets.”

The Agreement for the purchase of Lundin Venezuela and the private placement with Lundin Petroleum is subject to the negotiation and execution of a purchase and sale agreement, as well as a private placement agreement. In addition, the Agreement is subject to all required regulatory approvals, including without limitation, the approval of the Toronto Stock Exchange and a majority of PetroFalcon shareholders.

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Europe, Africa, Russia and the Far East. Lundin Petroleum is listed on the Nordic Exchange in Sweden (ticker symbol “LUPE”) and has existing proven and probable reserves of 176 million barrels of oil equivalent (mmbob) as of January 1, 2007.

PetroFalcon Corporation is a natural resource company with oil and gas operations in Venezuela. Through its wholly-owned subsidiary, Vinccler Oil and Gas, C.A., PetroFalcon owns 40% of PetroCumarebo, S.A., a joint venture with Petr leos de Venezuela, S.A. (“PDVSA”), the Venezuelan state-owned oil and gas company. Subject to government approval, PetroFalcon is acquiring 30% of the offshore natural gas license for the Cardon III Block in the Gulf of Venezuela where Chevron Corporation is operator and majority partner. PetroFalcon is listed on the Toronto Stock Exchange (ticker symbol “PFC”) and has existing proven and probable reserves before royalties of 36 million barrels of oil equivalent (mmbob) as of January 1, 2007.

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*Forward-looking statements: Except for statements of historical fact, all statements in this press release, without limitation, regarding new projects, acquisitions, future plans and objectives are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements.*