



*Building Value in Venezuela*

## PRESS RELEASE

### **PetroFalcon Corporation Announces Second Quarter 2007 Interim Financial Statements and Operations Update**

August 13, 2007, Caracas, Venezuela – PetroFalcon Corporation (“PetroFalcon” or the “Corporation”) (TSX: PFC), a publicly traded natural resource company with oil and gas operations in Venezuela, released its interim consolidated financial statements and related management discussion and analysis (“MD&A”) for the three and six months ended June 30, 2007, and 2006.

For the three months ended June 30, 2007, the Corporation reported a net loss of US\$3.1 million (loss per share of US\$0.04) compared to a net loss of US\$1.7 million (loss per share of US\$0.02) for the three months ended June 30, 2006. For the six months ended June 30, 2007, the Corporation reported a net loss of US\$5.5 million (loss per share of US\$0.06) compared to a net loss of US\$2.9 million (loss per share of US\$0.03) for the six months ended June 30, 2006. As previously disclosed, the Corporation was not able to record revenue or associated expenses during the comparable period ended June 30, 2006, because the joint venture structure had not yet been completed. The Corporation’s MD&A contains a detailed analysis of the periods discussed, and therefore the Corporation encourages a review of the MD&A for further information.

Juan Francisco Clerico, the Corporation’s Chairman and CEO, said, “PDVSA began paying PetroCumarebo’s outstanding oil production invoices in the second quarter. Most of PetroCumarebo’s natural gas production continues to be shut-in, but oil production is increasing thanks to our East Falcon drilling campaign and the West Falcon workovers. Outside of PetroCumarebo, we look forward to closing the Lundin Petroleum transaction and expanding our new business portfolio.”

#### **PetroCumarebo Payments**

PetroFalcon has recognized its proportional share of revenues for the value of oil and gas delivered by PetroCumarebo to PDVSA during the periods following the execution of the Conversion Contract in September 2006.

As previously announced, PetroCumarebo was not able to invoice PDVSA until March 29, 2007, for oil production delivered April to December 2006 (an amount totaling approximately \$12.3 million net of royalties). As of August 10, 2007, PetroCumarebo has been paid for invoices relating to the six months of oil production from April to September 2006 (totaling approximately \$9.1 million net of royalties). In addition, PetroCumarebo has delivered invoices to PDVSA for the five months of oil production

from January to May 2007 (totaling approximately \$4.5 million net of royalties). Payments of oil production invoices rendered for the months of October 2006 to May 2007 remain outstanding.

PetroCumarebo has still not yet invoiced PDVSA for natural gas production delivered since April 2006 (an amount expected to be approximately \$1.8 million net of royalties as of June 30, 2007), because it has not yet received confirmation from the Venezuelan Ministry of Energy and Petroleum (“MEP”) for the natural gas volumes delivered.

Management does not have any information as to the expected timing of these invoices and payments, but PetroCumarebo does expect to be paid by PDVSA for all oil delivered since October 2006 and all natural gas delivered since April 2006. Once the initial invoicing process is complete and a regular procedure has been established, PetroCumarebo expects to be paid for its backlog of invoices and will proceed to invoice PDVSA for oil and natural gas deliveries on a monthly basis going forward.

### **ICO Pipeline Update**

PetroCumarebo delivers natural gas into PDVSA’s Interconnection Centro Occidente (“ICO”) natural gas pipeline, which then transports the natural gas to the nearby Paraguana Refinery Complex. On December 6, 2006, PDVSA closed the pipeline section leading to PetroCumarebo’s East Falcon Block. As a result, most of PetroCumarebo’s natural gas production is temporarily shut-in, but its wells and facilities are unaffected. Management has been advised that deliveries to the ICO pipeline from the La Vela Field are expected to begin by the end of the third quarter of 2007, but deliveries of natural gas from the Cumarebo Field will not resume until the fourth quarter of 2007.

As a result of the ICO pipeline closure, PetroCumarebo now has approximately 28 million cubic feet of natural gas per day (“mmcf/d”) and 150 barrels of oil per day (“bbls/d”) shut-in from the East Falcon Block, 40% net to PetroFalcon being approximately 11 mmcf/d and 60 bbls/d.

### **PetroCumarebo Operations**

As previously announced, PetroCumarebo commenced drilling operations on November 30, 2006, at the La Vela Field in the East Falcon Block. Since then, PetroCumarebo has drilled ten wells (LV-11 through LV-20), completed eight, tested five and will complete another shortly. PetroCumarebo also continued its workover and maintenance program in the West Falcon Block in the second quarter. Please refer to the Corporation’s MD&A for a detailed operational update.

The current gross production of PetroCumarebo is approximately 1,200 bbls/d of oil, with 150 bbls/d of oil and 28 mmcf/d of natural gas shut-in due to PDVSA’s ICO pipeline closure. Depending on the results of PetroCumarebo’s drilling program and the timing of repairs to the ICO pipeline, PetroCumarebo’s 2007 revised budget of \$39.2 million is

estimated to significantly increase production for the East Falcon and West Falcon blocks to approximately 2,500 bbls/d of oil and 30 mmcf/d of gas (40% net to Vinccler Venezuela being 1,000 bbls/d of oil and 12 mmcf/d of natural gas).

## **New Business Update**

### *Chevron*

As previously disclosed, subject to the approval of MEP, PetroFalcon is acquiring a 30% interest from Chevron Corporation (“Chevron”) in the offshore natural gas license for the Cardon III Block (“Cardon III”) in the Gulf of Venezuela. Chevron completed 3-D seismic data acquisition on Cardon III in April 2007, and the data is currently being processed. Following the evaluation of the seismic data later this year, Chevron and Vinccler Venezuela will decide whether to proceed with an exploration well in 2008. If successful, first commercial production of natural gas from Cardon III is expected in 2011.

### *Lundin Petroleum*

As previously announced, PetroFalcon recently entered into a binding letter of intent (“Letter of Intent”) with Lundin Petroleum AB (“Lundin Petroleum”) to acquire 100% of the issued and outstanding securities of Lundin Latina de Petróleos, S.A. (“Lundin Venezuela”) for the aggregate purchase price of approximately \$44 million, payable by the issuance of approximately 57.3 million common shares of PetroFalcon at a price of CDN\$0.80 per share. The securities of Lundin Venezuela are held by a subsidiary of Lundin Petroleum.

Lundin Venezuela owns a 5% interest in Baripetrol, an Empresa Mixta with PDVSA, Tecpetrol and Perenco operating the Colon Unit in western Venezuela. In addition to the 5% interest in Baripetrol, Lundin Venezuela currently has assets including a cash position of approximately \$600,000 and an accounts receivable of \$21.4 million. Lundin Venezuela has advised PetroFalcon that it recently received a \$2.0 million dividend from Baripetrol for the 2006 fiscal year, for the benefit of the seller.

The acquisition is subject to a number of conditions, including without limitation, the negotiation of a definitive agreement, the receipt of required regulatory approvals, shareholders consent and required Venezuelan government approvals.

Concurrent with the closing of the acquisition, the accounts receivable will be paid, such that Lundin Venezuela will have \$22.0 million in cash. In addition, the Letter of Intent provides for the completion of a private placement of units of PetroFalcon for gross proceeds of approximately \$5.1 million at a price of CDN\$0.80 per unit resulting in the issuance of five million warrants and approximately 6.7 million common shares. Each warrant shall entitle the holder to acquire an additional common share of PetroFalcon at an exercise price of CDN\$1.20 for a period of 2 years from the date of issue.

In summary, PetroFalcon will issue approximately 64 million shares to Lundin Petroleum, and PetroFalcon will receive a 5% interest in Baripetrol and approximately \$27 million in cash from the acquisition and private placement. Lundin Petroleum will own approximately 40% of the Corporation after closing and will nominate two representatives to join the Board of Directors of PetroFalcon.

### *Colombia Offshore*

On July 30, 2007, PetroFalcon paid \$150,000 to Colombia's Agencia Nacional de Hidrocarburos ("ANH") to purchase the data package for Caribbean Round 2007, Colombia's first offshore exploration bidding round. In September, Colombia is offering 13 blocks off the Caribbean coastline with an average size of approximately 720,000 acres. The properties stretch from offshore Guajira at the northern tip of Colombia to the northern end of the Uraba Gulf, including almost all of Colombia's Caribbean coastline. The properties being offered are both deepwater and shallow blocks, some of which are both onshore and offshore with similar geology to the Gulf of Venezuela.

PetroFalcon has filed its interim consolidated financial statements and related management discussion and analysis for the three and six months ended June 30, 2007, with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("SEDAR"). Copies of the financial statements and related MD&A of PetroFalcon for the three and six months ended June 30, 2007, and 2006, may be accessed electronically on SEDAR at [www.sedar.com](http://www.sedar.com) or at [www.petrofalcon.com](http://www.petrofalcon.com).

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 Petróleos de Venezuela, S.A. ("PDVSA"), the Venezuelan state-owned oil and gas company. 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 (mmbobe) as of January 1, 2007.

For further information please contact:

Garrett Soden – Chief Financial Officer  
Telephone: +(58) (212) 263-9164  
Facsimile: +(58) (212) 266-8830  
Website: [www.petrofalcon.com](http://www.petrofalcon.com)

### *Cautionary Statement regarding Forward-Looking Information*

*Except for statements of historical fact, all statements in this press release, without limitation, regarding PetroCumarebo, 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 there from. 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.*