

18 July 2007

**LUNDIN PETROLEUM TO SELL ITS VENEZUELAN INTEREST AND INVEST IN PETROFALCON CORPORATION IN A TRANSACTION VALUED AT USD 49 MILLION.**

**Lundin Petroleum AB ("Lundin Petroleum") is pleased to announce the signing of a binding letter of intent for the sale of its wholly owned subsidiary, Lundin Latina de Petróleos, S.A. ("Lundin Venezuela"), for USD 41 million to PetroFalcon Corporation ("PetroFalcon") in exchange for approximately 53.5 million shares in PetroFalcon at a subscription price of CAD 0.80 per share. At the same time, Lundin Petroleum will subscribe for approximately 10.3 million shares in PetroFalcon at a subscription price of CAD 0.80 per share through a private placement valued at USD 8 million.**

Lundin Venezuela has approximately USD 0.6 million in cash and approximately USD 21.4 million in accounts receivable from Lundin Petroleum. The accounts receivable will be assigned to PetroFalcon and paid at closing.

Following these transactions, Lundin Petroleum will become the largest shareholder in PetroFalcon with a shareholding of approximately 42.5 percent. Lundin Petroleum will nominate two representatives to join the Board of Directors of PetroFalcon.

As part of the private placement, PetroFalcon will also issue five million warrants to Lundin Petroleum, where each warrant gives Lundin Petroleum the right to subscribe for one common share in PetroFalcon at a subscription price of CAD 1.20. The warrants are exercisable for two years from completion of this transaction.

In total, PetroFalcon will issue approximately 64 million shares to Lundin Petroleum, and PetroFalcon will receive Lundin Venezuela's 5 percent interest in the Baripetrol joint venture in Venezuela, as well as USD 30 million in cash from the acquisition and private placement. Following these transactions, PetroFalcon will have approximately 150 million common shares outstanding and 162 million common shares on a fully diluted basis. PetroFalcon will use the proceeds from the transaction to fund its capital expenditure commitments and business development activities.

PetroFalcon 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 percent of PetroCumarebo, S.A., a joint venture with Petróleos de Venezuela, S.A. ("PDVSA"), the Venezuelan state-owned oil and gas company. Subject to government approval, PetroFalcon is acquiring 30 percent 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 36.3 million barrels of oil equivalent (mmboe) as of January 1, 2007.

Lundin Venezuela owns 5 percent of Baripetrol, a joint venture between PDVSA, Tecpetrol and Perenco. Baripetrol operates the Colón Unit in western Venezuela and has current daily gross production of 10,500 barrels of oil and 5 million cubic feet of gas, with gross proved and probable remaining reserves of 61 mmboe as of January 1, 2007.

Lundin Petroleum does not book reserves from Venezuela due to its 5 percent equity shareholding in Baripetrol and as such this transaction will not impact Lundin Petroleum's reserves or production forecasts.

The agreements for the sale of Lundin Venezuela and for the private placement of shares in PetroFalcon are subject to the negotiation and execution of a purchase and sale agreement, as well as a private placement agreement. In addition, the agreements are subject to all required regulatory approvals, including the approval of the Venezuelan Ministry of Energy and Petroleum, the Toronto Stock Exchange and the approval of a majority of PetroFalcon shareholders.

Ashley Heppenstall the President and CEO of Lundin Petroleum comments "*The sale of our Venezuelan interest and the equity investment in PetroFalcon gives Lundin Petroleum continued exposure to the Venezuelan oil and gas market. PetroFalcon plan to proactively invest in Venezuela through their existing portfolio as well as exploration and new acquisitions.*"

*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. The Company is listed at the Nordic Exchange, Sweden (ticker "LUPE"). Lundin Petroleum has existing proven and probable reserves of 176.4 million barrels of oil equivalent (mmboe) as at 1 January 2007.*

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