FALCON OIL & GAS LTD.

ANNUAL INFORMATION FORM

For the Fiscal Year Ended

December 31, 2009

April 29, 2010

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Interpretation

Where used herein, a reference to "**Company**" or "**its**" and other similar such words refers to Falcon Oil & Gas Ltd. together with its directly and indirectly wholly-owned subsidiaries listed under "*Corporate Structure*". References to "**Falcon**" refer to Falcon Oil & Gas Ltd., only.

All financial information in this Annual Information Form has been prepared in accordance with generally accepted accounting principles in Canada. Unless otherwise stated, all dollar amounts herein are in dollars of the United States of America ("**US**").

Unless otherwise noted, the information given herein is as at December 31, 2009.

Forward-Looking Statements

This Annual Information Form and the documents incorporated by reference herein contain estimates and assumptions that management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may be identified by use of forward-looking words, such as "expects" include words such as "estimates", "plans", "anticipates", "believes", "opinions", "forecasts", "projections", "guidance", "may", "could", "will", "potential", "intend", "should", "predict" or other statements that are not statements of fact. Although the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Readers of this Annual Information Form and the documents incorporated by reference herein are cautioned not to rely on these forward-looking statements. Falcon is providing this information as of the date of this Annual Information Form and as at the date noted on the documents incorporated by reference herein, respectively, and does not undertake any obligation to update any forward-looking statements contained herein or therein, respectively, as a result of new information, future events or otherwise.

Documents Incorporated by Reference

The following documents, referenced herein, have been previously filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and are incorporated by reference herein:

1. The material change report of Falcon dated October 3, 2006 with respect to the release of The Scotia Group, Inc.'s resource estimate of the Makó Trough within the production license area of Falcon's deep gas exploration project in southeastern Hungary (the "**Makó Trough**" or the **"Hungary Project"**), dated September 15, 2006 and effective August 15, 2006 (the "**Scotia Report**").

2. The material change report of Falcon dated April 15, 2008 with respect to the entering into of a production and development agreement (the "**PDA**") between Falcon and TXM, and Exxon Mobil Corporation's affiliate Esso Exploration International Limited ("**ExxonMobil**").

3. The material change report of Falcon dated May 15, 2008 with respect to the release of RPS Scotia, Inc.'s ("**RPS Scotia**") updated resource estimate of the Makó Trough, dated May 2, 2008 and effective March 31, 2008 (the "**RPS Scotia Report**").

4. The material change report of Falcon dated September 3, 2008 with respect to the Company's entering into the Purchase and Sale Agreement between PetroHunter, Sweetpea Petroleum Pty Ltd ("**Sweetpea**"), Falcon and Falcon Australia (as hereinafter defined) dated August 22, 2008 as amended as of October 31, 2008 (the "**Beetaloo PSA**") and the Purchase and Sale Agreement between PetroHunter Energy Corporation ("**PetroHunter**"), PetroHunter Operating Company, Falcon and Falcon USA dated August 22, 2008 (the "**Buckskin PSA**").

5. The material change report of Falcon dated October 9, 2008 announcing, among other things, the closing of the acquisition of the Beetaloo Basin Project (as hereinafter defined) and the $5 million loan to PetroHunter (the "**PetroHunter Loan**").

6. The material change report of Falcon dated November 12, 2008 announcing the closing of the transactions covered by the Buckskin PSA.

7. The material change report of Falcon dated December 10, 2008 announcing an amendment to the PDA (the "**Amendment**").

8. The material change report of Falcon dated December 11, 2008 announcing an amendment to the PetroHunter Loan.

9. The material change report of Falcon dated March 3, 2009 with respect to its decision not to exercise its contractual option (the "**Buckskin Option**") under the Buckskin PSA to acquire a 50% working interest in PetroHunter's 20,000 acre Buckskin Mesa Project (the "**Buckskin Mesa Project**") located in the Piceance Basin, Colorado.

10. The material change report of Falcon dated May 28, 2009 with respect to the Company's entering into a second Purchase and Sale Agreement between PetroHunter, PetroHunter Operating Company, Sweetpea, Falcon, Falcon Oil & Gas USA, Inc. (as hereinafter defined) and Falcon Australia (as hereinafter defined) dated May 28, 2009 (the "**Second Beetaloo PSA**").

11. The material change report of Falcon dated July 2, 2009 with respect to the company's convertible unsecured debenture offering of 11,910 units (the "**Debenture Offering**").

12. The material change report of Falcon dated August 26, 2009 with respect to the release of a report titled "The Evaluation of the Hydrocarbon Resource Potential Pertaining to Certain Acreage Interests in the Beetaloo Basin, Northern Territory, Australia" (the "**Ryder Scott Report**"), completed by Ryder Scott Company ("**Ryder Scott**"), dated effective as of July 1, 2009.

13. The material change report of Falcon dated December 1, 2009 with respect to the announcement that David Fisher was not nominated for re-election to the Board of Directors (the "**Fisher Announcement**").

14. The material change report of Falcon dated December 15, 2009 with respect to the announcement of two agreements between the Company and PetroHunter, one a purchase and sale (the "**Third Beetaloo PSA**") and the other a private placement (collectively, the "**Falcon-PetroHunter Agreements**").

15. The material change report of Falcon dated December 24, 2009 with respect to the announcement of four new directors being elected to the Board of Directors at the Company's annual and special meeting of shareholders held on December 22, 2009.

16. The Offer Memorandum for the placement of up to 50 million shares in the capital of Falcon Australia (“**FA Shares**”), as amended from time to time (the “**Offer Memorandum**”).

17. Statement of Reserves Data and Other Oil and Gas Information with an effective date of December 31, 2009 (the “**51-101F1 Report**”).

18. Report on Reserves Data by prepared by Chapman Petroleum Engineering Ltd. (“**Chapman**”) dated February 16, 2010 (the “**51-101F2 Report**”).

19. Report of Management and Directors on Reserves Data and Other Information dated April 29, 2010 (the “**51-101F3 Report**”).

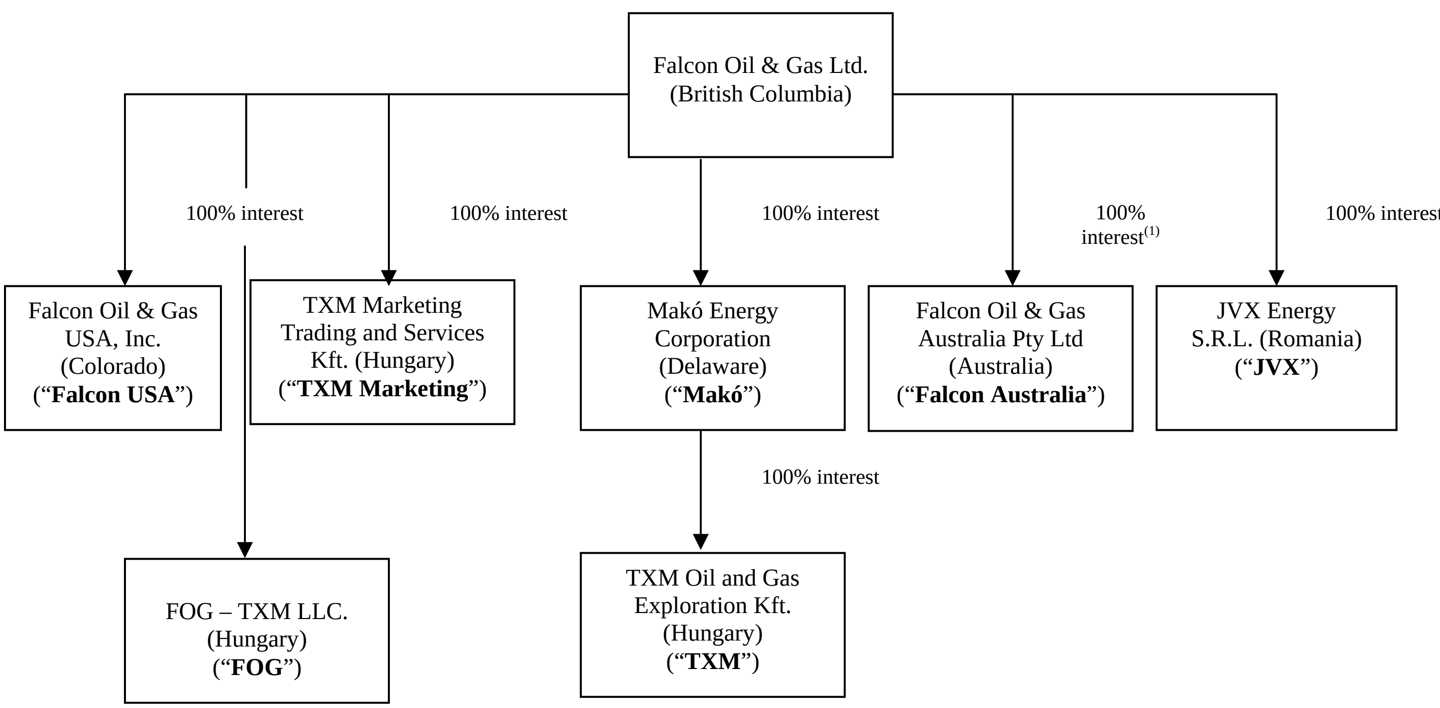
CORPORATE STRUCTURE

Falcon was incorporated on January 18, 1980, pursuant to the laws of the Province of British Columbia by the registration of memorandum and articles with the British Columbia Registrar of Companies under the name Sanfred Resources Ltd. (“**Sanfred**”). On December 21, 1999, Sanfred consolidated its authorized and issued share capital and changed its name to Falcon Oil & Gas Ltd. On March 2, 2005, Falcon’s transition application under the new *Business Corporations Act* (British Columbia) (“**BCBCA**”) was filed and accepted.

The Company’s head office is located at 1875 Lawrence Street, Suite 1400, Denver, Colorado 80202 and its registered office is located at 810-875 Hastings Street West, British Columbia V6B 1N2.

Organizational Structure

The following chart depicts the organization of the Company as at the date hereof, including its material subsidiaries:



Notes:

(1) Upon completion of all matters required to close the Third Betaloo PSA, Falcon will own a 75% interest in Falcon Australia.

Makó was incorporated under the laws of the State of Delaware on November 8, 2004 for the purpose of acquiring, exploring, and developing oil and gas properties. TXM was formed in 2004 to conduct oil and gas exploration and development business in the Republic of Hungary ("**Hungary**"), except for ownership of the Company's gathering infrastructure/assets, and marketing of oil and gas produced from TXM's licenses. TXM Marketing was formed in March, 2007 to hold the Company's gathering infrastructure/assets in Hungary, and to market the oil and gas produced from TXM's licenses. JVX was formed in 2005 to conduct the Company's business in Romania. FOG was incorporated in April 2008 to assist in the structure of the Company's joint venture with ExxonMobil. Falcon USA was formed in August, 2008 to hold the Company's working interest in the Buckskin Mesa Project. Falcon Australia was formed in August, 2008 to hold the Company's working interest in certain properties in the Beetaloo Basin located in Northern Territory, Commonwealth of Australia ("**Australia**"). On April 23, 2010, Falcon Australia received notice (the "**Australia Notice**") from the Department of Resources, Northern Territory Government, that the registration of the transfer of the remaining 25% interest in the Permits (as hereinafter defined) was completed, satisfying all conditions precedent to closing. Pursuant to the Australia Notice, Falcon Australia now owns 100% of the Permits. For further details on these properties see "*Business Description*".

All shares issued by subsidiaries are common voting shares.

GENERAL DEVELOPMENT OF THE BUSINESS OF FALCON

Development of the Business During 2010

In January 2010, Falcon Australia commenced the marketing of a private placement ("**FA Offering**") of units in the capital of Falcon Australia ("**Units**") all or more particularly described in the Offer Memorandum. The Offer Memorandum provides for a capital raise of up to $50 million worth of Units. Each Unit consists of one FA Share and an option to acquire one additional FA Share (the "**FA Option**") at a price of $1.00 per Unit. Each FA Option is exercisable, for three years from date of issue, into an additional FA Share at $1.25 per such FA Share. Closing is expected to occur on or about June 30, 2010.

On February 19, 2010 Falcon announced that it had received written notice (the "**Notice**") from ExxonMobil and MOL Hungarian Oil & Gas Plc ("**MOL**") stating that neither company will proceed to the next phase outlined in the PDA. As a result of the Notice and in accordance with the PDA all interests held by ExxonMobil and MOL that were the subject of the PDA reverted back to Falcon.

On April 23, 2010, Falcon Australia received the Australia Notice from the Department of Resources, Northern Territory Government, that the registration of the transfer of the remaining 25% interest in the Permits was completed, satisfying all conditions precedent to closing. Pursuant to the Australia Notice, Falcon Australia now owns 100% of the Permits.

Development of the Business During 2009

On February 24, 2009, Falcon issued a press release announcing that it had elected not to exercise the Buckskin Option. In accordance with the Buckskin PSA, the Company reassigned the undivided 25% working interest in five wells located within the Buckskin Mesa Project (the "**Five Wells**") to PetroHunter, and the Company was relived of all obligations related to the Five Wells, including reclamation and plugging and abandonment obligations.

On April 27, 2009, Falcon issued a press release announcing that it had entered into a non-binding letter of intent (the "**LOI**") with PetroHunter which stipulates that the Company will acquire an additional undivided 25% working interest in the Beetaloo Basin Project. Under the terms of the LOI, the principal consideration being paid by the Company for the transaction was the forgiveness of the PetroHunter Loan. The LOI also stipulates that, on closing of this transaction, the Company will become operator of the Beetaloo Basin Project under the Beetaloo Basin Project joint operating agreement (the "**Beetaloo JOA**"), and that PetroHunter and certain of its affiliates and the Company will enter into an escrow agreement which will govern the release of all remaining Common Shares (as hereinafter defined) previously issued to PetroHunter.

On June 11, 2009, pursuant to the Second Beetaloo PSA, the Company completed the acquisition of an additional undivided 25% working interest in the Beetaloo Basin Project. Under the terms of the Second Beetaloo PSA, the principal consideration being paid by the Company for this transaction was the exchange of the PetroHunter Loan. In addition, the Company has agreed to pay certain vendors who had provided goods or services for the Beetaloo Basin Project, prior to the Company acquiring its 50% interest in September 2008, in exchange for inventory and operator bonds of approximately the same value, and has relinquished its right to the unexpended testing and completion funds of the Buckskin Mesa Project. Upon closing, Falcon Australia became operator of the Beetaloo Basin Project, and PetroHunter and the Company entered into an escrow agreement governing the release of all remaining Common Shares previously issued to PetroHunter.

On June 30, 2009, Falcon completed a debenture offering (the "**Debenture Offering**") issuing 11,910 units ("**Debenture Units**") at an offering price of CDN$1,000 per Debenture Unit for gross proceeds of CDN$11,910,000. The Debenture Units consisted of CDN$900 worth of 11% convertible unsecured debentures in the principal amount of CDN$1,000, due June 30, 2013, ("**Debentures**") and 250 Common Shares ("**Unit Shares**").

On October 27, 2009, Falcon secured a Technical Cooperation Permit (the "**SA Permit**") to evaluate the Karoo Basin in central South Africa. The SA Permit grants Falcon up to one year to conduct a technical appraisal of the area covered by the SA Permit which does not include any well or seismic work obligations. At the end of the one year period, Falcon has the option to apply for an exploration licence covering all portions of the SA Permit upon the payment of $400,000. The SA Permit covers approximately 7.5 million acres and is located 20 miles northeast of Cape Town, South Africa.

On November 27, 2009, Mr. David Fisher resigned as a member of the Board (as hereinafter defined).

On December 7, 2009, Falcon entered into the Falcon-PetroHunter Agreements. Under the terms of the Falcon-PetroHunter Agreements: (i) Falcon Australia agreed to acquire the remaining 25% interest in the Permits from Sweetpea in consideration for the issuance to Sweetpea of 25% of the issued and outstanding FA Shares; and (ii) the commencement of the FA Offering.

On December 22, 2009, at Falcon's annual and special general meeting, four new directors were elected to the Board. These four new directors were Robert C. Macaulay, Thomas G. Harris, John Craven and Gregory Smith. The four new directors joined five returning directors: Dr. György Szabó, Marc A. Bruner, JoAchim Conrad, Daryl H. Gilbert and Carl Stadelhofer.

Development of the Business During 2008

On January 14, 2008, Rod Wallis was appointed new Chief Operating Officer of Falcon. Dr. James Edwards assumed the new position of Senior Vice President, Special Projects of Falcon.

On April 10, 2008, Falcon and TXM entered into the PDA with ExxonMobil under which Falcon and ExxonMobil became joint owners in a specified portion (the "**Contract Area**") of Falcon's Production License (as hereinafter defined). Pursuant to a pre-existing agreement between ExxonMobil and MOL and ExxonMobil's rights under the PDA, ExxonMobil sold one-half of its interest in the Contract Area to

MOL, effective April 10, 2008. ExxonMobil, MOL and TXM also become parties to a joint operating agreement (the "**JOA**"), dated April 10, 2008, which governed all operations of the Contract Area that were not expressly addressed in the PDA. Exxon Mobil was designated as the operator of the Contract Area under the JOA.

In May 2008, Falcon received the RPS Scotia Report.

Effective May 29, 2008, Mr. Igor Akhmerov resigned as a member of the Board.

On September 30, 2008, pursuant to the terms of the Beetaloo PSA, the Company consummated the acquisition of an undivided 50% working interest in an aggregate 7,000,000 acre prospect in four exploration permits (the "**Permits**") in the Beetaloo Basin, Northern Territory, Australia (the "**Beetaloo Basin Project**"). The purchase price paid by the Company to PetroHunter was $25,000,000, $5,000,000 of which was paid in cash to PetroHunter as earnest money on August 25, 2008, and $20,000,000 of which was paid on September 30, 2008 in equity securities automatically convertible into common shares in the capital of Falcon (the "**Common Shares**") without payment of any additional consideration on a one-for-one basis (the "**Special Warrants**") based on the closing price of the Company's shares on August 22, 2008. In the event that Falcon's closing share price on the date that a receipt was issued for the (final) prospectus to qualify the distribution of the Common Shares underlying the Special Warrants was below the closing share price on August 22, 2008, the Special Warrants had an adjustment mechanism which provides PetroHunter with price protection of up to 20%.

On August 25, 2008, the Company entered into the Buckskin PSA to acquire the Five Wells and the Buckskin Option, and to undertake a testing and completion program in respect of the Five Wells. The Company closed this acquisition on October 31, 2008.

At Falcon's annual and special meeting on October 6, 2008, Janos Csak and Joachim Conrad were newly elected to Falcon's board of directors (the "**Board**") in addition to seven returning members: David E. Fisher, Daryl H. Gilbert, Prof. Ferenc Horvath, Marc Bruner, Stephen Schultz, Carl Stadelhofer and Dr. György Szabó. Jan Van Holsbeeck did not stand for re-election to the Board.

On December 8, 2008 the Amendment was entered into providing that: (a) the parties shall use reasonable efforts to agree on unitizing their respective interests in all or a portion of the Makó Trough; (b) if ExxonMobil elects to proceed to the Appraisal Work Program, a portion of the work commitment may be applied to drill one or more wells based on the optimum location in the Makó Trough; and (c) if ExxonMobil elects to proceed to the Development Program, $37.5 million (of the $75 million payment to Falcon) may be applied to operations in the Makó Trough.

On December 11, 2008, Falcon issued a press release announcing that it has entered into an amendment to the PetroHunter Loan that extended the maturity date from January 30, 2009 to April 30, 2009 and changed the pledge portion of the security associated with the PetroHunter Loan from a pledge of $7.5 million worth of the Special Warrants to a pledge of 14,500,000 Common Shares.

Development of the Business During 2007

On September 21, 2007, at Falcon's annual and special general meeting, five new individuals were elected to the Board. These five new directors were Igor Akhmerov, David E. Fisher, Daryl H. Gilbert, Jan Van Holsbeeck and Prof. Ferenc Horvath. The five new directors joined four returning directors Marc Bruner, Stephen Schultz, Carl Stadelhofer and Dr. György Szabó. Andrew Calerich did not stand for re-election.

In December 2007, Falcon completed the sale of an aggregate of 100,000,000 Common Shares at a price of $0.39 (CDN$0.40) per Common Share pursuant to a short form prospectus (the "**December Offering**"). Gross proceeds from the December Offering were $39,304,314 (CDN$40,000,000). The underwriters received a cash commission of 6% of the gross proceeds $2,358,240 (CDN$2,400,000) and warrants (collectively, the "**December Underwriters' Warrants**") to purchase 6% of the number of Common Shares sold under the December Offering, at an exercise price of $0.39 (CDN$0.40) per share, for a period of 24 months from the date of the closing of the December Offering. As was indicated in the (final) prospectus filed in connection with the December Offering dated December 10, 2007, the proceeds of the December Offering were to be used by the Company for the exploration and development of the Company's projects in Hungary, including the completion of three existing well bores, and for general corporate and working capital purposes, subject to the ability of the Company to reallocate the proceeds of the December Offering for sound business reasons. In light of the ExxonMobil transaction, the Board assessed the overall business strategy of the Company and determined, in 2008, that a reallocation of the remaining proceeds of the December Offering be made to the Beetaloo Basin Project and Buckskin Mesa Project acquisitions.

See also *"Business Description"*.

BUSINESS DESCRIPTION

The Company is an international energy company engaged in the business of acquiring, exploring and developing petroleum and natural gas properties, with offices in Vancouver, British Columbia, Denver, Colorado and Budapest, Hungary. The Company's registered office is located at 810-675 West Hastings Street, Vancouver, British Columbia, Canada V6B 1N2 and the Company's head office is located at 1875 Lawrence Street, Suite 1400, Denver, Colorado, U.S.A. 80202.

The Company's primary focus is the identification, exploration and development of conventional and unconventional oil and gas projects in Central Europe, specifically Hungary. In 2009, the Company's geographical focus was broadened to also include Australia with the Beetaloo Basin Project acquisition.

Summary of Operations

Beetaloo Basin, Northern Territory, Australia

Falcon Australia serves as operator of the Beetaloo Basin Project.

PetroHunter had previously drilled one well in 2007, the Shenandoah-1 well, which was cased and suspended at 5,100 feet (1,555 meters). In July 2009, the Company re-entered the Shenandoah-1 well, which reached a depth of 8,904 feet (2,714 meters) on October 11, 2009.

In the Shenandoah-1 well, significant gas shows were encountered in the Lower Kyalla Shale and the Middle Velkerri Shale. Shows were also encountered in the Moroak Sandstone which lies between the two thermally mature gas shales. A 328-foot (100 meter) interval in the Lower Kyalla Shale encountered significant gas shows, with gas concentrations to 11%, and total gas reaching up to 1,000 units in the most favorable Kyalla gas interval at a depth of 5,167 feet to 5,495 feet (1,575 meters to 1,675 meters). A 433 foot (132 meter) interval in the Middle Velkerri Shale from 7,890 feet to 8,386 feet (2,405 meters to 2,556 meters) had similar gas shows. Several intervals in the Moroak Sandstone also had gas shows in a composite 295 foot (90 meter) interval in what appears to be a conventional structural trap. Cores from both the Lower Kyalla and Middle Velkerri shales were taken for desorption analyses. Preliminary results indicate the shales are good gas reservoirs comparable to or exceeding recent gas shale desorption results in U.S. basins for Paleozoic source rocks.

The Shenandoah-1 well indicates a significant shallow oil zone within the Upper Kyalla Shale at a depth from 3,110 feet to 3,346 feet (948 meters to 1,020 meters). These oil and gas shows in the Shenandoah-1 well support the recent Ryder Scott evaluations of the conventional and unconventional oil and gas potential in the Precambrian sediments of the Beetaloo Basin, Northern Territory, Australia.

Resource Estimates

In August 2009, the Company received the Ryder Scott Report.

The Ryder Scott Report on the hydrocarbon resource potential of the Beetaloo Basin describes a possible distribution of the un-risked prospective (recoverable) portion of un-risked "Undiscovered in-place Resources," as defined by the Canadian Oil & Gas Exploration Handbook ("**COGEH**"), and does not represent an estimate of reserves or contingent resources. The Ryder Scott Report has been prepared in accordance with the Canadian standards set out in the COGEH and is compliant with National Instrument 51-101 "Standards of Disclosure for Oil & Gas Activities ("**NI 51-101**"). Ryder Scott's resource evaluation of the Beetaloo Basin is as follows:

Table 9: Total Undiscovered and Prospective (Recoverable) Oil Resources in the Beetaloo Basin, Australia (1) (2)

	Un-risked Undiscovered Oil-In-Place (Bstb)			**Un-risked Prospective (Recoverable) Oil Resources (Bstb)**		
	Low	**Best**	**High**	**Low**	**Best**	**High**
Hayfield	0.049	0.088	0.148	0.005	0.010	0.018
Jamison	8.220	11.920	16.402	0.800	1.337	2.153
Conventional subtotal	8.269	12.008	16.550	0.805	1.347	2.171
Upper Kyalla shale oil	127.4	180.9	256.0	11.3	17.8	27.4
Shale oil subtotal	127.4	180.9	256.0	11.3	17.8	27.4
Total oil resource within the Beetaloo Basin	135.67	192.91	272.55	12.11	19.15	29.57

Table 10: Total Undiscovered and Prospective (Recoverable) Gas Resources in the Beetaloo Basin, Australia(1) (2)						
	Un-risked Undiscovered Gas-In-Place (Tscf)			Un-risked Prospective (Recoverable) Gas Resources (Tscf)		
	Low	**Best**	**High**	**Low**	**Best**	**High**
Hayfield (associated solution)	0.013	0.025	0.046	0.002	0.004	0.009
Jamison (associated solution)	2.041	3.330	5.349	0.313	0.585	1.066
Moroak	0.800	1.437	2.346	0.607	1.048	1.731
Conventional subtotal	2.85	4.79	7.74	0.92	1.64	2.81
Moroak BCGA	21.00	29.61	40.85	3.18	4.85	7.23
Bessie Creek BCGA	159.4	210.0	275.0	23.8	34.4	49.4
BCGA subtotal	180.39	239.58	315.81	27.02	39.28	56.64
Lower Kyalla shale gas	12.70	15.80	19.20	1.90	2.60	3.50
Middle Velkerri shale gas	94.6	125.1	160.4	14.2	20.4	29.0
Shale gas subtotal	107.3	140.9	179.6	16.1	23.0	32.5
Total gas resource within the Beetaloo Basin	290.54	385.27	503.16	44.05	63.91	91.94

(1) Tables 9 and 10 are from the Ryder Scott Report. For a definition of "Low" "Best" and "High," see Section 5 of the Ryder Scott Report titled "Definitions of Resources and Reserves," item 5.3.5 titled "Uncertainty Category." The total oil and gas resource is an arithmetic summation of the multiple estimates of the individual reservoir resources. Under Section 5.2 of COGEH: Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, it may not be economically viable or technically feasible to produce any of the resources,

(2) Estimates are as of July 1, 2009, the effective date of the Ryder Scott Report.

Based upon their review of the preliminary results from the re-entry and deepening of the Shenandoah-1 well, Ryder Scott Company – Canada provided correspondence dated October 23, 2009 that confirmed the findings in the above resource evaluation.

A copy of the Ryder Scott Report is available on SEDAR at www.sedar.com.

Operational Highlights for 2009

In July 2009, the Company re-entered the Shenandoah-1 well, which reached a depth of 8,904 feet (2,714 meters) on October 11, 2009.

Future Operations

Following full evaluation of the results, the Company plans to test the Shenadoah-1 well in the third quarter of 2010. Under a work program approved by the Northern Territory of Australia Government, Department of Resources, on March 31, 2010, the Company is obligated to complete minimum work requirements by expending the following amounts in order to continue to hold the underlying permits in the Beetaloo Basin Project. $6,400,000 for the year ended December 31, 2010, $3,900,000 for the year ended December 31, 2011 and $5,000,000 for the year ended December 31, 2012.

The Permits are subject to a combined governmental royalty of between 10-12% and an overriding royalty to two arm's length third parties in an amount not to excced 12.1%.

Hungary

The Company holds a long-term Mining Plot (the "**Production License**") granted by the Hungarian Mining Authority. The lands within the Production License were formerly part of the Company's two petroleum and natural gas exploration licenses – the Tisza License and the Makó License (collectively, the "**Exploration Licenses**"). The Production License, covering approximately 245,775 acres, gives the Company the exclusive right to explore for petroleum and natural gas on properties located in south central Hungary near the town of Szolnok. The Production License further gives the Company the exclusive right to commercially develop petroleum and natural gas within the area covered by that license.

The Exploration Licenses expired on December 31, 2009, and are not eligible for extension. However, under Hungarian laws applicable to oil and gas exploration licenses, the licensee has the first priority in obtaining a mining plot covering all or part of the area, but is not guaranteed that it will receive a mining plot. The process requires the filing of a "Closing Report" within six months from the expiration of the license, and the filing of an application for the mining plot within the second six-month period. The Company intends to file a Closing Report within the required period.

On April 10, 2008, Falcon and TXM entered into the PDA, as amended, pursuant to which ExxonMobil and Falcon became joint owners in the Contract Area. Pursuant to a pre-existing agreement between ExxonMobil and MOL and ExxonMobil's rights under the PDA, ExxonMobil sold one-half of its interest in the Contract Area to MOL, effective April 10, 2008. ExxonMobil, MOL and TXM entered into a joint operating agreement (the "**JOA**"), dated April 10, 2008, which governed all operations of the Contract Area not expressly addressed in the PDA. ExxonMobil was designated as the operator of the Contract Area under the JOA.

The Contract Area consisted of approximately 184,300 acres, or 75% of the Company's 246,000-acre Production License. The Contract Area was owned jointly, with the Company owning a 33% undivided working interest and ExxonMobil and MOL each owning a 33.5% undivided working interest. However, the Company's Hungarian subsidiary, TXM, remained as the registered owner of the Production License under the records of the Hungarian Mining Authority.

The PDA provided for ExxonMobil and MOL to pay an initial consideration of $25 million to the Company and to spend an aggregate of $50 million to conduct an initial work program to test one or more of the Company's existing well bores or drill one or more new wells for such tests (the "**Initial Work Program**").

On October 30, 2009, Production Ventures East Hungary Kft., an affiliate of ExxonMobil ("**Production Ventures**"), completed certain operations on the Földeák-1 well, at which time the well was temporarily suspended. The conclusion of these operations was also the completion of the Initial Work Program, and the expenditure of Production Ventures' and MOL's $50 million financial obligation under the PDA. Production Ventures and MOL had 120 days from completion of the Initial Work Program to evaluate the results and, on February 19, 2010, provided the Notice that they would not proceed to the next phase of the PDA, the Appraisal Work Program, and would exit the PDA.

In accordance with the PDA, ExxonMobil's and MOL's respective participating interests in the Contract Area, the Földeák-1 well, and all other interests automatically reverted to TXM, and TXM became operator of the entire Production License.

Resource Estimates

In May 2008, Falcon received the RPS Scotia Report. The RPS Scotia Report has an effective date of March 31, 2008, and is an update to the Scotia Report. RPS Scotia is the parent company of the Scotia Group.

The RPS Scotia Report is compliant with NI 51-101.

The RPS Scotia Report provides a probabilistic distribution of the potentially recoverable portion of "Contingent Resources" as defined by COGEH and does not represent an estimate of reserves.

Based on all available data, RPS Scotia has assigned the following probabilistic estimation of potentially recoverable contingent resources to the Company's interests in the Szolnok formation, the Lower Endrod, the Basal Conglomerate and the Synrift Sequence. The RPS Scotia Report measures the Makó Trough in trillions of cubic feet of natural gas ("**Tcf**") and millions of barrels of oil ("**mmbo**"):

	Probability Greater Than		
	P90 (90%)	P50 (50%)	P10 (10%)
Probabilistic estimation of potentially recoverable contingent resources (1) (2)	**25.8 Tcf** **42.6 mmbo**	**43.9 Tcf** **97.8 mmbo**	**68.0 Tcf** **202.7 mmbo**

Notes:

(1) The resource estimate has been conducted using the definitions specified by the COGEH. The Makó Trough resource falls under the "Discovered Resources" classification. The values refer to the probabilistically estimated recoverable fraction of "Contingent Resources" within that classification. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but are not currently economic. The economic nature of this resource has not yet been assessed due to the early stage of data gathering for the Makó Trough resource. The recoverable portion of this "Contingent Resource" is contingent upon the demonstration of productive capability of the various zones of interest through well testing and longer term production testing which has not occurred as of the effective date of the report.

(2) Estimates are as of March 31, 2008, the effective date of the RPS Scotia Report.

A copy of the RPS Scotia Report is available on SEDAR at www.sedar.com.

Operational Highlights for 2009

In May 2009, ExxonMobil reached total depth of 14,500 feet (4,421 meters) on the drilling of the Földeák-1 well. This well was part of the Initial Work Program under the PDA. The primary focus of the Initial Work Program and the Földeák-1 well was to test the Szolnok Formation.

On October 30, 2009, ExxonMobil completed the third and final fracture of the Szolnok Formation in the Földeák-1 well at a depth of approximately 12,631 feet (3,850 meters). The prior two fractures were at depths of 13,780 feet (4,200 meters) and 14,298 feet (4,358 meters). The third fracture completed

ExxonMobil’s $50 million financial obligation under the PDA, and completed the Initial Work Program. The Földeák-1 well has been temporarily suspended to allow future access as required.

ExxonMobil and MOL had 120 days from completion of the Initial Work Program to evaluate the results and, on February 19, 2010, provided the Notice that they would not proceed to the next phase of the PDA, the Appraisal Work Program, and would exit the PDA.

In accordance with the PDA, ExxonMobil's and MOL's respective participating interests in the Contract Area, the Földeák-1 well, and all other interests automatically reverted to TXM, and TXM became operator of the entire Production License.

In October 2009, the Hungarian Mining Authority granted the Company’s application to expand the depths under the Production License. When originally issued in May 2007, the upper depth of the Production License was defined as 9,186 feet (2,800 meters) from the surface, and extended to the basement of the Basin Centered Gas Accumulation (the “**BCGA**”). As a result of additional technical analysis, including extensive review of 3D seismic and the data obtained from the wells previously drilled within the Production License, the amended Production License now incorporates depths beginning at 7,546 feet (2,300 meters) throughout the entire Production License. This revision makes the Production License depth consistent with other mining plots in the immediate area.

Future Operations

Future operations in the Makó Trough are subject to further technical evaluation by the Company. Operations within the Production License are also subject to ongoing efforts to enter into joint venture arrangements to evaluate the Algyo, Szolnok, Endrod and Basal Conglomerate formations.

Piceance Basin, US

In August 2008, the Company entered into the Buckskin PSA to acquire the Five Wells and the Buckskin Mesa Option, and to undertake a testing and completion program in respect of the Five Wells. The Company closed this acquisition on October 31, 2008.

Following the failure to identify sufficiently economic reserves, the Company elected not to exercise its option to acquire an additional 25% interest in the Five Wells Project.

On February 24, 2009, the Company formally notified PetroHunter that it would not exercise the Buckskin Mesa Option, following testing results from three of the five wells located in the Buckskin PSA license area.

Romania

In February 2008, JVX was contingently awarded the “Anina Concession”. The award was subject to negotiation and finalization of a concession agreement for the acreage. A minimal work program was required under the Anina Concession, and the Company had the option to withdraw from the concession agreement at the end of each contract year. As of June 30, 2009, the Company determined that it will not proceed with any work program on the Anina Concession, and has charged to operations its entire carrying cost in the project.

Canada

Falcon owns non-operating working interests in four producing natural gas wells in Alberta, Canada which do not comprise a material portion of Falcon’s assets (the “**Hackett Interest**”). The Company does not anticipate any further exploration or development of the Hackett Interests.

Employees

As at December 31, 2009, Falcon, Makó and TXM together employed a total of 36 full-time employees and consultants, of which 18 individuals operated from the Company's headquarter offices in Denver, Colorado and 18 individuals were located in Hungary, supporting administrative operations in Budapest and field operations in Szeged. As at April 29, 2010, Falcon, Makó and TXM together employed a total of 30 full-time employees and consultants, of which 17 individuals operated from the Company's headquarter offices in Denver, Colorado and 13 individuals were located in Hungary, supporting administrative operations in Budapest and field operations in Szeged. In addition to these employees, the Company also retains consultants and other highly skilled professionals as needed for the Hungary Project and other aspects of its operations. None of the Company's employees are part of a collective bargaining unit. Management believes that its relations with its employees are good.

Special Skill and Knowledge

The Company's ability to complete drilling and exploration is dependent on the availability of well-trained, experienced crews to operate its field equipment and qualified management. The Company believes that its strategic arrangement with other oil and gas exploration companies aids the Company in ensuring that it has the special skill and knowledge available to assist the Company in the completions, testing and evaluation of the Company's resource in the Beetaloo Basin Project and the Contract Area.

Foreign Operations

As a percentage of its capitalized acquisition, exploration and development costs incurred in fiscal 2009, the Company focused approximately 13.5% of its resources on operations in Hungary, and approximately 86.5% of its resources on operations in Australia.

Competitive Conditions

The oil and gas industry in Australia, Hungary and South Africa, is, and will continue to be, competitive. Most contracts will be awarded on the basis of competitive bids, which results in price competition.

Dependence on Customers and Suppliers

The Company is not dependent upon a single or few customers or supplier for revenues or its operations.

Changes to Contracts

In 2009 the Company and its strategic partners ExxonMobil and MOL completed the Initial Work Program under the PDA. Following completion of the Initial Work Program, ExxonMobil and MOL provided the Notice stipulating that neither company would proceed to the next stage as stipulated in the PDA. Consequently, all interests in the areas covered by the PDA reverted back to the Company and the Company will enjoy the right to enter into agreements with new strategic partners to continue evaluation of the site under the long-term production license Additionally, the Company will focus resources on other projects, mainly the Beetaloo Basin Project.

Environmental Protection and Policies

The Company is subject to various federal, state, territorial, provincial and local environmental laws and regulations enacted in most jurisdictions in which it operates, which primarily govern the manufacture, processing, importation, transportation, handlings and disposal of certain materials used in operations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. The Company adheres to all such laws and regulations. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Historically, environmental protection requirements have not had a significant financial or operational effect on the Company's capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2009 nor are they currently anticipated in the future.

During 2009, all of the Company's operations were in compliance in all material respects with applicable corporate standards and environmental regulations and there were no material notices of violations, fines or convictions relating to environmental matters at any of the Company's operations.

The Company believes that it is in substantial compliance with all material current government controls and regulations at each of its properties.

See also *"General Development of the Business of Falcon"* and *"Risk Factors"*.

Lending

Although the Company issued the PetroHunter Loan in 2008, the Company is not in the business of lending. Accordingly, the Company has not engaged in the preparation of formal lending or risk management policies or lending and investment restrictions. As at December 31, 2009 and the date hereof, the Company does not intend to lend to any additional amounts to PetroHunter or to lend to any third parties.

DISCLOSURE REGARDING OTHER OIL AND GAS ACTIVITIES

The 51-101F1 Report, the 51-101F2 Report and the 51-101F3 Report are incorporated by reference herein.

RISK FACTORS

The business of the Company is subject to many risks, including:

The Company is an early stage company, which makes it difficult to evaluate its business prospects.

Achieving the benefits of exploration and successful production of any existing properties as well as possible future acquisitions will depend in part on the Company's successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining any acquired businesses and operations with the Company's ongoing business or working with the existing resources of future partners. The integration of acquired businesses requires the dedication of substantial management effort, time and resources, which may divert management's focus, and resources from other strategic opportunities and from operational matters. The integration process with future targets could potentially result in the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of past and future acquisitions.

The Company cannot be certain that it will continue to meet all requirements to maintain the Licenses.

Hungarian Mining Law requires that the Company file annual plans of development ("**Plan**"). To the extent that the Company cannot fulfill the requirements, it might have to request extensions for filing a Plan or it might be at risk of losing rights under either of the Licenses. Alternatively, the Company might disagree with the government's interpretation of the legal requirements, in which case the Company might commence a legal proceeding, which could delay development of the Company's properties in Hungary. The properties are described more particularly in the section entitled "*Business Description*".

The Company cannot be certain that current expected expenditures and completion/testing programs will be realized.

There are assumptions, uncertainties, and risk that may cause the Company's allocated funds on a per well basis to change as a result of having to alter certain activities from those originally proposed or programmed to reduce and mitigate uncertainties and risks. These assumptions, uncertainties, and risks are inherent in the completion and testing of wells and can include but are not limited to: pipe failure, casing collapse, unusual or unexpected formation pressure, environmental hazards, and other operating or production risk intrinsic in oil and or gas activities. Any of the above may cause a delay in the Company's completion program and its ability to determine reserve potential.

The Company may have substantial capital requirements that, if not met, may hinder its growth and operations.

The Company's future growth depends on its ability to make large capital expenditures for the exploration and development of natural gas and oil properties. Future cash flows and the availability of financing will be subject to a number of variables, such as:

- the success of the Company's exploration and development program in Hungary and Australia;
- success in locating and producing new reserves; and
- prices of natural gas and oil.

Additional financing sources may be required in the future to fund developmental and exploratory drilling. Issuing equity securities to satisfy the Company's financial requirements could cause substantial dilution to its existing shareholders. Additional debt financing could lead to:

- a substantial portion of operating cash flow being dedicated to the payment of principal and interest;
- the Company being more vulnerable to competitive pressures and economic downturns; and
- restrictions on the Company's operations.

Financing might not be available in the future or the Company might not be able to obtain necessary financing on acceptable terms. If sufficient capital resources are not available, the Company might be forced to curtail drilling and other activities or be forced to sell some assets on an untimely or unfavourable basis, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company might not be able to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause the Company to incur losses.

Although the Company believes it has reviewed and evaluated its properties in Hungary and Australia in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions made by the Company, for example the SA Permit to conduct testing in the Karoo Basin in South Africa. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and the Company often assumes environmental and other risks and liabilities in connection with the acquired properties.

The Company might incur debt in order to fund its exploration and development activities, which would continue to reduce its financial flexibility and could have a material adverse effect on the Company's business, financial condition or results of operation.

If the Company incurs debt, its ability to meet its debt obligations and reduce its level of indebtedness depends on future performance. General economic conditions, oil and gas prices and financial, business and other factors will affect the Company's operations and future performance. Many of these factors are beyond the Company's control. No assurances can be made that the Company will be able to generate sufficient cash flow to pay the interest on its debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of Common Shares or other types of equity securities, or a refinancing of debt include financial market conditions, the value of its assets and performance at the time the Company needs capital. No assurances can be made that the Company will have sufficient funds to make such payments. If the Company does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange new financing, it might be required to sell significant assets. Any such sale could have a material adverse effect on the Company's business, financial condition and results of operations.

Shortages of rigs, equipment, supplies and personnel could delay or otherwise adversely affect the Company's cost of operations or its ability to operate according to its business plans.

If drilling activities increase in Hungary or Australia, generally, shortages of drilling and completion rigs, field equipment and qualified personnel could develop. From time to time, these costs have sharply increased in various areas around the world and could do so again. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail the Company's exploration and development operations, which may materially adversely affect the Company's business, financial condition and results of operations.

Resource estimates depend on many assumptions that may be inconclusive, subject to varying interpretations, or inaccurate.

In August 2009, Falcon received the Ryder Scott Report and in May 2008, the RPS Scotia Report. The Ryder Scott Report and the RPS Scotia Report both previously filed on SEDAR at www.sedar.com, contain estimates of resources and are limited to an estimate of the possible range of volume that theoretically may be produced in the respective geographical areas covered in the reports. Neither of these reports represents estimates of reserves. The resource estimates have been conducted using the definitions specified by the COGEH.

Although the Company believes that the Ryder Scott Report and the RPS Scotia Report were prepared in accordance with industry standards, the Company cannot assure that the estimated costs are accurate, that the Company will be able to raise the necessary capital, that the development will occur as scheduled, or that the actual results will be as estimated.

Actual oil and gas prices, future production, revenues, operating expenses, taxes, development expenditures and quantities of recoverable oil and natural gas resources will most likely vary from those estimated by the Company. Any significant variance could materially adversely affect the estimated quantities and present value of future net revenues set forth in the Annual Information Form and the other documents incorporated by reference herein. A reduction in oil and gas prices, for example, would reduce the value of resources and reduce the amount of oil and gas that could be economically produced, thereby reducing the quantity of resources. The Company might adjust estimates of resources to reflect production history, results of exploration and development, prevailing oil and gas prices and other factors, many of which are beyond the Company's control.

The recovery of undeveloped resources requires significant capital expenditures and successful drilling operations. The data contained in the RPS Scotia Report and the Ryder Scott Report assumes that the Company will make significant capital expenditures to develop its resources. Although the Company has prepared estimates of its natural gas and oil resources and the costs associated with these resources in accordance with industry standards, no assurances can be given that the estimated costs are accurate, that development will occur as scheduled or that the actual results will be estimated. The Company might not be able to raise the capital it needs to develop these resources.

The Company cannot be certain that current expected expenditures and completion/testing programs will be realized.

The Company believes that the costs used to prepare internal budgets are reasonable, however, there are assumptions, uncertainties, and risk that may cause actual allocated funds on a per well basis to change as a result of having to alter certain activities from those originally proposed or programmed to reduce and mitigate those uncertainties and risks. These assumptions, uncertainties, and risks are inherent in the completion and testing of wells and can include but are not limited to pipe failure, casing collapse, unusual or unexpected formation pressure, environmental hazards, and other operating or production risk intrinsic in oil and or gas activities. Any of the above may cause a delay in the Company's programs and its ability to determine reserve potential.

The value of the Common Shares might be affected by matters not related to the Company's own operating performance for reasons that include the following:

- general economic conditions in Canada, the US, Hungary, Australia, South Africa and globally;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems;
- unanticipated operating events which can reduce production or cause production to be shut-in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;

- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- Hungarian and worldwide supplies and prices of and demand for natural gas and oil;
- political conditions and developments in Hungary, Canada, the US, Australia and globally;
- political conditions in natural gas and oil producing regions;
- revenue and operating results failing to meet expectations in any particular period;
- investor perception of the oil and gas industry;
- limited trading volume of the Common Shares;
- change in environmental and other governmental regulations;
- announcements relating to the Company's business or the business of its competitors;
- the Company's liquidity; and
- the Company's ability to raise additional funds.

In the past, companies that have experienced volatility in their value have been the subject of securities class action litigation. The Company might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a material adverse effect on the Company's business, financial condition and results of operation.

The Company might not be able to obtain necessary approvals from one or more Australian, Hungarian or South African government agencies, surface owners, or other third parties, for one or more of the following:

- surface use for seismic surveys;
- surface use for drilling activities;
- surface use for gathering lines, pipelines, or surface equipment;
- commencing one or more wells (that is, drilling permits); or
- sales of the product.

There are numerous permits, approvals and agreements with third parties required in order to enable the Company to proceed with its development plans and otherwise accomplish its objectives.

Hungary

Hungarian government agencies have discretion in interpreting various laws, regulations, and policies governing operations under the Licenses. Further, the Company must enter into agreements with private surface owners to obtain access and agreements for the location of surface facilities. In addition, because Hungary enacted a new set of mining laws (which also govern oil and gas operations) in 1993, which have since been amended, there is only a relatively short history of the government agencies' handling and interpreting those laws, including the various regulations and policies relating to those laws. This short history does not provide extensive precedents or the level of certainty that allows the Company to predict whether such agencies will act favourably toward the Company.

Neither the Licenses nor Hungarian mining laws grant reasonable use of the surface across the geographical area covered by the Licenses. Instead, the licensee must obtain rights-of-way from surface owners, including private landowners, for access and other purposes. The land owner must ensure that those engaging in mining operations make observations and measurements, lay cables, put up adequate signage, and take any other actions necessary. If the land owner and miner cannot establish operations that meet their mutual agreement, a prospective miner may request and pay for an easement from the

Hungarian government. Similar to requirements in the US, the licensee must obtain a drilling permit from the government for each well. The Hungarian government has discretion to interpret various requirements for the issuance of drilling permits, and there is no assurance that the Company will be able to meet all such requirements. Any inability of the Company to meet any such requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

Australia

In Australia, ownership of onshore petroleum resources are reserved to and are owned by the Crown in right of the State or Territory in which they occur. Offshore petroleum (beyond a 3 mile limit from the coastline) is governed by and owned by the Crown in right of Australia. Each Australian State and Territory operates under its own legislation. The Crown issues licences to explore for and exploit hydrocarbons. Usually these titles are called exploration permits and production titles.

The exploration permits in which Falcon has an interest are located in the Beetaloo Basin in the Northern Territory, Australia. Onshore exploration and production of petroleum in the Northern Territory is regulated by the *Petroleum Act* 1984 (NT) ("**Petroleum Act**"). Under the Petroleum Act, an exploration permit remains in force for up to five years and is given by reference to the number of graticular blocks (a graticular block is usually one degree of latitude by one degree of longitude). The holder of an exploration permit may apply for a renewal of the permit for a further period of five years in respect of no more than half of the existing blocks of the exploration permit. Additionally, the exploration permit will not be renewed more than twice.

Australian government agencies have discretion in interpreting various laws, regulations and policies, which govern operations in the Beetaloo Basin. Actions by Australian government agencies may affect the Company's operations including obtaining necessary approvals, land access, sovereign risk, regulatory risk, taxation and royalties which may be payable on the proceeds of the sale of any successful exploration. Further, the approval of contractual arrangements in relation to exploration permits as well as the renewal of exploration permits are also matters of governmental discretion and no guarantee can be given in this regard.

In Australia, Aboriginal native title to land ("**Native Title**") has survived the Crown's acquisition of sovereignty. The *Native Title Act* 1993 (Cth) and the complementary state Native Title legislation, regulates the recognition and protection of Native Title in Australia and, amongst other things, sets out the procedures to be followed in relation to certain "future acts" including the grant of petroleum tenements. The Company is required to obtain clearances, consents and approvals in relation to Native Title in connection with the exploration permits in the Beetaloo Basin. Access may be restricted or subject to suitable arrangements being agreed and entered into (for example, compensation and access arrangements) in respect of areas the subject of Native Title. If the requisite approvals and consents are not obtained in respect of the exploration permits within the Beetaloo Basin, there may be a material adverse effect on the Company's business and operations.

Drilling for and producing natural gas and oil are high-risk activities with many uncertainties that could adversely affect the Company's business, financial condition or results of operations.

The Company's future success depends primarily on the success of its exploration, development and production activities in the Hungary Project and the Beetaloo Basin Project. These activities are subject to numerous risks beyond the Company's control, including the risk that it will not find any commercially productive natural gas or oil reservoirs. The Company's decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or prevent drilling operations, including:

- unexpected drilling conditions;
- pressure or irregularities in geological formations;
- equipment failures or accidents;
- pipeline and processing interruptions or unavailability;
- title problems;
- adverse weather conditions;
- lack of market demand for natural gas and oil;
- delays imposed by or resulting from compliance with environmental and other regulatory requirements;
- shortage of or delays in the availability of drilling rigs and the delivery of equipment; and
- reductions in natural gas and oil prices.

The Company's future drilling activities might not be successful, and drilling success rate overall or within a particular area could decline. The Company could incur losses by drilling unproductive wells. Although the Company has identified numerous potential drilling locations, no assurances can be made that the Company will ever drill them or will produce natural gas or oil from them or from any other potential drilling locations. Shut-in wells, curtailed production and other production interruptions may materially adversely affect the Company's business, financial condition and results of operations.

Competition in the oil and gas industry is intense, and many of the Company's competitors have greater financial, technological and other resources than the Company does, which may adversely affect its ability to compete.

The Company operates in the highly competitive areas of oil and gas exploration, development and acquisition with a substantial number of other companies, including US-based and foreign companies doing business in Hungary and Australia. The Company faces intense competition from independent, technology-driven companies as well as from both major and other independent oil and gas companies in each of the following areas:

- seeking oil and gas exploration licenses and production licenses in Hungary and Australia;
- acquiring desirable producing properties or new leases for future exploration;
- marketing natural gas and oil production;
- integrating new technologies; and
- acquiring the equipment and expertise necessary to develop and operate properties.

Many of the Company's competitors have substantially greater financial, managerial, technological and other resources. These companies might be able to pay more for exploratory prospects, and productive oil and gas properties and prospects than the Company's financial or human resources permit. To the extent competitors are able to pay more for properties than the Company is paying, it will be at a competitive disadvantage. Further, many competitors may enjoy technological advantages and may be able to implement new technologies more rapidly. The Company's ability to explore for natural gas and oil prospects and to acquire additional properties in the future will depend upon its ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

Political instability or fundamental changes in the leadership or in the structure of the governments in the jurisdictions in which the Company operates could have a material negative impact on the Company.

The Company's interests may be affected by political and economic upheavals. Although the Company currently operates in jurisdictions that welcome foreign investment and are generally stable, there is no assurance that the current economic and political situation in these jurisdictions will not change drastically in coming years. Local, regional and world events could cause the jurisdictions in which the Company operates to change the mining laws, tax laws, foreign investment laws, or to revise their policies in a manner that renders the Company's current and future projects non-economic. Further, there is always the possibility of the governments in the jurisdictions in which the Company operates deciding to nationalize the oil and gas industry, or imposing such restrictions and penalties on foreign-owned entities that the Company's current and future projects would become uneconomic, or the Company would be prevented from selling its assets or operating its business. The occurrence of any such fundamental change could have a materially adverse effect on the Company's business, financial condition and results of operations.

Market conditions or operation impediments may hinder the Company's access to natural gas and oil markets or delay its production.

The marketability of the Company's production depends in part upon the availability, proximity and capacity of pipelines, natural gas gathering systems and processing facilities. This dependence is heightened where this infrastructure is less developed. If drilling results are positive in certain areas of the Licenses or any of the Company's other properties, a new gathering system would need to be built to handle the potential volume of gas produced. The Company might be required to shut-in wells, at least temporarily, for lack of a market or because of the inadequacy or unavailability of transportation facilities. If that were to occur, the Company would be unable to realize revenue from those wells until arrangements were made to deliver production to market.

The Company's ability to produce and market natural gas and oil is affected and also may be harmed by:

- the lack of pipeline transmission facilities or carrying capacity;
- the proximity and capacity of processing equipment;
- the availability of open access transportation infrastructure;
- government regulation of natural gas and oil production including environmental protection, royalties, allowable production, pricing, importing and exporting of oil and natural gas;
- government transportation, tax and energy policies;
- changes in supply and demand; and
- general economic conditions.

Any change in such factors could materially adversely affect the Company's business, financial condition and results of operations.

A substantial or extended decline in natural oil and gas prices may adversely affect the Company's ability to meet its capital expenditure obligations and financial commitments.

The Company's revenues, operating results and future rate of growth are substantially dependent upon the prevailing prices of, and demand for, natural gas and oil. Declines in the prices of, or demand for, natural gas and oil may adversely affect the Company's business, financial condition and results of operations. Lower natural gas and oil prices may also reduce the amount of natural gas and oil that the Company can produce economically. Historically, natural gas and oil prices and markets have been volatile and they are likely to continue to be volatile in the future. A decrease in natural gas or oil prices will not only reduce revenues and profits, but will also reduce the quantities of reserves that are commercially recoverable and may result in charges to earnings for impairment of the value of these assets. If natural gas or oil prices decline significantly for extended periods of time in the future, the Company might not be able to generate enough cash flow from operations to meet its obligations and make planned capital expenditures. Natural gas and oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, natural gas and oil, market uncertainty and a variety of additional factors that are beyond the Company's control. Among the factors that could cause this fluctuation are:

- change in global supply and demand for natural gas and oil;
- levels of production and other activities of the Organization of Petroleum Exporting Countries, and other natural gas and oil producing nations;
- weather conditions;
- the availability of transportation infrastructure;
- market expectations about future prices;
- the level of global natural gas and oil exploration, production activity and inventories;
- the overall level of energy demand;
- the effect of worldwide environmental and/or energy conservation measures;
- currency exchange rates;
- government regulations and taxes;
- the overall economic environment;
- political conditions, including embargoes, in or affecting other oil producing activity; and
- the price and availability of alternative fuels.

Lower natural gas and oil prices may not only decrease the Company's revenues on a per unit basis, but also may reduce the amount of natural gas and oil that it can produce economically. A substantial or extended decline in oil or natural gas prices may materially adversely affect the Company's business, financial condition, borrowing ability and results of operations.

Falcon may enter into hedging agreements but may not be able to hedge against all such risks.

From time to time Falcon may enter into agreements to receive fixed or a range of prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Falcon will not benefit from such increases. Similarly, from time to time Falcon may enter into agreements to fix the exchange rate of certain currencies to US dollars in order to offset the risk of revenue losses if the other currencies increase in value compared to the US dollar; however, if other currencies decline in value compared to the US dollar, Falcon will not benefit from the fluctuating exchange rate. In addition to the potential of experiencing an opportunity cost, other potential costs or losses associated with hedging include the risk that the other party to a hedge transaction does not perform its obligations under a hedge agreement, the hedge is imperfect or our hedging policies and procedures are not followed.

The Company is subject to complex laws and regulations, including environmental regulations, which can have a material adverse effect on the cost, manner or feasibility of doing business.

Exploration for and exploitation, production and sale of oil and gas in Hungary and Australia are subject to extensive national and local laws and regulations, including complex tax laws and environmental laws and regulations, and requires various permits and approvals from various governmental agencies. If these permits are not issued or unfavourable restrictions or conditions are imposed on the Company's drilling activities, it might not be able to conduct its operations as planned. Alternatively, failure to comply with these laws and regulations, including the requirements of any permits, might result in the suspension or termination of operations and subject the Company to penalties. Compliance costs may be significant. Further, these laws and regulations could change in ways that substantially increase the Company's costs and associated liabilities. The Company cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations will not harm its business, results of operations and financial condition.

The loss of Falcon's chief executive officer or other of the Company's key management, technical personnel and Directors or its inability to attract and retain experienced technical personnel could adversely affect the Company's ability to operate.

Falcon depends to a large extent on the efforts and continued employment of Marc A. Bruner, Chief Executive Officer and the other members of the Company's management team and Board. At this time, the loss of the services of Mr. Bruner or others could adversely affect the Company's business operations.

The success of the Hungary Project and the Beetaloo Basin Project depend, in part, on the Company's ability to attract and retain experienced petroleum engineers, geologists and other key personnel. From time to time, competition for experienced engineers and geologists is intense. If the Company cannot retain these personnel or attract additional experienced personnel, its ability to compete in the geographic regions in which the Company conducts operations could be harmed.

The Company does not insure against all potential operating risks. It might incur substantial losses and be subject to substantial liability claims of its natural gas and oil operations.

The Company does not insure against all risks. It maintains insurance, to the extent available in Hungary, against various losses and liabilities arising from operations in accordance with customary industry practices and in amounts that management believes to be prudent. Losses and liabilities arising from uninsured and underinsured events or in amounts in excess of existing insurance coverage could have a material adverse effect on the Company's business, financial condition or results of operations. The Company's natural gas and oil exploration and production activities will be subject to hazards and risks associated with drilling for, producing and transporting natural gas and oil, and any of these risks can cause substantial losses resulting from:

- environmental hazards, such as uncontrollable flows of natural gas, oil, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling, and service tools and casing collapse;
- fires and explosions;
- personal injuries and death;
- regulatory investigations and penalties; and
- natural disasters.

Any of these risks could have a material adverse effect on the Company's ability to conduct operations or result in substantial losses. The Company might elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could have material adverse effect on the Company's business, financial condition and results of operations.

To the extent that the Company establishes natural gas and oil reserves, it will be required to replace, maintain or expand its natural gas and oil reserves in order to prevent its reserves and production from declining, which could adversely affect cash flows and income.

In general, production from natural gas and oil properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. If the Company establishes reserves, of which there is no assurance, and is not successful in its subsequent exploration and development activities or in subsequently acquiring properties containing proved reserves, its proved reserves will decline as reserves are produced. The Company's future natural gas and oil production is highly dependent upon its ability to economically find, develop or acquire reserves in commercial quantities.

To the extent cash flow from operations is reduced, either by a decrease in prevailing production volume prices for natural gas and oil or an increase in finding and development costs, and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to maintain or expand its asset base of natural gas and oil reserves would be impaired. Even with sufficient available capital, its future exploration and development activities may not result in additional proved reserves, and the Company might not be able to drill productive wells at acceptable costs.

Trading in the Common Shares may be suspended and/or the Common Shares may be excluded from trading on a stock exchange on which it is listed.

The TSX Venture Exchange (the "**TSXV**") has the right to suspend the trading of a given security if the issuer of the security fails to comply with the regulations of that exchange (such as for example to obey the disclosure rules), or if suspension is necessary to protect the interest of market participants, or if the orderly functioning of the market is temporarily endangered. There can be no assurance that trading in the Common Shares will not be suspended. A suspension of trading could adversely affect the trading price of the Common Shares.

Falcon is incorporated in British Columbia, Canada.

Falcon is a company incorporated in the province of British Columbia, Canada and as such, its corporate structure, the rights and obligations of shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against the Company or some of its directors, controlling persons and officers.

Partners in joint venture operations may fail to perform their contractual obligations.

Some of the Company's properties may be held in joint venture relationships in which other parties act as operators of the area. There is a risk that the Company may have disputes with these parties, including disputes regarding the quality and/or timelines of work performed by these parties. A failure by one or more of the Company's partners to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact the Company's financial position. In addition, the Company will be exposed to the general risks associated with the businesses, operations and financial condition of its partners including, among other things, the risks of bankruptcy, insolvency, management changes, adverse change of control and natural disasters.

DIVIDENDS

Falcon has not declared any dividends on the Common Shares. The Board currently anticipates retaining earnings to finance the growth and development of the business of Falcon. Any future determination to pay dividends will be at the discretion of the Board and will depend upon Falcon's financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Falcon is authorized to issue an unlimited number of Common Shares, of which as at December 31, 2009 and April 29, 2010 there were 602,216,801 issued and outstanding Common Shares. Holders of Common Shares are entitled to receive notice of any meetings of shareholders of Falcon, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore, and upon the liquidation, dissolution or winding up of Falcon are entitled to receive on a *pro rata* basis the net assets of Falcon after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Debentures

General

The Debentures were issued under the Trust Indenture (as hereinafter defined). Computershare Trust Company of Canada (the "**Indenture Trustee**") acts as trustee under the Trust Indenture.

Debentures were issued in denominations of CDN$1,000 and integral multiples thereof. The Debentures bear interest at an annual rate of 11% calculated and payable semi-annually in arrears on January 1 and July 1 in each year commencing January 1, 2010. Interest will be payable at 11% on overdue interest. On June 30, 2013 (the "**Maturity Date**") the outstanding principal amount of the Debentures, together with all accrued and unpaid interest will become due and payable. The Debentures are unsecured direct obligations of the Company and will not be secured by any mortgage, pledge, hypothec or other charge. In certain circumstances the Trust Indenture will restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its property to secure any indebtedness. The Debentures are transferable subject to compliance with the Trust Indenture and all regulatory requirements.

Automatic Conversion

If, during the two year period following June 30, 2009 (the "**Closing**"), the volume weighted average trading price of the Common Shares is CDN$0.85 or greater for 20 consecutive trading days, the debentures will automatically be converted at CDN$0.60 (the "**Conversion Price**") per Common Share and Debentureholders will be entitled to receive accrued and unpaid interest, in cash, to the end of the first 12 month period or 24 month period after Closing, as the case may be.

Optional Conversion Privilege

Each Debenture will be convertible at the option of the Debentureholder at any time prior to the close of business on the earlier of: (i) June 30, 2013; and (ii) and the business day immediately fixed by the Company for redemption of the Debentures, at the Conversion Price, being a conversion ratio of approximately 1,667 Common Shares for each CDN$1,000 principal amount of Debentures. The Conversion Price is subject to adjustment upon the occurrence of certain events. Debentureholders converting their Debentures will receive accrued and unpaid interest in cash thereon up to, but not including, the date of conversion. No fractional shares will be issued. Notwithstanding the foregoing, no Debentures may be converted during the 10 business days preceding and including January 1 and July 1 in each year, commencing January 1, 2010 as the registers of the Indenture Trustee will be closed during such periods.

Redemption and Purchase for Cancellation

The Debentures will not be redeemable before the date that is 10 days prior to one year following the Closing. The Company will have the one time option, exercisable within five days of such date and subject to providing prior written notice to the Debentureholders, to redeem the outstanding Debentures (in whole or in part) 30 days following delivery of such notice, in cash, at a redemption price equal to 110% of their principal amount plus accrued and unpaid interest thereon up to but excluding the Redemption Date.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Indenture Trustee on a pro rata basis. The Company will have the right to purchase Debentures in the market, by tender, or by private contract at any time and at any price, subject to required regulatory approvals. The Debenture purchased by the Company shall be cancelled and not reissued.

Modification or Waiver

The rights of the holders of the Debentures may be modified or waived in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of Debentures (which may be called by the Indenture Trustee upon request by the Company or the holders of Debentures representing not less than 75% of the total principal amount of all Debentures then outstanding upon not less than 21 days notice) by votes cast thereat by holders of outstanding Debentures representing not less than a majority of the votes cast in respect of such resolution at such meeting, or in the case of Extraordinary Resolutions (as defined in the Trust Indenture and including waivers for events of default), not less than 66 2/3%, of the aggregate principal amount of the Debentures present at the meeting or represented by proxy, provided that a quorum for all meetings of holders of Debentures will be at least 50% of the principal amount of outstanding Debentures represented in person or by proxy, or rendered by instruments in writing signed by the holders of not less than a majority.

In certain circumstances, the Company and the Indenture Trustee may amend the Trust Indenture or the Debentures for certain purposes, including to: (a) cure any ambiguity, defect or inconsistency, provided, however, that the amendment to cure any such ambiguity, defect or inconsistency does not materially adversely affect the rights of holders of Debentures; (b) provide for the assumption by a successor of the Company’s or the Indenture Trustee’s obligations under the Trust Indenture; (c) make any change to comply with any applicable laws or requirements of any governmental authority relating to trust indentures; (d) provide for an additional series of Debentures; (e) give effect to any resolution passed in accordance with the Trust Indenture; and (f) make any other change that does not adversely affect the rights of holders of Debentures.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV, where they trade under the stock symbol "FO". The following table sets forth, for the periods indicated, the reported high and low prices (each in Canadian dollars) and the aggregate trading volume of the Common Shares on the TSXV(1):

Period	High	Low	Trading Volume
2010			
April(2)	$0.23	$0.18	18,975,730
March	$0.20	$0.16	14,328,700
February	$0.22	$0.14	27,886,700
January	$0.23	$0.16	31,565,700
2009			
December	$0.18	$0.13	21,448,200
November	$0.20	$0.13	29,388,300
October	$0.50	$0.16	78,230,200
September	$0.58	$0.40	13,481,600
August	$0.54	$0.40	7,938,900
July	$0.54	$0.41	13,756,500
June	$0.59	$0.41	10,838,900
May	$0.76	$0.38	22,838,400
April	$0.48	$0.29	14,135,919
March	$0.37	$0.27	12,036,201
February	$0.36	$0.24	11,254,886
January	$0.50	$0.28	13,543,556

Notes:

(1) Data obtained from www.tsx.com.
(2) Up to an including the trading of the Common Shares on the close of business on April 29, 2010.

Prior Sales

Warrants

In connection with the December Offering, the December Underwriters' Warrants included the issue of an aggregate of 6,000,000 non-transferable compensation warrants, exercisable for a period of two years following the close of the December Offering at an exercise price of $0.39 (CDN$0.40) per Common Share. As of the date hereof, the Company has received approximately $674,800 (CDN$684,500) from the exercise of 1,711,250 of the December Underwriters' Warrants.

The Company issued Special Warrants to PetroHunter on September 30, 2008 pursuant to the terms of the Beetaloo PSA. The number of Special Warrants issued equalled the quotient resulting from dividing $20,000,000 (at an exchange rate of $1.00 = approximately CDN$1.04) by the deemed exercise price of the Special Warrants. The deemed exercise price was equal to $0.69 (CDN$0.90) less a factor of up to 20% if the price of the Common Shares on the TSXV at the close of trading on the day immediately prior to the receipt for a (final) prospectus having been received by the Company from one or more of the securities regulatory authorities in Canada, was less than CDN$0.90 by a factor of up to 20%.

The $20,000,000 of Special Warrants were exercised for 28,888,888 Common Shares in December 2008.

Stock Options

During the year ended December 31, 2009, the Company granted zero incentive stock options pursuant to its stock option plan.

Debentures

In June 2009, the Company completed the Debenture Offering. The Debenture Offering was conducted by Salman Partners, as agent ("**Salman**") Salman was paid a cash commission of $644,000 (CDN$744,000) equal to 6.25% of the aggregate gross proceeds of the Debenture Offering, and received 1,250,000 non transferable warrants (the "**Debenture Warrants**") to purchase Common Shares, based on an amount equal to 6% of the sum of the Unit Shares and the Common Shares issuable upon conversion of the Debentures. Each Denture Warrant will entitle the holder thereof to acquire one Common Share until June 30, 2011.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The following table sets out Falcon's directors and executive officers as of December 31, 2009, provides the person's name, location of residence, position(s) held with Falcon, principal occupation during the last five years and if a director, the date on which the person became a director. Each of Falcon's directors will hold office until the close of the next annual meeting of shareholders or until such director's successor is duly elected or appointed. Falcon understands based on information available publicly, that all of Falcon's current directors and executive officers as a group beneficially own, control or direct, directly or indirectly, over 3,900,000 Common Shares representing, as at April 29, 2010, approximately 0.65% of Falcon's issued and outstanding Common Shares.

Name and Residence	Position in the Company	Date First Elected	Principal Occupation During Last 5 Years
Marc A. Bruner (3) Blauenweg, Metzerlen, Switzerland	President and Chief Executive Officer of the Company	April 1, 2005	Managing Director of MAB Companies; President, Chief Executive Officer and Chairman of the Board
Joachim Conrad (3) Cham, Switzerland	Director	October 6, 2008	Member of the group executive board of Elektrizitäts-Gesellschaft Laufenburg AG
John Craven (1)(3)(4) Dublin, Ireland	Director	December 22, 2009	Director and CEO of Cove Energy plc Founder and CEO of AIM and IEX
Daryl H. Gilbert (3)(4) Calgary, Alberta, Canada	Director	September 21, 2007	Independent Businessman
Thomas G. Harris(1)(2)(4) Houston, Texas	Director	December 22, 2009	President of BlackRock Exploration & Production, LL;C Co-founder and President of PetroSolutions; and Co-founder, President and CEO or Kerogen Resources Inc.
Robert C. Macaulay (2)(4) Calgary, Alberta	Director	December 22, 2009	Consultant Director of PetroGlobe Inc.
Gregory Smith (1)(2)(3) Calgary, Alberta	Director	December 22, 2009	Chartered Accountant President of Oakridge Financial

Name and Residence	Position in the Company	Date First Elected	Principal Occupation During Last 5 Years
			Management Inc. CFO of Maglin Site Furniture Inc.
Carl Stadelhofer [(2)] Freudenbergstrasse, Zurich, Switzerland	Director	June 19, 2006	Partner, Klein Attorneys-at-law
Dr. György Szabó Budapest, Hungary	Chairman of the Board and Chief Executive Officer of TXM	April 24, 2006	Consultant and Mining Bureau Registered Technical Responsible Person for TXM
Roderick J. Wallis Boulder, Colorado, US	Chief Operating Officer	n/a	Senior Geologist of the Company, Senior Geologist of PetroHunter Energy Corporation, and Vice President and Chief Geologist at Gustavson Associates, LLC
Evan L. Wasoff Nederland, Colorado US	Chief Financial Officer	n/a	Chief Financial Officer of the Company and Principal of Wheeler Wasoff, P.C.
David Brody [(5)] Greenwood Village, Colorado, US	Corporate Secretary	n/a	Partner, Patton Boggs LLP and Corporate Secretary of each of the Company and PetroHunter

Notes:

(1) Member of the audit committee.
(2) Member of the nomination and compensation committee.
(3) Member of the corporate governance committee.
(4) Member of the reserves and resource committee.
(5) Mr. Brody ceased to act as general counsel effective March 16, 2010.

Marc A. Bruner

Mr. Bruner has served as President, Chief Executive Officer and Chairman of Falcon since April 1, 2005. Mr. Bruner has been involved in the founding and developing unconventional energy companies. Mr. Bruner was a co-founder and is the current Chairman of Gasco Energy, Inc. (AMEX: GSX) ("**Gasco**"). Previously, Mr. Bruner was a founder and was the Chairman of Ultra Petroleum Corporation (AMEX: UPL). Mr. Bruner also co-founded Pennaco Energy, Inc., which was acquired by Marathon Oil (NYSE: MRO) in 2001. Along with his other extensive business interests, Mr. Bruner is also the Managing Director of the MAB Companies, an umbrella organization that is launching a global strategy for the exploration and development of unconventional oil and gas resources.

Joachim Conrad

Mr. Conrad has been a member of the Board since October 6, 2008. He is currently a member of the group executive board of Elektrizitäts-Gesellschaft Laufenburg AG ("**EGL**"), a European energy trading company with its own energy producing assets listed on the Swiss stock exchange (SWX: EGL), where he is responsible for EGL's gas division. Mr. Conrad is also a member of the supervisory board of certain of EGL's foreign subsidiaries. Prior to serving on EGL's group executive board, Mr. Conrad was Head of Natural Gas (EGL Group Gas activities). Prior to joining EGL, from 2001 to 2003, Mr. Conrad was head of trading at WINGAS GmbH. Mr. Conrad obtained the rank of First Lieutenant in the German Air Force prior to obtaining a Diplomkaufmann focus: Economics and Information Technology, Graduation in Artificial Intelligence, from Georg-August Universität in 1992.

John Craven

Mr. Craven is the Chief Executive Officer and a director of Cove Energy plc. He is a petroleum geologist with over 35 years of experience in senior technical and commercial roles in upstream oil and gas exploration and production companies. Prior to joining Cove he was founder and Chief Executive of AIM and IEX quoted, African and Mediterranean focussed exploration company, Petroceltic International plc. Petroceltic grew under his direction and stewardship to a business with a diversified portfolio of exploration and appraisal projects in Italy, Algeria and Tunisia. Craven has an MSc in Petroleum Geology from the Royal School of Mines in London and an MBA from Queens University in Belfast.

Daryl H. Gilbert

Mr. Gilbert is currently an independent businessman in Calgary, Alberta. He serves as a director of several energy related public entities such as AltaGas Income Trust (since May 2000), Penn West Energy Trust (since January 2008), Crocotta Energy Inc. (since November 2006), Kereco Energy Ltd. (since January 2005), MGM Energy Corp. (since January 2007), Nextar Energy Ltd. (since January 2006) and Seaview Energy Inc. (since June, 2007). Mr. Gilbert is also a director of Globel Direct Inc. ("**Globel Direct**") (since May 1998) and Zed-I Solutions Inc. (since May 2006), technology related public entities and a director of Qwest Energy Investment Management Corp. (since January 2004). Mr. Gilbert Graduated from the University of Manitoba in 1973 with a Bachelor of Science Degree in Civil Engineering. Upon graduation he served in positions with the Alberta Energy Resources Conservation Board and Great Northern Oil Ltd. Mr. Gilbert entered the field of independent consulting in 1979 when he joined the predecessor oil and gas engineering and geological firm which became Gilbert Laustsen Jung Associates Ltd. He became a Principal Officer of the firm in 1988 and was appointed President and Chief Executive Officer in 1994 and served in both capacities until his retirement in early 2005. Mr. Gilbert is currently a member of the Association of Petroleum Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Mining and Metallurgy and the Society of Petroleum Evaluation Engineers.

Thomas G. Harris

As an industry veteran, Harris has founded and operated several independent petroleum industry firms. These include BlackRock Exploration & Production, LLC (where he currently serves as President) was co-founder and President of PetroSolutions, an engineering and geotechnical consultancy to the oil and gas industry, and co-founding partner, President, and CEO of Kerogen Resources Inc., an independent oil and gas firm. During his career he has served as Vice President of Reservoir Management for 3 years at an international oil and gas firm based in Houston and also served 7 years as President and CEO of ResTech, a reservoir engineering firm and lead contractor to the Gas Research Institute for reservoir characterization in unconventional shales, coal bed methane, tight gas sands, etc. He has also operated in the capacity of Exploration Manager for Canadian Hunter Exploration for 3 years and spent 12 years in various technical and management positions with Amoco Production Company beginning in 1978.

Harris holds a Bachelor of Science Degree in Geology from Michigan State University and a Master of Science Degree in Geology from the University of South Carolina. He is a registered Geologist in the State of Texas, and an active member of AAPG, SPE, and SPWLA.

Robert C. Macaulay

Mr. Macaulay has 25 years' industry experience in petroleum engineering, field development planning and business development and currently provides consulting services in these areas. He is a director of PetroGlobe Inc. (TSX – PGB), serving on the compensation committee and as chairman of the reserves committee. He held the post of V.P. Engineering and Production at Centurion Energy International Inc., a

Canadian company active in Egypt which was sold at over 30,000 boepd in 2007. His past experience includes positions of increasing responsibility at Vermilion Resources (petroleum engineering for France properties and business development in Europe), Shell (reservoir engineering in Canada and the Sultanate of Oman) and PanCanadian Petroleum Ltd.

He holds a BSc (Hons) in Chemical Engineering from Queen's University, Ontario and is completing the requirements for dual Executive MBA degrees from Cornell University, New York and Queen's University. He is a member of APEGGA and SPE.

Gregory Smith

Smith is a self-employed chartered accountant operating as President of Oakridge Financial Management Inc., a corporation that provides accounting and financial consulting services to small and medium sized businesses. He is also the Chief Financial Officer of Maglin Site Furniture Inc., a corporation that manufactures and distributes public site furniture primarily in Canada and the United States. He is currently a director of Armistice Resources Corp. (since 1987), audit committee chairman of Armistice Resources Corp. (since 2001) and a director of a number of private corporations. He is a past director and audit committee chairman of a number of public corporations, including Manson Creek Resources Ltd., CDG Investments Inc. and Tyler Resources Inc. Mr. Smith was admitted to the Institute of Chartered Accountants of Alberta in 1975 and holds a B.Comm. from the University of Calgary.

Carl Stadelhofer

Carl Stadelhofer has been a member of the Board since June 19, 2006. Mr. Stadelhofer also serves as a Director and a member of the audit committee and compensation committee of Gasco. Mr. Stadelhofer is a partner with the law firm of Klein Attorneys-at-law in Zurich, Switzerland, where Mr. Stadelhofer has practiced law for over twenty years. Mr. Stadelhofer was admitted to the practice of law in Switzerland in 1982. Mr. Stadelhofer completed his law degree in 1979 in Switzerland and studied law in the United States at Harvard Law School and at Georgetown University Law School. Mr. Stadelhofer's practice specializes in banking and financing, mergers and acquisitions, investment funds and international securities transactions.

Dr. György Szabó

Dr. Szabó has been a member of the Board since April 24, 2006. Since 2005, Dr. Szabó has served as Consultant and Mining Bureau Registered Technical Responsible Person for TXM. Between 1991 and 2005, Dr. Szabó served as Chief Executive Officer of Trade Development and Engineering Ltd. Dr. Szabó has overseen the design and implementation of the deepest HP-HT well ever drilled in Hungary. Dr. Szabó was instrumental in the privatization of Hungary's former National Oil Corporation (presently MOL Hungarian Oil and Gas Public Limited Company) (BUD: MOL), the strategy relating to its capitalization, and its listing of the company on domestic and international securities exchanges in 1995. Dr. Szabó graduated from Miskolc University and received a degree in petroleum engineering in 1963. Dr. Szabó received his Ph.D. in 1975.

Roderick J. Wallis

Mr. Wallis has been an employee of Falcon since September 2007. Prior to joining Falcon, Rod Wallis was the Senior Geologist for PetroHunter. He has been in the oil and gas industry for 22 years, including 11 years as a geologist and project leader with BP p.l.c., and five years with Venture Production. Prior to joining PetroHunter, Mr. Wallis was Vice President and Chief Geologist at Gustavson Associates, LLC where he worked on unconventional plays, including the Makó Trough. Mr. Wallis obtained his degree at the Royal School of Mines, Imperial College, London, and is a member of the American Association of

Petroleum Geologists, Petroleum Exploration Society of Great Britain, Rocky Mountain Association of Geologists and a Fellow of the Geological Society.

Evan Wasoff

Mr. Wasoff has been Chief Financial Officer of Falcon since April 1, 2005. Mr. Wasoff has over 25 years of experience as a Certified Public Accountant. In 1985, he founded Wheeler Wasoff, P.C., a Denver, Colorado CPA firm specializing in companies filing with the U.S. Securities and Exchange Commission between 1985 and 2005. Mr. Wasoff has been a consultant to Chartered Accounting firms in Calgary, Alberta, and Vancouver, British Columbia in securities matters and financial reporting issues in Canada and the United States. Prior to forming Wheeler Wasoff, P.C., he was a member of the audit staffs of Pannell, Kerr, Forster & Co. and Price Waterhouse. Mr. Wasoff holds an MBA in Finance from the University of Colorado and a BS in Accounting from the State University of New York at Albany. He is a licensed CPA in Colorado and a member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accoutnants.

Penalties and Sanctions

No director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of the Company to materially affect the control of Falcon, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self regulatory body, that would likely be considered important to a reasonable security holder making an investment decision about Falcon.

Corporate Cease Trade Orders or Bankruptcies

As stated above, Mr. Gilbert is a Director of Globel Direct. Globel Direct was issued cease trade orders on November 20, 2002 by the British Columbia Securities Commission and on November 22, 2002 by the Alberta Securities Commission for delay in filing financial statements. The required financial statements were filed and the cease trade orders were revoked on December 23, 2002. Globel Direct sought and received protection under *Companies Creditors Arrangement Act* (Canada) in June 2007 and, after a failed restructuring effort, a receiver was appointed by one of the Globel Direct's lenders in December 2007.

Other than set forth above, no director or executive officer of Falcon is, or within the ten (10) years prior to the date of this Annual Information Form, has been, a director or executive officer of any company that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days; or was subject to an order that was issued after the director or executive officer ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in the capacity as director or executive officer.

Other than set forth above, no director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of Falcon to materially affect the control of Falcon is, or within the ten (10) years prior to the date of this Annual Information Form, has been, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of Falcon to materially affect the control of Falcon has, within the ten (10) years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of Interest

Certain officers and directors of Falcon are directors or officers of other oil and gas exploration companies. Consequently, potential conflicts of interest may arise in the event that these companies compete in respect of the sale or option of oil and gas properties in which Falcon is or may be interested.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

On November 10, 2009, the Company was served with a complaint by a former vendor of TXM (the "**Vendor**"), claiming that the Company owes the Vendor approximately $3,200,000 plus interest, arising out of a dispute related to TXM's alleged failure to pay for certain oilfield equipment. Falcon and TXM have advised the Vendor, and continue to assert, that the claim is without merit and that they intend to vigorously defend against it as well as make any appropriate counter claims against the Vendor.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of Falcon's current directors or executive officers, or persons or companies that are the direct or indirect beneficial owners of, or who exercise control or direction over, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any interest, direct or indirect, in any material transactions in which Falcon has participated since April 1, 2005 which has materially affected or will materially affect Falcon, other than:

(a) Marc Bruner, in respect of his interest in PetroHunter, of which he has an interest as a 35.4% shareholder (held directly and indirectly);[1]

(b) Marc Bruner, in respect of the Farmout Agreement with Pannonian, a wholly-owned subsidiary of Galaxy; which as a result of his interests in Galaxy, Mr. Bruner is a "Control Person" of Galaxy within the meaning of the policies of the TSXV; and

(c) David Brody, in respect of legal fees paid to Patton Boggs LLP, as U.S. counsel to Falcon.

[1] Based on the Schedule 13D filing of MAB Resources LLC dated August 14, 2008. Falcon has been advised that Marc Bruner holds a controlling interest in MAB Resources LLC.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in the City of Vancouver, British Columbia.

MATERIAL CONTRACTS

The following are the only material contracts entered into by the Company, other than in the ordinary course of business:

(a) the exploration and development agreement, and the amendments thereto, as amended and restated effective December 23, 2004 between Makó and Prospect Resources, Inc. in respect of the Exploration Licences;

(b) the underwriting agreement between the Company and the respective underwriters in connection with the December Offering dated November 22, 2007, whereby the such underwriters agreed to act as underwriters in respect of the December 2007 Offering;

(c) the PDA;

(d) the Amendment;

(e) the JOA;

(f) the Buckskin PSA;

(g) the Buckskin Mesa Project joint operating agreement;

(h) the Beetaloo PSA;

(i) the Second Beetaloo PSA;

(j) the Beetaloo JOA; and

(k) the Trust Indenture between Falcon, the Indenture Trustee and Computershare Trust Company of Canada dated June 30, 2009 entered into in connection with the Debenture Offering (the "**Trust Indenture**").

Copies of the foregoing agreements, as well as a copy of the "Reserve and Economic Evaluation, Gas Property, Hackett Area, Alberta Prepared for Falcon Oil & Gas Ltd." prepared by Chapman with an effective date of January 1, 2010 (as of December 31, 2009) dated February 3, 2010, may be inspected during normal business hours at the head office of Falcon.

INTERESTS OF EXPERTS

Names of Experts

The names of the experts are as follows:

(a) Charles W. Chapman, co-author of the 51-101F2 Report;

(b) Hein & Associates LLP, Certified Public Accountants, the Company's auditors as of August 22, 2005, 717-7th Street, Suite 1600, Denver, Colorado, U.S.A., 80202;

(c) RPS Scotia Inc., author of the RPS Scotia Report and the Scotia Report, 4849 Greenville Avenue, Suite 1150 Dallas, Texas, U.S.A., 75206; and

(d) Ryder Scott, author of the Ryder Scott Report 1100 Louisiana, Suite 3800, Houston, Texas, U.S.A., 77002.

Interests of Experts

Charles W. Chapman, Hein & Associates LLP, Certified Public Accountants, RPS Scotia Inc., Ryder Scott or any director, officer, employee or partner thereof, as applicable, have not received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. As of the date hereof, the directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships beneficially own, directly or indirectly in the aggregate, less than one percent of the securities of the Company. No director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employee as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to Falcon may be found on SEDAR at www.sedar.com.

Additional financial information is provided in Falcon's audited consolidated financial statements and MD&A for the year ended December 31, 2009.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Falcon's securities and options to purchase Falcon's securities, where applicable, is contained in Falcon's most recent information circular dated November 13, 2009.