



MANAGEMENT INFORMATION CIRCULAR
For the Annual and Special Meeting of Shareholders
to be held on September 25, 2012

August 24, 2012

FALCON OIL & GAS LTD.

INVITATION TO SHAREHOLDERS

Dear Shareholder:

On behalf of the board of directors, management and employees, we invite you to attend Falcon Oil & Gas Ltd.'s Annual and Special Meeting of Shareholders on September 25, 2012 (the "**Meeting**").

The items of business to be considered at this Meeting are described in the Notice of Annual and Special Meeting, and Management Information Circular. Your vote is important regardless of the number of common shares in the Corporation ("**Common Shares**") you own. Whether or not you are able to attend, if you are a registered holder, we urge you to complete the enclosed management form of proxy and return it in the prepaid envelope or using any one of the methods described on the form of proxy by no later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012 or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Voting by proxy will not prevent you from voting in person if you attend the Meeting but will ensure that your vote will be counted if you are unable to attend. If you hold your Common Shares through a broker or an intermediary, we urge you to complete the applicable Management voting instruction form or provide your voting instructions by other acceptable methods.

During the Meeting, we will review our business during financial 2011, the first six months of 2012 and plans for the future. You will also have an opportunity to ask questions and to meet your directors and officers.

We look forward to seeing you at the Meeting.

Sincerely,

(Signed) John Craven
Chairman of the Board of Directors

FALCON OIL & GAS LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the “**Meeting**”) of shareholders of Falcon Oil & Gas Ltd. (the “**Corporation**”) will be held at **Boughton Law Corporation, 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1S8** on September 25, 2012 at the hour of 11:00 a.m. (Vancouver time), for the following purposes:

1. To receive the audited annual consolidated financial statements of the Corporation for the financial year ended December 31, 2011 and the report of the auditors thereon.
2. To consider, and if deemed advisable, to pass, without variation, a resolution electing the directors for the ensuing year.
3. To appoint the auditors and to authorize the directors to fix their remuneration.
4. To consider, and if deemed advisable, to pass, without variation, a resolution approving the Corporation’s stock option plan.
5. To consider, and if deemed advisable, to pass, with or without variation, a special resolution amending the articles of the Corporation to include a provision allowing shareholder meetings to be held in Canada, the United States of America, Great Britain or Ireland.
6. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record as at the close of business on August 23, 2012, will be entitled to notice of and to vote at the Meeting.

A detailed description of the matters to be acted upon at the Meeting is set forth in the accompanying management information circular of the Corporation dated August 24, 2012 (the “**Information Circular**”).

Copies of: (a) this Notice of Annual and Special Meeting of Shareholders, (b) the Information Circular, and (c) a Management form of proxy and instructions in relation thereto (the “**Management Proxy**”) may be obtained at the following office: Falcon Oil & Gas Ltd., Regus Business Centre, Alexandra Building, Sweepstakes, Ballsbridge, Dublin, 4, or will be sent to a shareholder without charge upon request by calling (353) 631-9177.

DATED the 23rd day of August, 2012.

By Order of the Board of Directors

(Signed) John Craven
Chairman of the Board of Directors

NOTE: If you are the holder of common shares in the capital of the Corporation (collectively, "Common Shares"), kindly fill in, date, sign and return, in the addressed prepaid envelope provided for that purpose, the enclosed Management Proxy in respect of the Common Shares owned by you and deliver the completed Management Proxy in the addressed prepaid envelope provided or deposited at the offices of Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, on behalf of the Corporation, so as not to arrive later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012 or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Registered shareholders may also vote by telephone or over the Internet. Instructions on how to vote by telephone or over the Internet are provided in the Information Circular and Management Proxy enclosed. Non-registered shareholders should follow the instructions on how to complete their voting instruction form or form of proxy and vote their shares on the Management forms that they receive or contact their broker, trustee, financial institution or other nominee.

FALCON OIL & GAS LTD.

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation by management (“**Management**”) of Falcon Oil & Gas Ltd. (the “**Corporation**”), of proxies to be used at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (each a “**Shareholder**” and collectively, the “**Shareholders**”) to be held at **Boughton Law Corporation, 595 Burrard Street, Vancouver, British Columbia, Canada V7X 1S8** on September 25, 2012 at 11:00 a.m. (Vancouver time), for the purposes set forth in the accompanying notice of annual and special meeting (the “**Notice**”). Except as otherwise indicated, information herein is given as at August 24, 2012.

In this Information Circular, all references to dollar amounts are to United States dollars, unless otherwise specified.

SOLICITATION OF PROXIES

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by employees or agents of the Corporation, personally, in writing, by email or by telephone.

This Information Circular solicits Management Proxies (as defined below), voting for the resolutions as outlined herein.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Management form of proxy (“**Management Proxy**”) are a director and an officer of the Corporation, respectively. **Registered Shareholders (a “Registered Shareholder”) have the right to appoint a person to attend and act for him, her or its and on his, her or its behalf at the Meeting other than the persons named above. Such right may be exercised by inserting in the blank space provided the name of the person to be appointed, who need not be a Shareholder, or by completing another proper form of proxy.** In either case, as a Registered Shareholder you can choose from three different ways to vote your common shares in the Corporation (“**Common Shares**”) by Management Proxy, which must be provided so it is received not later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012, or if the Meeting is adjourned, at the latest 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the Management Proxy is to be used: (a) by mail or delivery in the addressed prepaid envelope provided or deposited at the offices of Computershare Investor Services Inc. (“**Computershare**”), Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, on behalf of the Corporation; (b) by telephone (toll free) at 1-866-732-VOTE (8683); or (c) on the Internet at www.investorvote.com. In addition, and notwithstanding the foregoing, as a Registered Shareholder you can also vote your Common Shares by Management Proxy by depositing the completed Management Proxy with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof.

In addition to revocation in any other manner permitted by law, a Management Proxy may be revoked so it is received by no later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012 or, if the Meeting is adjourned, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting, by: (a) completing and signing a proxy bearing a later date and depositing it with Computershare, on behalf of the Corporation; (b) by telephone (toll free) at 1-866-732-VOTE (8683); or (c) on the Internet at www.investorvote.com. In addition, and notwithstanding the foregoing, a

Management Proxy may be revoked by providing an instrument in writing to the chair of the Meeting, at the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the Management Proxy will vote for, withhold from voting or vote against, as the case may be, the Common Shares in respect of which he is appointed as proxy in accordance with the direction of the Shareholder appointing him. **In the event that a Shareholder does not specify in his, her or its instrument of proxy that the named Management Proxy is required to vote for, to withhold from voting or vote against, as applicable, in respect of the matters to be considered at the Meeting, the Common Shares represented by such proxy shall be voted FOR each of the matters referred to therein.**

The Management Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the time of printing this Information Circular, neither Management nor the directors of the Corporation (each a “**Director**” and collectively, the “**Directors**”) are aware of any amendments, variations or other matters intended to come before the Meeting other than those items of business set forth in the attached Notice. However, if any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the Management Proxy to vote on such other business in accordance with his judgment.

INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES

Information set forth in this section is important to persons other than Registered Shareholders. Only Registered Shareholders, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a non-Registered Shareholder (a “**Beneficial Shareholder**”) are registered either:

- (a) in the name of an intermediary that the Beneficial Shareholder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited (“**CDS**”)).

In accordance with Canadian securities law, the Corporation has distributed copies of the Notice, this Information Circular and the Management Proxy (collectively, the “**Meeting Materials**”) to CDS and intermediaries for onward distribution to Beneficial Shareholders. Intermediaries are required to forward the Meeting Materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them.

Applicable regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every broker or other intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Beneficial Shareholders will receive either a Management voting instruction form or, less frequently, a Management Proxy. Often, the voting instruction form supplied to a Beneficial Shareholder by its broker is identical to that provided to Registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders should follow the procedures set out below, depending on which type of form they receive.

- (a) *Management Voting Instruction Form.* In most cases, a Beneficial Shareholder will receive, as part of the Meeting Materials, a Management voting instruction form. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Management voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must complete, sign and return the Management voting instruction form in accordance with the directions provided, together with a form of proxy giving the right to attend and vote.
- (b) *Management Proxy.* Less frequently, a Beneficial Shareholder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must complete the Management Proxy and deposit it with Computershare, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, on behalf of the Corporation, so as not to arrive later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012 or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must strike out the names of the persons named in the Management Proxy and insert the Beneficial Shareholder's (or such other person's) name in the blank space provided and return to Computershare as described above.

Most brokers now delegate responsibility for obtaining instructions from clients (i.e. Beneficial Shareholders) to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails voting instruction forms or proxy forms, to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form or proxy form from Broadridge, cannot use that voting instruction form or proxy form to vote Common Shares directly at the Meeting. A voting instruction form or proxy form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their broker or other intermediary, a Beneficial Shareholder may attend at the Meeting as proxyholder for the Registered Shareholder and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the Management voting instruction form or form of proxy provided to them and return the same to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting in order to have the Common Shares voted.

Non-Objecting Beneficial Owners

These meeting materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions or form of proxy delivered to you.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed as the close of business on August 23, 2012 (the “**Record Date**”). As of the Record Date, 695,654,500 Common Shares, each carrying the right to one vote per Common Share at the Meeting, were issued and outstanding. The Corporation will prepare a list of holders of Common Shares as of such Record Date. Each Shareholder named in the list will be entitled to one vote per Common Share shown opposite his or her name on the said list.

To the knowledge of Management and the Directors, as at the date hereof, the only persons who beneficially own, directly or indirectly, or exercise control or direction over, more than ten percent (10%) of the issued and outstanding Common Shares are as follows:

| Name | <u>Number of Common Shares Owned</u> | |
|---------------------------------------|--|--|
| | (Percentage of Class and Type of Ownership) | |
| | Common Shares⁽¹⁾ | Percentage of Voting Rights⁽²⁾ |
| Burlingame Asset Management, LLC | 124,927,539 | 18.0% |
| Soliter Holdings Corp. ⁽³⁾ | 85,572,277 | 12.3% |

Notes:

- (1) The number of Common Shares stated to be held by each of the foregoing Shareholders is based upon information available on the public record.
- (2) The percentage of voting rights calculations stated above are based on 695,654,500 Common Shares outstanding, which number represents the number of issued and outstanding Common Shares on the Record Date.
- (3) Based on the insider reports publicly filed by Renova Industries Ltd. (“**Renova**”) on the System for Electronic Disclosure by Insiders (SEDI) as of August 24, 2012, Renova indirectly beneficially owns all of the Common Shares held through Soliter Holdings Corp. (“**Soliter**”).

The Corporation’s major shareholders have the same voting rights per Common Share as all other shareholders.

Your vote is important regardless of the number of Common Shares you own. Whether or not you are able to attend, if you are a Registered Shareholder, we urge you to complete the enclosed Management Proxy and return it in the prepaid envelope or using any one of the methods described on the Management Proxy by no later than 11:00 a.m. (Vancouver time) on Friday, September 21, 2012 or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Voting by proxy will not prevent you from voting in person if you attend the Meeting but will ensure that your vote will be counted if you are unable to attend. If you hold your Common Shares through a broker

or an intermediary, we urge you to complete the applicable Management voting instruction form or provide your voting instructions by other acceptable methods.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

The articles of incorporation provide that the board of Directors (the “**Board**”) of the Corporation consist of a minimum of three (3) Directors. The number of Directors of the Corporation has previously been set at eight (8). The nominating and compensation committee of the Board (the “**Nominating & Compensation Committee**”) annually assesses the competence and skills of individuals and recommends nominees for election to the Board for consideration and approval. The nominees are, in the opinion of the Board, well qualified to act as Directors for the coming year. Each nominee has established his eligibility and willingness to serve as Director, if elected. Each duly elected Director will hold office until the next annual meeting of Shareholders or until a successor is duly elected, unless his or her office is earlier vacated in accordance with the articles of the Corporation.

To the knowledge of the Corporation, no Director is, or has been in the last ten (10) years, a Director or executive officer of an issuer that, while that person was acting in that capacity: (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a Director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; or (c) within a year of that person ceasing to act in that capacity, become 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 other than Globel Direct Inc. which 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 at the time Daryl Gilbert was a director. The required financial statements were filed and the cease trade orders were revoked on December 23, 2002. Globel Direct Inc. sought and received protection under CCAA in June 2007 and, after a failed restructuring effort, a receiver was appointed by one of Globel Direct Inc.’s lenders on December 12, 2007. Globel Direct Inc. has since ceased operations.

To the knowledge of the Corporation, in the past ten (10) years, no Director has become bankrupt, made a proposal under any legislation related 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 the assets of the Director.

The following chart and brief biography of each Director sets out the names and residence location of each person proposed to be nominated for election as a Director; all other positions and offices with the Corporation; the date the person was elected as a Director; their principal occupations and their occupations for the previous five years; other directorships; committee memberships in the Corporation; and the approximate number of securities of the Corporation, beneficially owned by each Director or over which he exercises control or direction as at the Record Date. The information relating to each Director having been subject to a cease trade order or bankruptcy, and each Director’s shareholdings and biography is not known by Management. All such information was provided to the Corporation by each Director, respectively.

The persons named in the Management Proxy intend to vote FOR the election of the proposed nominees in the absence of directions to the contrary from the Shareholders appointing them. Management, the Nominating & Compensation Committee and the Directors Management do not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the Proxy reserve the right to vote FOR another nominee in their discretion.

| Name and Residence | Position in the Corporation | Date First Elected | Number of Securities Held⁽⁵⁾ | Present Principal Occupation |
|--|------------------------------------|---|---|---|
| Igor Akhmerov ⁽¹⁾⁽²⁾ Kilchberg, Switzerland | Director | Formerly a director from September 18, 2007 to May 29, 2008, re-elected December 14, 2010 | 38,000,000 Common Shares 28,500,000 warrants 400,000 options ⁽⁶⁾ | Chief Executive Officer, Avelar Energy Group |
| JoAchim Conrad ⁽²⁾ Potsdam, Germany | Director | October 6, 2008 | 700,000 options | Managing Director of BosphorusGaz Corporation |
| John Craven ⁽³⁾ Dublin, Ireland | Director and Chairman of the Board | December 22, 2009 | 500,000 Common Shares 375,000 warrants 1,100,000 options | Director and CEO of Cove Energy Founder and CEO of Petroceltic |
| Daryl H. Gilbert ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada | Director | September 21, 2007 | 3,300,000 options 750,000 warrants | Independent Businessman |
| David Harris Calgary, Alberta, Canada | New Director | - | - | Sole proprietor of DGH International GeoConsulting |
| Philip O'Quigley Dublin, Ireland | President, CEO and New Director | - | 500,000 Common Shares 6,000,000 options | President and CEO of the Corporation |
| Gregory Smith, C.A. ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta, Canada | Director | December 22, 2009 | 420,000 Common Shares 800,000 options 300,000 warrants | Chartered Accountant President of Oakridge Financial Management Inc. CFO of Maglin Site Furniture Inc. Director of Armistice Resources and TriWestern Energy Corp. |
| Dr. György Szabó ⁽³⁾ Budapest, Hungary | Director | April 24, 2006 | 2,830,000 options | Chairman of the Board of the Corporation. Consultant and Mining Bureau Registered Technical Responsible Person for TXM Oil & Gas Exploration Kft. |

Notes:

- (1) Member of the Corporation's audit committee (the "**Audit Committee**").
- (2) Member of the Nominating & Compensation Committee.
- (3) Member of the Corporation's resources and reserve committee (the "**Resource and Reserves Committee**").
- (4) Member of the Corporation's corporate governance committee (the "**Corporate Governance Committee**").
- (5) Numbers included in securities held have been provided by the individual directors. These numbers are as of the date of this Information Circular.
- (6) Mr. Akhmerov has indirect beneficial ownership of 38,000,000 Common Shares and 28,500,000 warrants which are registered in the name of Ruby Blue Limited ("**Ruby Blue**"), a company of which Mr. Akhmerov is the sole shareholder. Mr. Akhmerov holds 400,000 options directly, which were granted to Mr. Akhmerov as a director of Falcon. Not included here but referenced in other public filings are 10,268,673 Common Shares registered in the name

of Soliter which represent approximately 12% of the total number of Common Shares reported as being beneficially owned by Renova through Soliter, and which have been notionally attributed to Mr. Akhmerov solely on the basis that he indirectly holds a 12% minority equity interest in Soliter through Ruby Blue.

Igor Akhmerov

Mr. Akhmerov has been a member of the Board since December 14, 2010. He graduated from the Moscow Institute Of Management (1989), Wharton Business School (1995), and Lauder Institute of Business and International Relations (1995). From 1989 through 1993 he worked at the Moscow office of Bain & Company, specialized in privatization and banking. After graduation from Wharton Business School he worked for the Boston office of Bain & Company. In 1998 he returned to Russia and joined Sputnik Group, the largest Russian private equity investment group, as a partner. In 2001 he moved to TNK as First Vice President for Planning, Budgeting, Investment Governance, Taxes, and Reporting. From 2004 until 2006 he served as Chief Financial Officer of Renova Group. He has served as Chief Executive Officer of Avelar Energy Group since 2007. Mr. Igor Akhmerov is also a Non-Executive Member of the Board of Directors of Kerself SpA, the leading player in the Italian solar market, since September 24, 2008.

Joachim Conrad

Mr. Conrad has been a member of the Board since October 6, 2008. Senior Advisor at Gazprom Germania GmbH and Managing Director of BosphorusGaz Corporation, Turkey, Istanbul (a 71% Gazprom owned company). With a strong track record in the European natural gas industry, he was formerly serving in the position as Managing Director of Gazprom Marketing and Trading GmbH (100% Gazprom owned) and as Member of the Group Executive Board of Elektrizitätsgesellschaft Laufenburg AG (“**EGL**”), a European energy trading company with its own energy producing assets listed on the Swiss stock exchange (SWX: EGL), where he was responsible for EGL’s gas division. At the same time, Mr. Conrad was member of the supervisory board of certain of EGL’s foreign subsidiaries including the Trans Adriatic Pipeline AG, a joint venture of EGL and StatoilHydro. Prior to joining EGL, Mr. Conrad was Head of trading at WINGAS GmbH, Germany, a joint venture of Wintershall and Gazprom. He served in various management functions for 10 years in the German Oil & Gas Company Wintershall. Mr. Conrad obtained the rank of First Lieutenant in the German Air Force prior to obtaining a Diplomkaufmann degree from Georg-August Universität, Germany, in 1992 focus: Economics and Information Technology, Graduation in Artificial Intelligence.

John Craven

Mr. Craven is a petroleum geologist with thirty five years’ experience in senior technical and commercial roles in upstream oil and gas exploration and production companies. Mr. Craven was founder and CEO of Cove Energy plc (“**Cove Energy**”) up until August 2012 when it was acquired by PTTEP Africa Investment Ltd., a wholly-owned subsidiary of PTT Exploration and Production Public Company Ltd, in an all cash offer valuing the company at approximately US\$1.9Bn. Cove’s main asset was its 8.5% interest in the Rovuma Basin, offshore Mozambique where Mr. Craven oversaw the drilling of 12 successful exploration / appraisal wells. He remains on the board of Cove Energy. Prior to joining Cove Energy Mr. Craven was founder and Chief Executive of AIM and IEX quoted, African and Mediterranean focussed, exploration company, Petroceltic International plc (“**Petroceltic**”). Mr. 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, including AltaGas Ltd. and Penn West Petroleum Ltd. Mr. Gilbert is also managing director of JOG Capital Inc., a private equity firm. 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.

David Harris

Mr. Harris is a new nominee to the Board. Since 2010 Mr. Harris has operated as the sole proprietor of DGH International GeoConsulting (“**DGH**”). DGH has been involved in a wide variety of projects, ranging from brief opinion letters on investment opportunities to the assessment of the unconventional potential of various countries, to detailed technical assessments of farm-in opportunities and acquisitions. Prior to this, Mr. Harris spent 12 years at GLJ Petroleum Consultants, where he held the roles of Senior Vice President, Senior Partner and director of the firm. His responsibility was oversight of the GeoSciences Group, which included 13 geologists, geophysicists and support staff. Mr Harris holds a B.Sc. Geology with Honours from University of Calgary (1981).

Philip O’Quigley

Mr. O’Quigley was appointed Chief Executive Officer of the Corporation in April 2012 and is a new nominee to the Board. Mr. O’Quigley brings 20 years’ experience in finance positions in the oil and gas industry. His career, which spans a number of London and Dublin listed exploration and production companies, includes experience working in countries such as Argentina, the United States, Algeria, the United Kingdom and Ireland. Most recently, he served as Finance Director for Providence Resources, an Irish oil and gas exploration and production company. Mr. O’Quigley is a Fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young in Dublin.

Gregory Smith

Mr. Smith is a chartered accountant and 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), director of TriWestern Energy Corp. (2009), audit committee chairman of TriWestern Energy Corp. (2009) 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.

Dr. György Szabó

Dr. Szabó has been a member of the Board since April 24, 2006 and has served as Chairman of the Board since September 23, 2009. Since 2005, Dr. Szabó serves as Consultant and Mining Bureau Registered Technical Person Responsible for TXM where he has overseen the design and implementation of the deepest High Pressure - High Temperature well ever drilled in Hungary. As its CEO, Dr. Szabó was instrumental in the privatization of Hungary's former National Oil Corporation (presently MOL) (BUD: MOL), the strategy relating to its capitalization, and its listing of the corporation on domestic and international securities exchanges in 1995. Until 1992, Dr. Szabó was an executive at MOL and its predecessor where he successfully managed the extinguishing of the Kuwait oil fire. From 1992 to 1994, Dr. Szabó was the CEO of TDE, and from 1994 to 1996, he was MOL's CEO and member of the Board. Dr. Szabó graduated from Miskolc University where he received a degree in Petroleum Engineering in 1963. Dr. Szabó received his Ph.D. in 1975.

The enclosed form of proxy permits Shareholders to vote for each nominee on an individual basis.

The persons named in the Management Proxy intend to vote FOR each of the proposed nominees in the absence of directions to the contrary from the Shareholders appointing them. Management does not contemplate that any of such nominees will be unable to serve as directors. However, if for any reason, any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his, her or its proxy that his, her or its common shares are to be withheld from voting in the election of directors.

Appointment and Remuneration of Auditors

Management recommends that KPMG LLP (“KPMG”), the Corporation's auditors since December 2010, be appointed as the auditors of the Corporation by the Shareholders and the Shareholders authorize the Directors to fix the auditors' remuneration. Management is seeking the approval of a majority of the votes cast at the Meeting for KPMG to be so appointed.

The Shareholders will be requested at the Meeting to pass the following resolution, without variation:

“IT IS HEREBY RESOLVED, THAT KPMG LLP, Chartered Accountants, be appointed as the auditors of the Corporation, and the board of Directors of the Corporation are hereby authorized to fix the remuneration of KPMG LLP, Chartered Accountants.”

The persons named in the Management Proxy intend to vote FOR the appointment of KPMG as auditors of the Corporation until the next annual meeting of Shareholders, and authorizing the Directors to fix the remuneration of the auditors in the absence of directions to the contrary from the Shareholders appointing them.

Approval of the Stock Option Plan

In 2004, the Shareholders approved the Corporation's stock option plan in substantially its current form (the “**Stock Option Plan**”), which is known as a “rolling plan”. The Stock Option Plan requires the approval of the Shareholders each year at the annual general meeting of the Shareholders in accordance with the terms of the Stock Option Plan and TSX Venture Exchange (“**TSX-V**”) Policy 4.4 – “Incentive Stock Options” (“**Policy 4.4**”). The TSX-V has conditionally approved the Stock Option Plan, subject to

the Stock Option Plan Resolution (as defined below) being approved by a majority of votes cast at the Meeting by certain Shareholders. Management is seeking the approval of a majority of the votes cast at the Meeting for the Stock Option Resolution.

The following is a summary of the principal terms of the Stock Option Plan, which summary is qualified by and is subject to the full terms and conditions of the Stock Option Plan. A copy of the Stock Option Plan is attached hereto as Appendix "A". Except as otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Stock Option Plan.

The Shareholders initially approved the Stock Option Plan on November 18, 2004 and subsequently at each annual general and special meeting of the Corporation held thereafter. Ten percent (10%) of the number of issued and outstanding Common Shares from time to time are currently reserved for issuance upon the exercise of options granted pursuant to the Stock Option Plan. As at August 24, 2012, 34,937,000 stock options are issued and outstanding.

The purpose of the Stock Option Plan is to attract, retain and motivate directors, officers, employees and consultants (collectively, the "**Participants**") by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Corporation and benefit from its growth. In Management's view, the ability to grant stock options as a means of compensating Participants contributes to the Corporation's overall financial performance. As such, Management considers that the Stock Option Plan is beneficial to the Corporation as it provides the Corporation with greater flexibility to compensate eligible Participants with grants of stock options and encourage Participant ownership of the Corporation.

The options are non-assignable and may be granted for a term not exceeding five (5) years, unless the Corporation is listed on Tier 1 of the TSX-V in which case the options may be granted for a term not exceeding ten (10) years. Options may be granted under the Stock Option Plan only to Participants or to persons that have agreed to commence serving in any of the aforementioned capacities subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. The number of Common Shares reserved for issue to any one person pursuant to the Stock Option Plan may not exceed five percent (5%) of the issued and outstanding Common Shares at the date of such grant or in any 12 month period. The exercise price of options issued may be issued at the market price of the Common Shares as listed on the TSX-V, subject to any discounts permitted by applicable legislative and regulatory requirements.

The Shareholders will be requested at the Meeting to pass the following resolution (the "**Stock Option Plan Resolution**"), without variation:

"IT IS HEREBY RESOLVED, THAT:

1. the Stock Option Plan as set forth in Appendix "A" to the Information Circular of the Corporation dated August 24, 2012 and the grant of stock options pursuant to such Stock Option Plan is hereby authorized; and
2. any Director or officer of the Corporation is hereby authorized for, on behalf of, and in the name of the Corporation to do and perform or cause to be done or performed all such things, to take or cause to be taken all such actions, to execute and deliver or cause to be executed and delivered all such agreements, documents and instruments, contemplated by, necessary or desirable in connection with the Stock Option Plan and the foregoing resolutions, as may be required from time to time and contemplated and required in connection therewith, or as such Director or officer in his or her discretion may consider necessary, advisable or appropriate in order to give effect to

the intent and purposes of the foregoing resolutions, and the doing of such things, the taking of such actions and the execution of such agreements, documents and instruments shall be conclusive evidence that the same have been authorized and approved hereby.”

The persons named in the Management Proxy intend to vote FOR the approval of the Stock Option Plan in the absence of directions to the contrary from the Shareholders appointing them.

Amendment of the Articles

At the Meeting, Shareholders will be asked to consider, and if deemed advisable approve, with or without variation, a special resolutions to confirm amendments to the articles of the Corporation to allow shareholder meetings to be held anywhere in Canada, the United States, Great Britain or Ireland by adding the provision set out in Appendix “B” to this Information Circular to the Corporation’s articles. Management proposes this amendment to allow the Corporation greater flexibility in servicing the needs of its increasingly global shareholder base.

The proposed amendment is set out as Appendix “B” to this Circular (the “**Amendment**”). The Amendment has already been approved by the Directors.

The Corporation’s articles deem that a special resolution is a resolution passed by two-thirds of the votes cast on the resolution. The Shareholders will be requested at the Meeting to pass the following special resolution:

“IT IS HEREBY RESOLVED, THAT:

1. the amendment of the articles of the Corporation to add Section 10.9 to the articles of the Corporation, substantially in the form attached as Appendix “B” to the Management Information Circular of the Corporation dated August 24, 2012, is hereby authorized and approved; and
2. any director or officer of the Corporation is hereby authorized for, on behalf of, and in the name of the Corporation to do and perform or cause to be done or performed all such things, to take or cause to be taken all such actions, to execute and deliver or cause to be executed and delivered all such agreements, documents and instruments, contemplated by, necessary or desirable in connection with the amendment of the by-laws in accordance with the foregoing resolution, as may be required from time to time and contemplated and required in connection therewith, or as such director or officer in his or her discretion may consider necessary, advisable or appropriate in order to give effect to the intent and purposes of the foregoing resolutions, and the doing of such things, the taking of such actions and the execution of such agreements, documents and instruments shall be conclusive evidence that the same have been authorized and approved hereby.”

The persons named in the Management Proxy intend to vote FOR the resolution amending the Articles of the Corporation as set out above in the absence of directions to the contrary from the Shareholders appointing them. In order to pass the resolution must be approved by two thirds of the votes cast by the shareholders who vote in respect of the resolution.

No dissent rights exist in connection with the action to be taken at the Meeting.

EXECUTIVE COMPENSATION

For purposes of this Information Circular, “named executive officer” of the Corporation means an individual who, at any time during the year, was (each a “**Named Executive Officer**”):

- (a) the Corporation’s chief executive officer (“**CEO**”);
- (b) the Corporation’s chief financial officer (“**CFO**”);
- (c) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, during the last completed financial year of the Corporation, there were three Named Executive Officers.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, the Corporation does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion, with input from and upon the recommendations of the Nominating & Compensation Committee. Since March 2012 the Nominating & Compensation Committee has been comprised of JoAchim Conrad, Igor Akhmerov and Gregory Smith. All of these directors are considered ‘independent’.

The Corporation’s executive compensation program has three principal components: base salary, incentive bonus plan and stock options.

Base salaries for all employees of the Corporation are established for each position through comparative salary surveys of similar type and size companies. Both individual and corporate performances are also taken into account.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performances for executive officers and employees. No bonuses were paid to executive officers or employees during the most recently completed financial year.

Stock options are granted to provide an incentive to the Participants to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The Corporation awards stock options to the Participants based upon the recommendation of the Compensation Committee (now referred to as the Nominating & Compensation Committee), which recommendation is based upon the Committee’s review of a proposal from the CEO. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the Stock Option Plan are the responsibility of the Compensation Committee (now referred to as the Nominating & Compensation Committee).

The Corporation has no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Corporation at competitive industry rates for work of a similar nature by reputable arm's length services providers.

Summary Compensation Table

The following table sets forth the compensation awarded to, earned by, paid to, or payable to the Named Executive Officers for the three most recently completed financial years, with the most recent such financial year ended December 31, 2011:

| Name and principal position | Year | Salary (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | | Pension value (\$) | All other compensation (\$) | Total compensation (\$) |
|--|------|-------------|-------------------------|--------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
| | | | | | Annual incentive plans | Long-term incentive plans | | | |
| Robert Macaulay⁽¹⁾, President and CEO | 2011 | 275,000 | Nil | Nil | Nil | Nil | Nil | 148,932 | 423,932 |
| | 2010 | 38,270 | Nil | Nil | Nil | Nil | Nil | 21,250 | 59,520 |
| Evan Wasoff⁽²⁾, CFO | 2011 | 285,000 | Nil | Nil | Nil | Nil | Nil | Nil | 285,000 |
| | 2010 | 195,000 | Nil | Nil | Nil | Nil | Nil | Nil | 195,000 |
| | 2009 | 240,000 | Nil | Nil | Nil | Nil | Nil | Nil | 240,000 |
| Rod Wallis⁽³⁾, Chief Operating Officer | 2011 | 285,000 | Nil | Nil | Nil | Nil | Nil | Nil | 285,000 |
| | 2010 | 195,000 | Nil | Nil | Nil | Nil | Nil | Nil | 195,000 |
| | 2009 | 240,000 | Nil | Nil | Nil | Nil | Nil | Nil | 240,000 |

Notes:

- (1) Mr. Macaulay was appointed President and CEO in November, 2010. He stepped down on May 1, 2012 and Mr. Philip O'Quigley was appointed on the same day.
- (2) Mr. Wasoff was appointed as CFO on April 1, 2005. He stepped down from this position on July 30, 2012, but remains with the Corporation on a consulting basis. Mr. Eoin Grindley was appointed CFO on July 30, 2012.
- (3) Mr. Wallis was appointed as Chief Operating Officer on January 14, 2008. He stepped down on June 30, 2012.

Summary of Employment Contracts of each Named Executive Officer

The following describes the material terms and conditions of the employment contracts of each of the Named Executive Officers in effect during the financial year ended December 31, 2011. For a description of the termination provisions and change of control benefits payable by the Corporation to each Named Executive Officer, see below under the heading “Termination and Change of Control Benefits”.

Robert Macaulay

In November, 2010 Robert Macaulay entered into an interim executive employment agreement with the Corporation. In addition to the compensation terms summarized above, the agreement contains standard provisions relating to confidentiality and fringe benefits such as insurance, expenses, paid leave, etc. The agreement was subject to a term with a maximum period of six months, which was extended upon written agreement of both parties. Under the terms of the agreement, Mr. Macaulay was paid a one-time bonus of US\$100,000 in October 2011. As at the date hereof, no amounts have been paid to Mr. Macaulay in connection with his termination as CEO effective April 30, 2012.

No other NEO had an employment contract in effect during the financial year ended December 31, 2011.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all awards outstanding for each of the Named Executive Officers as of December 31, 2011:

| Name | Option-Based Awards | | | | Share-Based Awards | |
|-----------------|---|----------------------------|-----------------------------------|---|--|--|
| | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date (MM/DD/YY) | Value of unexercised in-the-money options ⁽¹⁾ (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share based awards that have not vested (\$) |
| Robert Macaulay | 300,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| | 1,000,000 | 0.15 | 12/24/15 | Nil | Nil | Nil |
| Evan Wasoff | 750,000 | 1.18 | 06/05/13 | Nil | Nil | Nil |
| | 325,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| | 3,300,000 | 0.145 | 05/23/16 | Nil | Nil | Nil |
| Rod Wallis | 1,000,000 | 1.00 | 05/06/13 | Nil | Nil | Nil |
| | 1,000,000 | 1.18 | 06/05/13 | Nil | Nil | Nil |
| | 250,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| | 3,000,000 | 0.145 | 5/23/16 | Nil | Nil | Nil |

Note:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.105 (CDN\$0.105) for the Common Shares on the TSX-V on December 31, 2011 and the exercise price of the options, multiplied by the number of unexercised options.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the financial year ended December 31, 2011:

| Name | Option-based awards – Value vested during the year (\$) | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|-----------------|---|--|--|
| Robert Macaulay | Nil | Nil | Nil |
| Evan Wasoff | Nil | Nil | Nil |
| Rod Wallis | Nil | Nil | Nil |

Note:

(1) Based upon the closing price for the Common Shares on the TSX-V on the vesting date of the options granted.

Pension Plan Benefits

No benefits were paid, and no benefits are proposed to be paid to any of the Named Executive Officers of the Corporation under any pension or retirement plan.

No deferred compensation plans were paid, and no benefits are proposed to be paid to any of the Named Executive Officers of the Corporation under a deferred compensation plan.

Director Compensation

The following table sets forth all amounts of compensation provided to the Directors, other than Directors who are also Named Executive Officers, for the financial year ending December 31, 2011:

| Name | Fees earned (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation (\$) | Total (\$) |
|---------------------------------|------------------|-------------------------|--------------------------|---|--------------------|-----------------------------|------------|
| Igor Akhmerov | 22,688 | Nil | Nil | Nil | Nil | Nil | 22,688 |
| Joachim Conrad | 22,500 | Nil | Nil | Nil | Nil | Nil | 22,500 |
| John Craven | 26,813 | Nil | Nil | Nil | Nil | Nil | 26,813 |
| Daryl H. Gilbert | 22,500 | Nil | Nil | Nil | Nil | Nil | 22,500 |
| Thomas G. Harris ⁽¹⁾ | 22,500 | Nil | Nil | Nil | Nil | Nil | 22,500 |
| Gregory Smith | 27,000 | Nil | Nil | Nil | Nil | Nil | 27,000 |
| Andrew Morris | 4,500 | Nil | Nil | Nil | Nil | Nil | 4,500 |
| Dr. György Szabó | 9,375 | Nil | Nil | Nil | Nil | 203,671 | 213,046 |

Note:

- (1) Thomas G. Harris resigned from the Board on November 3, 2011.

Incentive Plan Awards

Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth all option-based awards and share-based outstanding for each of the Directors, not including those Directors who are also Named Executive Officers, as of December 31, 2011:

| Name | Option-Based Awards | | | | Share-Based Awards | |
|------------------|---|----------------------------|-----------------------------------|---|--|--|
| | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date (MM/DD/YY) | Value of unexercised in-the-money options ⁽¹⁾ (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share based awards that have not vested (\$) |
| Igor Akhmerov | 400,000 | 0.145 | 5/23/16 | Nil | Nil | Nil |
| Joachim Conrad | 300,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| John Craven | 400,000 | 0.145 | 5/23/16 | Nil | Nil | Nil |
| | 300,000 | 0.17 | 08/30/15 | | | |
| Daryl H. Gilbert | 800,000 | 0.145 | 5/23/16 | Nil | Nil | Nil |
| | 600,000 | 0.58 | 08/16/12 | | | |
| | 1,900,000 ⁽²⁾ | 1.18 | 06/05/13 | | | |
| | 300,000 | 0.17 | 08/30/15 | | | |
| Thomas G. Harris | 500,000 | 0.145 | 5/23/16 | Nil | Nil | Nil |
| | 300,000 | 0.17 | 08/30/15 | | | |
| Gregory Smith | 300,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| | 500,000 | 0.145 | 5/23/16 | | | |
| Andrew Morris | Nil | Nil | Nil | Nil | Nil | Nil |
| Dr. György Szabó | 750,000 | 1.18 | 06/05/13 | Nil | Nil | Nil |
| | 250,000 | 0.17 | 08/30/15 | Nil | Nil | Nil |
| | 1,500,000 | 0.145 | 5/23/16 | | | |

Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.105 (CDN\$0.105) for the Common Shares on December 31, 2011 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) Includes 1,400,000 options granted for consulting services.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each of the Directors, not including those Directors who are also Named Executive Officers, during the financial year ended December 31, 2011:

| Name | Option-based awards – Value vested during the year (\$) ⁽¹⁾ | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|------|--|--|--|
|------|--|--|--|

| Name | Option-based awards – Value vested during the year (\$) ⁽¹⁾ | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|------------------|--|--|--|
| Igor Akhmerov | Nil | Nil | Nil |
| Joachim Conrad | Nil | Nil | Nil |
| John Craven | Nil | Nil | Nil |
| Daryl H. Gilbert | Nil | Nil | Nil |
| Thomas G. Harris | Nil | Nil | Nil |
| Andrew Morris | Nil | Nil | Nil |
| Gregory Smith | Nil | Nil | Nil |
| Dr. György Szabó | Nil | Nil | Nil |

Note:

- (1) Based upon the closing price for the Common Shares on the vesting date of the options granted.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2011, with respect to compensation plans under which the Common Shares are authorized for issuance, aggregated as set out below:

| Plan Category | Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities listed in first column) |
|---|--|---|---|
| Equity compensation plans approved by security holders ⁽¹⁾ (Stock Option Plan) | 29,764,500 | \$0.41 | 30,650,950 |
| Total | 29,764,500 | \$0.41 | 30,650,950 |

Note:

- (1) As of December 31, 2011, there were no equity compensation plans not approved by the security holders of the Corporation.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Corporation's Directors or officers was indebted to the Corporation as of December 31, 2011 or at any time during 2011.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, no proposed nominee for election as a Director of the Corporation, and no associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since the commencement of our last financial year or in any proposed

transaction, which, in either case, has materially affected or will materially affect the Corporation or any of our subsidiaries. For historical information on interests of informed persons in past material transactions, please refer to the Corporation's past Management Information Circulars.

An "informed person" means:

- (a) a director or executive officer of the Corporation;
- (b) a director or executive officer of a person or corporation that is itself an informed person or subsidiary of the Corporation;
- (c) any person or corporation who beneficially owns, directly or indirectly, voting securities or who exercises control or direction over voting securities or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities other than voting securities held by the person or corporation as underwriter in the course of a distribution; and
- (d) the Corporation if we have purchased, redeemed or otherwise acquired any of our securities, so long as we hold any of our securities.

CORPORATE GOVERNANCE PRACTICES

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required to disclose information relating to its corporate governance practice. The Corporation's "Statement of Corporate Governance Practices", approved by the Directors, is attached to this Information Circular as Appendix "C".

AUDIT COMMITTEE

Audit Committee's Charter

As a TSX-V listed Corporation, the Corporation is required to have an audit committee for the purpose of monitoring and enhancing the quality of the financial information disclosed by the Corporation. The Audit Committee charter (the "**Charter**") is attached as Appendix "D" hereto.

Composition of Audit Committee

Since March 16, 2012 the audit committee has been comprised of Greg Smith (Chair), Igor Akhmerov and Andrew Morris, all of whom meet the independence requirement set out in NI 58-101 and under National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

All current members of the Audit Committee are "financially literate" within the meaning given to such term in the Charter and NI 52-110, and have the ability to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

In addition to each current member's general business experience, the education and experience of each individual that is relevant to such member's responsibilities as a member of the Audit Committee is set forth below:

- *Gregory Smith:* Mr. 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.
- *Andrew Morris:* Mr. Morris spent 15 years in the financial services industry, including being a Director of Ernst & Young in London where he advised a broad range of organizations on Enterprise Risk Management including advice on corporate governance, management reporting, financial control, operational risk and process improvement. Mr. Morris hold a BSc (Hons.) degree in Mathematics from Bristol University and is a member of the Institute of Chartered Accountants in England and Wales.
- *Igor Akhmerov:* Mr. Akhmerov graduated from the Moscow Institute Of Management (1989), Wharton Business School (1995), and Lauder Institute of Business and International Relations (1995). From 1989 through 1993 he worked at the Moscow office of Bain & Company, specialized in privatization and banking. After graduation from Wharton Business School he worked for the Boston office of Bain & Company. In 1998 he returned to Russia and joined Sputnik Group, the largest Russian private equity investment group, as a partner. In 2001 he moved to TNK as First Vice President for Planning, Budgeting, Investment Governance, Taxes, and Reporting. From 2004 until 2006 he served as Chief Financial Officer of Renova Group.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Corporation's external auditors not been adopted by the Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimus Non-Audit Services*" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Corporation has not adopted any specific policies in relation to the engagement of non-audit services.

External Auditor Service Fees

- (a) *Audit Fees* – KPMG billed the Corporation approximately \$21,000 from January 1, 2010 to December 31, 2010 for audit fees and \$220,000 from January 1, 2011 to December 31, 2011.

- (b) *Audit-Related Fees* - KPMG billed the Corporation approximately \$80,000 from January 1, 2010 to December 31, 2010 and \$122,000 from January 1, 2011 to December 31, 2011 for assurance and related services that are reasonably related to the performance of the audits or reviewing the Corporation's financial statements and are not included under "Audit Fees".
- (c) *Tax Fees* - KPMG billed the Corporation Nil from January 1, 2010 to December 31, 2010 and \$102,000 from January 1, 2011 to December 31, 2011 for services related to tax compliance, tax advice and tax planning.
- (d) *All Other Fees* - KPMG billed the Corporation approximately \$38,000 from January 1, 2010 to December 31, 2010 and Nil from January 1, 2011 to December 31, 2011 for services other than those reported.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110, applicable to venture issuers.

OTHER BUSINESS

Management and the Directors are not aware of any amendments, variations or other matters intended to come before the Meeting other than those items of business set forth in the attached notice of Meeting. However, if any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the Management Proxy to vote on such other business in accordance with his judgment.

ADDITIONAL INFORMATION

Financial information regarding the Corporation is provided in the Corporation's audited annual consolidated financial statements for the financial year ended December 31, 2011 and the accompanying management's discussion and analysis. Copies of the foregoing and the Annual Information Form of the Corporation for the financial year ended December 31, 2011 may be obtained on written request addressed to the CFO.

Written requests for a copy of the above documents should be directed to the CFO, Regus Business Centre, Alexandra Building, Sweepstakes, Ballsbridge, Dublin, 4.

Additional information concerning the Corporation is available online at www.sedar.com.

GENERAL

The Directors have approved the contents of this Information Circular and its sending to the Shareholders, the auditors of the Corporation and to appropriate governmental and regulatory agencies.

DATED as of the 24th day of August, 2012.

By Order of the Board of Directors

(Signed) John Craven
Chairman of the Board of Directors

APPENDIX “A”

STOCK OPTION PLAN

ARTICLE I - PURPOSE

1.1 The purpose of the Plan is to attract and retain Directors, Officers, Employees and Consultants, to provide such persons with incentives to continue in the long-term service of the Corporation and its subsidiaries (each a “Subsidiary” and collectively, the “Subsidiaries”) and to create in such persons a more direct interest in the future success of the operations of the Corporation and its Subsidiaries by relating incentive compensation to increases in shareholder value.

ARTICLE II - DEFINITIONS AND INTERPRETATION

2.1 Definitions as used in the Plan:

“**10% Shareholder**” shall mean the owner of stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any Subsidiary.

“**Award**” shall mean the grant of a Stock Option under the Plan.

“**Board**” shall mean the Corporation’s Board of Directors.

“**Change in Control**” shall mean a change in ownership or control of the Corporation effected through the acquisition, directly or indirectly by any person or group, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, of beneficial ownership of securities possessing more than 20% of the total combined voting power of the Corporation’s outstanding securities except to the extent that such acquisition is as a result of a private placement, public offering or other distribution of the Corporation’s securities that is sponsored or initiated by the Corporation.

“**Common Stock**” shall mean the Corporation’s common stock without par value.

“**Corporation**” shall mean Falcon Oil & Gas Ltd.

“**Compensation Committee**” shall mean a committee consisting entirely of two or more non-Employee Directors, who are empowered hereunder to take all action required in the administration of the Plan and the Award and administration of Stock Options hereunder. The Compensation Committee shall be so constituted at all times as to permit the Plan to comply with the policies of the TSX Venture Exchange. Members of the Compensation Committee shall be appointed from time to time by the Board, shall serve at the pleasure of the Board and may resign at any time upon written notice to the Board. Notwithstanding the foregoing, at any time the Compensation Committee is not composed as specified above, or when no Compensation Committee is not composed as specified above, or when no Compensation Committee has been appointed by the Board, all powers of the Compensation Committee shall be vested in and exercised by the Board.

“**Consultant**” shall mean, in relation to the Corporation or to any Subsidiary, an individual, Consultant Corporation or Management Corporation Employee, other than a Director, Officer or Employee, that:

- (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to any Subsidiary, other than services provided in relation to a distribution;
- (b) provides the services under a written contract between the Corporation or any Subsidiary and the individual or the Consultant Corporation of the individual;
- (c) in the reasonable option of the Corporation, spends or will spend a significant amount of time and attention of the affairs and business of the Corporation or any Subsidiary; and
- (d) has a relationship with the Corporation or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Corporation.

“Consultant Corporation” shall mean, for an individual Consultant, a Corporation, partnership or other entity of which the Consultant is an employee, shareholder, partner or in which the Consultant has a beneficial interest.

“Controlled” shall mean and one person shall be considered to be controlled by a person if:

- (a) in the case of a person, voting securities of the first-mentioned person carrying more than 50% of the votes for the election of directors, are held, otherwise than by way of securities only, by or for the benefit of the other person and the votes are carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person;
- (b) in the case of a partnership that does not have directors, other than a limited partnership, the second mentioned person holds more than 50% interests of the partnership; or
- (c) in the case of a limited partnership, the general partner is the second-mentioned person.

“Date of Grant” shall mean the date specified by the Compensation Committee on which an Award shall become effective, which shall not be earlier than the date on which the Compensation Committee takes action with respect thereto.

“Director” shall mean a director of the Corporation.

“Discounted Market Price” shall have the definition provided in the TSX Venture Exchange Corporate Finance manual, which currently means the Market Price less the following allowable discounts:

| Closing Price | Discount |
|------------------|----------|
| Up to \$0.50 | 25% |
| \$0.51 to \$2.00 | 20% |
| Above \$2.00 | 15% |

“Discretionary Stock Option Grant Program” shall mean the program for the Award of Stock Options described in Article VI hereof.

“Employee” shall mean:

- (a) an individual who is considered an employee of the Corporation or its Subsidiaries under the *Income Tax Act* (Canada) (i.e., for whom income tax, employment insurance and CPP deductions must be made at source);
- (b) an individual who works full-time for the Corporation or its Subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
- (c) an individual who works for the Corporation or its Subsidiaries on a continuing basis and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

“Insider” shall mean (a) a Director or Officer, (b) a director or senior officer of a Corporation that is itself an Insider of the Corporation, (c) a person that has direct or indirect beneficial ownership of or control or direction over securities of the Corporation carrying more than 10% of the voting rights attached to all the Corporation’s outstanding voting securities, or (d) an associate of any person who is an Insider by virtue of (a), (b) or (c).

“Investor Relations Activities” shall mean any activities, by or on behalf of the Corporation or its Subsidiaries, that promote or can reasonably be expected to promote the purchase or sale of securities of the Corporation, but shall not include:

- (a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
 - (i) to promote the sale of products or services of the Corporation, or;
 - (ii) to raise public awareness of the Corporation,that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
- (b) activities or communications necessary to comply with the requirements of:
 - (i) under applicable securities laws;
 - (ii) the rules and policies of the Regulatory Authorities;
- (c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
 - (i) the communication is only through the newspaper, magazine or publication; and
 - (ii) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (d) activities or communications that may be otherwise specified by the TSX Venture Exchange.

“Management Corporation Employee” shall mean an individual employed, directly or indirectly, by the Corporation or its Subsidiaries providing management services to the Corporation or its Subsidiaries, which are required for the ongoing successful operation of the business enterprise of the Corporation or its Subsidiaries, but excluding a person engaged in Investor Relations Activities on behalf of the Corporation or its Subsidiaries.

“Market Price” subject to the exceptions set forth in the TSX Venture Exchange Corporate Finance Manual, shall mean the last closing price of the Corporation’s listed Common Shares on the TSX Venture Exchange before either the issuance of the news release or the filing of the price reservation form with the TSX Venture Exchange required to fix the price at which the Common Shares are to be issued or deemed to be issued.

“Officer” shall mean a senior officer of the Corporation.

“Optionee” shall mean a Participant who has received an Award from the Compensation Committee.

“Option Price” shall mean the purchase price paid by an Optionee upon the exercise of a Stock Option.

“Participant” shall mean a person or a Permitted Optionee who is: (a) permitted by the rules and policies of the Regulatory Authorities to be granted a Stock Option and for whom a prospectus and registration exemption under applicable securities laws is available; (b) selected by the Compensation Committee to receive benefits under this Plan; and (c) at that time a Director, Officer, Employee or Consultant or has agreed to commence serving in any of the foregoing capacities.

“Permitted Optionee” shall mean a Corporation, partnership or other entity that is, directly or indirectly, wholly owned by an individual or individuals otherwise eligible to receive a grant of stock options, but shall not include a Consultant Corporation.

“Plan” shall mean this stock option plan, which was approved by the Corporation’s Board on May 16, 2006.

“Plan Effective Date” shall mean the date the plan is approved by the TSX Venture Exchange subsequent to receipt by the Corporation of shareholder acceptance of the plan at the Corporation’s Annual General and Special Meeting scheduled for June 19, 2006.

“Regulatory Authorities” shall mean all stock exchanges; inter-dealer quotation networks and other organized trading facilities on which the Corporation’s common stock is listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.

“Stock Option” shall mean a right granted under the Plan to a Participant to purchase Common Stock at a stated price for a specified period of time.

“Subsidiary” shall mean a person who, in relation to another person:

- (a) is controlled by that other person, or is controlled by two or more persons, each of which is controlled by that other person; or

(b) is a subsidiary of a person that is that other person's subsidiary.

“Term” shall mean the length of time during which a Stock Option may be exercised, which shall not be greater than five years from the Date of Grant.

In this Plan, unless there is something in the subject matter or context inconsistent therewith: (a) words in the singular number include the plural and such words shall be construed as if the plural had been used; (b) words in the plural include the singular and such words shall be construed as if the singular had been used; and (c) words importing the use of any gender shall include all genders where the context or party referred to so requires, and the rest of the sentence shall be construed as if the necessary grammatical and terminological changes had been made.

ARTICLE III - ADMINISTRATION OF PLAN

3.1 The Plan shall be administered by the Compensation Committee and in the absence of a Compensation Committee, by the Board. Members of the Compensation Committee shall serve for a period of time as the Board may determine and may be removed by the Board at any time. The acts of a majority of the members of the Compensation Committee present at any meeting, or acts unanimously approved in writing shall be the acts of the Compensation Committee.

3.2 The Compensation Committee shall have full power and authority, subject to the provisions of the Plan, to establish such rules and regulations as it may deem appropriate for proper administration of the Plan and to make such determinations under, and issue interpretations of, the provisions of the Plan and any outstanding Stock Options as it may deem necessary or advisable. In addition, the Compensation Committee shall have full power and authority to administer and interpret the Plan and make modifications, as it deems appropriate to conform to the Plan and all actions pursuant to the Plan to any regulation or to any change in any law or regulation applicable to the Plan.

3.3 All actions taken and all interpretations and determinations made by the Compensation Committee in good faith (including determination of the Option Price) shall be final and binding upon all Participants, Optionees, the Corporation and all other interested persons. No Director or member of the Compensation Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan and all Directors and members of the Compensation Committee shall, in addition to their rights as Directors, be fully protected by the Corporation with respect to any such action, determination or interpretation.

3.4 The Compensation Committee shall make all Awards. If the Compensation Committee is not composed as prescribed in the definition of Compensation Committee in the definitions hereof, the Board may take such action with respect to any Award as it deems necessary or advisable to comply with the TSX Venture Exchange Corporate Finance Policy manual, including but not limited to seeking shareholder ratification of such Award or restricting the sale of any shares of Common Stock underlying the Award for a period of six months.

ARTICLE IV - ELIGIBILITY AND SELECTION

4.1 Any Participant is eligible to participate in the Plan.

4.2 The Compensation Committee shall from time to time determine the Participants to whom Awards shall be made pursuant to the Discretionary Stock Option Grant Program.

ARTICLE V - SHARES AVAILABLE UNDER THE PLAN

5.1 The number of shares of Common Stock issued or transferred and covered by outstanding Stock Options under the Plan at any time shall be a rolling number equal to a maximum of ten percent (10%) of the issued and outstanding common shares of the Corporation. Shares of Common Stock that may be issued upon the exercise of Stock Options shall be applied to reduce the maximum number of shares remaining available for use under the Plan. The Corporation shall, at all times during the term of the Plan and while any Stock Options are outstanding, retain as authorized and unissued Common Stock, or as treasury Common Stock, at least the number of shares of Common Stock required under the provisions of the Plan or otherwise assure itself of its ability to perform its obligations hereunder.

5.2 Any shares of Common Stock that are subject to an Award under the Plan and that are not used because the terms and conditions of the Award are not met, including any shares of Common Stock that are subject to a Stock Option Plan that expires or is terminated for any reason, shall automatically become available for use under the Plan.

5.3 If any change is made to the Common Stock by reason of a stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (a) the maximum number and/or class of securities issuable under the Plan, (b) the number and/or class of securities for which Awards are subsequently to be made pursuant to this Article V of the Plan, and (c) the number and/or class of securities and the Option Price per share in effect under each outstanding Stock Option under the Plan. Such adjustments to the outstanding Stock Options are to be affected in a manner that shall preclude the enlargement or dilution of rights and benefits under such Stock Options. The adjustments determined by the Compensation Committee shall be final, binding and conclusive.

ARTICLE VI - DISCRETIONARY STOCK OPTION GRANT PROGRAM

6.1 The Compensation Committee may, from time to time, grant Stock Options to Participants to purchase shares of Common Stock upon such terms and conditions as the Compensation Committee may determine in accordance with the following provisions:

- 6.1.1 Each Award shall specify the number of shares of Common Stock to which it pertains;
- 6.1.2 Each Award shall specify the Option Price per share, which shall not be less than the Discounted Market Price per share of Common Stock on the Date of Grant;
- 6.1.3 The exercise price of each Award granted to an Optionee within 90 days of a distribution by a prospectus shall be the greater of the Discounted Market Price per share of Common Stock on the Date of Grant and the per share price paid by the public investors for shares acquired by the distribution by a prospectus;
- 6.1.4 Each Award shall specify that the consideration to be paid in satisfaction of the Option Price shall be paid in cash in the form of currency or cheque or other cash equivalent acceptable to the Corporation;
- 6.1.5 Subject to the prior approval of the TSX Venture Exchange, any Award may provide that shares of the Common Stock issuable upon the exercise of a Stock Option shall be subject to restrictions whereby the Corporation has the right or obligation to repurchase

all or a portion of such shares if the Participant's service to the Corporation is terminated before a specified time, or if certain other events occur or conditions are not met;

- 6.1.6 Subject to the provisions of this Article VI, successive Awards may be made to the same Participant regardless of whether any Stock Options previously awarded to the Participant remains unexercised;
- 6.1.7 The Compensation Committee will determine the vesting schedule for each Stock Option in accordance with the rules and policies of the Regulatory Authorities, which schedule will be set out in the agreement with the Participant. In no case will a Stock Option vest at a rate that is less than 20% per year over five years from the Date of Grant;
- 6.1.8 Each Award shall specify the Term of the Stock Option, which Term shall not be greater than five years from the Date of Grant;
- 6.1.9 Each Award shall be evidenced by an agreement which shall be executed on behalf of the Corporation by any officer thereof, and delivered to and accepted by the Participant and shall contain such terms and provisions as the Compensation Committee may determine consistent with the Plan;
- 6.1.10 Each Award shall be subject to the requirements that:
 - (a) disinterested shareholder approval shall be obtained for any reduction in the Option Price if the Participant is an Insider of the Corporation at the time of the proposed amendment; and
 - (b) shareholder approval by a simple majority of shareholders shall be obtained for any amendment to previously issued Stock Options where the shareholders approved the initial Award or where the Participant is an Insider at the time of the proposed amendment;
- 6.1.11 Each Award to an Employee or Consultant shall include a representation by the Corporation that the Participant is a bona fide Employee or Consultant, as the case may be;
- 6.1.12 Prior to receiving an Award, a Permitted Optionee must provide a written representation to the Corporation that such Permitted Optionee will not effect or permit any transfer of ownership or option of shares or other equity interests of the Permitted Optionee nor issue any further shares or other equity of any class in the Permitted Optionee to any other individual or entity as long as the Award remains outstanding, except with the prior written consent of the TSX Venture Exchange.
- 6.1.13 An individual can receive Awards to purchase no more than 5% of the outstanding shares of Common Stock listed on the TSX Venture Exchange on a yearly basis;
- 6.1.14 Awards to any one Consultant are restricted to 2% of the Corporation's issued shares in any 12 month period;
- 6.1.15 Awards issued to any one Consultant performing Investor Relations Activities must vest in stages over 12 months with no more than 25% of the Award vesting in any three month period;

6.1.16 Awards to all Employees hired by the Corporation for the principal purpose of conducting Investor Relations Activities are restricted to an aggregate of 2% of the Corporation's issued shares (calculated at the date the option is granted) in any 12 month period; and

6.1.17 Awards to all Insiders in the aggregate are restricted to 10% of the Corporation's issued shares in any 12 month period.

ARTICLE VII - TERMINATION OF SERVICE

7.1 The following provisions shall govern the exercise of any Stock Option held by an Optionee who ceases to be a Director, Officer, Employee or Consultant:

7.1.1 If the Optionee ceases to be a Director, Officer, Employee or Consultant for any reason other than such Optionee's death or disability, all Stock Options held by the Optionee shall be exercisable, to the extent that such Stock Options were exercisable on the date the Optionee ceased to fall under one of the foregoing categories (the "**Termination Date**") for a period of 30 days following the Termination Date;

7.1.2 If the Optionee ceases to be a Director, Officer, Employee or Consultant because of the Optionee's death or disability all Stock Options held by the Optionee shall become immediately exercisable and shall be exercisable by the Optionee, the personal representative of the Optionee's estate, or the person(s) to whom the Stock Options are transferred pursuant to the Optionee's will in accordance with the laws of descent and distribution, as applicable, for a period of 12 months following the Termination Date; and

7.1.3 In no event may any Stock Option remain exercisable after the expiration of the Term of the Stock Option. Upon the expiration of any 30 day or 12 month exercise period, as applicable, or, if earlier, upon the expiration of the Term of the Stock Option, the Stock Option shall terminate and shall cease to be outstanding for any shares for which the Stock Option has not been exercised.

ARTICLE VIII - NON TRANSFERABILITY OF STOCK OPTIONS

8.1 During the lifetime of the Optionee, Stock Options shall be exercisable only by the Optionee and shall not be assignable or transferable. In the event of the Optionee's death prior to the end of the Term, any Stock Option may be exercised by the personal representative of the Optionee's estate, or by the person(s) to whom the Stock Option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution.

ARTICLE IX - SHAREHOLDERS' RIGHTS

9.1 An Optionee shall have no shareholders' rights with respect to the shares subject to the Stock Option until such person shall have exercised the Stock Option, paid the Option Price and become a holder of record of the purchased shares of Common Stock.

ARTICLE X - ACCELERATION OF VESTING

10.1 The Compensation Committee may at any time in its sole discretion, accelerate the vesting of any Award made pursuant to the Plan by giving written notice to the Optionee. Upon receipt of such notice, the Optionee and the Corporation shall amend the agreement relating to the Award to reflect the new

vesting schedule. The acceleration of the vesting of an Award shall not affect the expiration date of such Award.

ARTICLE XI - CHANGE IN CONTROL

11.1 In the event of a Change in Control of the Corporation, all Awards outstanding under the Plan as of the day before the consummation of such Change in Control shall automatically accelerate for all purposes under the Plan so that each Stock Option shall become fully exercisable with respect to the total number of shares subject to such Stock Option and may be exercised for any or all of those shares as fully-vested shares of Common Stock as of such date, without regard to the conditions expressed in the agreements relating to such Stock Option.

ARTICLE XII - CANCELLATION AND NEW AWARD OF OPTIONS

12.1 Subject to the applicable policies of the TSX Venture Exchange and in particular subject to subsection 5.1(b) of TSX Venture Exchange Policy 4.4 *Incentive Stock Options*, the Compensation Committee shall have the authority, at any time and from time to time, with the consent of the affected Optionees, to effect the cancellation of any or all outstanding Stock Options and Award in substitution new Stock Options covering the same or different number of shares of Common Stock. In the case of such a new Award of a Stock Option, the Option Price shall be set in accordance with Article VI on the new Date of Grant.

ARTICLE XIII - EFFECTIVE DATE AND TERM OF THE PLAN

13.1 The Plan shall become effective on the Plan Effective Date. The Plan shall terminate upon the earliest of (a) ten years after the Plan Effective Date or (b) the termination of all outstanding Awards in connection with the Change of Control. Upon such Plan termination, all outstanding Awards shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such Awards.

ARTICLE XIV - AMENDMENT OF THE PLAN

14.1 The Compensation Committee may recommend that the Plan be amended or modified in any or all respects and submit such amendments or modifications for shareholder approval. No such amendment or modification shall adversely affect the rights and obligations with respect to such Awards outstanding under the plan at the time of such amendment or modification, unless the Optionee consents to such amendment or modification.

ARTICLE XV - REGULATORY APPROVALS

15.1 The implementation of the Plan, all Awards under the Plan and the issuance of any shares of Common Stock upon the exercise of a Stock Option shall be subject to the Corporation's procurement of all approvals and permits required by the Regulatory Authorities. No Stock Option shall be exercisable and no shares of Common Stock or other assets shall be issued or delivered under the Plan, unless and until there shall have been compliance with (a) the *Securities Act* (British Columbia) and its Rules, and (b) the requirements of the TSX Venture Exchange.

ARTICLE XVI - NO EMPLOYMENT OR SERVICE RIGHTS

16.1 Nothing in the Plan shall confer upon any Participant or Optionee any right to continue in service for any period or specific duration or interfere with or otherwise restrict in any way the rights of the

Corporation (or any Subsidiary employing or retaining such person) or of the Participant or Optionee, which rights are hereby expressly reserved by each, to terminate such person's service at any time for any reason, with or without cause.

ARTICLE XVII - HOLD PERIOD

17.1 In addition to any resale restrictions under securities laws, a stock Option and any shares of Common Stock issued upon the exercise of the Stock Option shall be subject to a four-month TSX Venture Exchange hold period from the Date of Grant of the Stock Option. The Stock Option, and the certificate representing the shares of Common Stock, if applicable, will bear the following legend:

“Without prior written approval of the TSX Venture Exchange and compliance with all securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [date].”

APPENDIX “B”

ADDITION TO THE CORPORATION’S ARTICLES

“10.9 Location of Shareholder Meetings

Meetings of the shareholders of the Corporation may be held anywhere in Canada, the United States, the United Kingdom or Ireland.”

APPENDIX “C”**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

A summary of the Corporation’s corporate governance initiatives in relation to the new guidelines for effective corporate governance for venture issuers pursuant to NI 58-101 and National Policy 58-201 - *Corporate Governance Guidelines* is set out below.

Independence of Directors for the Purpose of NI 58-101

The Board has determined that five out of eight of the Directors as at December 31, 2011 were independent for the purpose of NI 58-101. The independent Directors for the financial year ended December 31, 2011, were Igor Akhmerov, JoAchim Conrad, John Craven, Andrew Morris and Gregory Smith.

The Board determined that two out of eight of the Directors as at December 31, 2011 were not considered independent for the purpose of NI 58-101. The non-independent Directors for the financial year ended December 31, 2011, were Robert C. Macaulay, by virtue of being an executive officer of the Corporation, Daryl Gilbert, by virtue of accepting consultation fees from the Corporation, and Dr. György Szabó, by virtue of accepting consultation fees from TXM, a wholly-owned subsidiary of the Corporation.

Other Directorships

In addition to serving as a Director, the following Directors are also directors of the reporting issuers or equivalent as set out beside such Directors name:

- John Craven – Cove Energy;
- Daryl H. Gilbert - AltaGas Ltd., Penn West Petroleum Ltd., Crocotta Energy Inc., MGM Energy Corp., Zed-I Inc., Qwest Energy Investment Management Corp.; Suroco Energy Inc., PRD Energy Inc., Longview Oil Corp., and Charger Energy Corp.;
- Andrew Morris – Madagascar Oil Ltd.;
- Robert C. Macaulay – PetroGlobe Inc.; and
- Gregory Smith – Armistice Resources.

Orientation and Continuing Education

The Nominating Committee (now referred to as the Nominating & Compensation Committee) is responsible for the orientation and education of new recruits to the Board and it has adopted an education and orientation program which ensures that all new Directors will receive an orientation binder consisting of, among other things, all Directors’ Committee Mandates, copies of the Corporation’s Disclosure Policy and a copy of the Corporation’s other policies.

Prior to joining the Board, each new Director will meet with the Chairman, the CEO and the CFO. Each such officer shall be responsible for outlining the business and prospects of the Corporation, both positive and negative, with a view to ensuring that the new Director is properly informed to commence his or her duties as a Director. Each new Director will also be given the opportunity to meet

with the auditors and counsel to the Corporation. As part of the annual board assessment process the Board determines whether any additional education and training is required for Directors.

Code of Business Ethics

The Directors have also adopted a Code of Business Conduct (the “**Code**”) applicable to all employees and officers of the Corporation and all Directors to highlight key issues and identify resources available to them in order to assist them in reaching appropriate decisions. A copy of the Code may be obtained on written request addressed to the CFO. The Board monitors compliance with the Code and Management provides an annual report to the Board regarding issues, if any, arising under the Code.

Nomination of Directors and Assessments

The Nominating & Compensation Committee is responsible for, among other things, identifying suitable candidates to be recommended for election to the Board by Shareholders or appointment by the Directors, subject to the limits in the Corporation’s articles and the *Business Corporations Act* (British Columbia). One of the objectives of the Nominating & Compensation Committee is to maintain the composition of the Directors in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Corporation.

The Nominating & Compensation Committee is to conduct an annual review and assessment of the performance of the Chairman, the President and CEO and the other senior executive officers of the Corporation.

The Nominating & Compensation Committee is responsible for regularly reviewing and recommending succession plans for the senior executives. The Nominating & Compensation Committee also reviews and monitors the executive development programs of the Corporation and the long-range plans and personnel policies for recruiting, developing and motivating executives of the Corporation. The Nominating & Compensation Committee has reviewed and approved the qualifications of each of the Board nominees standing for election.

The Nominating & Compensation Committee is responsible to make an annual assessment of the overall performance of the Directors as a group and to report its findings to the full Board. A questionnaire has been drafted to be utilized as part of this process. The assessment examines the effectiveness of the Directors as a whole and specifically reviews areas that the Directors and/or Management believe could be improved to ensure the continued effectiveness of the Directors in the execution of their responsibilities.

CEO and Director Compensation

The Compensation Committee is responsible for conducting an annual review of the performance of the Corporation and the CEO as measured against objectives established in the prior year by the Compensation Committee (now referred to as the Nominating & Compensation Committee) and the CEO and approved by the Board. The results of this annual review are to be communicated to the Board who then makes an evaluation of the overall performance of the Corporation and the CEO. This performance evaluation is communicated to the CEO by the Chair and the Chair of the Compensation Committee (now referred to as the Nominating & Compensation Committee). The evaluation is to be used by the Compensation Committee (now referred to as the Nominating & Compensation Committee) in its deliberations concerning the CEO’s annual compensation. The evaluation of performance against objectives forms part of the determination of the entire compensation of senior employees. The Compensation Committee is also responsible for reviewing the compensation of the outside Directors on

an annual basis, taking into account such matters as time commitment, responsibility and compensation provided by comparable organizations.

Other Board Committees

In August 2008 the Board established a special committee (the “**Special Committee**”) composed of its independent Directors in order to consider certain transactions before the Corporation. The Special Committee has met seven times, on August 24, 2008, September 9, 2008, September 29, 2008, December 1, 2008, February 20, 2009, April 23, 2009 and August 19, 2009, since its formation. The Special Committee will not hold regularly scheduled meetings but will meet as required.

In September 2009, the Board established the Corporate Governance Committee composed of certain of its independent Directors in order to review and recommend to the Directors effective corporate governance procedures for implementation (“**Objectives**”). The Corporate Governance Committee has met once, on October 20, 2009, since its formation. The Corporate Governance Committee will not hold regularly scheduled meetings but will meet as required in order to meet its Objectives. The Corporate Governance Committee is currently comprised of four members, two of which are independent.

APPENDIX “D”

AUDIT COMMITTEE CHARTER

FALCON OIL & GAS LTD. (the “Corporation”)

(Implemented pursuant to National Instrument 52-110 (the “Instrument”))

National Instrument 52-110 relating to the composition and function of audit committees was implemented for Ontario reporting companies effective June 30, 2005 and, accordingly, applies to every TSX Venture Exchange listed Corporation, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors.

This Charter (as hereinafter defined) has been adopted by the board of directors of the Corporation in order to comply with the Instrument and to define the role of the Committee (as hereinafter defined) in relation to the oversight of the financial reporting processes of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or the Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

- (a) improve the quality of the Corporation’s financial reporting;
- (b) assist the board of directors to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors and external auditors;
- (d) enhance the external auditor’s independence;
- (e) increase the credibility and objectivity of financial reports; and
- (f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“**Affiliate**” means a corporation that is a subsidiary of another corporation or corporations that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation’s external auditor for the audit and review of the Corporation’s financial statements or services that are normally

provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**executive officer**” means an individual who is:

- (a) the chair of the Corporation;
- (b) the vice-chair of the Corporation;
- (c) the president of the Corporation;
- (d) the vice-president in charge of a principal business unit, division or function including sales, finance or production;
- (e) an officer of the Corporation or any of its subsidiary entities who performs a policy-making function in respect of the Corporation; or
- (f) any other individual who performs a policy-making function in respect of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.4;

“**immediate family member**” means a person’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person’s immediate family member) who shares the individual’s home;

“**independent**” has the meaning set forth in Section 1.2;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

1.2 **Meaning of Independence**

1.2.1 A Member is independent if he or she has no direct or indirect material relationship with the Corporation.

1.2.2 For the purposes of Section 1.2.1, a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a Member’s independent judgement.

1.2.3 Despite Section 1.2.2, the following individuals are considered to have a material relationship with the Corporation:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
- (c) an individual who:
 - (i) is a partner of a firm that is the Corporation's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

1.2.4 Despite Section 1.2.3, an individual will not be considered to have a material relationship with the issuer solely because:

- (a) he or she had a relationship identified in Section 1.2.3 if that relationship ended before March 30, 2004; or
- (b) he or she had a relationship identified in Section 1.2.3 by virtue of Section 1.2.8 if that relationship ended before June 30, 2005.

1.2.5 For the purposes of Section 1.2.3(c) and Section 1.2.3(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

1.2.6 For the purposes of Section 1.2.3(f), direct compensation does not include:

- (a) remuneration for acting as a member of the board of directors or of any board committee of the Corporation; and
- (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

1.2.7 Despite Section 1.2.3(f)(i) an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

- (a) has previously acted as an interim chief executive officer of the Corporation, or
- (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

1.2.8 For the purpose of Section 1.2, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.3 **Additional Independence Requirements**

1.3.1 Despite any determination made under Section 1.2, an individual who

- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
- (b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

1.3.2 For the purposes of Section 1.3.1, the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:

- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
- (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

1.3.3 For the purposes of Section 1.3.1, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

1.4 **Meaning of Financial Literacy**

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting

issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

PART 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

The Corporation will henceforth require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 Committee Responsibilities

2.3.1 The Committee shall be responsible for making the following recommendations to the board of directors:

- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
- (b) the compensation of the external auditor.

2.3.2 The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

- (a) reviewing the audit plan with management and the external auditor;
- (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
- (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the financial period and the method of resolution;
- (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtain an explanation from management of all significant variances between comparative reporting periods;
- (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

- (g) reviewing interim unaudited financial statements before release to the public;
 - (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and MD&A;
 - (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - (j) reviewing the terms of reference of the internal auditor, if any;
 - (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
- 2.3.3 The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.
- 2.3.4 The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.
- 2.3.5 The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.
- 2.3.6 When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.
- 2.3.7 The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.
- 2.3.8 The Committee shall, as applicable, establish procedures for:
- (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
- 2.3.9 As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.
- 2.3.10 The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 **De Minimis Non-Audit Services**

The Committee shall satisfy the pre-approval requirement in Section 2.3.3 hereof if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 **Delegation of Pre-Approval Function**

2.5.1 The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in Section 2.3.3 hereof.

2.5.2 The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to Section 2.5.1 hereof must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 **Composition**

3.1.1 The Committee shall be composed of a minimum of three Members.

3.1.2 Every Member shall be a director of the issuer.

3.1.3 Every Committee Member shall be financially literate.

PART 4

4.1 **Authority**

Until the replacement of this Charter, the Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

PART 5

5.1 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

PART 6

6.1 Meetings

6.1.1 Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

6.1.2 Opportunities shall be afforded periodically to the external auditor and to members of senior management to meet separately with the Members.

6.1.3 Minutes shall be kept of all meetings of the Committee.