



Management Information Circular

For the Annual and Special Meeting of Shareholders to be held on 30 September 2013

28 August 2013

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 30 September 2013 (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 using any one of the methods described on the form of proxy by no later than 11:00 a.m. Eastern Standard Time (Toronto time) on Thursday 26 September 2013. 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 the year ended 31 December 2012, the first six months of 2013 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 O’Callaghan Stephen’s Green Hotel, 1-5 Harcourt Street (off Stephen’s Green), Dublin 2, Ireland on 30 September 2013 at 11:00 a.m. (Greenwich Mean time “**GMT**”), for the following purposes:

1. To receive the audited annual consolidated financial statements of the Corporation for the year ended 31 December 2012 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 authorise 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 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 22 August 2013, 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 28 August 2013 (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., Styne House, Upper Hatch Street, Dublin 2, Ireland, or will be sent to a shareholder without charge upon request by calling + 353 1 417 1900.

Dated 28 August 2013

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, the enclosed Management Proxy in respect of the Common Shares owned by you and deliver/ mail the completed Management Proxy to 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. Eastern Standard Time (Toronto time) on Thursday 26 September 2013. 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.

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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 O’Callaghan Stephen’s Green Hotel, 1-5 Harcourt Street (off Stephen’s Green), Dublin 2, Ireland on 30 September 2013 at 11:00 a.m. (Greenwich Mean time “**GMT**”), 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 28 August 2013.

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 e-mail 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 directors 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. Eastern Standard Time (Toronto time) on Thursday 26 September 2013, 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 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 international direct dial +312-588-4290; or (c) on the Internet at www.investorvote.com.

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. Eastern Standard Time (Toronto time) on Thursday 26 September 2013 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 international direct dial +312-588-4290; 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/her 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, RRFs, RESPs and similar plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited (“**CDS**”) or Computershare Company Nominees Limited (“**CCNL**”)).

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,

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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. Eastern Standard Time (Toronto time) on Thursday 26 September 2013. 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 recognised 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.

Depository interests

Holders of depository interests (the "Depository Interests") shall be invited to attend the Meeting by Computershare Company Nominees Limited in its capacity as custodian for the Depository Interests and on behalf of the Corporation. If you are a holder of Depository Interests in the Corporation, please fill in the form of instruction (the "Form of Instruction") and return the completed Form of Instruction to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom not less than 72 hours (excluding weekends and holidays) before the time for holding the Meeting or any adjournment thereof. The completion and return of the Form of Instruction will not preclude you from attending the Meeting and voting in person if you so wish. Should you wish to attend the meeting and/or vote at the Meeting please notify Computershare Investor Services PLC in writing at the address above or email UKALLDITeam2@computershare.co.uk. In all cases, Beneficial Shareholders should carefully follow the instructions of their intermediary, including those regarding when, where and by what means the voting instruction form or proxy form must be delivered.

Alternatively, holders of depository interests may register the appointment of a proxy for the Meeting electronically, by either accessing the website www.investorcentre.co.uk/eproxy, using the Control Number, PIN and Shareholder Reference Number set out on their Form of Instruction, where full details of the procedure are given. This website is operated by Computershare Investor Services PLC. Or by voting through the CREST system.

To give an instruction via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 11:00 am GMT on 25 September 2013. For this purposes, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Corporation may treat as invalid an appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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)

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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 22 August 2013 (the “**Record Date**”). As of the Record Date, 915,996,473 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	Number of Common Shares Owned (Percentage of Class and Type of Ownership)	
	Common Shares⁽¹⁾	Percentage of Voting Rights⁽²⁾
Burlingame Asset Management, LLC	125,253,839	13.67%
Soliter Holdings Corp. ⁽³⁾	112,810,134	12.32%
Sweetpea Petroleum Pty Ltd ⁽⁴⁾	97,860,000	10.86%

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 915,996,473 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 28 August 2013, Renova indirectly beneficially owns all of the Common Shares held through Soliter Holdings Corp. (“**Soliter**”).
- (4) Sweetpea Petroleum Pty Ltd is a 100% subsidiary of Petrohunter Energy Corporation of Maryland, U.S.A.

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 using any one of the methods described on the Management Proxy by no later than 11:00 a.m. Eastern Standard Time (Toronto time) on Thursday 26 September 2013. 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/ Form of Instruction 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 committee of the Board 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.

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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:

Daryl Gilbert was a director of Globel Direct, Inc. ("Globel") which was the subject of cease trade orders issued by the Alberta Securities Commission ("ASC") on 22 November 2002 and the British Columbia Securities Commission ("BCSC") on 22 November 2002 for failure to file certain financial statements. Globel filed such financial statements and the cease trade orders were removed on 20 December 2002 and 23 December 2002, respectively. On 12 June 2007, Globel was granted protection from its creditors by the Court of Queen's Bench of Alberta pursuant to the Companies' Creditors Arrangement Act, which protection expired on 7 December 2007, following which the monitor was discharged on 12 December 2007 and a receiver/manager was appointed. Subject to the completion of matters relating to the wind-up of the administration of the receivership, the receiver was discharged on 3 September 2008. Globel has ceased operations, and as a result became the subject of cease trade orders issued by the ASC on 24 September 2008 and the BCSC on 30 September 2008 for failure to file certain disclosure documents. In October 2008, a statement of claim was filed against the officers and directors of Globel by that same lender alleging breach of fiduciary responsibilities leading to the failure of the company. This action was not pursued by the claimants, has not received leave of the court to proceed and is currently inactive.

Gregory Smith was a director of Sportsclick Inc. which was the subject of an order of the Supreme Court of Nova Scotia in July 2009 protecting it from proceedings by creditors pursuant to the Bankruptcy and Insolvency Act and appointed Ernst & Young Inc. as receiver.

Igor Akhmerov was a director of Aión Renewables SpA, a former leading player in the Solar market in Italy, that was declared bankrupt on 14 March 2013 by the Court of Reggio Emilia (Italy). Aión's bankruptcy was caused by a significant change of renewable energy legislation in Italy. The competent court appointed Mr. Franco Cadoppi as receiver of the company. This in turn triggered bankruptcy of Ecoware SpA and Helios Technology SpA, both subsidiaries of Aion Renewables, on 28 March 2013 and 14 May 2013, respectively. Igor Akhmerov was a director of those companies.

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 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.

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Name & residence	Function	Date of appointment	Number of securities held ⁽⁴⁾	Principal occupation during last 5 years
John Craven, Dublin, Ireland ^{(2) (3)}	Non-executive Chairman	22 December 2009	2,857,143 common shares 375,000 warrants 3,100,000 share options	CEO of Discover Exploration plc and former Director and CEO of Cove Energy plc
Philip O'Quigley, Dublin, Ireland	Chief Executive Officer	25 September 2012	1,513,696 common shares 6,000,000 share options	Finance Director, Providence Resources plc
Dr. György Szabó, Budapest, Hungary	Executive Director and Co- Managing Director of Falcon - TXM	24 April 2006	1,750,000 share options	Consultant and Mining Bureau registered technical responsible person for TXM Oil & Gas Exploration Kft.
Daryl H. Gilbert, Calgary, Alberta, Canada ⁽¹⁾	Non-executive Director	21 September 2007	750,000 warrants 1,000,000 share options	Independent Businessman
JoAchim Conrad, Potsdam, Germany ^{(2) (3)}	Non-executive Director	6 October 2008	1,000,000 share options	Managing Director of Gazprom Marketing and Trading GmbH Managing Director of Bosphorus Gaz Corporation A.Ş.
Gregory Smith, Calgary, Alberta, Canada ⁽¹⁾	Non-executive Director	22 December 2009	470,000 common shares 300,000 warrants 1,000,000 share options	Chartered Accountant President of Oakridge Financial Management Inc. CFO of Maglin Site Furniture Inc. Director of Armistice Resources and TriWestern Energy Corp.
Igor Akhmerov, Mannedorf, Switzerland ^{(1) (2) (3)} ⁽⁵⁾	Non-executive Director	21 September 2007; resigned 29 May 2008; re-elected 14 December 2010	38,000,000 common shares 28,500,000 warrants 2,900,000 share options	Chief Executive Officer, Avelar Energy Group
David Harris Calgary, Alberta, Canada	Non-executive Director	25 September 2012	150,000 common shares 300,000 share options	Proprietor of DGH International GeoConsulting

Notes:

- (1) Member of the audit committee.
- (2) Member of the compensation committee.
- (3) Member of the corporate governance committee.
- (4) Number of securities held has been provided by the individual directors. These numbers are as of the date of this information circular.
- (5) 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 2,900,000 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 9.1% 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.

The Group also has a "nomination committee" and a "reserves committee". The composition of these committees is decided when these meetings are requested.

John Craven: Non-Executive Chairman

Mr. Craven has been Non-Executive Chairman of the Board since September 2011 and has over 35 years of experience in technical, commercial, financial and leadership roles at major international upstream oil companies and junior independents. John is currently CEO of Discover Exploration and his career has been noted for a series of successful new venture negotiations, the exploration of which led to major discoveries in Mozambique, Algeria, Colombia, offshore Ghana and Indonesia. Along with his co-directors, he led Ardmere Petroleum, Dana Petroleum,

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Petroceltic International and recently Cove Energy through the acquisition of major upstream assets and key exploration and developmental milestones. During this time Mr. Craven has been actively involved in corporate finance and was responsible for raising initial capital through private sources and floating Petroceltic International on the Irish Stock Exchange and Cove Energy on AIM. Mr. Craven holds an MSc in Petroleum Geology from the Royal School of Mines in London and an MBA from Queen's University in Belfast.

Philip O'Quigley: Chief Executive Officer

Mr. O'Quigley has been a member of the Board since September 2012 and has been Chief Executive Officer of Falcon since May 2012. Mr. O'Quigley brings 20 years' experience in senior management 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 UK and Ireland. Most recently, he served as Finance Director for Providence Resources, an Irish oil and gas exploration and production company and he remains on the board of Providence Resources as a non-executive director. 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.

Dr. György Szabó: Executive Director

Dr. Szabó has been a Director of Falcon since 2006. He has also previously served as Consultant and Mining Bureau Registered Technical Responsible Person for Falcon's wholly-owned subsidiary TXM. Dr. Szabó is a widely recognised authority in the Hungarian and international petroleum industry. In addition to being a university professor, Dr. Szabó has overseen the design and implementation of the deepest HP-HT well ever drilled in Hungary. In 1991 he was in charge of successful fire control and well abandonment operations by Hungarian teams in Kuwait. He was instrumental in the privatisation and the strategy related to the capitalisation and structure of Hungary's former national oil company (presently MOL Group), as well as the landmark listing of the company on domestic and international securities exchanges in 1995. Dr. Szabó graduated from Miskolc University and received a degree in petroleum engineering in 1963. He received his Ph.D. in 1975.

Daryl H. Gilbert: Non-Executive Director

Mr. Gilbert has been a member of the Board since September 2007 and is a Professional Petroleum Engineer with over 35 years' experience in both the Canadian and international oil and gas industries. Mr. Gilbert serves as a director of several energy related public entities in addition to Falcon including AltaGas Ltd. and Penn West Petroleum Ltd. He is also currently a Managing Director of JOG Capital Inc. a private equity oil and gas investment firm located in Calgary Alberta. The greater part of Mr. Gilbert's career was spent in the independent energy evaluation consulting sector. In 1979, he joined the predecessor oil and gas engineering and geological firm which became Gilbert Laustsen Jung Associates Ltd. ("GLJ") where he served as a Principal Officer beginning in 1988 and as President and Chief Executive Officer from 1994 through to his retirement from consulting in 2005. Mr. Gilbert has a BSc from the University of Manitoba in Civil Engineering and is a member of the Association of Petroleum Engineers, and Geoscientists of Alberta, the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

Joachim Conrad: Non-Executive Director

Mr. Conrad has been a member of the Board since October 2008 and is currently a Senior Advisor at Gazprom Germania GmbH and Managing Director of BosphorusGaz Corporation, Turkey, Istanbul (a 71 per cent. 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 per cent. 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, 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 and gas corporation Wintershall. Mr. Conrad graduated with an Economics degree from Georg-August Universität, Germany, in 1992 focusing on Economics and Information Technology, Graduation in Artificial Intelligence.

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Gregory Smith: *Non-Executive Director*

Mr. Smith has been a member of the Board and Chairman of the Audit Committee since December 2009 and is a Chartered Accountant and President of Oakridge Financial Management Inc., a provider of financial and management consulting services to private and public companies. He is also the CFO and a director 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 and chairman of the audit committee of Armistice Resources Corp and a director of a number of private corporations. He is a past director and audit committee chairman of a number of public and private resource corporations, including director and chairman of the audit committees of TriWestern Energy Inc., 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 Bachelor of Commerce degree from the University of Calgary.

Igor Akhmerov: *Non-Executive Director*

Mr. Akhmerov has been a member of the Board since December 2010. He was also on the Board from September 2007 until May 2008. Mr. Akhmerov graduated from the Moscow Institute of Management in 1989, Wharton Business School in 1995, and Lauder Institute of Business and International Relations, also in 1995. From 1989 through 1993 Mr. Akhmerov worked at the Moscow office of Bain & Company, specialised in privatisation and banking. After graduation from Wharton Business School, Mr. Akhmerov joined the Boston office of Bain & Company. In 1998 Mr. Akhmerov 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.

David Harris: *Non-Executive Director*

Mr. Harris has been a member of the Board since September 2012. 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. These have been done for Investment Banks, Energy Research Firms, private equity firms, boards of directors and management teams. Prior to this, Mr. Harris spent 22 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. in Geology (with Honours) from University of Calgary (1981).

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 authorise 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 authorised 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, capitalised terms used herein have the meanings ascribed thereto in the Stock Option Plan.

The Shareholders initially approved the Stock Option Plan on 18 November 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 28 August 2013, 34,952,000 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 28 August 2013 and the grant of stock options pursuant to such Stock Option Plan is hereby authorised; and
2. any Director or officer of the Corporation is hereby authorised 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 authorised 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.

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 Canadian (“**CDN**”) \$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 Committees. The Compensation Committee is comprised of John Craven, JoAchim Conrad and Igor Akhmerov. The Group also has a “nomination committee”.

The Corporation’s executive compensation program has the following principal components: base salary, pension contribution, company healthcare plan, incentive bonus plan and stock options.

Base salaries, pension contributions and participation in the company healthcare plan 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, 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.

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.

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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 31 December 2012:

Name and principal position	Year	Salary US\$	Share-based awards US\$	Option-based awards US\$	Non-equity incentive plan compensation		Pension contribution US\$	All other compensation US\$	Total compensation US\$
					Annual incentive plans US\$	Long-term incentive plans US\$			
Philip O'Quigley (CEO) ⁽¹⁾	2012	226,667	Nil	⁽⁴⁾ 460,914	Nil	Nil	40,000	2,399	729,980
Robert Macaulay (Former President and CEO) ⁽¹⁾	2012	126,577	77,052	Nil	Nil	Nil	Nil	17,000	220,629
	2011	275,000	Nil	Nil	Nil	Nil	Nil	148,932	423,932
	2010	38,270	Nil	161,337	Nil	Nil	Nil	21,250	220,857
Eoin Grindley (CFO) ⁽²⁾	2012	85,620	Nil	Nil	Nil	Nil	8,407	817	94,844
Evan Wasoff (Former CFO) ⁽²⁾	2012	244,615	Nil	Nil	Nil	Nil	Nil	Nil	244,615
	2011	285,000	Nil	373,097	Nil	Nil	Nil	Nil	658,097
	2010	195,000	Nil	44,338	Nil	Nil	Nil	Nil	239,338
Rod Wallis (Former COO) ⁽³⁾	2012	222,308	Nil	Nil	Nil	Nil	Nil	Nil	222,308
	2011	285,000	Nil	339,179	Nil	Nil	Nil	Nil	624,179
	2010	195,000	Nil	34,106	Nil	Nil	Nil	Nil	229,106
Dr. György Szabó (Co- MD – Falcon TXM)	2012	180,000	Nil	Nil	Nil	Nil	Nil	Nil	180,000
	2011	222,000	Nil	169,589	Nil	Nil	Nil	9,000	400,589
	2010	128,000	Nil	34,106	Nil	Nil	Nil	24,375	186,481

Notes:

(1) Mr. Philip O'Quigley was appointed Chief Executive Officer on 1 May 2012. Mr. Macaulay stepped down as President and CEO on 1 May 2012 (appointed November 2010). In addition to that disclosed above Mr O'Quigley was paid a bonus of US\$200,000 in May 2013. The bonus was based on the average increase in the weighted market capitalisation of the company from 1 May 2012 to 30 April 2013. This bonus was not determinable as at 31 December 2012.

(2) Mr. Eoin Grindley was appointed CFO on 30 July 2012. Mr Evan Wasoff stepped down from his position on 30 July 2012 but remained with the Corporation on a consulting basis throughout 2012. In addition to that disclosed above Mr Grindley was paid a bonus of €60,000 in August 2013. The bonus was based on the average increase in the weighted market capitalisation of the company from 30 July 2012 to 29 July 2013. This bonus was not determinable as at 31 December 2012.

(3) Mr. Wallis stepped down as Chief Operating Officer on 30 June 2012.

(4) The fair value of the 2012 granted options was estimated using a Black Scholes model with the following inputs:

Fair value as at grant date	CDN\$0.08
Share price as at grant date	CDN\$0.10
Exercise price	CDN\$0.10
Volatility	104%
Expected option life	5 years
Dividends	Nil
Risk-free interest rate	1.59%

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 31 December 2012. For a description of the termination provisions and change of control benefits payable by the Corporation to each named executive officer, see below for each individual officer.

Philip O'Quigley

Mr. O'Quigley was appointed as a Director in September 2012. Mr. O'Quigley accepted the position of Chief Executive Officer pursuant to an employment contract dated 10 April 2012 and commenced employment on 1 May 2012. Mr. O'Quigley receives an annual salary of US\$340,000, which may be increased by up to US\$100,000 on achieving certain targets, and is eligible for a bonus of up to 50% of the sum of Mr. O'Quigley's annual salary plus the annual contribution to his pension plan. The Company can terminate Mr. O'Quigley's employment contract on 12 months notice, or payment in lieu of notice. This contract does not include a "change of control" provision.

Mr. Eoin Grindley

Mr. Grindley entered into an employment agreement on 18 June 2012 whereby Mr. Grindley was appointed as the Company's Chief Financial Officer. Mr. Grindley commenced employment on 30 July 2012. Mr. Grindley is paid an annual salary of €160,000 which may be increased by up to €40,000 on achieving certain targets, and is eligible for a bonus of up to 50% of his annual salary. The Company can terminate Mr. Grindley's employment agreement on six months notice, or payment in lieu of notice. This contract does not include a "change of control" provision.

Mr. Robert Macaulay

In November 2010 Robert Macaulay entered into an interim executive employment agreement with the Corporation. In addition to the compensation terms summarised 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. Mr. Macaulay stepped down on 1 May 2012 and Mr. Philip O'Quigley was appointed on the same day. No amounts have been paid to Mr. Macaulay in connection with his termination. Mr. Macaulay remained on the Board of Directors as a Non-executive Director until his resignation on 25 September 2012. Under the terms of his employment agreement, as President and Interim CEO, Mr. Macaulay was awarded 300,000 shares in Falcon Oil and Gas Ltd, which were granted in December 2012. In addition the company paid the cost of personal taxes relating to the granting of these shares.

Dr. György Szabó

Dr. Szabó was appointed as a Director in April 2006. Dr. Szabó was paid consultancy fees of US\$180,000 in 2012 for his consultancy work performed for TXM under the following two consultancy contracts.

Dr. György Szabó Consulting Agreement

On 27 February 2009, Dr. György Szabó entered into a consulting agreement (the "GS Consulting Agreement") with TXM, pursuant to which Dr. Szabó agreed to act as Managing Director of TXM, to perform certain oil and gas services for TXM and to not compete directly or indirectly with TXM during his employment with TXM. Dr. Szabó is paid a monthly fee of US\$5,000. The GS Consulting Agreement contains standard confidentiality provisions. TXM may terminate the GS Consulting Agreement at any time, with or without cause, for any lawful reason whatsoever, upon TXM providing Dr. Szabó with sixty days' prior written notice. The GS Consulting Agreement expired on 31 December 2009, however Dr. Szabó has continued to provide general managerial services to TXM and to receive the same monthly fee. Dr. Szabó was paid US\$60,000 pursuant to the GS Consulting Agreement in 2012.

P&S Consulting Agreement

On 4 May 2005, P&S Mérnöki Kereskedelmi-Tanácsadó Bt. ("P&S") entered into a consulting agreement (the "P&S Agreement") with TXM, pursuant to which P&S agreed to provide certain consulting services to TXM in connection with TXM's objectives of drilling wells on the Makó and Tisza licences. The P&S Agreement was amended on 28 November 2005 and further amended on 1 June 2006, 1 January 2008, 1 January 2009 and 1 April 2010.

P&S is wholly-owned by a family member of Dr. Szabó, a current Director of the Company. Under the terms of the P&S Agreement, TXM was obligated to pay P&S a monthly services fee of HUF 750,000. The P&S Agreement contains standard confidentiality provisions and provides that P&S shall not compete with TXM during the term of the

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P&S Agreement. TXM may terminate the P&S Agreement at any time, with or without cause, for any lawful reason whatsoever, upon TXM providing P&S with 30 days prior written notice. TXM and P&S have further amended the terms of the P&S Agreement by oral agreement. Pursuant to the amended P&S Agreement, P&S was paid a monthly fee of US\$10,000 during 2012 plus reasonable expenses incurred by Dr. Szabó as an employee of P&S, such amounts thereafter paid to Dr. Szabó from P&S.

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 31 December 2012:

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	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
Philip O'Quigley (CEO)	6,000,000	CDN\$0.100	1 May 2017	CDN\$480,000	Nil	Nil
Robert Macaulay (Former President and CEO)	300,000	CDN\$0.170	30 August 2015	CDN\$3,000	Nil	Nil
Eoin Grindley (CFO) ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil
Evan Wasoff (Former CFO)	750,000	CDN\$1.180	5 June 2013	Nil	Nil	Nil
	325,000	CDN\$0.170	30 August 2015	CDN\$3,250	Nil	Nil
	3,300,000	CDN\$0.145	23 May 2016	CDN\$115,500	Nil	Nil
Rod Wallis (Former COO)	1,000,000	CDN\$1.000	6 May 2013	Nil	Nil	Nil
	1,000,000	CDN\$1.180	5 June 2013	Nil	Nil	Nil
	250,000	CDN\$0.170	30 August 2015	CDN\$2,500	Nil	Nil
	3,000,000	CDN\$0.145	23 May 2016	CDN\$105,000	Nil	Nil
Dr. György Szabó (Co- MD – Falcon TXM)	750,000	CDN\$1.180	5 June 2013	Nil	Nil	Nil
	250,000	CDN\$0.170	30 August 2015	CDN\$2,500	Nil	Nil
	1,500,000	CDN\$0.145	23 May 2016	CDN\$52,500	Nil	Nil

Notes:

(1) The "value of unexercised in-the-money options" is calculated based on the difference between the closing price of CDN\$0.18 for the Common Shares on the TSX-V on 31 December 2012 and the exercise price of the options, multiplied by the number of unexercised options.

(2) Eoin Grindley (Chief Financial Officer) is, pursuant to his employment contract, entitled to 3,000,000 stock options. These were granted in April 2013.

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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 31 December 2012:

Name	Option-based awards – Value vested during the year ⁽¹⁾ US\$	Share-based awards – Value vested during the year ⁽¹⁾ US\$	Non-equity incentive plan compensation – Value earned during the year US\$
Philip O'Quigley (CEO)	Nil	Nil	Nil
Robert Macaulay (Former President and CEO)	10,000	Nil	Nil
Eoin Grindley (CFO)	Nil	Nil	Nil
Evan Wasoff (Former CFO)	Nil	Nil	Nil
Rod Wallis (Former COO)	Nil	Nil	Nil
Dr. György Szabó (Co- MD – Falcon TXM)	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

Name	Accumulated value at start of year US\$	Compensatory US\$	Accumulated value at end of year US\$
Philip O'Quigley (CEO)	Nil	40,000	40,000
Robert Macaulay (Former President and CEO)	Nil	Nil	Nil
Eoin Grindley (CFO)	Nil	8,407	8,407
Evan Wasoff (Former CFO)	Nil	Nil	Nil
Rod Wallis (Former COO)	Nil	Nil	Nil
Dr. György Szabó (Co- MD – Falcon TXM)	Nil	Nil	Nil

As part of the terms of his employment agreement US\$40,000 was paid into a defined contribution plan for Mr Philip O'Quigley in the year ended 31 December 2012. As part of the terms of his employment agreement US\$8,407 was paid into a defined contribution plan for Mr Eoin Grindley in the year ended 31 December 2012.

No other benefits were paid, and no other 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.

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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 31 December 2012:

Name	Fees earned US\$	Share-based awards US\$	Option-based awards US\$	Non-equity incentive plan compensation US\$	Pension value US\$	All other compensation US\$	Total US\$
John Craven	48,000	Nil	Nil	Nil	Nil	Nil	48,000
Daryl H. Gilbert	37,000	Nil	Nil	Nil	Nil	Nil	37,000
JoAchim Conrad	36,000	Nil	Nil	Nil	Nil	Nil	36,000
Gregory Smith	42,000	Nil	Nil	Nil	Nil	Nil	42,000
Igor Akhmerov	42,000	Nil	Nil	Nil	Nil	Nil	42,000
David Harris ⁽¹⁾	9,000	Nil	Nil	Nil	Nil	Nil	9,000
Andrew Morris ⁽²⁾	32,000	Nil	Nil	Nil	Nil	Nil	32,000

Note:

(1) David Harris was appointed on 25 September 2012.

(2) Andrew Morris resigned on 25 September 2012.

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 31 December 2012:

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	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
John Craven	300,000	CDN\$0.170	30 August 2015	CDN\$3,000	Nil	Nil
	800,000	CDN\$0.145	23 May 2016	CDN\$28,000	Nil	Nil
Daryl H. Gilbert	⁽²⁾ 1,900,000	CDN\$1.180	5 June 2013	Nil	Nil	Nil
	300,000	CDN\$0.170	30 August 2015	CDN\$3,000	Nil	Nil
	500,000	CDN\$0.145	23 May 2016	CDN\$17,500	Nil	Nil
JoAchim Conrad	300,000	CDN\$0.170	30 August 2015	CDN\$3,000	Nil	Nil
	400,000	CDN\$0.145	23 May 2016	CDN\$14,000	Nil	Nil
Gregory Smith	300,000	CDN\$0.170	30 August 2015	CDN\$3,000	Nil	Nil
	500,000	CDN\$0.145	23 May 2016	CDN\$17,500	Nil	Nil
Igor Akhmerov	400,000	CDN\$0.145	23 May 2016	CDN\$14,000	Nil	Nil
David Harris	Nil	Nil	Nil	Nil	Nil	Nil
Andrew Morris	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) The "value of unexercised in-the-money options" is calculated based on the difference between the closing price of CDN\$0.18 for the Common Shares on 31 December 2012 and the exercise price of the options, multiplied by the number of unexercised options.

(2) Includes 1,400,000 options granted for consulting services.

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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 31 December 2012:

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 (\$)
John Craven	Nil	Nil	Nil
Daryl H. Gilbert	Nil	Nil	Nil
Joachim Conrad	Nil	Nil	Nil
Gregory Smith	Nil	Nil	Nil
Igor Akhmerov	Nil	Nil	Nil
David Harris	Nil	Nil	Nil
Andrew Morris	Nil	Nil	Nil

Note:

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

Securities authorised for issuance under equity compensation plans

The following table provides information as of 31 December 2012, with respect to compensation plans under which the Common Shares are authorised 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)	32,837,000	CDN\$0.35	36,858,450
Total	32,837,000	CDN\$0.35	36,858,450

Note:

(1) As of 31 December 2012, 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 31 December 2012 or at any time during 2012.

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 "B".

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 "C" hereto.

Composition of Audit Committee

The audit committee comprises of Greg Smith (Chair), Igor Akhmerov and Daryl Gilbert. Igor Akhmerov and Daryl Gilbert meet the independence requirement set out in NI 58-101 and under National Instrument 52-110 - *Audit Committees* ("NI 52-110"). The Company is availing of the exemption as noted in part 6 on NI 52-110.

The Audit Committee meets the independence requirements of Section 21 of "Policy 3.1 Directors, Officers, Other insiders & personnel and corporate governance" of the TSX as applicable to venture issuers.

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 has been a member of the Board and Chairman of the Audit Committee since December 2009 and is a Chartered Accountant and President of Oakridge Financial Management Inc., a provider of financial and management consulting services to private and public companies. He is also the CFO and a director 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 and chairman of the audit

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committee of Armistice Resources Corp and a director of a number of private corporations. He is a past director and audit committee chairman of a number of public and private resource corporations, including director and chairman of the audit committees of TriWestern Energy Inc., 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 Bachelor of Commerce degree from the University of Calgary.

- Mr. Gilbert has been a member of the Board since September 2007 and is a Professional Petroleum Engineer with over 35 year's experience in both the Canadian and international oil and gas industries. Mr. Gilbert serves as a director of several energy related public entities in addition to Falcon including AltaGas Ltd. and Penn West Petroleum Ltd. He is also currently a Managing Director of JOG Capital Inc. a private equity oil and gas investment firm located in Calgary Alberta. The greater part of Mr. Gilbert's career was spent in the independent energy evaluation consulting sector. In 1979, he joined the predecessor oil and gas engineering and geological firm which became Gilbert Laustsen Jung Associates Ltd. ("GLJ") where he served as a Principal Officer beginning in 1988 and as President and Chief Executive Officer from 1994 through to his retirement from consulting in 2005. Mr. Gilbert has a BSc from the University of Manitoba in Civil Engineering and is a member of the Association of Petroleum Engineers, and Geoscientists of Alberta, the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.
- *Igor Akhmerov*: Mr. Akhmerov has been a member of the Board since December 2010. He was also on the Board from September 2007 until May 2008. Mr. Akhmerov graduated from the Moscow Institute of Management in 1989, Wharton Business School in 1995, and Lauder Institute of Business and International Relations, also in 1995. From 1989 through 1993 Mr. Akhmerov worked at the Moscow office of Bain & Company, specialised in privatisation and banking. After graduation from Wharton Business School, Mr. Akhmerov joined the Boston office of Bain & Company. In 1998 Mr. Akhmerov 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.

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.

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External Auditor Service Fees

KPMG billed the Corporation the following audit fees; audit related fees; tax fees and all other fees in the years ended 31 December 2012 and 31 December 2011:

	For the year ended 31 December	
	2012	2011
	US\$'000	US\$'000
Audit fees	183	220
Audit related fees	65	122
Tax fees	81	102
All other fees	2	-
	331	444

The above amounts exclude Canadian/ Australian GST and European VAT as appropriate. The amounts exclude the reimbursement of expenses paid to the Group's auditors.

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 31 December 2012 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 31 December 2012 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, Falcon Oil & Gas Ltd, Styne House, Upper Hatch Street, Dublin 2, Ireland.

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 28 August 2013.

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:

- (e) 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);
- (f) 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
- (g) 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:

- (h) 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;
- (i) activities or communications necessary to comply with the requirements of:
 - (i) under applicable securities laws;
 - (ii) the rules and policies of the Regulatory Authorities;
- (j) 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
- (k) 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:

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

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 31 December 2012 were independent for the purpose of NI 58-101. The independent Directors for the financial year ended 31 December 2012 were John Craven, Daryl Gilbert, JoAchim Conrad, Igor Akhmerov and David Harris.

The Board determined that three out of eight of the Directors as at 31 December 2012 were not considered independent for the purpose of NI 58-101. The non-independent Directors for the financial year ended 31 December 2012, were Philip O’Quigley, by virtue of being an executive officer of the Corporation, Dr. György Szabó, by virtue of accepting consultation fees from TXM, a wholly-owned subsidiary of the Corporation and Gregory Smith, by virtue of providing limited advisory services.

Daryl Gilbert, by virtue of accepting consulting fees from the Corporation was not considered independent during the year end 31 December 2011. However the board has determined that he meets the independent requirements of NI 58-101 during 2012.

Orientation and Continuing Education

The Corporate Governance committee is responsible to develop and implement an orientation and educational program for new recruits to the Board in order to familiarise new Directors with the business of the Corporation, its management and professional advisers and its facilities as well as to inform such recruits of the contribution they are expected to make including, but not limited to, the commitment of time and energy that the Corporation expects from its Directors.

Prior to joining the Board, each new Director shall:

- (i) receive a copy of the current Corporate Governance Manual a copy of the Corporation’s Directors and Officers insurance policies, and such other materials as the Board may deem appropriate; and
- (ii) prior to joining the Board, meet or speak with the Chairman of the Corporation, the Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation. 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 recruit is properly informed to commence his or her duties as a Director.

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.

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:

Name of Director	Current Directorships/Partnerships
John Craven	<ul style="list-style-type: none">Discover Exploration plc
Philip O'Quigley	<ul style="list-style-type: none">Providence ResourcesPrepay Power LimitedHelium Enterprises
Dr. György Szabó	<ul style="list-style-type: none">n/a
Daryl H. Gilbert	<ul style="list-style-type: none">AltaGas Ltd.Penn West Petroleum Ltd.Crocotta Energy Inc.MGM Energy Corp.Suroco Energy Inc.PRD Energy Inc.Cequence Energy Ltd.Zedi Inc.LGX Oil & Gas Inc.Longview Oil Corp.
JoAchim Conrad	<ul style="list-style-type: none">BosphorusGaz Corporation
Gregory Smith	<ul style="list-style-type: none">Maglin Site Furniture Inc.Armistice Resources Ltd.Oakridge Financial Management Inc.
Igor Akhmerov	<ul style="list-style-type: none">Aion Renewables SA (Pty) LtdAvalon S.r.l.Antares Wind S.r.l.Avelar Energy Ltd.Avelar Energy South Africa (Pty) Ltd.Avelar Yenilenebilir Enerji ElektrikUretim Sanayi ve Ticaret Anonim SirketiAvelar Management Ltd.Avelar Solar Investments II S.r.l.Aveleos S.A.Aveleos Green Investments S.r.l.En Plus S.r.l.Energetic Source S.p.A.Energetic Source Green Energy S.r.l.Energetic Source Green Investments S.r.l.Energetic Source Green Power S.r.l.Energetic Source Renewables S.r.l.Energetic Source Solar Energy S.r.l.Energetic Source Solar Production S.r.l.Energia Fotovoltaica 3 Soc. Agr. A R.I.Energia Fotovoltaica 8 Soc. Agr. A R.I.Energia Fotovoltaica 9 Soc. Agr. A R.I.Energia Fotovoltaica 26 Soc. Agr. A R.I.Energia Fotovoltaica 33 Soc. Agr. A R.I.Energia Fotovoltaica 40 Soc. Agr. A R.I.Energia Fotovoltaica 44 Soc. Agr. A R.I.Energia Fotovoltaica 62 Soc. Agr. A R.I.Energia Fotovoltaica 64 Soc. Agr. A R.I.Energia Fotovoltaica 65 Soc. Agr. A R.I.Energia Fotovoltaica 71 Soc. Agr. A R.I.Energia Fotovoltaica 91 Soc. Agr. A R.I.ENS Solar One S.r.lENS Solar Two S.r.lENS Solar Three S.r.lENS Solar Four S.r.lFlyenergia S.p.A.Geogastock S.p.A.Nadir Energia S.r.l.SAEM Energie Alternative S.r.l.Saemsolar S.r.l.Zenith Energia S.r.l.
David Harris	<ul style="list-style-type: none">n/a

Nomination of Directors and Assessments`

The overall purpose of the Nomination Committee (the "Committee") is to develop and monitor the Corporation's approach to the nomination of directors (the "Directors") to the board of directors (the "Board"). The duties of the committee are:

(a) to adopt a process to determine what competencies and skills the Board, as a whole, should possess given the nature of the business of the Corporation;

(b) to assess the competencies and skills of each existing Director, with a view to assessing the Board as a whole for the purpose of, in part, facilitating effective decision making by the Board;

(c) to identify and recommend qualified individuals to become new members of the Board, giving due consideration to i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; and ii) the competencies and skills that the Board considers each existing Director to possess; and

(d) to recommend the slate of Directors to be nominated for election at the annual meeting of shareholders.

The Corporate Governance Committee is responsible to develop and implement a process for assessing the effectiveness of the Board, individual Directors, Board committees and the chairs thereof and to report and make recommendations to the Board thereon.

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 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. The evaluation is to be used by the 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 organisations.

Other Board Committees

The Board has established a 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 20 October 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 three members being Igor Akhmerov, John Craven and JoAchim Conrad.

The Group also has a "nomination committee" and a "reserves committee". The composition of these committees is decided when these meetings are requested.

APPENDIX "C"

Audit Committee Charter Falcon Oil & Gas Ltd. (the "Corporation")

National Instrument 52-110 (the "**Instrument**") 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 ("**Venture**") listed company, 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 management 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 (the "**Board**") 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 or the Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

1. PURPOSE

The purpose of the Committee is to:

- (a) improve the quality of the Corporation's financial reporting;
- (b) assist the Board to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors (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.

2. 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 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 5 of the Charter;

"**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 3 of the Charter;

"**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*;

"**non-audit services**" means services other than audit services.

3. MEANING OF INDEPENDENCE

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

3.2 For the purposes of Section 3.1 of the Charter, a "material relationship" is a relationship which could, in the view of the issuer's Board, be reasonably expected to interfere with the exercise of a Member's independent judgement.

3.3 Despite Section 3.2 of the Charter, 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 who 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.

3.4 Despite Section 3.3, 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 3.3 of the Charter if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in Section 3.3 of the Charter by virtue of Section 3.8 of the Charter if that relationship ended before June 30, 2005.

3.5 For the purposes of Section 3.3(c) and Section 3.3(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.

3.6 For the purposes of Section 3.3(f), direct compensation does not include:

(a) remuneration for acting as a member of the Board 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.

3.7 Despite Section 3.3, 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 or of any board committee of the issuer on a part-time basis.

3.8 For the purpose of Section 3, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

4. ADDITIONAL INDEPENDENCE REQUIREMENTS

4.1 Despite any determination made under Section 3, 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 immaterial/ inconsequential), other than as remuneration for acting

in his or her capacity as a member of the Board 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.

4.2 For the purposes of Section 4.1, 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.

4.3 For the purposes of Section 4.1, 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.

5. 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.

6. AUDIT COMMITTEE

The Board has hereby established the Committee for, among other purposes, compliance with the Instrument.

7. 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.

8. COMMITTEE RESPONSIBILITIES

8.1 The Committee shall be responsible for making the following recommendations to the Board:

(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.

8.2 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 fiscal 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 obtaining 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.

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 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.

8.8 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.

8.9 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.

8.10 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.

9. DE MINIMIS NON-AUDIT SERVICES

The Committee shall satisfy the pre-approval requirement in Section 8.3 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 recognise 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.

10. DELEGATION OF PRE -APPROVAL FUNCTION

10.1 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 8.3 hereof.

10.2 The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to Section 10.1 hereof must be presented to the Committee at its first scheduled meeting following such pre-approval.

11. COMPOSITION

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

11.2 Every Member shall be a Director of the issuer.

11.3 The majority of Members shall be independent.

11.4 Every Member shall be financially literate.

12. 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.

13. DISCLOSURE IN INFORMATION CIRCULAR

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

14. MEETINGS

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

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

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