

Falcon Oil & Gas Australia Limited

ACN 132 857 008

Notice of Annual General Meeting and Explanatory Memorandum

Date: 30 May 2012

Time: 10.00am

Place: Gadens Lawyers
Level 16
77 Castlereagh Street
Sydney NSW 2000

This document is important.

This Notice of Meeting and Explanatory Memorandum should be read in their entirety. If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Chairman's Letter to Shareholders

27 April 2012

Dear Shareholders

It is with pleasure that I invite you to attend the forthcoming Annual General Meeting.

Enclosed is your Notice of Meeting for the Annual General Meeting of Falcon Oil & Gas Australia Limited.

The Annual General Meeting will be held on Wednesday 30 May 2012 commencing at 10.00am (AEST) at Gadens Lawyers, Level 16, 77 Castlereagh Street, Sydney, New South Wales 2000.

The items of ordinary business for this year's Annual General Meeting include motions to receive and consider the Financial Report for 2011 and the re-election of Directors.

One change of note is that I am stepping down as Chairman of Falcon Australia, effective 1 May 2012. Mr Philip O'Quigley is taking over as CEO of Falcon Oil & Gas Ltd., the majority owner of the Shares of Falcon Australia. In a meeting of the Board held on 26 April 2012, Mr O'Quigley was confirmed as my replacement as Chairman of the Board of Falcon Australia effective on and from 1 May 2012.

Mr O'Quigley brings to our Company a great deal of international oil and gas experience as well as a strong background in marketing and corporate finance. On behalf of the rest of the Board, I welcome him and look forward with complete confidence in his leadership in taking our Company forward and realising its vast potential.

For my part, I would like to say what a pleasure it has been serving Falcon Australia over the past 18 months. I will continue to be involved as a director and shareholder of Falcon Oil & Gas Ltd., and will continue to be proud of my connections with this world-class asset and Company.

It has been my practice in the past to make an informal presentation following the formal business of the annual general meeting. Unfortunately, Mr O'Quigley will not be able to attend the upcoming Annual General Meeting in person but will be visiting Sydney at the end of June this year. Therefore, the plan is to limit the agenda at the Annual General Meeting to only the legal business required under the regulations. An informal meeting will be organised when Mr O'Quigley's travel dates are firmed up to give Shareholders an opportunity to meet him.

You are encouraged to attend the Annual General Meeting in person. However, if you are unable to do so, then kindly complete the enclosed proxy form and return it to the Company according to the instructions in the Notice of Meeting.

If Mr O'Quigley or any of the other Directors are appointed as a proxy they will, of course, vote in accordance with any instructions given. If given discretion as to how to vote, they will vote in favour of each of the items of business to be considered.

Yours sincerely



Robert Macaulay

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of the Shareholders of Falcon Oil & Gas Australia Limited (“Falcon Australia” or “the Company”) will be held at the offices of Gadens Lawyers, Level 16, 77 Castlereagh Street, Sydney, at 10.00am (AEST) on Wednesday, 30 May 2012.

To comply with section 250N(2) of the Corporations Act, public companies must hold an annual general meeting at least once in each calendar year and within five months after the end of their financial year. Falcon Australia, which converted into a public company on 13 May 2010, has a financial year end date of 31 December. Falcon Australia’s previous annual general meeting was held on 27 May 2011.

The accompanying Explanatory Memorandum and proxy form provide additional information relating to the matters to be considered at the Annual General Meeting, and form part of this Notice of Meeting.

Business

General Business

Discussion of Financial Statements and Reports

To receive and consider the Financial Report, the Directors’ Report and Auditor’s Report for the year ended 31 December 2011.

Ordinary Resolutions

To consider and, if thought fit, pass the following ordinary resolutions:

1. Re-election of Kym Livesley as a Director

“That, for the purpose of clause 12.11 of the Constitution and for all other purposes, Kym Livesley, a Director who was appointed as a Director with effect on and from 31 July 2010, is removed and, being eligible, is re-elected as a Director.”

2. Re-election of John Craven as a Director

“That, for the purpose of clause 12.11 of the Constitution and for all other purposes, John Craven, a Director who was appointed as a Director with effect on and from 10 December 2010, is removed and, being eligible, is re-elected as a Director.”

3. Re-election of Igor Akhmerov as a Director

“That, for the purpose of clause 12.7 of the Constitution and for all other purposes, Igor Akhmerov, a Director who was appointed as a Director by the Board to fill a casual vacancy with effect on and from 15 September 2011, is removed and, being eligible, is re-elected as a Director.”

4. Re-election of Philip O'Quigley as a Director

"That, for the purpose of clause 12.7 of the Constitution and for all other purposes, Philip O'Quigley, a Director who was appointed as a Director by the Board to fill a casual vacancy with effect on and from 1 May 2012, is removed and, being eligible, is re-elected as a Director."

Dated: 27 April 2012

By order of the Board

A handwritten signature in black ink, appearing to read 'S.K.P.', written in a cursive style.

Stephen Kenneth Peterson
Company Secretary

Voting and Proxies

Voting

The Company has determined, in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that the holders of Shares recorded in the Company's register at 10.00am on Monday, 28 May 2012, will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time.

Proxies

A Shareholder who is entitled to attend and vote at the Annual General Meeting may appoint up to two proxies to attend and vote on behalf of that Shareholder.

If a Shareholder holds more than two Shares, that Shareholder may appoint two proxies, the appointment of the proxies must specify the proportion or the number of that Shareholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes.

Where a Shareholder appoints more than one proxy, only the first named proxy is entitled to vote on a show of hands.

A proxy need not be a Shareholder of the Company.

To be effective, the Company must receive the completed proxy form and, if the form is signed by the Shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10.00am (AEST) on 28 May 2012.

Proxies may only be lodged as follows:

- | | | |
|-----|---------------|---------------------------------|
| (a) | by mail to: | GPO Box 4216 Sydney NSW 2001 |
| (b) | by facsimile: | +61 2 8249 4001 |

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by two directors, a director and the company secretary, a duly authorised officer or attorney.

A proxy may decide whether to vote on the motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on the item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on the item of business, the proxy may vote as he or she thinks fit.

Explanatory Memorandum

IMPORTANT NOTICE

This Explanatory Memorandum is an explanation of, and contains information about, the Resolutions to be considered at the Annual General Meeting, which are set out in the accompanying Notice of Annual General Meeting dated 27 April 2012 (**Notice**), to assist Shareholders to determine how they wish to vote on the Resolutions.

Shareholders should read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Resolutions. This Explanatory Memorandum forms part of the accompanying Notice and should be read together with the Notice.

If you are in doubt about what to do in relation to the Resolutions contemplated in this Explanatory Memorandum, you should consult your financial or other professional advisor.

This Explanatory Memorandum is dated 27 April 2012.

Capitalised terms used in this Explanatory Memorandum have the meaning given to them in the Glossary of this Explanatory Memorandum.

Annual Report

The Corporations Act requires the Annual Report, which includes the financial statements, Directors' declaration, the Directors' Report and the Auditor's Report, to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Accordingly, the Annual Report is placed before Shareholders for discussion and no voting is required for this item of business.

Shareholders will be provided with a reasonable opportunity at the Annual General Meeting to ask questions and make comments on these reports and on the business and operations of the Company.

1. Re-election of Kym Livesley as a Director

Pursuant to clause 12.11 of the Constitution, at each annual general meeting, one third of the Directors and any Director who, if that Director did not retire at that annual general meeting, would at the next annual general meeting, have held office for more than three years, automatically retire and are eligible for re-election.

Kym Livesley, under compulsory retirement, is removed as a Director, and being eligible, offers himself for re-election.

Kym has been a Non-Executive Director of Falcon Australia since 31 July 2010.

Kym Livesley is a corporate lawyer with 33 years experience. Kym has substantial expertise in mergers and acquisitions, capital markets, takeovers and general corporate

and commercial advice. Kym maintains an industry focus in the energy and resources sectors, for listed and private corporations in the Asia-Pacific region.

Kym also has experience in capital raising, IPOs, directors' duties, dual listings (AIM, TSX) and corporate governance.

Kym has a Bachelor of Laws from the University of Adelaide. Among other affiliations, Kym is a former National President of the Australian Mining and Petroleum Law Association (AMPLA), member of the Minerals Council NSW and is a fellow of the Australian Institute of Company Directors (AICD).

The Board (excluding Kym Livesley because of his interest) recommends that Shareholders vote in favour of Resolution 1.

2. Re-election of John Craven as a Director

Pursuant to clause 12.11 of the Constitution, at each annual general meeting, one third of the Directors and any Director who, if that Director did not retire at that annual general meeting, would at the next annual general meeting, have held office for more than three years, automatically retire and are eligible for re-election.

John Craven, under compulsory retirement, is removed as a Director, and being eligible, offers himself for re-election.

John has been a Director of Falcon Australia since 10 December 2010.

John has over 35 years of experience in technical, commercial, financial and leadership roles at major international upstream oil companies and junior independents. His career has been noted for a series of successful new venture negotiations, the exploration of which led to major discoveries in Algeria, Colombia, offshore Ghana, Mozambique and Indonesia. Along with his co-directors, he led Ardmore Petroleum, Dana Petroleum, Petroceltic International and recently Cove Energy through the acquisition of major upstream assets and key exploration and developmental milestones. During this time John has been actively involved in corporate finance and was responsible for raising initial capital through private sources and floating Petroceltic on the ISE and Cove Energy on the AIM stock exchange.

John holds an MSc in Petroleum Geology from the Royal School of Mines in London and an MBA from Queen's University in Belfast.

The Board (excluding John Craven because of his interest) recommends that Shareholders vote in favour of Resolution 2.

3. Re-election of Igor Akhmerov as a Director

Pursuant to clause 12.7 of the Constitution, the Directors may at any time appoint any person to be a Director to fill a casual vacancy. Any Director so appointed must retire at the next following annual general meeting of the Company and will then be eligible for re-election.

Igor Akhmerov was appointed by the Directors as a Director of Falcon Australia to fill a casual vacancy with effect on and from 15 September 2011. Consequently, Igor, under

compulsory retirement, is removed as a Director of the Company, and being eligible, offers himself for re-election.

Igor holds multiple degrees having graduated from the Moscow Institute of Management in 1989 as well as the Wharton Business School and the Lauder Institute of Business and International Relations in 1995. From 1989 until 1993 he worked at the Moscow office of Bain & Company, specialising in privatization and banking. After graduation from Wharton Business School, Igor worked for the Boston office of Bain & Company. In 1998 he returned to Russia and joined Sputnik Group, the largest Russian private equity investment group, as a partner. In 2001 he moved to TNK as First Vice President for Planning, Budgeting, Investment Governance, Taxes, and Reporting. From 2004 until 2006 he served as Chief Financial Officer of Renova Group. He has served as Chief Executive Officer of Avelar Energy Group since 2007.

Igor has also been a Non-Executive Member of the board of directors of Kerself SpA, the leading player in the Italian solar market, since 24 September 2008.

The Board (excluding Igor Akhmerov because of his interest) recommends that Shareholders vote in favour of Resolution 3.

4. Re-election of Philip O'Quigley as a Director

Pursuant to clause 12.7 of the Constitution, the Directors may at any time appoint any person to be a Director to fill a casual vacancy. Any Director so appointed must retire at the next following annual general meeting of the Company and will then be eligible for re-election.

Philip O'Quigley was appointed by the Directors as a Director of Falcon Australia to fill a casual vacancy with effect on and from 1 May 2012. Consequently, Philip, under compulsory retirement, is removed as a Director, and being eligible, offers himself for re-election.

Mr O'Quigley has over 20 years' experience working in the oil and gas industry. His career, which spans a number of London and Dublin listed E & P companies, includes experience working in countries such as Argentina, the United States, Algeria, the UK and Ireland. Mr O'Quigley is currently Finance Director of Providence Resources plc, an Irish oil and gas exploration and production company. He qualified as a Chartered Accountant with Ernst & Young, Dublin and is a Fellow of the Institute of Chartered Accountants of Ireland.

The Board (excluding Philip O'Quigley because of his interest) recommends that Shareholders vote in favour of Resolution 4.

Recommendations of the Board in respect of Resolutions

Specifically, and pursuant to the Corporations Act, all Directors have unanimously approved the proposal to put the Resolutions set out in the Notice to Shareholders and the provision of this Explanatory Memorandum.

Glossary

In the Notice of Meeting and Explanatory Memorandum, unless the context otherwise requires:

Annual General Meeting means the meeting convened by the Notice of Meeting.

Board means the current board of directors of the Company.

Company or **Falcon Australia** means Falcon Oil & Gas Australia Limited (ACN 132 857 008).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

Notice, Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum.

Resolution means a resolution set out in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

FALCON OIL & GAS AUSTRALIA LIMITED

ACN 132 857 008

All
correspondence
to:

PO Box 4216

Sydney NSW 2001

PROXY FORM

Annual General Meeting

Shareholder name: _____

Address Line 1: _____

Address Line 2: _____

Address Line 3: _____

Appointment of Proxy

If appointing a proxy to attend the Annual General Meeting on your behalf, please complete the form and submit it in accordance with the directions at the bottom of the page.

I/We being a Shareholder/Shareholders of Falcon Oil & Gas Australia Limited (**Company**) pursuant to my/our right to appoint not more than two proxies, appoint

The Chairman of the Meeting (mark with an "X")

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing him/her

Write here the name of the other person you are appointing.

or failing him/her, (or if the box is not ticked and no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held at 10.00am (AEST) on Wednesday, 30 May 2012 at the offices of Gadens Lawyers, Level 16, 77 Castlereagh Street, Sydney and at any adjournment of that meeting.

This proxy is to be used in respect of _____ % of the ordinary shares I/we hold.

Voting directions to your proxy – please mark to indicate your directions

| RESOLUTION | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|
| 1. Re-election of Kym Livesley as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Re-election of John Craven as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Re-election of Igor Akhmerov as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Re-election of Philip O'Quigley as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director & Sole Company Secretary

Director

Director / Company Secretary

Dated this _____ day of _____ 2009

Contact Name

Contact Business Telephone / Mobile

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Complete your Shareholder name (as it appears on the Company's register) and address details where indicated at the top of the page overleaf.
2. Completion of a proxy form will not prevent individual Shareholders from attending the Annual General Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Annual General Meeting.
3. A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointments do not specify this proportion, each proxy may exercise half of the votes.
4. A proxy need not be a Shareholder.
5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
6. If a representative of a company Shareholder is to attend the Annual General Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the Annual General Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.
7. If a representative as Power of Attorney of a Shareholder is to attend the meeting, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the Annual General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

8. **Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person.

If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone.

Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

9. **Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 10.00 am (AEST) on Monday, 28 May 2012 (48 hours before the commencement of the meeting).

Any Proxy Form received after that time will not be valid for the Annual General Meeting.

Postal address: GPO Box 4216
Sydney NSW 2001

Fax number: +61 2 8249 4001