



**FALCON**  
**MINERALS LIMITED**

ACN 009 256 535

**NOTICE OF ANNUAL GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**  
**AND**  
**PROXY FORM**

Date of Meeting  
**Tuesday 17th November 2011**

Time of Meeting  
**10.00 AM (WST)**

Place of Meeting  
**Kailis Bros**  
**Board Room, 1<sup>st</sup> Floor**  
**101 Oxford Street**  
**Leederville WA 6007**

The Falcon Minerals Limited 2011 Annual Report may be viewed on the Company's website at

**[www.falconminerals.com.au](http://www.falconminerals.com.au)**

# FALCON MINERALS LIMITED

ACN 009 256 535

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2011 Annual General Meeting of shareholders of Falcon Minerals Limited ("**Company**") will be held at Kailis Bros, 1<sup>st</sup> Floor 101 Oxford Street, Leederville WA on Thursday 17<sup>th</sup> November 2011 at 10.00 am (WST) for the purpose of transacting the following Business.

### ORDINARY BUSINESS

#### 2011 Financial Statements

To receive the financial statements of the Company for the year ended 30 June 2011, consisting of the Annual Financial Report, the Directors' Report and Auditor's Report.

#### Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report forming part of the Company's 2011 Annual Report be adopted."*

*Note: the vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter<sup>1</sup>. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

#### Resolution 2 – Re-election of Mr Ronald Smit as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, Mr Ronald Smit, who was appointed as a director of the Company on 19 July 2011 and who retires in accordance with the Constitution of the Company and being eligible for re-election, be hereby re-elected as a director of the Company."*

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<sup>1</sup> Restricted Voter means Key Management Personnel and the Closely Related Parties as defined in the glossary.

### **Resolution 3 – Re-election of Mr Richard Diermajer as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Richard Diermajer having retired as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election be re-elected a director of the Company."*

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the managing director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

### **Resolution 4: Approval to the Grant of Options to Ronald Smit**

To consider, and if thought fit, pass as an **ordinary resolution** the following:

*"That, pursuant to and in accordance with ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to Ronald Smit or his nominee(s), 4,000,000 Options on the terms and conditions set out in Annexure A to the Explanatory Memorandum accompanying this Notice."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 4 by Ronald Smit and any associate of Ronald Smit. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Ronald Smit or an associate of Ronald Smit.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 4; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 4, Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

## **SPECIAL BUSINESS**

### **Resolution 5 – Adoption of Constitution**

To consider and, if thought fit, pass the following as a **special resolution**:

*"That the Company adopt a new constitution which reflects the current provisions of the Corporations Act and is compliant with the ASX Listing Rules."*

A Proxy Form is attached and to be valid must be received by the Company no later than 10.00 am (WST) on 15<sup>th</sup> November 2011. Proxy forms received later than this time will be invalid.

- ▶ By Post at: PO Box 8319, Subiaco East WA6008
- ▶ By Facsimile: +61 8 9382 4637
- ▶ In Person Unit 19, 100 Hay Street, Subiaco 6008

Capitalised terms used in the Notice and in the Explanatory Memorandum are defined in the glossary at the end of the Explanatory Memorandum.

By order of the Board



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Dean Calder  
Company Secretary  
Date: 17 October 2011

## **How to vote**

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by facsimile.

## **Voting in person (or by attorney)**

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 10 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

## **Voting by a Corporation**

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

## **Voting by proxy**

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 2, 3 and 4, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.
- To be effective, proxies must be lodged by 10.00 am (WST) on 15<sup>th</sup> November 2011. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
  - by returning a completed proxy form in person or by post to:  
Suite 19, 100 Hay St Subiaco WA 6008;
  - by faxing a completed proxy form to 08 9382 4637;

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 10.00 am (WST) on 15<sup>th</sup> November 2011. If facsimile transmission is used, the power of attorney must be certified.

## **Shareholders who are entitled to vote**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (WST) on 15<sup>th</sup> November 2011.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the shareholders of Falcon Minerals Limited (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Kailis Bros, Board Room 1<sup>st</sup> Floor 101 Oxford Street, Leederville WA on 17th November 2011 commencing at 10.00 am (WST).

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

At the AGM, Shareholders will be asked to consider resolutions:

- Adopting the remuneration report, this resolution is advisory only.
- Re-electing Mr Ronald Smit as a director who retires in accordance with the Company's constitution.
- Re-electing Mr Richard Diermajer as a director who retires by rotation in accordance with the Company's constitution.
- Approval to the Grant of Options to Ronald Smit.

Each of these resolutions is an ordinary resolution requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

At the AGM, Shareholders will be asked to consider a special resolution:

- Adoption of Constitution.

This resolution which requires a 75% majority of the votes cast by Shareholders entitled to vote on it.

### Financial and Other Reports

As required by section 317 of the Corporations Act, the financial statements for the year ended 30 June 2011 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the shareholders will have an opportunity to ask questions about the report and on the business, operations and management of the Company at the annual general meeting.

The Chairman will also provide shareholders a reasonable opportunity to ask the auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of the accounts; and
- the independence of the auditor in relation to the conduct of the audit.

### Resolution 1- Remuneration Report

As required by section 250R(2) of the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non – binding vote. The Remuneration Report contains:

- information about Board policy for determining the nature and amount of remuneration of the Company's Directors and senior executives;
- a description of the relationship between remuneration policy and the Company's performance;
- a summary of performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Directors' Report (in the Company's Annual Report) contains a report of key management personnel's remuneration. The remuneration report is submitted to shareholders for consideration and adoption. For further information on the Company's remuneration policy, shareholders may refer the Company's Corporate Governance Policy. Copies of the Company's Annual Report and Corporate Governance Policy are all available on its website [www.falconminerals.com.au](http://www.falconminerals.com.au)

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2011 AGM, and then again at the 2012 AGM, the Company will be required to put a resolution to the 2012 AGM, to approve calling a general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the 2012 AGM. All of the Directors who were in office when the 2012 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

The Board unanimously recommends that the shareholders vote in favour of the resolution to adopt the current remuneration report.

Shareholders are advised that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of this Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

#### **Resolution 2 – To Re-elect Mr Ronald Smit as a Director**

On 19 July 2011, Ronald Smit was appointed as an additional Director of the Company pursuant to clause 8.1(e) of the Company's Constitution. Clause 8.1(e) of the Company's Constitution provides that any Director so appointed holds office only until the next following general meeting and is then eligible for re-election.

Mr Smit retires in accordance with this clause of the Company's Constitution and being eligible, offers himself for re-election.

#### **Resolution 3 – To Re-elect Richard Diermajer as a Director**

Resolution 3 deals with the re-election of Richard Diermajer who was appointed a director on 3 July 1987 and re-elected on 10 November 2009. Mr Diermajer retires as required by the Company's Constitution and the Listing Rules and, being eligible, has offered himself for re-election.

Mr Diermajer has not held any former public company directorships in the last 3 years.

All the Directors except for Mr Diermajer recommend that shareholders vote in favour of Resolution 3.

#### **Resolution 4: Approval to the Grant of Options to Ronald Smit**

The Company proposes to grant a total of 2,000,000 options exercisable at \$0.20 each and 2,000,000 options exercisable at \$0.40 each on or before 30 June 2015 and vesting on the date of grant. These Options will be granted on the terms and conditions as set out in Annexure A to the Explanatory Memorandum, to Ronald Smit, or his respective nominee or nominees.

Under the Company's current circumstances, it is considered that the incentives to the Director represented by the grant of the Options are a cost effective and efficient reward and incentive for the Director, as opposed to alternative forms of incentive, such as the payment of cash compensation. The Directors agree that it is better for the Company that Mr Smit be rewarded by way of securities in the Company, rather than by way of cash.

## Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, the Participating Director is a related party of the Company as he is a Director.

Resolution 4 provides for the grant of Options to the Director which is a financial benefit for the purposes of Chapter 2E of the Corporations Act.

In accordance with section 219 of the Corporations Act, the following information is provided to shareholders:

- (a) The related parties to whom the proposed resolutions would permit the financial benefit to be given are as follows:

Name	Options
Ronald Smit (or his nominee(s))	4,000,000

- (b) The nature of the financial benefit proposed to be given:

The nature of the financial benefit proposed to be given is the grant of the Options for no consideration on the terms and conditions set out in Resolution 4 and Annexure A to this Explanatory Memorandum.

- (c) Directors' recommendation:

All Directors were available to consider Resolution 4.

Messrs Richard Diermayer and Raymond Muskett (who do not have an interest in Resolution 4) recommend that the shareholders approve the grant of Options under Resolution 4 to Mr Smit for the reasons outlined above.

Mr Smit declined to make a recommendation to shareholders in respect of Resolution 4 as he has a material personal interest in the outcome of the resolution by virtue of the proposed grant of Options to him or his nominee (s).

- (d) Other information that is reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass Resolution 4 that is known to the Company or any of its Directors:
  - (i) The proposed resolution would have the effect of giving power to the Directors to grant up to 4,000,000 Options on the terms and conditions as set out in Resolution 4 and Annexure A to this Explanatory Memorandum. The Company presently has 163,578,935 Shares on issue and listed on the ASX.
  - (ii) The Company's advisers have valued the Options to be granted to the Participating Director using the Black-Scholes Option Pricing Model ("BSModel"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an



option calculated by the BSModel is a function of a number of variables. Their assessment of the value of the Options has been prepared using the following assumptions:

Variable	Input
Share price	10 cents
Exercise price	20 cents & 40 cents
Risk Free Interest Rate	4.75% (being the Reserve Bank of Australia Official Cash Rate at 19 July 2011)
Volatility	120%
Time to expiry	1,442 Days

The valuation date is as at 19 July 2011.

The risk free interest rate used is 4.75% (Reserve Bank of Australia Official Cash Rate at 19 July 2011).

The volatility factor used is 120%. The Company's advisors noted that over the past 3 months the closing share price has traded between a low of 7.6 cents and a high of 15.5 cents implying a volatility of 104%. Over the past 6 months the closing share price has traded between a low of 7.6 cents and a high of 16.5 cents implying a volatility of 117%, while over the past 12 months, the closing share price has traded between a low of 7.6 cents and a high of 19.0 cents implying a volatility of 150%.

The Company's advisors have determined that the 120% volatility of the share price represents a realistic volatility of the Company's share price.

The market value of a Share as at 19 July 2011 is 10.0 cents.

The valuations reflected below do not necessarily represent the market values of the Options or the tax values for taxation purposes to the option holder. The future value of the Options may be up or down on the values noted below as it will primarily depend on the future share price of a Share (for the next 4 years), and the time to expiry of the Options.

Based on the assumptions and advice to the Company it is considered the value of the 2,000,000 Options to be granted with an exercise price of 20.0 cents is 7.04 cents per Option and the value of the other 2,000,000 Options to be granted with an exercise price of 40.0 cents is 6.06 cents when a 120% volatility factor is used, resulting in a total value for the 4,000,000 options of \$262,000.

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Options are granted would have an impact on their value.

- (iii) If any Options granted as proposed are exercised, the effect would be to dilute the shareholding of existing shareholders. Assuming all Options are exercised, the total dilution would be approximately 2.39%. The market price of the Shares during the period of the Options will normally determine whether or the holder of the Options exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Shares may be trading on ASX at a price which is higher than the exercise price of the Options.
- (iii) The Participating Director relevant interest in Shares of the Company as at the date of this Notice is

Number	Nature of Holding
300,000	Held by Luckjar Superfund, a SMSF associated with Mr Smit
200,000	Held by Mr Smit's spouse

The Participating Director does not have a relevant interest in any Options as at the date of this Notice.

- (v) The Participating Directors' base salary per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of Options subject of Resolution 4 (showing the impact of using different volatility assumptions to calculate the value of the Options) are as follows:

Name	Base salary/fees p.a. (\$)	Value of Options (\$)*	Total Financial Benefit (\$)
Ronald Smit	240,000	262,000	502,000

\*utilising a 120% volatility factor discussed in further detail above.

- (vi) The following table gives details of the highest, lowest and latest price of the Shares trading on the ASX over the past 12 months ending on 19 July 2011:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 19 July 2011
Shares	19.0 cents	29/09/10	7.6 cents	29/06/11	10.0 cents

- (vii) Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Options in its income statement for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to the resolutions.
- (viii) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

### **Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the grant of Options to the Participating Director.

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

- the allottee will be Ronald Smit, or his respective nominee(s), as detailed above;
- the maximum number of Options to be granted pursuant to Resolution 4 is 4,000,000;
- the Options will be allotted and granted on one date which will be no later than one month after the date of this General Meeting or such later date as approved by ASX;
- the Options will be granted for no consideration;
- no funds will be raised by the grant of the Options; and
- the terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum.

If approval is given for the grant of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

## **Resolution 5 – Adoption of Constitution**

Resolution 5 proposes that the Company adopts a new Constitution. The Company's current Constitution was adopted in 1999. The proposed new Constitution has been updated to refer to current provisions of the Corporations Act and the Listing Rules.

The proposed new Constitution provides clause 31 that where there is a conflict between the Listing Rules and the Constitution the provisions of the Listing Rules will prevail; this reflects the provisions of Listing Rule 15.11.1.

A copy of the proposed new Constitution can be obtained on the Company's website [www.falconminerals.com.au](http://www.falconminerals.com.au) under "Corporate". You can also obtain a copy by contacting the Company by telephone on 08 9382 1596. A copy of the proposed new Constitution will also be available at the Annual General Meeting.

Resolution 5 is a special resolution which means that a vote to pass this Resolution is decided on a 75% majority of the votes cast by Shareholders entitled to vote on this Resolution.

## GLOSSARY

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

<b>Accounting Standards</b>	has the meaning given to that term in the Corporations Act.
<b>ASX</b>	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
<b>Board</b>	means the board of Directors of the Company.
<b>Closely Related Party</b>	has the meaning given to that term in the Corporations Act.
<b>Company</b>	means Falcon Minerals Limited ACN 009 256 535
<b>Corporations Act</b>	means Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Explanatory Memorandum</b>	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
<b>Key Management Personnel</b>	has the meaning given to that term in the Accounting Standards.
<b>Listing Rules</b>	means the listing rules of ASX.
<b>Notice or Notice of Meeting</b>	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
<b>Option</b>	means an option over a Share.
<b>Resolution</b>	means a resolution contained in the Notice.
<b>Restricted Voter</b>	means the Key Management Personnel and their Closely Related Parties.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a holder of Shares.
<b>WST</b>	means Australian Western Standard Time.

## ANNEXURE A

### TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the Options are as follows:

- a) The Options shall expire on 30 June 2015 (“**Expiry Date**”).
- b) Each Option shall confer the right to subscribe for one fully paid ordinary share, ranking pari passu with existing issued fully paid ordinary shares, in the capital of the Company.
- c) The Options shall vest on the date of grant (“**Vesting Date**”) and be exercisable by notice in writing to the Company received at any time on or after the Vesting Date and on or before the Expiry Date. The fully paid ordinary shares will be allotted not more than fifteen days after (but not including) the exercise date.
- d) The Options may be exercised in whole or in part. If the Options are exercised in part each notice of exercise must be for not less than 1,000 shares and in multiples of 1,000 shares.
- e) The exercise price for 2,000,000 Options shall be \$0.20 each and for the other 2,000,000 Options the exercise prices shall be \$0.40 each.
- f) The Options may be transferred at any time in whole or part.
- g) A certificate will be issued for the Options. On the reverse side of the certificate there will be endorsed a statement of the rights of the optionholder and a notice that is to be completed when exercising the Options. If there is more than one Option comprised in this certificate and prior to the Expiry Date those Options are exercised in part, the Company will issue another certificate for the balance of the options held and not yet exercised.
- h) The optionholder will not be permitted to participate in any new pro rata entitlement issues of securities of the Company.
- i) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganized in accordance with the Listing Rules of the Australian Securities Exchange Limited.
- j) The Options will not give any right to participate in dividends until shares are allotted pursuant to the exercise of the relevant Options.
- k) There is no right to change the exercise price of Options nor the number of underlying fully paid ordinary shares over which the Options can be exercised, if the Company completes a bonus or entitlements issue.

# FALCON MINERALS LIMITED

ACN 009 256 535  
Unit 19, 100 Hay Street, Subiaco, WA 6008  
PO Box 8319, Subiaco East, WA 6008  
Ph: (08) 9382 1596 Fax: (08) 9382 4637

## PROXY FORM

I/We \_\_\_\_\_

NUMBER OF  
SHARES HELD

Of \_\_\_\_\_

Please fill in  
number

being a member of Falcon Minerals Limited ("Falcon") hereby appoint:

\_\_\_\_\_

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 17 November 2011 at 10:00am at Kalis Bros, Leederville, WA 6007, and at any adjournment thereof.

*Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:*

I/We direct my/our Proxy to vote in the following manner:

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report (Non-binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr R Smit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr R Diermajer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to the Grant of Options to Mr R Smit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Adoption of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you do not wish to direct your proxy how to vote on the resolutions please place a mark in this box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of these resolution. The votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote in favour of the resolutions.*

If no directions are given, my proxy may vote as the proxy thinks fit or may abstain.

Dated: 2011.

***This Proxy is appointed to represent \_\_\_\_\_% of my voting right, or if 2 proxies are appointed Proxy 1 represents \_\_\_\_\_% and Proxy 2 represents \_\_\_\_\_% of my total votes  
My total voting right is \_\_\_\_\_ shares***

*If the shareholder is an individual:*

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

*If the shareholder is a company:*

Affix common seal (if required by Constitution)

\_\_\_\_\_  
Director/Sole Director and Secretary

\_\_\_\_\_  
Director/Secretary

## INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting **that is by 10.00 am (WST) on 15<sup>th</sup> November 2011** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
  - a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
  - b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
  - c) if the proxy is the Chair, the proxy must vote on a poll and must vote that way; and
  - d) if the proxy is not the Chair, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.