

**Falcon Minerals Limited**  
**Corporate Governance Statement**

The Board of Directors (**‘the Board’**) of **Falcon Minerals Limited** is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Given the size and structure of the Company and the nature of its business activities, the costs of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company’s practices are mainly consistent with those guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

The table below summarises the Company’s compliance with the 3<sup>rd</sup> Edition ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		Compliance	Comply
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:</p> <ul style="list-style-type: none"> <li>a) maintain and increase shareholder value;</li> <li>b) ensure a prudential and ethical basis for the Company’s conduct and activities; and</li> <li>c) ensure compliance with the Company’s legal and regulatory objectives.</li> </ul> <p>Consistent with these goals, the Board assumes the following responsibilities:</p> <ul style="list-style-type: none"> <li>a) reviewing the corporate, commercial and financial performance of the Company on a regular basis;</li> <li>b) acting on behalf of, and being accountable to, the shareholders; and</li> <li>c) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.</li> </ul> <p>The Company is committed to the circulation of relevant materials to the Directors in a timely manner to facilitate Directors’ participation in Board discussions on a fully informed basis.</p> <p>The Company intends to regularly review the balance of responsibilities between the Board and management to ensure that the division of functions remains appropriate to the needs of the Company.</p>	Complies
1.2	<ul style="list-style-type: none"> <li>a) Undertake checks before appointing a director</li> <li>b) Shareholders are given relevant information prior to voting on whether or not to elect a new director</li> </ul>	<p>The Board undertakes checks before appointing a director. Directors confirm each year they are not disqualified from acting.</p> <p>Directors appointed during the year must stand for election at the next AGM. Shareholders are provided relevant information about a director’s character, experience, qualifications, etc prior to an election.</p>	<p>Complies</p> <p>Complies</p>

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1.3	Written agreements with all directors and senior executives	All directors have written terms of appointment	Complies
1.4	Company secretary accountable to board	The Company secretary reports directly to the board and advises the board in relation to corporate governance matters.	Complies
1.5	<p>a) Establish a policy concerning diversity and disclose the policy or a summary of that policy.</p> <p>The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.</p> <p>b) Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</p> <p>c) Disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.</p>	<p>The composition of the Board is monitored (in respect of size, diversity and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background.</p> <p>The Company is currently not of a size that justifies the formal establishment of measurable diversity objectives.</p> <p>There are no women in senior executive positions nor on the Board. However the proportion of women employees is 25% of the total workforce i.e. 1 out of 4.</p>	Does not comply
1.6	Disclose a process for periodically evaluating performance of the board, its committees and individual directors	The Company does not have a formal process to evaluate the performance of the board	Does not comply
1.7	Disclose a process for periodically evaluation performance of senior executives	The Company does not currently have any senior executives who are not board members	Does not comply

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<b>Principle 2 – Structure the Board to add value</b>			
2.1	The Board should have a nomination committee	In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for Board nominations would contribute little to its effective management. Accordingly the nomination of new Directors are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).	Does not comply
2.2	The Company should have a board skills matrix	The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company’s principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board is sufficient to meet the requirements of the Company.  The Company does not currently have a formal skills matrix.	Does not comply
2.3	The Company should list the names of independent directors, any interests and their length of service	The Company has disclosed the details of the directors in the Annual Report.  The Board assesses the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its security holders generally.	Complies
2.4	A majority of the board should be independent directors	The Company considers its two non-executive directors to be independent. Both of these directors were previously employees of the Company, however the Board believes the passage of time that has lapsed since they were employed is sufficient to deem them independent. Mr Ron Smit is an executive director and not independent.	Complies
2.5	The roles of chair and chief executive officer should not be exercised by the same individual.	The Company has a separate Chairman and Managing Director.	Complies
2.6	The Company should have a program for inducting new directors and provide appropriate training	New directors are provided with an induction to the Company as per the Nomination Committee Charter.  A director development program has not been provided. However, the Directors keep themselves abreast of important developments to enable them to discharge their director obligations as effectively as possible.	Complies  Partially

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<b>Principle 3 – Promote ethical and responsible decision making</b>			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Company has a written code of conduct which sets out minimum standards necessary to guide the Board and employees in carrying out their duties and responsibilities.	Complies
<b>Principle 4 – Safeguard integrity in financial reporting</b>			
4.1	The Board should establish an audit committee	The Company has an Audit Committee which met once during the year.	Complies
4.2	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	<p>In relation to the financial statements for the financial year ended 30 June 2016 and the half-year ended 31 December 2015, the company's CEO (who is also the acting CFO) and the Company Secretary have provided the Board with declarations, that in their opinion:</p> <ul style="list-style-type: none"> <li>• the financial records of the company have been properly maintained;</li> <li>• the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and</li> <li>• the financial statements have been founded on the basis of a sound system of risk management and internal control which is operating effectively.</li> </ul>	Complies
4.3	Attendance of auditors at AGM	The audit partner from the Company's auditors attends the AGM and is available to answer any questions arising.	Complies

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<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	<p>It is the policy of the Company to fully comply with disclosure obligations contained in the Listing Rules of the Australian Securities Exchange Limited (ASX). It is the policy of the Company to nominate Disclosing Officers who are the only persons authorized to make public disclosures in accordance with these procedures. The Managing Director and the Company Secretary are the Disclosing Officers.</p> <p>At periodic Board meetings the full Board considers and reviews the continuous disclosure process and obligations of the Company.</p> <p>All of the above is set out in the Companies Continuous Disclosure Policy.</p>	Complies
<b>Principle 6 – Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The company maintains information in relation to governance documents, directors, Board charter, annual reports, ASX announcements and contact details on the company’s website.	Complies
6.2 and 6.3	The Company should design and implement an investor relations program to facilitate effective two-way communication with investors and should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>The Company has no investor relations program in place, but ensures that all material information is conveyed to its investors so as to facilitate communication.</p> <p>The company encourages shareholders to attend the company’s AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to.</p>	Does not comply
6.4	Give security holders the option to receive communications electronically	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Advanced Share Registry at <a href="http://www.advancedshare.com.au">www.advancedshare.com.au</a> .	Complies

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<b>Principle 7 – Recognise and manage risk</b>			
7.1 and 7.2	Establish a committee to oversee risk	The Company, due to its size and current stage of development does not have a separately constituted risk committee. As the Company develops, the Board intends to review its practice, and if deemed necessary, establish a risk committee.	Does not comply
7.3	The Company should have an internal audit function to assess effectiveness of risk framework	The Company does not have an internal audit function, and does not disclose the processes it uses to improve risk management. Nonetheless, it remains committed to effective management and the control of these factors.	Does not comply
7.4	The Board should disclose whether it has any material exposure to economic, environmental or social sustainability risks.	All material risks are announced to the market, in accordance with the requirements of the ASX Listing Rules and the Company's continuous disclosure policy.	Complies
<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	The Board should establish a remuneration committee.	The Company has a Remuneration Committee which met once during the year.	Complies
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Executive director is paid a salary. Non-executive directors' fees are fixed periodically by the Remuneration Committee and outlined in the Annual Report.	Complies
8.3	Have a policy on employees' participation in equity schemes limiting risk	Although the Company does not have a formal policy, the Company has a policy for trading in company securities which restricts the trading of the Company's Securities by those who receive equity based remuneration.	Partially complies

Falcon Minerals Limited's corporate governance practices were in place for the financial year ended 30 June 2016 and to the date of signing the director's report.

For further information on corporate governance policies adopted by Falcon Minerals Limited, refer to the Company's website: [www.falconminerals.com.au](http://www.falconminerals.com.au).

This Corporate Governance Statement has been approved by the Board and is dated 29<sup>th</sup> August 2016.