



**Investor Presentation**

**November 2019**

# Disclaimer

---

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Presentation, which reflect the current views of Falcon with respect to future events and financial performance, and any other statements of a future or forward-looking nature, constitute “forward-looking statements” for the purposes of federal securities laws. These forward-looking statements include, but are not limited to, statements with respect to strategy, future operations, financial position, estimated revenues, and losses, projected costs, prospects, plans and objectives of management. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements contained in this Presentation are based on Falcon’s current expectations and beliefs concerning future developments and their potential effects on Falcon. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond Falcon’s control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements.

A description of certain risks and uncertainties and factors that could cause actual results to differ materially from past results and future plans and projected and estimated future results can be found in Falcon’s filings with the U.S. Securities and Exchange Commission (the “SEC”), including our definitive proxy statement filed with the SEC on August 3, 2018, which are available free of charge at [www.sec.gov](http://www.sec.gov). Neither Falcon nor its affiliates or representatives assumes any obligation to update or correct any forward-looking statements or other information contained in this Presentation.

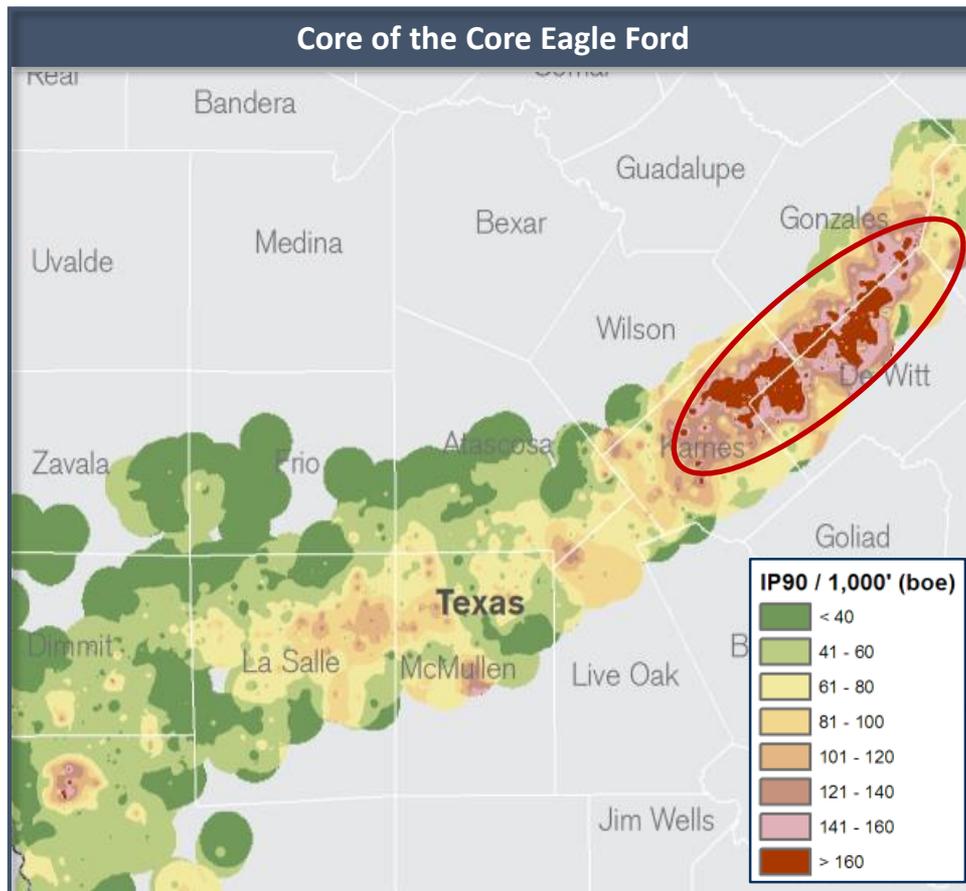
## **RESERVE INFORMATION**

Reserve engineering is a process of estimating underground accumulations of hydrocarbons that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions could impact Falcon’s strategy and change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered. Estimated Ultimate Recoveries, or “EURs,” refers to estimates of the sum of total gross remaining proved reserves per well as of a given date and cumulative production prior to such given date for developed wells. These quantities do not necessarily constitute or represent reserves as defined by the SEC and are not intended to be representative of all anticipated future well results.

# Overview

*Falcon's primary assets are located in the core of the Eagle Ford under premier operators and benefit from premium pricing*

Market / Asset Overview	
NASDAQ Ticker	FLMN
Market Capitalization <sup>(1)</sup>	~\$555mm
Shares Outstanding <sup>(2)</sup>	~86.0mm
Leverage Ratio <sup>(3)</sup>	0.55x
Liquidity <sup>(4)</sup>	~\$55mm
Key Counties	Karnes, Dewitt, Gonzales
Key Operators	BP / Devon, ConocoPhillips, EOG, Ensign
Gross Unit Acres	~256,000 acres
Net Royalty Acres	~2,670 acres
Producing Horizontal Wells	~1,867 Eagle Ford wells



***World class assets developed by world class operators***

- (1) Assumes share price as of November 11, 2019. Inclusive of Class C Shares.
- (2) 85,950,716 shares reflect fully-diluted or as-converted shares outstanding, inclusive of 40,000,000 Class C shares. Excludes Distribution Equivalent Rights.
- (3) Calculated by dividing the sum of total debt outstanding less cash on hand as of September 30, 2019 by Adjusted EBITDA for the trailing 12-month period, as per Falcon's credit agreement dated August 23, 2018.
- (4) Liquidity reflects redetermined borrowing base of \$90 million as of November 8, 2019.

# Investment Highlights

<p><b>3Q '19 Review</b></p>	<ul style="list-style-type: none"> <li>❑ Announced 3Q '19 dividend of \$0.135; LTM aggregate distributions of \$0.66 implies a 10.2% LTM yield <sup>(1)</sup></li> <li>❑ Averaged net production of 4,825 Boe/d (56% oil Eagle Ford / 50% oil total) during 3Q '19</li> <li>❑ Net income of \$6.4 million <sup>(2)</sup>, or \$0.06 per Class A share for 3Q '19</li> <li>❑ Adjusted EBITDA of \$12.3 million for 3Q '19</li> <li>❑ Averaged seven rigs running on Eagle Ford position during 3Q '19</li> <li>❑ Maintained low leverage profile → 0.55x <sup>(3)</sup> levered at 3Q '19</li> <li>❑ Closed three acquisitions totaling \$0.9 million during 3Q '19</li> <li>❑ Production guidance for 4Q '19 / 1Q '20 set at 5,000 – 5,500 Boe/d (50% - 55% oil)</li> </ul>
<p><b>Core of the Core Assets</b></p>	<ul style="list-style-type: none"> <li>❑ Karnes Trough is characterized by some of the lowest breakeven returns to operators in North American shale</li> <li>❑ Eagle Ford benefits from premium pricing → ~\$4.00 favorable to benchmark WTI</li> <li>❑ Ample infrastructure ensures takeaway capacity from the region</li> <li>❑ World class operators remain committed to Eagle Ford development and are re-developing pay targets with refracturing and enhanced oil recovery, as well as developing additional zones in the Austin Chalk</li> </ul>
<p><b>Line of Sight Development</b></p>	<ul style="list-style-type: none"> <li>❑ 207 line of sight wells (2.82 net wells) currently in active development, an increase of 16% from 2Q '19</li> <li>❑ 118 wells currently waiting on completion (1.69 net wells)</li> <li>❑ 32 wells currently waiting on connection (0.36 net wells)</li> <li>❑ Four Hooks Ranch wells, in which Falcon has a 22.5% net revenue interest, were drilled to total depth by ConocoPhillips in October 2019 <sup>(4)</sup> → anticipate production in 1Q '20</li> </ul>
<p><b>Falcon Highlights</b></p>	<p><b><u>Unique business model within energy landscape and across public markets → Zero capex, low leverage, embedded growth, margins in excess of 75%, premium pricing, and world class operators</u></b></p>

(1) Yield based on November 11, 2019 closing share price.

(2) Net Income shown includes amounts attributable to non-controlling interests.

(3) Calculated by dividing the sum of total debt outstanding less cash on hand as of September 30, 2019 by Adjusted EBITDA for the trailing 12-month period, as per Falcon's credit agreement dated August 23, 2018.

(4) The four recently spud Hooks Ranch wells will extend the laterals from the Hooks Ranch positions into an adjacent leasehold property where Falcon has a 3.65% NRI. The net NRI contribution from the four wells will be approximately 14.2%.

# A History of Market Leading Returns

*Falcon's management team has a long history of creating energy enterprises (Atlas companies) and providing substantial shareholder returns*

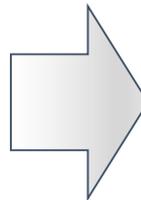


Atlas Energy grows to become one of the most active developers in the early stages of the Marcellus Shale



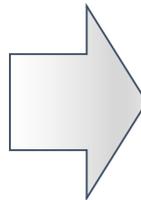
Atlas Pipeline expands into a leading gathering & processing enterprise in the Permian and Mid-Continent regions

2011



Atlas Energy sold to Chevron for \$4.3 billion  
> 900% return from IPO  
(46% CAGR)

2015

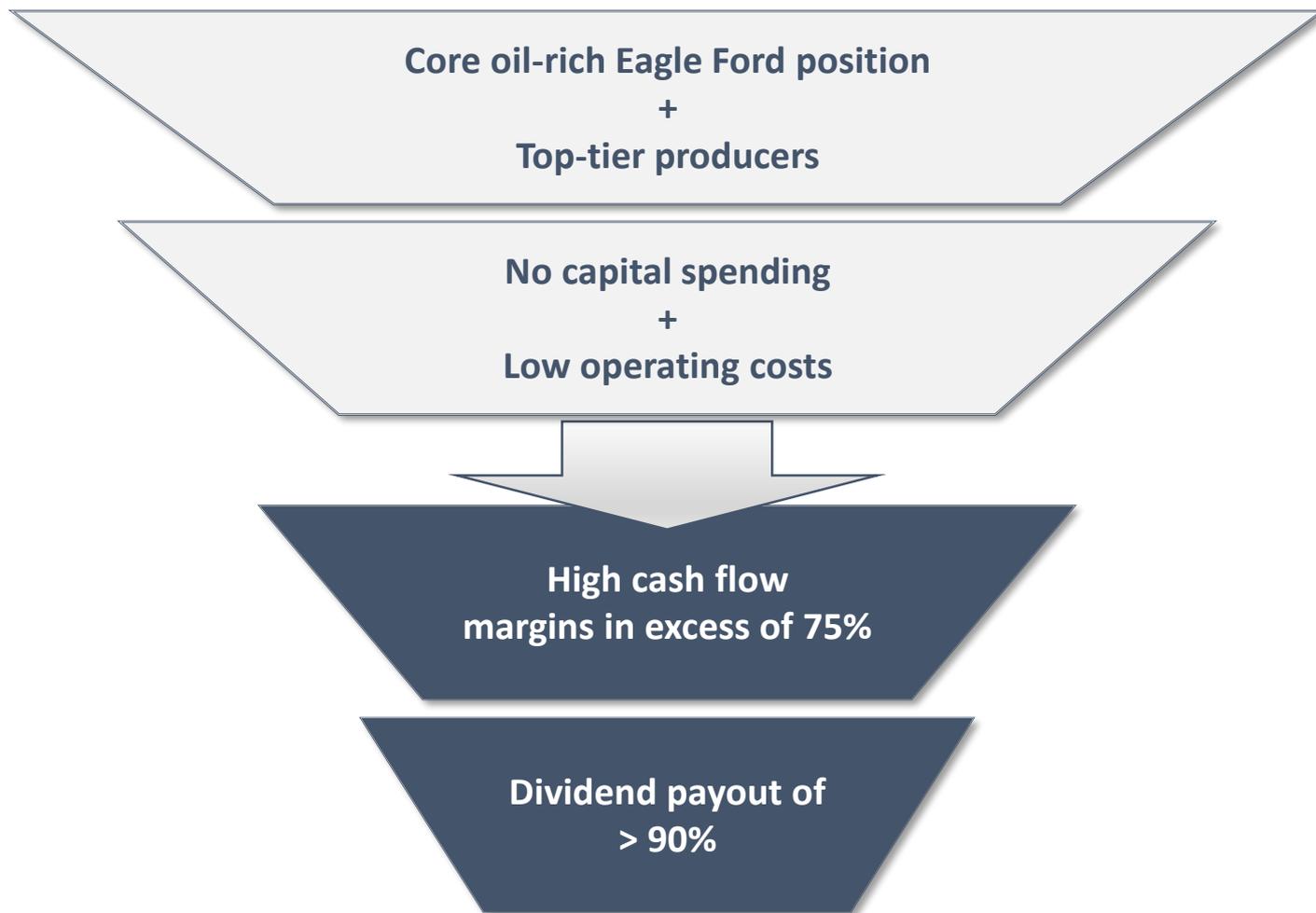


Atlas Pipeline sold to Targa for \$7.7 billion  
> 400% return from IPO  
(11% CAGR)

# A Model of Consistent Free Cash Flow

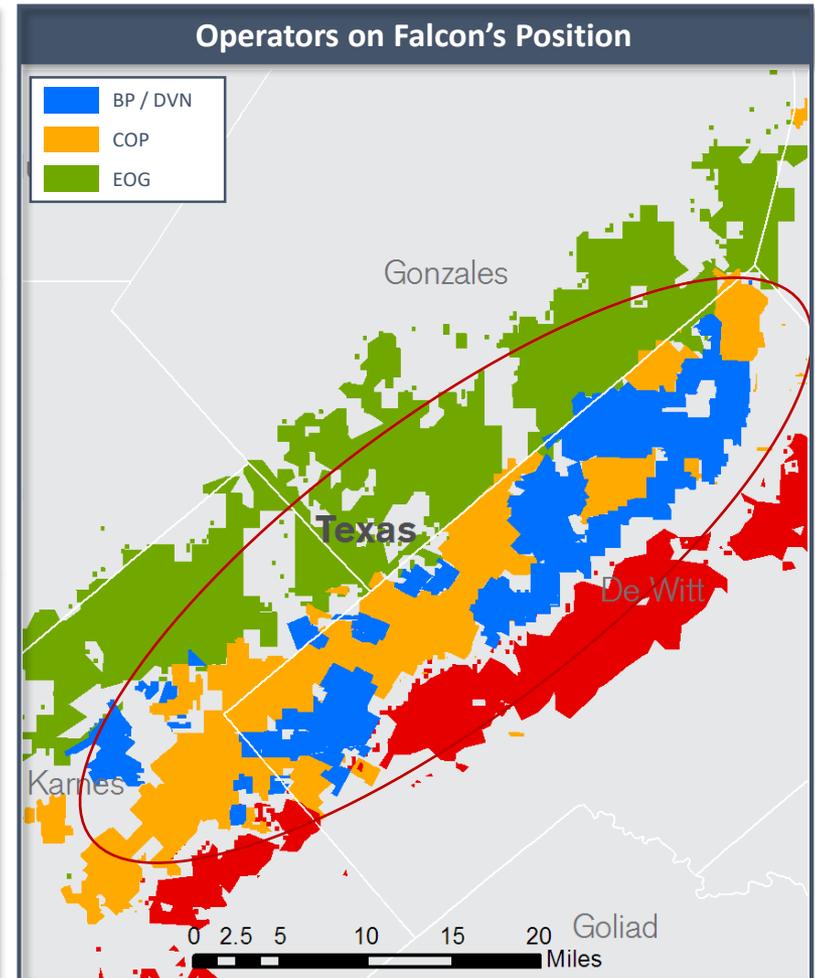
---

*Falcon's royalty business offers a unique business model that provides consistent, high cash margin returns to shareholders*



# World Class Operators Developing Falcon's Position

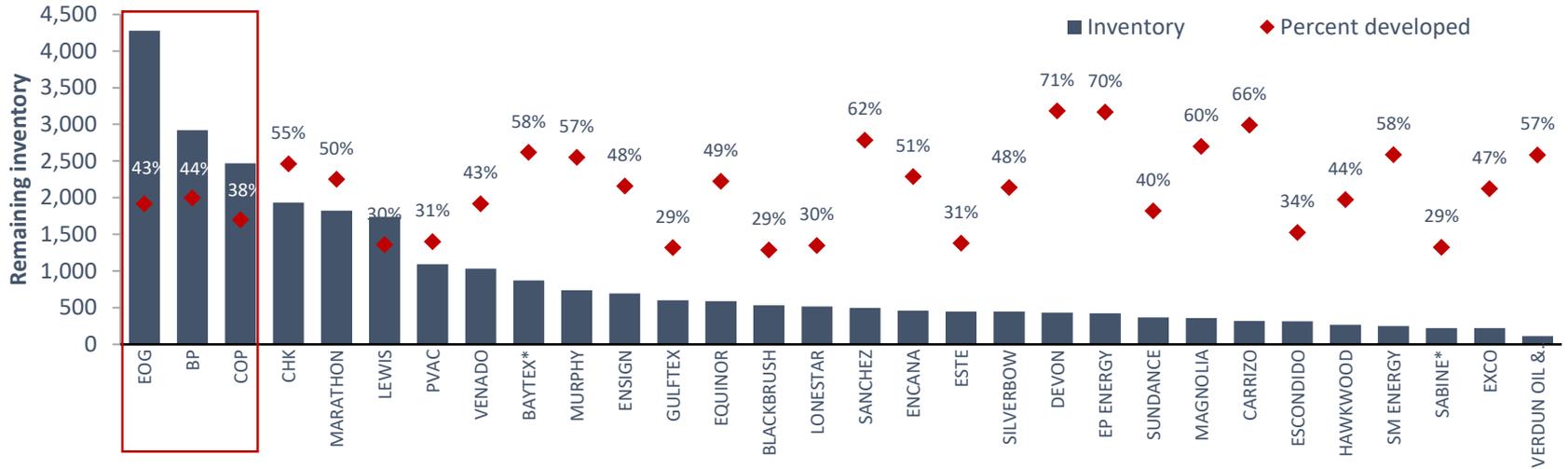
Operators	
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Currently running seven rigs across the Eagle Ford</li> <li><input type="checkbox"/> Indicated potential addition of an eighth rig in 2020 in order to reach optimal and sustained development</li> </ul>
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Currently running four rigs across the Eagle Ford</li> <li><input type="checkbox"/> Partnership transition from BHP to BP complete with operational momentum reestablished</li> <li><input type="checkbox"/> Plan to bring online more than 25 Eagle Ford wells in 4Q '19</li> <li><input type="checkbox"/> Actively completing frac and redevelopment inventory; over 700 potential locations</li> </ul>
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Currently running eight rigs across the Eagle Ford</li> <li><input type="checkbox"/> Continuing to methodically develop Eagle Ford / Austin Chalk position with 10+ years of growth</li> <li><input type="checkbox"/> Aggressively targeting Enhanced Oil Recovery (EOR) program with over 200 wells identified</li> <li><input type="checkbox"/> Exceeded full year well cost reduction goal of 5% in 3Q '19</li> <li><input type="checkbox"/> Recently announced average drill times were reduced by 10% - 20% → drilled fastest well to date in Eagle Ford in 2.4 days</li> </ul>



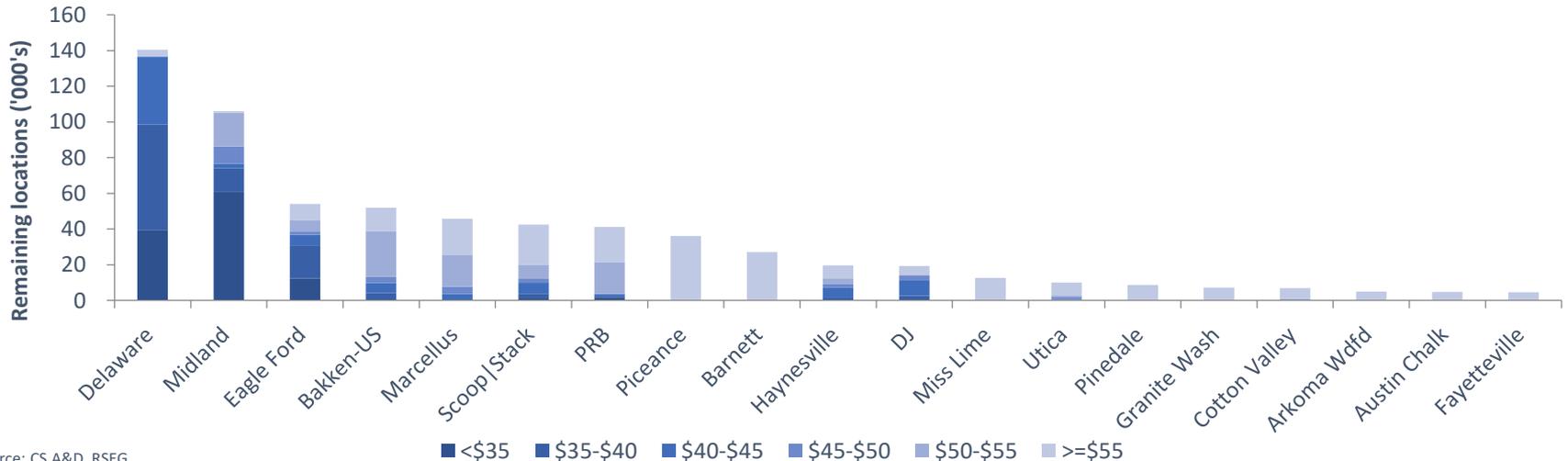
*Over \$200bn of market capitalization across Falcon's top operators*

# Substantial Remaining Inventory Across the Basin and Key Operators

Sorted by Highest Total Remaining Inventory



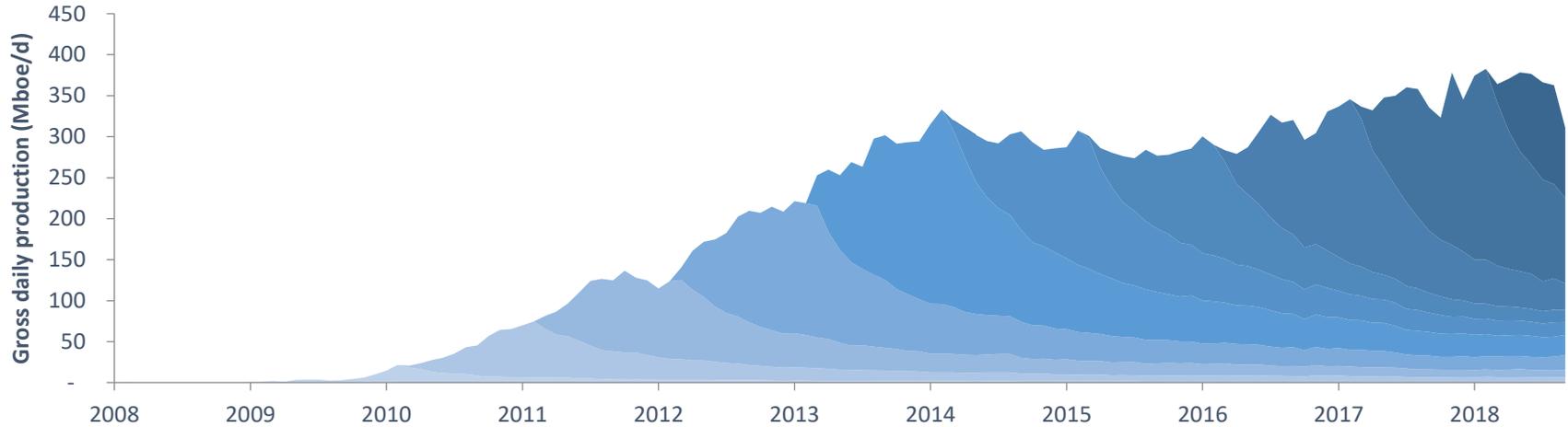
Remaining Locations by Play and PV-10 Breakeven (\$ / Bbl; 20:1 WTI:HH)



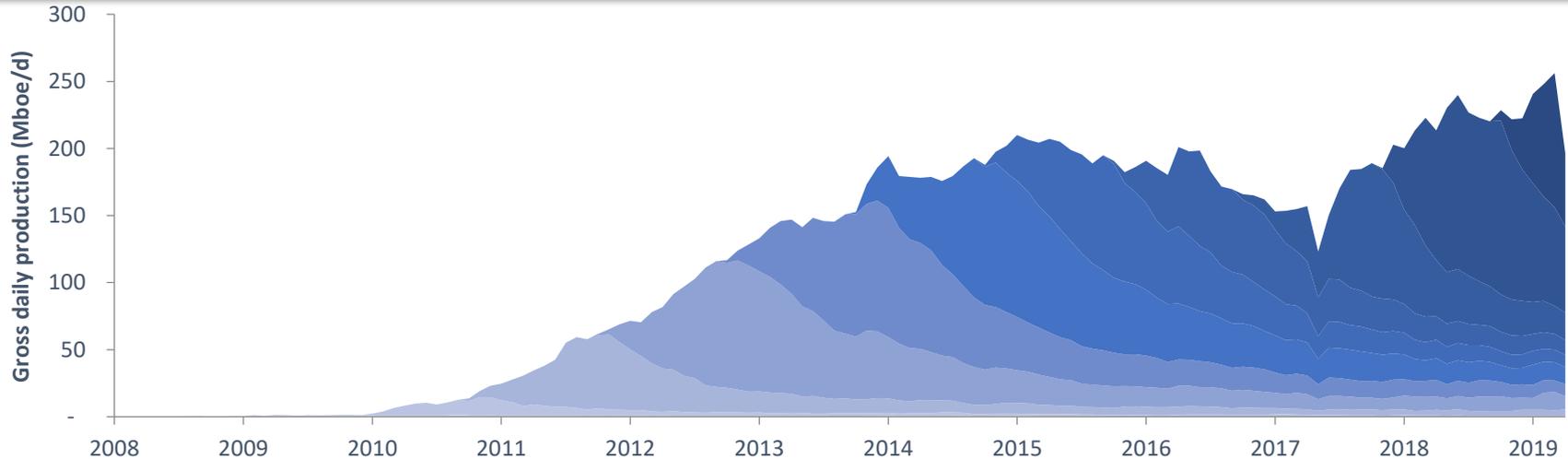
Source: CS A&D, RSEG.

# ConocoPhillips and EOG Have been in Growth Mode for a Decade

## EOG Eagle Ford Historical Production



## COP Eagle Ford Historical Production



Source: CS A&D, RSEG.

# Development Activity

*Significant line of sight inventory with ongoing development from leading operators*

## Rig Activity

- ❑ Significant rig activity across position
  - Seven rigs on Falcon’s position during 3Q ‘19
  - Seven rigs currently on Falcon’s position

## Line of Sight Development

- ❑ 207 gross wells (2.82 net)
- ❑ 118 gross wells (1.69 net) waiting on completion
- ❑ 32 gross wells (0.36 net) waiting on connection
- ❑ Current key line of sight wells
  - Four Hooks (22.5% NRI) wells expected to TIL in 1Q ‘20
    - Wells are 10,000’ laterals and drilled from Hooks Ranch lease into the Hardesty unit, which has a 3.65% NRI → total NRI of 14.2%

YTD Development				
	Active Rigs	Gross TIL	Average NRI	Net TIL
1Q ‘19 Actual	5	51.0	0.76%	0.39
2Q ‘19 Actual	9	35.0	1.16%	0.41
3Q ‘19 Actual	7	27.0	0.54%	0.14

Line of Sight Development			
	Gross Wells	Average NRI	Net Wells
Waiting on Connection	32	1.11%	0.36
Waiting on Completion	118	1.43%	1.69
Permitted	57	1.36%	0.78
<b>Total</b>	<b>207</b>	<b>1.36%</b>	<b>2.82</b>

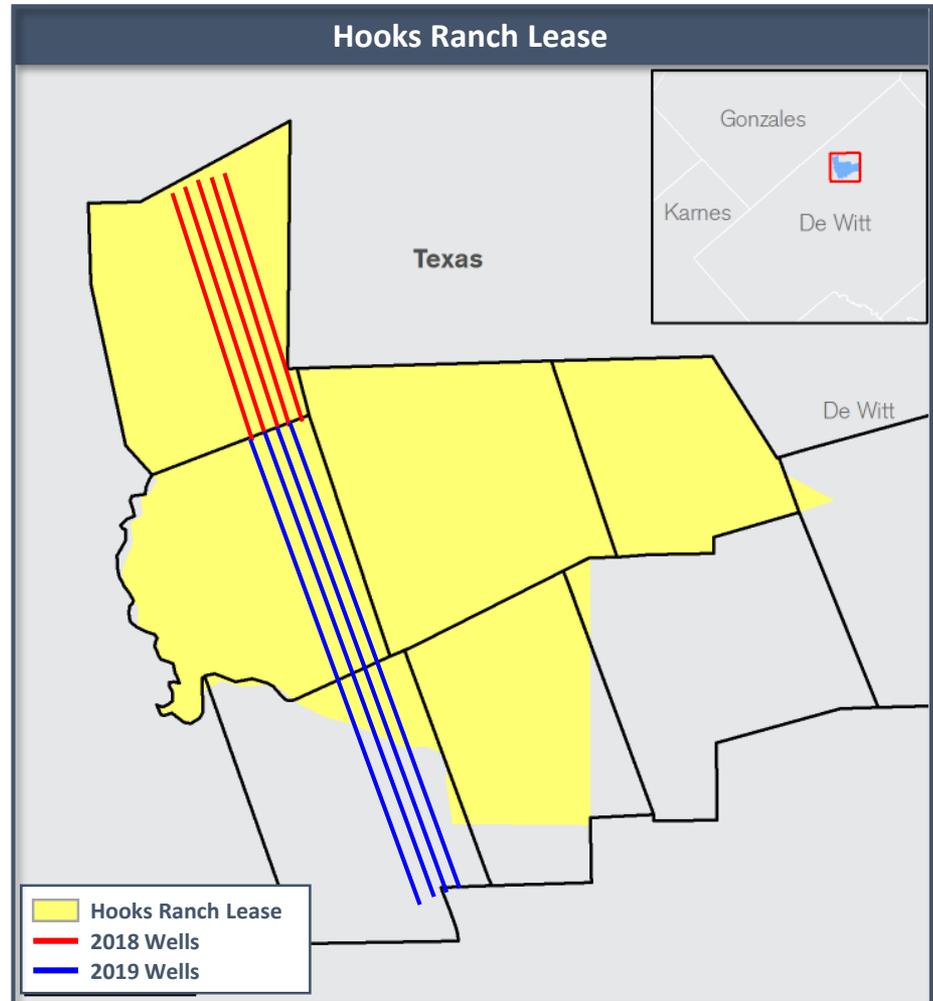
*Increase in wells waiting on completion → significant ramp in net well count as high NRI wells come online*

# Hooks Ranch Update

*Four Hooks Ranch wells were drilled to total depth in October 2019 with connection anticipated in 1Q '20*

## Development Update

- ❑ Falcon Minerals has a 22.5% royalty interest in the Hooks Ranch position
  - Significant number of remaining upside locations
  - 100% HBP and operated by ConocoPhillips
- ❑ Four Hooks Ranch wells permitted in May 2019 and spud in July 2019
  - COP began completion in November 2019
  - Production anticipated in mid 1Q '20
- ❑ Wells are expected to have lateral lengths of ~10,000'
  - Wells drilled from Hooks Ranch lease and extend into the Hardesty unit, which has a 3.65% NRI
- ❑ 6-well pad (4 Lower Eagle Ford, 2 Upper Eagle Ford) TIL in February 2018
  - Substantially outperformed original type curves
  - Wells in top quartile of returns in basin



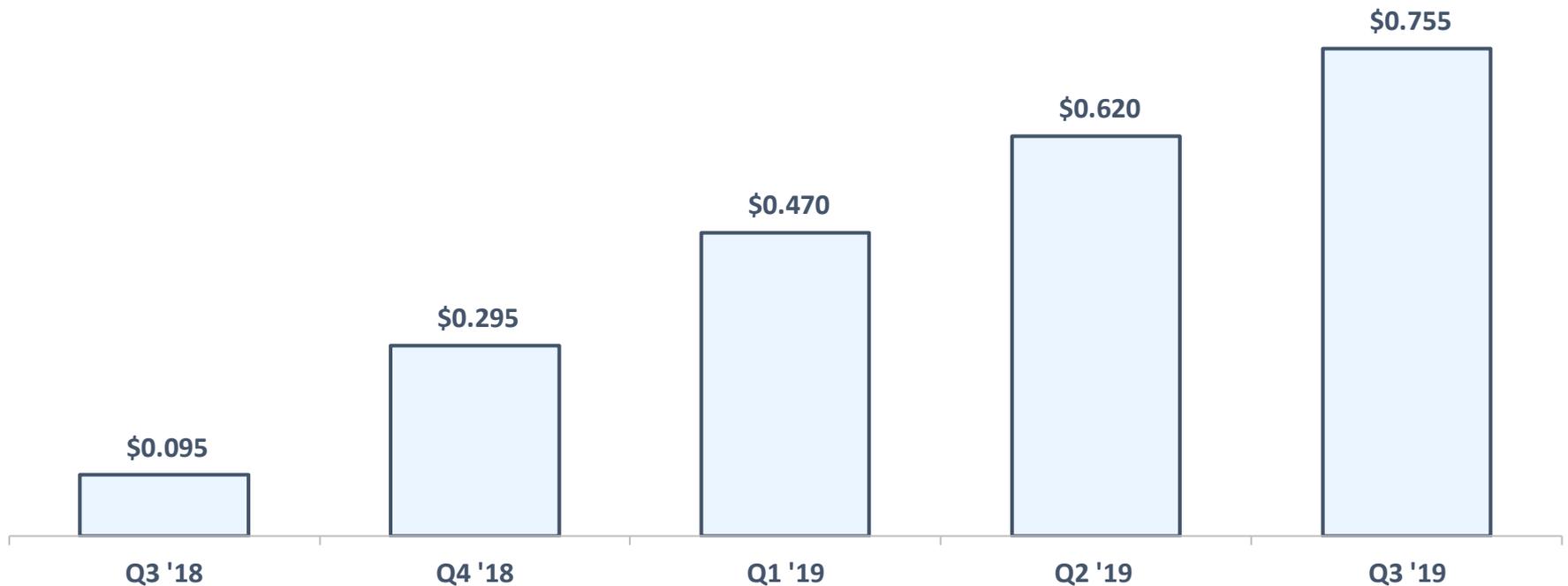
# Dividend Payouts and Sustainability

*Falcon's high cash flow margin and no capital requirements result in long-term dividend returns to shareholders*

## Dividends Sourced from Strong Free Cash Flow

- ❑ Falcon's mineral assets generate cash flow at high operating margins
- ❑ Absence of capital requirements allows Falcon to distribute the majority of its free cash flow to shareholders
  - 3Q '19 dividend payout ratio → ~99.8% of free cash flow and ~72.9% of revenue

## Cumulative Dividends Paid per Share



# Financial Overview

## Key Points

- ❑ Strong free cash flow generation
- ❑ Falcon has consistently paid over 90% of its free cash flow back to its shareholders through a robust dividend
- ❑ 3Q '19 dividend of \$0.135
- ❑ \$0.755 per share in dividends paid to date since August 2018
- ❑ Significant liquidity for Falcon to capitalize on organic acquisitions while maintaining a modest leverage profile
- ❑ Falcon has no capital expenditure requirements

Capitalization as of 9/30/19	
Cash	\$2.6mm
Revolving Credit Facility Borrowing	\$38.0mm
Borrowing Base <sup>(1)</sup>	\$90.0mm
Availability Under Revolver	\$52.0mm
Liquidity	\$54.6mm
Net Debt to LTM EBITDA	0.55x

4Q '19 – 1Q '20 Guidance	
Net Production (Boe/d)	5,000 – 5,500
% Oil of Net Production	50% – 55%
Production & Ad Valorem Taxes (% Revenue)	4.0% – 5.0%
Marketing & Transportation (\$/Boe)	\$1.00 – \$1.50
General & Administrative (\$ mm) <sup>(2)</sup>	\$4.5 – \$5.0
Depletion Expense (\$/Boe) <sup>(3)</sup>	\$6.50 – \$7.50

(1) Borrowing base redetermined to \$90 million as of November 8, 2019.

(2) General and administrative expense above represents guidance over the next six months and excludes noncash stock-based compensation expense.

(3) The depletion expense forecast range above is shown on a GAAP basis.

## Key Takeaways

---

Significant line of sight production driven by higher NRI wells coming online

Hooks Ranch development in process → 4 wells drilled to total depth with anticipated connection in 1Q '20

Fully dedicated and aligned management team

Continued conservative leverage profile → 0.55x levered at 3Q '19

Strong free cash flow generation with margins in excess of 75%

Largest consolidator of minerals in Eagle Ford

Disciplined acquisition strategy