

Investor Presentation

November 2020



# Disclaimer

---

## **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements that involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Falcon cautions readers not to place any undue reliance on these forward-looking statements as forward-looking information is not a guarantee of future performance. Such forward-looking statements include, but are not limited to, statements about future financial and operating results, future dividends paid, the tax treatment of dividends paid, Falcon's plans, initiatives, objectives, expectations and intentions and other statements that are not historical facts. Risks, assumptions and uncertainties that could cause actual results to materially differ from the forward-looking statements include, but are not limited to, those associated with general economic and business conditions; the COVID-19 pandemic and its impact on Falcon and on the oil and gas industry as a whole; Falcon's ability to realize the anticipated benefits of its acquisitions; changes in commodity prices; uncertainties about estimates of reserves and resource potential; inability to obtain capital needed for operations; Falcon's ability to meet financial covenants under its credit agreement or its ability to obtain amendments or waivers to effect such compliance; changes in government environmental policies and other environmental risks; the availability of drilling equipment and the timing of production in Falcon's regions; tax consequences of business transactions; and other risks, assumptions and uncertainties detailed from time to time in Falcon's reports filed with the U.S. Securities and Exchange Commission, including under the heading "Risk Factors" in Falcon's most recent annual report on Form 10-K as well as any subsequently filed quarterly reports on Form 10-Q and current reports on Form 8-K. Forward-looking statements speak only as of the date hereof, and Falcon assumes no obligation to update such statements, except as may be required by applicable law.

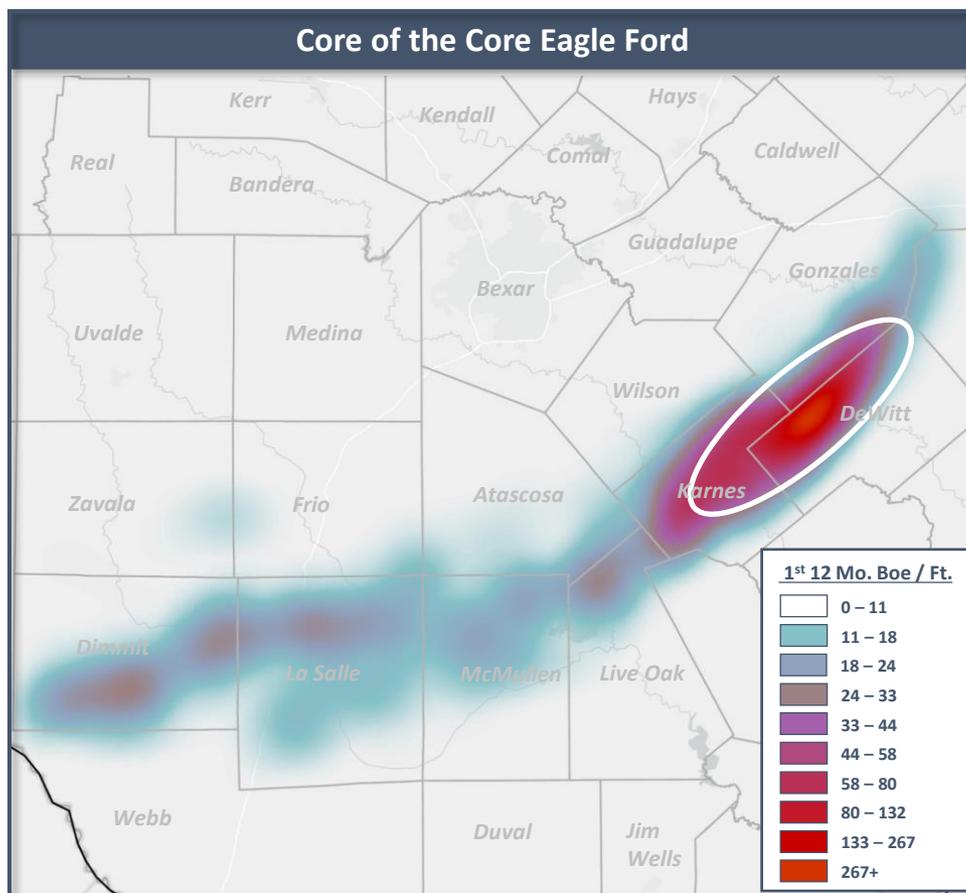
## **RESERVE INFORMATION**

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*

Market / Asset Overview	
NASDAQ Ticker	FLMN
Market Capitalization <sup>(1)</sup>	~\$170mm
Shares Outstanding <sup>(2)</sup>	~86.1mm
Leverage Ratio <sup>(3)</sup>	1.27x
Key Counties	Karnes, Dewitt, Gonzales
Key Operators	COP, BP/DVN, EOG
Gross Unit Acres	~256,000 acres
Net Royalty Acres	~2,700 acres
Producing Horizontal Wells	~2,026 Eagle Ford wells



*World class assets developed by world class operators*

(1) Assumes share price as of November 4, 2020. Inclusive of Class C Shares.

(2) 86,094,183 shares reflect fully-diluted or as-converted shares outstanding, inclusive of 40,000,000 Class C shares. Excludes unvested RSAs.

(3) Calculated by dividing the sum of total debt outstanding less total cash on hand as of September 30, 2020 by Adjusted EBITDA for the trailing 12-month period.

# Investment Highlights

<b>Operational Overview</b>	<ul style="list-style-type: none"> <li>❑ 6 new Hooks Ranch wells permitted in September 2020</li> <li>❑ World class operators prosecuting decade long plans on Falcon’s Eagle Ford position</li> <li>❑ Karnes Trough is characterized by some of the lowest breakeven returns to operators in North American shale</li> <li>❑ COP and EOG running 7 rigs in Eagle Ford</li> <li>❑ Q3 ’20 net production of ~4,471 Boe/d (~48% oil)</li> <li>❑ ~0.03 net (12 gross) wells TIL during Q3 ’20 → ~1.60 net (95 gross) wells TIL through Q3 ’20</li> <li>❑ Averaged two rigs on Eagle Ford position during Q3 ’20</li> </ul>
<b>Q3 ’20 Financial Overview</b>	<ul style="list-style-type: none"> <li>❑ Adjusted EBITDA of \$6.5 million for Q3 ’20</li> <li>❑ Announced Q3 ’20 dividend of \$0.065 on November 4, 2020; free cash flow per share of \$0.07 for Q3 ’20</li> <li>❑ Inception to date aggregate dividends of \$1.01 per share</li> <li>❑ Maintained low leverage profile → 1.27x net debt / LTM EBITDA at Q3 ’20 <sup>(1)</sup></li> <li>❑ Established crude oil swap program for third quarter 2020 through first quarter 2021 at ~\$40 per barrel</li> <li>❑ Established natural gas costless collar program beginning in fourth quarter 2020 through first quarter 2021</li> </ul>
<b>Line-of-sight Development (October 2020)</b>	<ul style="list-style-type: none"> <li>❑ 237 gross line-of-sight wells (3.13 net) → ~1.70 net wells with ongoing development activity</li> <li>❑ 110 gross permitted wells (1.43 net wells)</li> <li>❑ 94 gross wells waiting on completion (1.41 net wells)</li> <li>❑ 33 gross wells waiting on connection (0.29 net wells)</li> </ul>
<b>Falcon Highlights</b>	<ul style="list-style-type: none"> <li>❑ Zero capex requirements</li> <li>❑ Ability to generate free cash flow in challenged commodity price environment</li> <li>❑ Management focused on maintaining a low-cost structure</li> <li>❑ Conservative balance sheet and disciplined acquisition strategy</li> </ul>

(1) Calculated by dividing the sum of total debt outstanding less total cash on hand as of September 30, 2020 by Adjusted EBITDA for the trailing 12 month period.

# Recent Operator Commentary

Key Operators		
	 	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Eagle Ford Outlook – 10-year commitment to Eagle Ford</li> <li><input type="checkbox"/> ConocoPhillips (“COP”) stated in September that it is focused on the Eagle Ford, which represents the company’s lowest cost of supply</li> <li><input type="checkbox"/> ~3,800 top-tier locations remaining</li> <li><input type="checkbox"/> Maintaining 4 rigs across the Eagle Ford for the remainder of 2020 with 1 or 2 frac crews expected</li> <li><input type="checkbox"/> Planning to build substantial DUC inventory of ~130 wells in Lower 48 with modest activity ramp in 2H ‘20</li> <li><input type="checkbox"/> Average cost of supply in Lower 48 below ~\$30 / Bbl (10% IRR threshold)</li> <li><input type="checkbox"/> Upside – ~300 refracs in 10-year plan, ~75% EUR increase from mechanical isolation refracs</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Eagle Ford Outlook – 10+ years of inventory life in the Eagle Ford</li> <li><input type="checkbox"/> Plan to restart capital program in early 2021</li> <li><input type="checkbox"/> DUC inventory includes 22 high-impact wells as of July 2020</li> <li><input type="checkbox"/> Successful redevelopment appraisal program during 1H ‘20 confirms resource upside and additional highly economic inventory</li> <li><input type="checkbox"/> Upside – ~700+ potential refrac locations along with additional redevelopment / infill inventory</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Eagle Ford Outlook – bellwether asset in “growth phase” with 10+ years of inventory remaining</li> <li><input type="checkbox"/> Maintaining 3 rig / 3 frac crew program across the Eagle Ford in 2020</li> <li><input type="checkbox"/> ~210 net Eagle Ford wells expected to TIL in 2020 (82 net wells TIL in Q1 ‘20)</li> <li><input type="checkbox"/> ~1,900 net undrilled premium locations in the Eagle Ford</li> <li><input type="checkbox"/> ~7% reduction in Eagle Ford well costs expected in 2020 compared to 2019 levels</li> <li><input type="checkbox"/> Upside – targeting Enhanced Oil Recovery (EOR) program with over 200 wells identified</li> </ul>

***10-year commitment to the Eagle Ford across key operators***

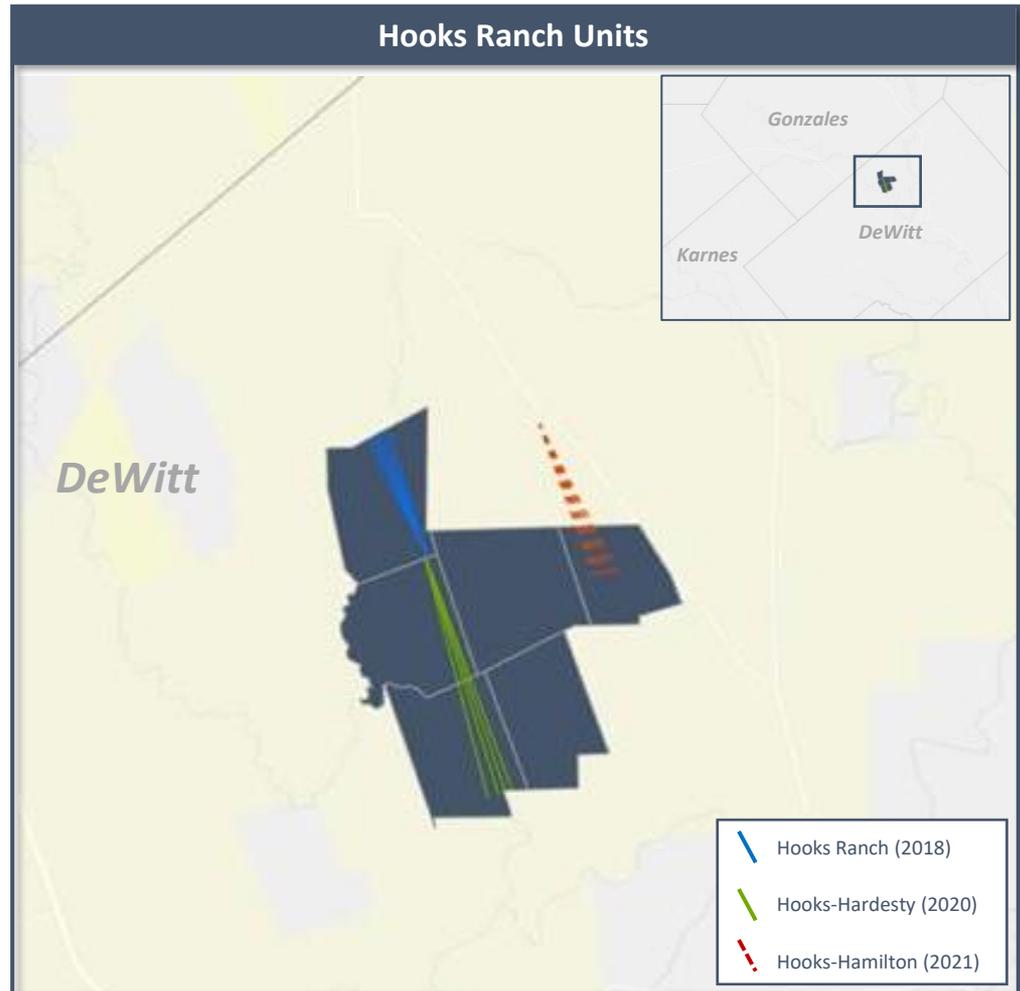
Note: EOG commentary reflects disclosure prior to Q3 ‘20 earnings release scheduled for November 6, 2020.

# Hooks Ranch Update

## Hooks Ranch Overview / Development Update

- ❑ Falcon Minerals has a 22.5% royalty interest in ConocoPhillips' Hooks Ranch position
  - 75%+ undeveloped
  - 100% HBP and operated by ConocoPhillips
- ❑ **ConocoPhillips permitted 6 new Hooks Ranch wells during September 2020**
- ❑ Drilling is expected to begin in Q1 '21
  - Wells are expected to be connected in 2021
  - 4 Lower Eagle Ford / 2 Upper Eagle Ford
  - Wells will have extended laterals from adjacent properties into the Hooks unit
- ❑ Four Hooks Ranch wells turned in line on February 7, 2020
- ❑ Wells have lateral lengths of ~11,000'
  - Wells drilled from Hooks Ranch lease and extend into the Hardesty unit
- ❑ 6-well pad (4 Lower Eagle Ford, 2 Upper Eagle Ford) TIL in February 2018
  - Wells in top decile of returns in basin

## Hooks Ranch Units



# Development Activity

## Q3 '20 Development

- ❑ 2 rigs on Falcon's position during third quarter 2020
- ❑ ~0.03 net wells TIL during third quarter 2020

## Eagle Ford Line-of-sight Development (October 27, 2020)

- ❑ 237 gross Eagle Ford wells (3.13 net)
  - 110 gross (1.43 net) permits
  - 94 gross (1.41 net) waiting on completion
  - 33 gross (0.29 net) waiting on connection
- ❑ Line-of-sight inclusive of 6 recently permitted Hooks Ranch wells

### 2019 Development

	Active Rigs	Gross TIL	Average NRI	Net TIL
2019 Total	7	194	0.79%	1.54

### 2020 YTD Development

	Active Rigs	Gross TIL	Average NRI	Net TIL
Q1 '20	7	63	~2.30%	~1.45
Q2 '20	3	20	~0.60%	~0.12
Q3 '20	2	12	~0.23%	~0.03

### Eagle Ford Line-of-sight Development (October 27, 2020)

	Gross Wells	Average NRI	Net Wells
Permitted	110	1.30%	1.43
Waiting on Completion	94	1.50%	1.41
Waiting on Connection	33	0.89%	0.29
<b>Total</b>	<b>237</b>	<b>1.32%</b>	<b>3.13</b>

# Financial Overview

## Q3 '20 Overview

- ❑ 12 gross wells (0.03 net) turned in line during Q3 '20
- ❑ Announced Q3 '20 dividend of \$0.065 per Class A share
  - \$1.01 per share in dividends since inception
- ❑ Adjusted EBITDA of \$6.5 million for Q3 '20
- ❑ Maintained low leverage profile → 1.27x net debt / LTM EBITDA at Q3 '20 <sup>(1)</sup>

Pro Forma Capitalization as of September 30, 2020	
Cash	\$2.5mm
Revolving Credit Facility Borrowing	\$39.0mm
Net Debt	\$36.5mm
Borrowing Base	\$70.0mm
Net Debt to LTM EBITDA <sup>(1)</sup>	1.27x

(1) Calculated by dividing the sum of total debt outstanding less total cash on hand as of September 30, 2020 by Adjusted EBITDA for the trailing 12 month period.

# Hedge Program Overview

## Overview

- ❑ Falcon established a crude oil swap program during Q2 '20 and currently has volumes hedged quarterly in Q4 '20 and Q1 '21
- ❑ Falcon established a natural gas costless collar during Q3 '20 and currently has volumes hedged monthly in Q4 '20 and Q1 '21
  - Put strikes and call strikes priced by quarter
- ❑ Purpose of hedge program to protect Falcon's balance sheet and cash flow
  - Protect the downside in the short-term while retaining full optionality as oil prices recover in the medium and long-term

Crude Oil Swaps			
Date	Swap Volumes (Bbls/d)	% of Q3 '20 Oil Production	Swap Price (\$ / Bbl)
Q4 '20	1,273	~59%	\$40.13
Q1 '21	1,087	~51%	\$40.44

Natural Gas Costless Collars			
Date	Collar Volumes (Mcf/d)	Put Strike	Call Strike
October 2020	6,355	\$2.60	\$2.92
November 2020	6,267	\$2.60	\$2.92
December 2020	5,774	\$2.60	\$2.92
January 2021	5,194	\$3.15	\$3.55
February 2021	5,500	\$3.15	\$3.55
March 2021	4,806	\$3.15	\$3.55

# Dividend Payouts and Sustainability

## Favorable Tax Treatment of Dividends

- ❑ Falcon announced third quarter 2020 dividend of \$0.065 per share → \$1.01 of cumulative dividends since inception
- ❑ **Falcon expects that substantially all of dividends paid to Class A shareholders during 2020 will be classified as non-dividend distributions in 2020 and therefore represent a reduction of basis rather than ordinary income**
  - Non-dividend distributions are treated as a reduction of basis until such time that the investors' basis is fully recovered
  - Falcon generates non-dividend distributions due to the Company's high payout ratio coupled with the step up in the tax basis of Falcon's minerals interests that was received as a part of the transaction with Royal Resources in 2018

## Cumulative Dividends Per Share



Note: This expected favorable tax treatment is the result of certain non-cash expenses (principally depletion) substantially offsetting Falcon's taxable income and tax "earnings and profit." Our estimates of the tax treatment of Falcon's earnings and dividends are based upon assumptions regarding the capital structure and earnings of Falcon Minerals Operating Company LP ("OpCo"), the capital structure of Falcon and the amount of the earnings OpCo allocates to Falcon. Many factors may impact these estimates, including changes in drilling and production activity, commodity prices, future acquisitions, or changes in the business, economic, regulatory, legislative, competitive or political environment in which Falcon operates. These estimates are based on current tax law and tax reporting positions that we have adopted and with which the Internal Revenue Service could disagree. These estimates are not fact and should not be relied upon as being necessarily indicative of future results, and no assurances can be made regarding these estimates. Investors are encouraged to consult with their tax advisor on this matter.