DERBY

February 3, 2023

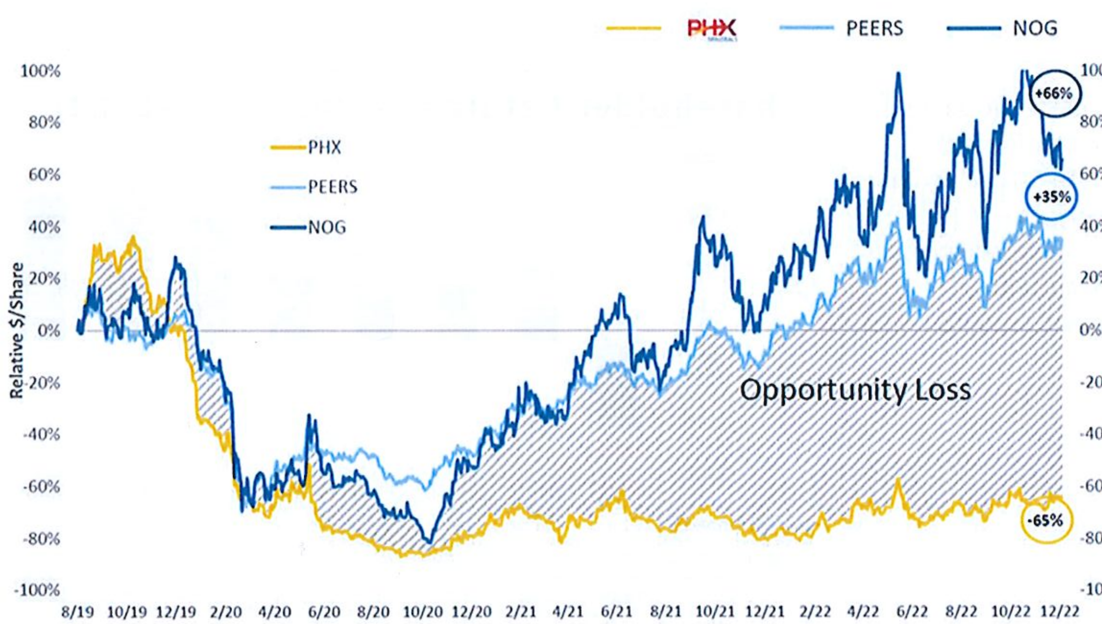
Board of Directors
PHX Minerals Inc.
Attn: Mark Behrman, Non-Executive Chairman of the Board
1320 South University Drive
Suite 720
Ft. Worth, TX 76107

Mr. Behrman:

I am writing on behalf of Beta Shale, LLC, a Derby Energy, LLC managed company and a shareholder of PHX Minerals Inc. ("the Company"), to express our concerns regarding the recent performance, direction, and compensation of the leadership team of the Company.

Under current management's leadership: stockholder value is down, stockholder distributions per share significantly lag industry peers, production is down, PDP reserves are down, and overall net asset value is down.

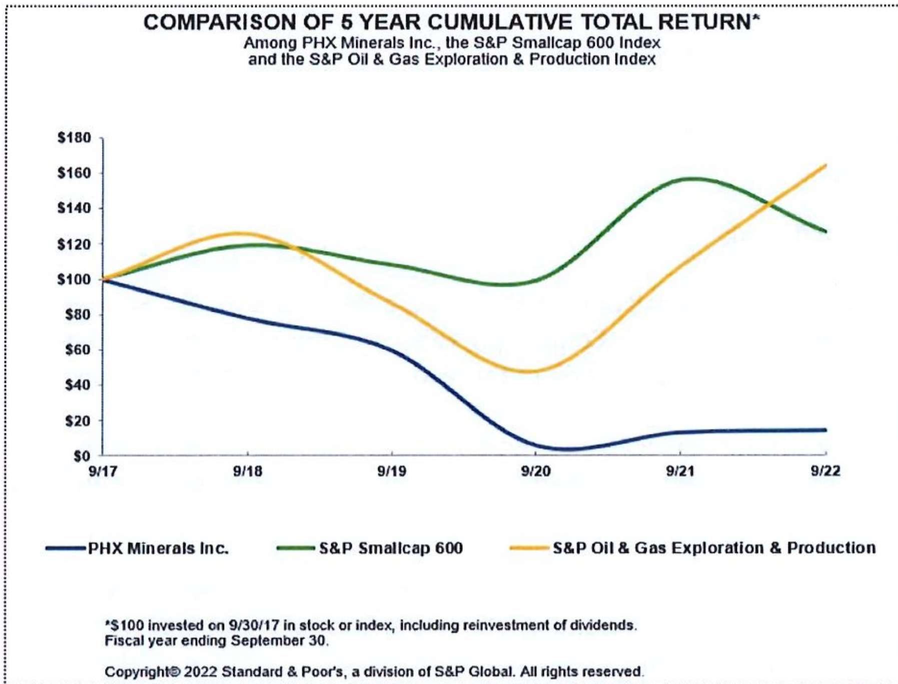
Despite an unprecedented time of tremendous opportunity in the industry, the Company has dogmatically forsaken working interests in favor of a pure-minerals asset base. This decision has impaired the company's yield and destroyed value, and the market has responded accordingly.



Note. Data from Tagnifi and Yahoo Finance. Peer group includes VNOM, KRP, BSM, STR, MNRL, DMLP

The management team of the Company currently enjoys healthy compensation to manage a commensurate organization. As communicated in the recent proxy statement, the Board of Directors recommends an increase of compensation for Mr. Chad Stephens and Mr. Ralph D'Amico.

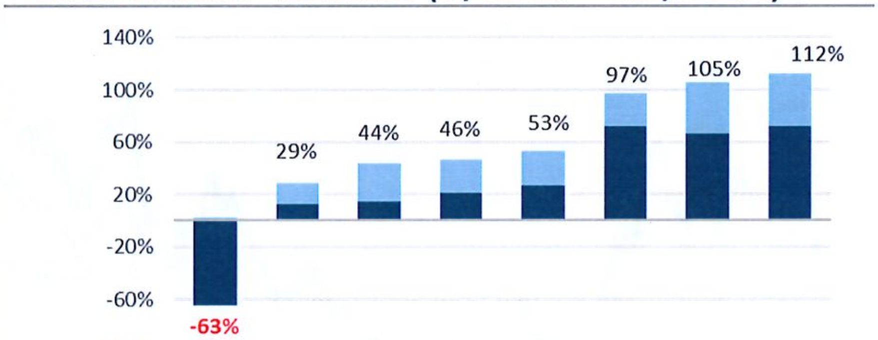
I am very concerned with the Board-recommended performance metrics for the CEO and CFO compensation packages, which resulted in 2022 total compensation of $2,066,256 for Mr. Stephens and $1,000,755 for Mr. D'Amico. These total compensation increases of roughly 50% are recommended amid a time that the Company's stock has underperformed its peers by a substantial margin, as evidenced by the Company's own disclosure in its 2022 Form 10-K.



Note. From PHX Minerals, Inc. 2022 Form 10-K

It is even more shocking when you consider total returns to the shareholders inclusive of stock performance and dividends under the current management's tenure.

Shareholder Returns (8/2019 – 12/2022)



	PHX	VNOM	KRP	BSM	STR	MNRL	NOG	DMLP
Dividends	2%	17%	29%	25%	26%	26%	40%	40%
Stock Price	-65%	12%	14%	21%	27%	72%	66%	72%
TSR	-63%	29%	44%	46%	53%	97%	105%	112%

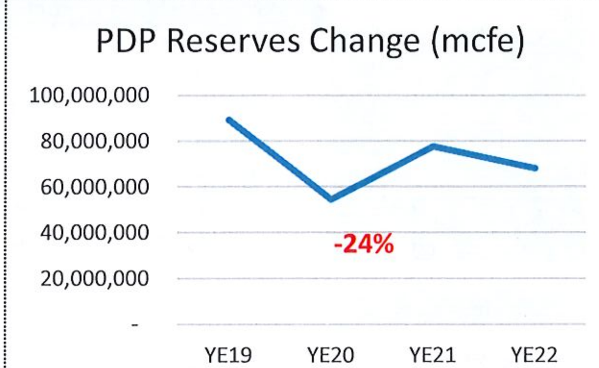
Note. Data from Tagnifi and Yahoo Finance (Jan. 20, 2023). STR returns adjusted for stock split.

*Source: Yahoo Finance, Tagnifi as of 1/20/2023. STR returns adjusted for stock split.

The Board has strongly endorsed four criteria for incentive-based compensation: operating cash flow, proved and probable royalty reserve growth, royalty production growth, and cash G&A.

First, rewarding an increase in actual versus budgeted operating cashflows makes sense from a shareholder perspective; however, in this case, operating cashflow increases were a result of very significant commodity price increases and not necessarily value-added production growth. Instead, it can be argued that production increases due to *acquisitions* were value destructive.

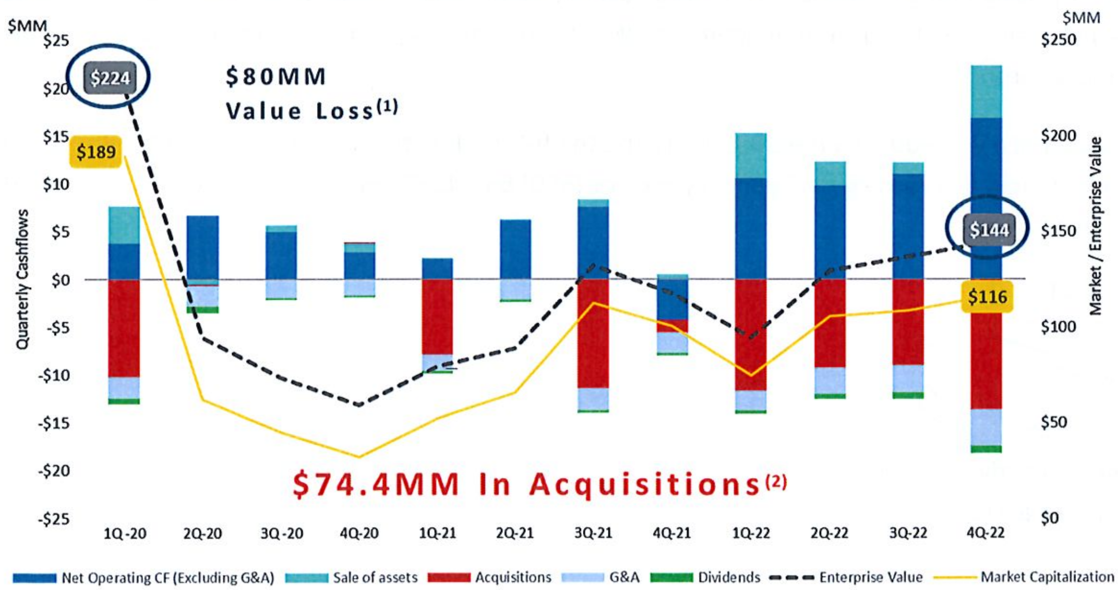
The next two metrics relating to ***ROYALTY*** reserve and production growth are completely meaningless to the economic interests of the shareholders and have led to destruction of value. When the working interest positions were sold and reinvested into royalty interests, royalty reserves and production should grow to some extent. Unfortunately, this incentive has led to a decline of overall PDP reserves for the Company.



Note. Data from PHX Minerals, Inc. 2019, 2020, 2021, 2022 Form 10-K's.

To further exacerbate the negative economic effect on the shareholders, the royalty-related metrics encouraged dilution by the issuance of new shares for asset purchases regardless of whether they add net value to the Company. Instead of buying back shares during share price troughs, new shares were issued at some of the lowest points in the Company's stock price.

	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Debt (M$)	$35,000	$32,000	$28,000	$27,000	$27,000	$23,500	$19,900	$17,500	$20,000	$24,000	$28,300	$28,300
Share Count (M)	16,897	16,897	16,897	22,647	22,801	22,825	30,200	32,770	34,405	34,469	35,681	35,777
% Increase		0.0%	0.0%	34.0%	0.7%	0.1%	32.3%	8.5%	5.0%	0.2%	3.5%	0.3%



(1) Change in Enterprise Value from Q1 2020 – Q4 2022
(2) 10K / 10Q reported acquisitions 2020 – Q4 2022

Note. Data from Tagnifi and PHX Minerals, Inc. Forms 10-Q and 10-K over the specified period.

The least weighted component of compensation consideration, cash G&A, greatly missed the Threshold as defined on page 27 of Form DEF 14A (Proxy Statement), which is understandable when the leadership of the Company opens new executive offices separate from its operations team. Even more concerning is the Company's G&A as a percentage of revenue compared to its peer group.

M$	Revenue (1)	Operating Profit (Revenue - LOE - Prod. Tax - Marketing)	G&A	G&A % Revenue	G&A % Operating Profit
Viper	$ 211,354	$ 195,716	$ 2,139	1.0%	1.1%
Kimbell Royalty	$ 61,768	$ 54,181	$ 7,483	12.1%	13.8%
Black Stone	$ 152,284	$ 131,522	$ 13,044	8.6%	9.9%
Brigham	$ 94,206	$ 85,272	$ 12,875	13.7%	15.1%
Northern	$ 409,139	$ 298,388	$ 10,278	2.5%	3.4%
Dorchester	$ 44,057	$ 40,873	$ 2,425	5.5%	5.9%
Falcon/Sitio	$ 118,156	$ 110,941	$ 13,381	11.3%	12.1%
Peer Group Average				5.6%	6.7%
PHX	$ 16,964	$ 13,316	$ 3,783	22.3%	28.4%

(1) Revenue excludes unrealized commodity derivative gain (loss)

Note. As of Sept. 30, 2022. Data from listed companies' Forms 10-Q and 10-K.

Over this time, not only has management enjoyed increasingly outsized compensation, they have also been rewarded with significant exit protections.

Compared to its peers, the Company has seen a -63% return over the past two-plus years. Management is either unable or unwilling to make changes in the face of drastically changing market conditions. It is not surprising that the Board of Directors have not made any meaningful stock purchases considering the performance of current management. What is the strategy of the Company? Value or yield? It is failing at both.

Respectfully, we request a meeting to discuss the future direction and management of the Company. I can be reached at **slong@derbyenergy.com** or **(580) 651-4323**, and thank you for your time and consideration.

Sincerely,

Steve Long
Chief Executive Officer
Beta Shale, LLC