CALGARY, ALBERTA--(Marketwired - Nov 12, 2015) - Freehold Royalties Ltd. (Freehold) (TSX:FRU) announced third quarter results for the period ended September 30, 2015.

RESULTS AT A GLANCE

	Three Months Ended September 30			Nine Months Ended September 30		
FINANCIAL ($000s, except as noted)	2015	2014	Change	2015	2014	Change
Gross revenue	36,076	52,343	-31 %	101,831	156,219	-35 %
Net income (loss)	(22,193)	17,913	-224 %	3,343	55,365	-94 %
Per share, basic and diluted ($)	(0.23)	0.24	-196 %	0.04	0.79	-95 %
Funds from operations (1)	27,643	39,561	-30 %	78,311	107,673	-27 %
Per share, basic ($) (1)	0.28	0.54	-48 %	0.89	1.54	-42 %
Operating income (1)	30,601	46,012	-33 %	85,966	137,608	-38 %
Operating income from royalties (%)	90	78	15 %	86	77	12 %
Acquisitions	815	76,780	-99 %	411,495	187,708	119 %
Capital expenditures	7,969	2,811	183 %	16,688	20,201	-17 %
Dividends declared	24,604	31,148	-21 %	69,392	88,435	-22 %
Per share ($) (2)	0.25	0.42	-40 %	0.79	1.26	-37 %
Net debt obligations (1)	148,994	122,091	22 %	148,994	122,091	22 %
Shares outstanding, period end (000s)	98,599	74,286	33 %	98,599	74,286	33 %
Average shares outstanding (000s) (3)	98,357	73,214	34 %	87,733	69,844	26 %
OPERATING						
Average daily production (boe/d) (4)	11,266	9,430	19 %	10,652	8,957	19 %
Average price realizations ($/boe) (4)	34.11	59.54	-43 %	34.27	63.14	-46 %
Operating netback ($/boe) (1) (4)	29.52	53.03	-44 %	29.57	56.28	-47 %

(1) See Additional GAAP Measures and Non-GAAP Financial Measures.

(2) Based on the number of shares issued and outstanding at each record date.

(3) Weighted average number of shares outstanding during the period, basic.

(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe).

Dividend Announcement

The Board of Directors has declared a dividend of $0.07 per share to be paid on December 15, 2015 to shareholders of record on November 30, 2015. The dividend is designated as an eligible dividend for Canadian income tax purposes. Including the December 15, 2015 dividend, the 12-month trailing cash dividends total $1.07/share.

2015 Third Quarter Highlights

- Production averaged a record 11,266 boe/d over the quarter, a 19% improvement versus Q3-2014 and 6% higher when compared to Q2-2015. Growth was driven by a combination of production added through acquisitions and prior period adjustments (mostly compensatory royalties).
- Royalties accounted for 78% of production and 90% of operating income, reinforcing our royalty focus.
- Funds from operations totalled $27.6 million ($0.28/share) in Q3-2015, down 30% from the same period last year, primarily reflecting continued weakness in oil and natural gas prices.
- Royalty production was up 24% compared to Q3-2014, averaging 8,761 boe/d. Growth in volumes was associated with a combination of volumes acquired through the year and a strong quarter where we collected approximately 350 boe/d of compensatory royalties.
- Working interest production at 2,505 boe/d was up 5% when compared to the same period last year. Growth in our volumes versus 2014 was largely driven by the corporate acquisition of Anderson Energy Ltd. (Anderson).
- Average price realizations decreasing 43% was partially offset by the increase in production volumes, resulting in a 31% decrease in gross revenue compared to Q3-2014.
- Q3-2015 net loss was $22.2 million (Q3-2014 net income - $17.9 million) due to a non-cash impairment charge of $30.8 million in our other working interest area as a result of the continued drop in expected future commodity prices. Lower revenues and higher depletion and depreciation (offset partially by the deferred tax recovery) also contributed to the difference from Q3-2014.
- Dividends declared for Q3-2015 totalled $0.25 per share, down from $0.42 per share one year ago due to the reduction in funds from operations resulting from lower commodity prices.
- On September 15, 2015, Freehold announced an adjustment to its monthly dividend from $0.09 to $0.07/share, reflecting an expectation that oil prices will remain depressed longer than initially forecast and the desire to maintain a strong balance sheet.
- Average participation in our dividend reinvestment plan (DRIP) was 14% (Q3-2014 - 20%). DRIP proceeds for the first nine months of 2015 totalled $14.5 million.
- Net capital expenditures on our working interest properties totalled $8.0 million over the quarter.

- Basic payout ratio (dividends declared/funds from operations) for the year to date period totalled 89% while the adjusted payout ratio (cash dividends plus capital expenditures/funds from operations) for the same period was 96%.
- At September 30, 2015, net debt totalled $149.0 million, up $2.0 million from $147.0 million at June 30, 2015. This implies a net debt to 12-month trailing funds from operations ratio of 1.4 times (excluding the proforma effects of acquisitions). The increase in net debt was associated with a change in working capital; long-term debt was reduced by $9.0 million in the quarter.

Guidance Update

The table below summarizes our key operating assumptions for 2015, updated to reflect actual statistics for the first nine months and our current expectations for the remainder of the year.

- Driven by better than forecast production results through Q3-2015 and our expectation for strong performance through the remainder of the year, we are revising our 2015 production forecast up to 10,600 boe/d from our previous estimate of 10,400 boe/d.
- We have a slight downward revision to our commodity forecasts for the year. Through 2015, we are now forecasting WTI and WCS prices to average US$50.00/bbl and $46.00/bbl, respectively (previously US$51.00/bbl and $48.00/bbl). Our AECO natural gas price assumption has been revised down slightly to $2.75/mcf (previously $2.85/mcf).
- Operating costs have been reduced to $4.75/boe from $5.00/boe as a result of increased royalty barrels as a percentage of total production.
- We have revised our general and administration expense to $2.60/boe from $2.50/boe reflecting acquisition integration costs and fees associated with the review of Freehold's management agreement.
- Our capital spending budget has been increased from $20 million to $25 million reflecting higher than expected non-operated spending through Q4-2015. A large percentage of our capital expenditures program is non-operated and the activity is difficult to predict.

				Guidance Dated		
2015 Annual Average		Nov 12, 2015	Aug 6, 2015	May 14, 2015	Mar. 5, 2015	Jan. 14, 2015
Daily production	boe/d	10,600	10,400	10,800	9,800	9,800
WTI oil price	US$/bbl	50.00	51.00	60.00	60.00	60.00
Western Canadian Select (WCS)	Cdn$/bbl	46.00	48.00	56.00	56.00	54.00
AECO natural gas price	Cdn$/Mcf	2.75	2.85	2.75	3.00	3.00
Exchange rate	Cdn$/US$	0.79	0.79	0.82	0.80	0.84
Operating costs	$/boe	4.75	5.00	5.25	6.60	6.60
General and administrative costs (1)	$/boe	2.60	2.50	2.60	2.60	2.60
Capital expenditures	$ millions	25	20	25	25	25
Dividends paid in shares (DRIP) (2)	$ millions	17	16	27	26	26
Weighted average shares outstanding	millions	91	91	91	76	76

(1) Excludes share based and other compensation.

(2) Assumes an average 19% participation rate in Freehold's dividend reinvestment plan, which is subject to change at the participants' discretion.

2016 Outlook

For 2016, the Board has approved a capital budget of $15 million. Our focus will continue to centre on oil development on our mineral title lands. We maintain that capital may be adjusted as the year progresses, depending on the operating environment, individual well results and our partners' activities on non-operated projects, which are difficult to predict.

		Guidance Dated
2016 Annual Average		Nov 12, 2015
Daily production	boe/d	9,800
WTI oil price	US$/bbl	50.00
Western Canadian Select (WCS)	Cdn$/bbl	47.00
AECO natural gas price	Cdn$/Mcf	2.75
Exchange rate	Cdn$/US$	0.76
Operating costs	$/boe	5.00
General and administrative costs (1)	$/boe	2.85
Capital expenditures	$ millions	15
Dividends paid in shares (DRIP) (2)	$ millions	13
Weighted average shares outstanding	millions	100

(1) Excludes share based and other compensation.

(2) Assumes an average 15% participation rate in Freehold's dividend reinvestment plan, which is subject to change at the participants' discretion.

Based on this level of capital investment, anticipated drilling activity by lessees on our royalty lands, and normal production declines (and excluding any potential acquisitions), we expect 2016 production to average approximately 9,800 boe/d. Estimated volumes are comprised of approximately 63% oil and NGL's and 37% natural gas. We continue to maintain our royalty focus with royalty production expected to account for approximately 75% of production and 86% of operating income.

Recognizing the cyclical nature of the oil and gas industry, we continue to closely monitor commodity prices and industry trends for signs of deteriorating market conditions. We caution that it is inherently difficult to predict activity levels on our royalty lands since we have no operational control. As well, significant changes (positive or negative) in commodity prices (including Canadian oil price differentials), foreign exchange rates, or production rates may result in adjustments to the dividend rate.

Availability on SEDAR

Freehold's 2015 third quarter interim unaudited condensed consolidated financial statements and accompanying MD&A are being filed today with Canadian securities regulators and will be available at www.sedar.com and on our website.

Forward-looking Statements

This news release offers our assessment of Freehold's future plans and operations as at November 12, 2015, and contains forward-looking statements that we believe allow readers to better understand our business and prospects. These forward-looking statements include our expectations for the following:

- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, and natural gas;
- light/heavy oil price differentials;
- changing economic conditions;
- foreign exchange rates;
- industry drilling, development and licensing activity on our royalty lands;
- development of working interest properties;
- participation in the DRIP and our use of cash preserved through the DRIP;
- estimated capital budget and expenditures and the timing thereof;
- estimated operating and general and administrative expenses;
- average production and contribution from royalty lands;
- key operating assumptions;
- estimated production and operating income on acquisitions
- amounts and rates of income taxes and timing of payment thereof; and
- our dividend policy and expectations about future dividend levels.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form, which is available at www.sedar.com and on our website.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, future oil and gas prices, future capital expenditure levels, future production levels, future exchange rates, future tax rates, future participation rates in the DRIP and use of DRIP proceeds, future legislation, the cost of developing and producing our assets, our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities, our ability to market our oil and natural gas successfully to current and new customers, our expectation for the consumption of crude oil and natural gas, our expectation for industry drilling levels, our ability to obtain financing on acceptable terms, and our ability to add production and reserves through development and acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in the body of this news release.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward- looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

Conversion of Natural Gas To Barrels of Oil Equivalent (BOE)

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Additional GAAP Measures

This news release contains the term "funds from operations", which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities. Funds from operations, as presented, is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to net income/loss or other measures of financial performance calculated in accordance with GAAP. We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to generate the necessary funds to fund capital expenditures, sustain dividends, and repay debt. We believe that such a measure provides a useful assessment of Freehold's operations on a continuing basis by eliminating certain non-cash charges. It is also used by research analysts to value and compare oil and gas companies, and it is frequently included in their published research when providing investment recommendations. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.

Non-GAAP Financial Measures

Within this news release, references are made to terms commonly used as key performance indicators in the oil and natural gas industry. We believe that operating income, operating netback, net debt to funds from operations, basic payout ratio and adjusted payout ratio are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

Operating income, which is calculated as gross revenue less royalties and operating expenses, represents the cash margin for product sold. Operating netback, which is calculated as average unit sales price less royalties and operating expenses, represents the cash margin for product sold, calculated on a per boe basis. Net debt to funds from operations is calculated as net debt (total debt less working capital) as a proportion of funds from operations for the previous twelve months. In addition, we refer to various per boe figures, such as revenues and costs, also considered non-GAAP measures, which provide meaningful information on our operational performance. We derive per boe figures by dividing the relevant revenue or cost figure by the total volume of oil and natural gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify its dividend levels in relation to the funds it receives and uses in its capital and operational activities. Basic payout ratio is calculated as dividends declared as a percentage of funds from operations. Adjusted payout ratio is calculated as dividends paid in cash plus capital expenditures as a percentage of funds from operations.

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