Freehold Royalties Announces First Quarter Results

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CALGARY, May 10, 2023 - Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces first quarter results for the period ended March 31, 2023.

President's Message
The execution of Freehold's North American strategy continued during the first quarter. From the COVID related lows of 2020, when Freehold embarked on our North American expansion, the Company has grown its production by over 50%, its revenues by 75%, while maintaining the Company's core identity of providing shareholders with a consistent growing dividend while maintaining low leverage.

As a larger and a more balanced North American entity, Freehold remains well positioned to endure all stages of the commodity cycle, similar to what we realized during Q1-2023. We believe much of the work completed over the past three years has been highlighted during the first quarter, as Freehold was able to deliver consistent, sustainable returns to its shareholders.

Our first quarter highlights included:

- $77 million in revenue;
- $59 million in funds from operations ($0.39/share[(1)]);
- $41 million in dividends paid ($0.27/share);
- Average production of 14,724 boe/d (9,822 boe/d in Canada and 4,902 boe/d in the U.S.);
- 349 gross wells drilled, 175 wells in Canada and 174 wells in the U.S.;
- $56.99/boe average realized price ($69.68/boe in the U.S. and $50.66/boe in Canada)

(1) See Non-GAAP Financial Ratios and Other Financial Measures

We continued our operational momentum into 2023 with strong drilling activity on both sides of the border (the highest it has been on a net well basis since early 2017) and growing Canadian production (the highest it has been since late 2019). Our Clearwater assets represented a key growth driver, averaging 450 boe/d, an increase of 25% from the previous quarter. Strength in Canadian production has been achieved with only a modest investment over the last three years.

Despite commodity prices retreating from the prior quarter and from the same period in 2022, activity levels on both our Canadian and U.S. royalty lands maintained the momentum from our record year in 2022. We have continued to see strong year-to-date leasing activity and a suite of well funded operators allocating capital to drilling on our royalty lands, driven by continued development in plays such as the Permian, Eagle Ford, Clearwater, Viking and Cardium. Through the first quarter of 2023, we have consistently had between 30-40 drilling rigs active on our acreage, with rigs on our U.S land base averaging over 30 in March, setting the highwater mark since owning the assets. While drilling will slow down in Canada in the near-term associated with spring break-up, we expect strong activity through the second quarter within our U.S. land base, a benefit of our North American portfolio.

Funds flow and production volumes were in-line with our expectation for Q1-2023 and as a result, we are maintaining our 2023 production guidance of 14,500-15,500 boe/d. We also reiterate our funds flow range of between $250-$280 million, underpinned by our West Texas Intermediate (WTI) pricing assumption of US$80/bbl. At these levels, our current dividend implies a dividend payout ratio[(1)] of approximately 60%. We believe this level is right sized to provide a robust dividend yield, while retaining optionality for further dividend increases, portfolio reinvestment and/or maintaining flexibility in our balance sheet.

Subsequent to quarter-end, a number of producers have shut-in production on Freehold's royalty lands associated with the ongoing wildfire situation in Alberta. We believe up to 25% of our Canadian production could be impacted by these shut-ins but given the preliminary and ongoing nature of the situation, Freehold does not have an estimate of the impact at this time. Freehold is thankful for the efforts of all personnel engaged in fighting these dangerous wildfires and extend our sympathy to those displaced from their homes in the areas of the fires.

David M. Spyker, President and Chief Executive Officer

Dividend Announcement

The Board of Directors of Freehold has declared a monthly dividend of $0.09 per share to be paid on June 15, 2023, to shareholders of record on May 31, 2023. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Director Retirement

Art Korpach will not be standing for re-election and will retire from Freehold's Board of Directors at the Annual General Meeting. Mr. Korpach was appointed to the Board in May 2012 and was Chair of the Compensation Committee from 2012 to 2015 and served as Chair of the Audit Committee from 2015 to 2022. Mr. Korpach was instrumental in providing valuable strategic input to Freehold through a number of transactions during his term, as we benefitted from his extensive transaction experience. We would like to thank Art for his hard work, wisdom, and leadership throughout his time on the Board and wish him well in his future endeavors.

Operating and Financial Highlights

	Three Months Ended March 31					Three Months Ended December 31			
FINANCIAL ($ millions, except as noted)	2023		2022		Change	2022		Change	
West Texas Intermediate (US$/bbl)	76.13		94.29		(19 %)	82.64		(8	%
Royalty and other revenue	76.6		87.6		(13 %)	98.5		(22	%
Funds from operations	58.6		71.9		(19 %)	80.0		(27	%
Funds from operations per share, basic ($) (1)(3)	0.39		0.48		(19 %)	0.53		(26	%
Acquisitions and related expenditures	4.3		1.3		230 %	7.2		(40	%
Dividends paid per share ($) (2)	0.27		0.18		50 %	0.27		-	
Dividend payout ratio (%) (3)	69	%	38	%	82 %	51	%	35	%
Net debt (5)	115.8		62.6		85 %	127.9		(9	%
OPERATING									
Total production (boe/d) (4)	14,724		13,676		8 %	15,041		(2	%
Oil and NGL (%)	62	%	60	%	2 %	63	%	(2	%
Petroleum and natural gas realized price ($/boe) (4)	56.99		69.71		(18 %)	69.76		(18	%
Cash costs ($/boe) (3)(4)	5.82		3.70		57 %	5.17		13	%
Netback ($/boe) (3) (4)	50.79		66.17		(23 %)	63.92		(20	%
ROYALTY INTEREST DRILLING (gross / net)									
Canada	175/ 6.9		144/ 5.9		22% / 17%	137/ 6.2		28% / 1	
U.S.	174/ 0.8		100/ 0.4		74%/100%	156/ 0.9		12%/ (1	

(1) Weighted average number of shares outstanding during the period, basic
(2) Based on the number of shares issued and outstanding at each record date
(3) See Non-GAAP Financial Ratios and Other Financial Measures
(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)
(5) Net debt is a capital management measure

First Quarter Highlights

- WTI prices averaged US$76.13/bbl for Q1-2023, 19% lower than the same period in 2022 and down 8% from the previous quarter.

- Royalty and other revenue totalled $76.6 million in Q1-2023, down 13% from Q1-2022 and 22% versus the previous quarter. Despite higher production volumes, the revenue decrease was driven by a lower commodity price environment.
- Funds from operations in Q1-2023 totalled $58.6 million ($0.39/share(1)), which compares to $71.9 million ($0.48/share(1)) in Q1-2022 and $80.0 million ($0.53/share(1)) in Q4-2022. The decrease versus 2022 is driven by lower oil and natural gas pricing when compared to prior periods.
- Dividends declared for Q1-2023 totaled $40.7 million ($0.27 per share), up 35% versus the same period in 2022 when Freehold declared dividends of $30.1 million ($0.20 per share). Freehold's dividend payout ratio(1) for Q1-2023 was 69%, versus 38% during the same period in 2022. Freehold has increased its dividend by over 500% since 2020 and continues to target its payout at approximately 60% of forward-looking funds from operations. Royalties remain a high margin asset class, enabling Freehold the ability to maintain our current dividend level even if the payout ratio(1) is above 60% for multiple quarters.
- Realized price of $56.99/boe in Q1-2023, was down 18% versus the same period last year and the previous quarter. Freehold continues to benefit from more favourable U.S. realized pricing of $69.68/boe, 38% higher than Canada ($50.66/boe).
- Recorded a netback(1) of $50.79/boe in Q1-2023, down 23% over Q1-2022 and 21% versus Q4-2022 on lower commodity prices.
- Achieved average production of 14,724 boe/d in Q1-2023, an increase of 8% over Q1-2022 and 2% lower versus Q4-2022. Volumes were impacted by colder weather early in the year and higher declines within the portfolio associated with higher flush production realized in Q4-2022.
- Q1-2023 Canadian oil and gas royalty volumes were up slightly over Q4-2022, averaging 9,822 boe/d, the highest levels since Q1-2020. Gains in volumes were associated with production additions in the Clearwater, Deep Basin, and Cardium. Growth specific to the Clearwater was associated with junior public and private payors developing the southern and northwest areas of the play. Volumes at the end of the quarter were greater than 450 boe/d versus 360 boe/d the previous quarter.
- U.S. oil and gas royalty production averaged 4,902 boe/d, down 7% from 5,264 boe/d in Q4-2022 but up 26% when compared to the same period in 2022. Volumes were impacted by a significant number of new wells brought on production in Q4-2022 and the associated decline from flush production. This quarter over quarter variability in U.S. production is expected and reflected in our full year guidance. In addition, there was some production slowdowns associated with the January cold weather in the Eagle Ford.
- Within Freehold's Diversified Royalties team, we continue to see a robust opportunity set since the team's inception in January 2022. The group is advancing the technical due diligence on several modest sized, mineral based, development stage opportunities while continuing to refine the long-term investment strategy.
- Net debt(1) of $115.8 million at the end of Q1-2023, represents 0.4 times trailing funds from operations and well within our leverage strategy of less than 1.5 times funds from operations. Net debt was down from $127.9 million as at year-end.
- Cash costs(1) for the quarter totalled $5.82/boe, up 57% versus the same period in 2022. This increase was driven by a material increase in interest costs (up 172% versus Q1-2022), and broad inflationary pressures.

(1) See Non-GAAP Financial Ratios and Other Financial Measures

Drilling and Leasing Activity
In total, 349 gross wells were drilled on Freehold's royalty lands in Q1-2023, a 43% increase versus the same quarter in 2022. Overall, Freehold saw strong momentum in drilling on both its Canadian and U.S. royalty portfolios with well capitalized producers remaining active over the period. Producers continue to remain focused on oil prospects on Freehold's land base with 94% of wells drilled targeting oil and liquids.

Of the 349 gross wells drilled on Freehold's royalty lands over the quarter, 21% of the drilling occurred in the Permian, 17% targeted the Viking, 15% was focused in the Eagle Ford, 9% in the Cardium with the remainder balanced between plays in both Canada and the U.S. such as the Clearwater, Bakken and Belly

River.

By geography, approximately 27% of gross wells on Freehold royalty lands targeted prospects in Alberta, 21% in Saskatchewan and 36% in Texas with the balance distributed across other regions.

Of the gross wells drilled in Q1-2023, approximately 33% were drilled on Freehold's gross overriding royalty prospects in Canada, 17% were on mineral title prospects in Canada and 50% were drilled on Freehold's U.S. royalty acreage, with 71% of these U.S. gross wells drilled on Freehold's mineral title.

During Q1-2023, Freehold entered into 13 new leases with 10 counterparties. Year-to-date, Freehold has entered into 44 new lease agreements with 16 counterparties.

Royalty Interest Drilling

	Three Months Ended March 31							
	2023	2022			2023	2022		
	Gross	Gross	Change		Net (1)	Net (1)	Change	
Canada	175	144	22	%	6.9	5.9	17	%
United States	174	100	74	%	0.8	0.4	100	%
Total	349	244	43	%	7.7	6.3	22	%

(1) Equivalent net wells are the aggregate of the numbers obtained by multiplying each gross well by our royalty interest percentage

Canada
In Q1-2023, Freehold had 175 gross locations drilled within our Canadian portfolio compared to 144 gross locations during Q1-2022, with net wells increasing by 17% to 6.9 net. Q1-2023 was the strongest quarter for drilling on Freehold's Canadian lands since Q4-2018.

Drilling in Canada was led by the Viking where 58 gross wells were spud in Q1-2023, up 66% versus the same period in 2022. We also saw 32 gross locations drilled targeting the Cardium over the quarter, representing a 45% improvement versus Q1-2022.

Driven by recent industry acquisition activity, we have also seen increased activity within our southeast and southwest Saskatchewan portfolios with a number of smaller public and private entities increasing the spending within these areas, as they target more ambitious growth objectives in their portfolios versus previous operators. In addition, improvements in heavy oil drilling technology, coupled with narrowing heavy oil price differentials later in the quarter, has resulted in an uptick in the level of Sparky and Mannville drilling over the quarter.

U.S.
Overall, 174 gross wells were drilled on our U.S. royalty lands in Q1-2023, which compares to 100 gross wells during Q1-2022 and 156 gross locations during the previous quarter. Q1-2023 represents Freehold's strongest quarter for U.S. drilling activity, reflecting acquisition activity and sustained strength in industry activity.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 70% of activity within these basins. In total, we had 75 gross locations targeting prospects in the Permian and 50 gross locations in the Eagle Ford over the quarter. This compares to approximately 75 gross locations combined targeting the Permian and Eagle Ford during the same period last year. We also saw strong activity associated with the Bakken and Haynesville plays, with the diversification of Freehold's U.S. portfolio a highlight during the quarter. Development of Freehold's U.S. lands was led by a diverse group of investment grade public companies and growth oriented public and private operators.

Although Freehold's U.S. net well additions were lower than in Canada, U.S. wells are significantly more prolific as they generally come on production at approximately ten times that of an average Canadian well in our portfolio. However, a U.S. well can take upwards of six to nine months from initial license to first production, compared to three to four months in Canada, on average.

2023 Guidance

Freehold continues to monitor the ongoing wildfire situation in Alberta. We believe there will be an impact on our Q2-2023 and full year production forecast but given the preliminary and ongoing nature of the situation, Freehold does not have an estimate of the impact at this time and will be maintaining our 2023 guidance. We expect to provide an update when we have more information. The following table summarizes our key operating assumptions for 2023, where production is expected to be weighted approximately 64% oil and NGLs and 36% natural gas.

2023 Guidance	
Production (boe/d)[1]	14,500 - 15,500
Funds from operations ($MM)	$250 - $280
West Texas Intermediate crude oil (US$/bbl)	$80.00
AECO natural gas (Cdn$/Mcf)	$3.00
Nymex (US$/Mcf)	$3.00
Exchange rate (US$/Cdn$)	$0.75

(1) 2023 production is expected to consist of 8% heavy oil, 45% light and medium oil, 11% NGL's and 36% natural gas

Conference Call Details

A conference call to discuss financial and operational results for the period ended March 31, 2023, will be held for the investment community on Thursday May 11, 2023, beginning at 7:00 AM MST (9:00 AM EST). To participate in the conference call, approximately 10 minutes prior to the call, please dial 1-800-898-3989 (toll-free in North America) participant passcode is 9055297#.

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Select Quarterly Information

	2023	2022				2021	
Financial ($millions, except as noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	76.6	98.5	98.4	108.5	87.6	75.2	51.4
Net Income (loss)	31.1	40.7	63.2	66.9	38.4	31.2	22.7
Per share, basic ($) [1]	0.21	0.27	0.42	0.44	0.25	0.21	0.17
Cash flows from operations	42.6	82.7	99.9	75.4	69.3	59.7	43.9
Funds from operations	58.6	80.0	80.8	83.8	71.9	68.8	48.2
Per share, basic ($) [1][3]	0.39	0.53	0.54	0.56	0.48	0.46	0.36
Acquisitions & related expenditures	4.3	7.2	161.7	20.7	1.3	67.9	228.4
Dividends paid	40.7	40.7	37.7	36.2	27.1	24.1	17.1
Per share ($) [2]	0.27	0.27	0.25	0.24	0.18	0.16	0.13
Dividends declared	40.7	40.7	39.2	36.2	30.1	25.6	19.4
Per share ($) [2]	0.27	0.27	0.26	0.24	0.20	0.17	0.14
Dividend payout ratio (%) [3]	69	% 51	% 47	% 43	% 38	% 35	% 35
Long term debt	159.1	156.6	196.9	86.0	105.0	146.0	126.0

Net debt	115.8	127.9	159.9	33.1	62.6	101.2	75.3
Shares outstanding, period end (000s)	150.7	150.7	150.7	150.6	150.6	150.6	150.6
Average shares outstanding (000s) (1)	150.7	150.7	150.6	150.6	150.6	150.6	132.9
Operating							
Light and medium oil (bbl/d)	6,102	6,418	5,935	5,378	5,234	5,401	4,025
Heavy oil (bbl/d)	1,253	1,218	1,190	1,239	1,210	1,254	1,249
NGL (bbl/d)	1,788	1,781	1,708	1,613	1,757	1,564	1,125
Total liquids (bbl/d)	9,143	9,417	8,833	8,230	8,201	8,219	6,399
Natural gas (Mcf/d)	33,486	33,744	32,319	31,336	32,845	34,700	29,203
Total production (boe/d) (4)	14,724	15,041	14,219	13,453	13,676	14,005	11,265
Oil and NGL (%)	62 %	63 %	62 %	61 %	60 %	59 %	57
Petroleum & natural gas realized price ($/boe) (4)	56.99	69.76	74.31	87.55	69.71	57.44	49.17
Cash costs ($/boe) (3)(4)	5.82	5.17	3.62	8.38	3.70	3.57	2.49
Netback ($/boe) (3)(4)	50.79	63.92	69.77	78.80	66.17	53.58	46.60
Benchmark Prices							
West Texas Intermediate crude oil (US$/bbl)	76.13	82.64	91.56	108.41	94.29	77.19	70.55
Exchange rate (US$/Cdn$)	0.74	0.74	0.77	0.78	0.79	0.79	0.79
Edmonton Light Sweet crude oil (Cdn$/bbl)	99.03	109.83	116.85	137.79	115.67	93.28	83.77
Western Canadian Select crude oil (Cdn$/bbl)	69.31	77.08	93.49	122.09	101.02	78.71	71.79
Nymex natural gas (US$/mcf)	3.30	6.03	8.20	7.17	4.64	4.75	4.35
AECO 7A Monthly Index (Cdn$/Mcf)	4.34	5.58	5.50	6.27	4.58	4.93	3.36

(1) Weighted average number of shares outstanding during the period, basic
(2) Based on the number of shares issued and outstanding at each record date
(3) See Non-GAAP Financial Ratios and Other Financial Measures
(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as of May 10, 2023 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:

- or belief that Freehold remains well positioned to endure all stages of the commodity cycle;
- our ability to maintain the Company's core identity of providing shareholders with a consistent growing dividend while maintaining low leverage;
- our belief that up to 25% of our Canadian production could be impacted by the shut-ins caused by wildfires;
- our core business strategies of low leverage along with patient and opportunistic portfolio reinvestment;
- our expectation that we can maintain our currently monthly dividend through prolonged periods of lower pricing, should those conditions exist in the future;
- our belief there will be an impact on our Q2-2023 and full year production forecast from the Canadian wildfires;
- forecast 2023 production;
- Freehold's 2023 guidance, including production guidance, underlying commodity and exchange rate assumptions and funds from operations;
- our expectation that our asset base and cash flow generation is underpinned by exceptional quality payors in the top tier operating areas
- our expectation that we will continue to position our dividend at approximately 60% of forward-looking funds from operations with the ability to withstand periods of lower pricing; and
- our expectation that we will continue to deliver a consistent return profile, for many years to come.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including general economic conditions, inflation and supply chain issues, the impacts of the Russian-Ukrainian war on commodity prices and the world economy, 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 failure to complete acquisitions on the timing and terms expected, the failure to satisfy conditions of closing for any acquisitions, the lack of availability of qualified personnel or management, stock market volatility, our inability to come to agreement with third parties on prospective opportunities and the results of any such agreement and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form for the year-ended December 31, 2022 available at www.sedar.com.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, future commodity prices, future capital expenditure levels, future production levels, future exchange rates, future tax rates, 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 gas successfully to current and new customers, the performance of current wells and future wells drilled by our royalty payors, 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, shut-in production, production additions from our audit function, our ability to execute on prospective opportunities and our ability to add production and reserves through development and acquisition activities. Additional 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. To the extent any guidance or forward-looking statements herein constitute a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. 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 International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises, 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.

To the extent any guidance or forward-looking statements herein constitutes a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. 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.

Non-GAAP Financial Ratios and Other Financial Measures

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that net revenue, netback, dividend payout ratio, funds from operations per share and cash costs 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. 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. This news release also contains the capital management measure net debt, as defined in note 12 to the March 31, 2023 unaudited condensed consolidated financial statements.

Net revenue, which is calculated as revenues less ad valorem and production taxes (as incurred in the U.S. at the state level, largely Texas, which do not charge corporate income taxes but do assess flat tax rates on commodity revenues in addition to property tax assessments) details the net amount Freehold receives from its royalty payors, largely after state withholdings.

The netback, which is also calculated on a boe basis, as average realized price less production and ad valorem taxes, operating expenses , general and administrative and cash interest charges and share-based payouts, represents the per boe netback amount which allows us to benchmark how changes in commodity pricing, net of production and ad valorem taxes, and our cash-based cost structure compare against prior periods.

Cash costs, which is calculated on a boe basis, is comprised by the recurring cash based costs, excluding taxes, reported on the statements of operations. For Freehold, cash costs are identified as operating expense, general and administrative expense, cash-based interest, financing and share-based compensation payouts. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods.

The following table presents the computation of Cash Costs and the Netback:

	Three Months Ended March 31			Three Months Ended December 31	
$/boe	2023	2022	Change	2022	Change
Royalty and other revenue	$ 57.79	$ 71.17	(19 %)	$ 71.17	(19 %)
Production and ad valorem taxes	(1.18)	(1.30)	(9 %)	(2.08)	(43 %)
Net revenue	$ 56.61	$ 69.87	(19 %)	$ 69.09	(18 %)
Less:					
General and administrative expense	(3.91)	(2.92)	34 %	(3.08)	27 %
Operating expense	(0.14)	(0.13)	8 %	(0.18)	(22 %)
Interest and financing cash expense	(1.77)	(0.65)	172 %	(1.91)	(7 %)
Cash payout on share-based compensation	-	-	-	-	-
Cash costs	(5.82)	(3.70)	57 %	(5.17)	13 %
Netback	$ 50.79	$ 66.17	(23 %)	63.92	(21 %)

Dividend payout ratios are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to funds from operations that are also used to finance debt repayments and/or acquisition opportunities. Dividend payout ratio is calculated as dividends paid as a percentage of funds from operations.

	Three Months Ended March 31			Three Months Ended December 31	
(000s)	2023	2022	Change	2022	Change
Dividends paid	$ 40,680	$ 27,112	50 %	$ 40,677	-
Funds from operations	$ 58,569	$ 71,893	(19 %)	$ 79,973	(27 %)
Dividend payout ratio	69 %	38 %	82 %	51 %	35 %

Funds from operations per share, which is calculated as funds from operations divided by the weighted average shares outstanding, provides direction if changes in commodity prices, cash costs, and/or acquisitions were accretive on a per share basis.