

Freehold Royalties Announces Second Quarter Results

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CALGARY, July 31, 2023 - [Freehold Royalties Ltd.](#) (Freehold or the Company) (TSX:FRU) announces second quarter results for the period ended June 30, 2023.

President's Message

Freehold continues to see strong third-party development on the Company's lands, with the quality of its North American royalty portfolio driving this performance. Production volumes for the second quarter showed continued strength at 14,667 boe/d, comparable quarter over quarter, notwithstanding wildfire impacts of approximately 225 boe/d. Canadian volumes were highlighted by growth in the Viking and Clearwater as well as a resurgence in activity in southeast Saskatchewan and Mannville heavy oil. Year to date record gross levels of drilling activity across our North American portfolio and near record leasing on our Canadian lands will provide continued momentum through the second half of 2023 and into 2024.

In the U.S., volumes were consistent versus the previous quarter with the expectation that production will strengthen into the second half of 2023, delivering modest organic growth. We continue to realize a significant pricing premium associated with our U.S. production relative to Canada, with the difference almost 40% for the quarter. In addition, well type curves and reserve additions continue to perform in-line with expectations as the quality of the underlying resource and payors developing Freehold's assets provide enhanced sustainability to future returns for our investors.

Highlights included:

- \$74 million in revenue; \$150 million through the first half of 2023;
- \$53 million in funds from operations (\$0.35/share⁽¹⁾); \$112 million for the first half of 2023;
- \$41 million in dividends paid (\$0.27/share); 13% increase over the same period in 2022;
- Average production of 14,667 boe/d (9,800 boe/d in Canada and 4,867 boe/d in the U.S.);
- 179 gross wells drilled, 55 wells in Canada and 124 wells in the U.S.; record activity for the first half of 2023;
- \$54.05/boe average realized price (\$66.52/boe in the U.S. and \$47.86/boe in Canada); and
- 67 new leases signed with 16 counterparties generating approximately \$1.0 million in bonus revenues;

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

Drilling activity over the first six months of 2023 has been one of the most active in Freehold's history, with strength on both sides of the border. For the quarter, we saw the benefits of diversification as seasonal slow-down in Canada due to spring break-up was offset with strong drilling on Freehold's U.S. royalty lands. Q2-2023 had greater than 60% of drilling targeting prospects in the Eagle Ford and Permian Basins, where Freehold maintains material exposure to investment grade payors, along with providing some of the lowest breakeven prices in North America. On the leasing front, our Canadian portfolio saw near record levels with 67 agreements signed in the quarter, and 83 agreements to date.

Freehold's payout remains well funded at current commodity prices, as well as at prices much lower than current strip pricing, with the diversification and quality of payors throughout our North American portfolio providing enhanced sustainability to Freehold's return profile.

Looking forward, we remain excited about the long-term outlook for Freehold. We continue to strengthen Freehold's asset base, balance sheet and the long-term sustainability of our business.

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 September 15, 2023, to shareholders of record on August 31, 2023. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Operating and Financial Highlights

FINANCIAL (\$ millions, except as noted)	Three Months Ended June 30			Three Months Ended March 31	
	2023	2022	Change	2023	Change
West Texas Intermediate (US\$/bbl)	73.78	108.41	(32%)	76.13	(3%)
Royalty and other revenue	73.7	108.5	(32%)	76.6	(4%)
Funds from operations	53.0	83.8	(37%)	58.6	(10%)
Funds from operations per share, basic (\$) ⁽¹⁾⁽³⁾	0.35	0.56	(38%)	0.39	(10%)
Dividends paid per share (\$) ⁽²⁾	0.27	0.24	13%	0.27	-
Dividend payout ratio (%) ⁽³⁾	77%	43%	79%	69%	12%
Long-term debt	152.0	86.0	77%	159.1	(4%)
Net debt ⁽⁵⁾	130.8	33.1	295%	115.8	13%
OPERATING					
Total production (boe/d) ⁽⁴⁾	14,667	13,453	9%	14,724	-
Oil and NGL (%)	62%	61%	1%	62%	-
Petroleum and natural gas realized price (\$/boe) ⁽⁴⁾	54.05	87.55	(38%)	56.99	(5%)
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	7.19	8.38	(14%)	5.82	24%
Netback (\$/boe) ^{(3) (4)}	46.07	78.80	(42%)	50.79	(9%)
ROYALTY INTEREST DRILLING (gross / net)					
Canada	55/ 1.4	76/ 2.3	(28%)/ (39%)	175/ 6.9	(69%)/ (80%)
U.S.	124/ 0.4	148/ 0.7	(16%)/ (43%)	174/ 0.8	(29%)/ (50%)

(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

Second Quarter Highlights

- WTI prices averaged US\$73.78/bbl for Q2-2023, 32% lower than Q2-2022 and down 3% from the previous quarter.
- Royalty and other revenue totalled \$73.7 million, down 32% from Q2-2022 and 4% versus the previous quarter. The revenue decrease was driven primarily by a lower commodity price environment.
- Funds from operations totalled \$53.0 million (\$0.35/share⁽¹⁾), this compares to \$83.8 million (\$0.56/share⁽¹⁾) in Q2-2022 and \$58.6 million (\$0.39/share⁽¹⁾) in the previous quarter. These decreases were driven by lower commodity pricing and higher interest rate charges.
- Average production of 14,667 boe/d in Q2-2023, represented an increase of 9% over Q2-2022 and consistent versus Q1-2023. Volumes were impacted by Canadian wildfires for a short period over the quarter with a subsequent return of operations to near full capacity.
 - Q2-2023 Canadian oil and gas royalty volumes were consistent versus Q1-2023, averaging 9,800 boe/d. Producer shut-ins related to wildfires had an estimated impact of 225 boe/d or 2% of Canadian volumes. Despite this impact, volumes remained flat versus the previous quarter as robust activity across our Canadian portfolio through the first six months of 2023 offset the short-term impact. We continue to see a revitalization of our lands in southeast Saskatchewan and in the Mannville heavy oil plays from junior private payors with mandates to grow production.
 - U.S. oil and gas royalty production averaged 4,867 boe/d, consistent compared to Q1-2023 and up 29% when compared to the same period in 2022. Volumes were in-line with expectations as broad activity offset declines from earlier flush production. Q2-2023 volumes in Freehold's Howard County (Midland Basin) assets were modestly impacted by steeper than expected declines due to offsetting frac operations and several high impact wells that were delayed to Q3-2023. Rig activity, set a high-water mark for our U.S. portfolio at 31 rigs on our lands in April, with current rig activity in-line with average 2022 levels.

- Realized price of \$54.05/boe was down 38% versus Q2-2022 and 5% versus the previous quarter. Freehold continues to benefit from the advancement of its North American strategy with more favourable U.S. realized pricing of \$66.52/boe, 39% higher than what we realized in Canada (\$47.86/boe) for the period.
- Recorded a netback⁽¹⁾ of \$46.07/boe, down 42% versus Q2-2022 and 9% versus the previous quarter, driven by lower commodity prices and higher interest rates.
- Near record quarter of leasing activity with 67 agreements signed with 16 counterparties, including six drilling commitments and lease bonus of approximately \$1.0 million.
- Dividends declared for Q2-2023 totaled \$40.7 million (\$0.27 per share), up 13% versus the same period in 2022 when Freehold declared dividends of \$36.2 million (\$0.24 per share). Freehold's dividend payout ratio⁽¹⁾ for Q2-2023 was 77%, versus 43% during the same period in 2022. Given the high margin nature of royalties, along with our higher oil weighting and strong price realizations, Freehold's dividend remains sustainable at oil and natural gas prices materially below current commodity price levels.
- Income tax deposits of \$24.4 million were reclassified to non-current at June 30, 2023 due to the expected timeline for appealing assessments with the Canada Revenue Agency. Freehold continues to receive legal advice that its tax returns were filed correctly and as such, expects to be successful in challenging the assessments.
- Long-term debt was reduced by \$7.1 million to \$152.0 million at quarter-end. Net debt⁽¹⁾ of \$130.8 million at the end of Q2-2023 represented 0.5 times trailing funds from operations. Net debt was up from \$127.9 million at year-end 2022 reflecting the reclassification of \$24.4 million of income tax deposits from current to non-current assets.
- Cash costs⁽¹⁾ for the quarter totalled \$7.19/boe, down 14% versus the same period in 2022. This decrease was driven by a lower annual share-based compensation payout.

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

Drilling and Leasing Activity

During the first six months of 2023, 528 gross (9.5 net) wells were drilled on Freehold's North American royalty lands, representing the highest level of drilling activity in Freehold's 26-year history on a gross measure. For the quarter, 179 gross (1.8 net) wells were drilled on Freehold's royalty lands with producers continuing to target oil prospects, with 89% of wells drilled targeting oil and liquids.

Of the 179 gross wells drilled on Freehold's royalty lands over the quarter, 40% of the drilling occurred in the Permian, 21% was focused in the Eagle Ford, 11% in southeast Saskatchewan, and 6% in the Cardium with the remainder balanced between plays in both Canada and the U.S. By geography, approximately 15% of gross wells on Freehold's royalty lands targeted prospects in Alberta, 17% in Saskatchewan and 60% in Texas with the balance distributed across other regions.

Of the gross wells drilled, approximately 16% were drilled on Freehold's gross overriding royalty prospects in Canada, 15% were on mineral title prospects in Canada and 69% were drilled on Freehold's U.S. royalty acreage, with 76% of these U.S. gross wells drilled on Freehold's mineral title.

Royalty Interest Drilling

	Three Months Ended June 30th				Six Months Ended June 30th			
	2023		2022		2023		2022	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	55	1.4	76	2.3	230	8.3	219	8.1
United States	124	0.4	148	0.7	298	1.2	241	1.1
Total	179	1.8	224	3.0	528	9.5	460	9.2

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

Canada

In Q2-2023, Freehold had 55 gross (1.4 net) locations drilled within our Canadian portfolio compared to 76 gross (2.3 net) locations during Q2-2022. Drilling on our Canadian lands over the first six months of 2023 reached 230 gross locations (8.3 net), up 5% and 2% respectively on a gross and net measure when compared to the same period in 2022.

With spring break-up occurring in Q2-2023, drilling was down sequentially with a strong ramp-up in the second half of the quarter. Drilling in Canada was led by the Cardium, where 12 gross wells were spud in Q2-2023. In addition, we saw a growing level of activity in southeast Saskatchewan where operators targeted the Mississippian and Bakken formations. Our royalty lands in southeast Saskatchewan are continuing to see a resurgence of activity as smaller public and private operators pursue growth objectives within their respective portfolios.

We have also benefitted from significant leasing throughout our Canadian portfolio in 2023, with nearly half of the 83 new leases signed to date for the Mississippian in southeast Saskatchewan. As a result of improvements in heavy oil drilling technology we have also seen a significant increase in the amount of leases targeting Mannville heavy oil.

U.S.

Overall, 124 gross wells were drilled on our U.S. royalty lands in Q2-2023, which compares to 148 gross wells during Q2-2022 and 174 gross locations during the previous quarter.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 88% of activity within these basins. In total, Freehold had 73 gross locations targeting prospects in the Permian and 38 gross locations in the Eagle Ford over the quarter. We also saw activity associated with the Marcellus, Piceance and Haynesville plays. 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.

H2-2023 volumes are expected to be positively impacted by several multi-well pads in the Permian (Midland Basin) that are in the process of being completed and we expect to be on production starting in the second half of 2023.

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 is maintaining its 2023 guidance after incorporating actual results for the first six months of 2023. The following table summarizes our key operating assumptions for 2023 with production expected to be weighted approximately 62% oil and NGL's and 38% natural gas.

2023 Guidance	March 1, 2023
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, 43% light and medium oil, 11% NGL's and 38% natural gas

Conference Call Details

A webcast to discuss financial and operational results for the period ended June 30, 2023, will be held for the investment community on Monday July 31, 2023, beginning at 9:00 AM MDT (11:00 AM EDT).

A live audio webcast will be accessible through the link below and on Freehold's website under "*Events & Presentations*" on Freehold's website at www.freeholdroyalties.com. To participate in the conference call, you are asked to register at the link provided below.

Live Audio Webcast URL: <https://edge.media-server.com/mmc/p/rsmnsh2k>

A dial-in option is also available and can be accessed by dialing 1-800-898-3989 (toll-free in North America) participant passcode is 2023064#.

For further information, contact

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Select Quarterly Information

	2023		2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial (\$millions, except as noted)								
Royalty and other revenue	73.7	76.6	98.5	98.4	108.5	87.6	75.2	51.4
Net Income (loss)	24.3	31.1	40.7	63.2	66.9	38.4	31.2	22.7
Per share, basic (\$) ⁽¹⁾	0.16	0.21	0.27	0.42	0.44	0.25	0.21	0.17
Cash flows from operations	49.9	42.6	82.7	99.9	75.4	69.3	59.7	43.9
Funds from operations	53.0	58.6	80.0	80.8	83.8	71.9	68.8	48.2
Per share, basic (\$) ⁽¹⁾⁽³⁾	0.35	0.39	0.53	0.54	0.56	0.48	0.46	0.36
Acquisitions & related expenditures	3.2	4.3	7.2	161.7	20.7	1.3	67.9	228.4
Dividends paid	40.7	40.7	40.7	37.7	36.2	27.1	24.1	17.1
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.25	0.24	0.18	0.16	0.13
Dividends declared	40.7	40.7	40.7	39.2	36.2	30.1	25.6	19.4
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.26	0.24	0.20	0.17	0.14
Dividend payout ratio (%) ⁽³⁾	77%	69%	51%	47%	43%	38%	35%	35%
Long-term debt	152.0	159.1	156.6	196.9	86.0	105.0	146.0	126.0
Net debt	130.8	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	150.7	150.6	150.6	150.6	150.6
Average shares outstanding (000s) ⁽¹⁾	150.7	150.7	150.7	150.6	150.6	150.6	150.6	132.9
Operating								
Light and medium oil (bbl/d)	6,093	6,102	6,418	5,935	5,378	5,234	5,401	4,025
Heavy oil (bbl/d)	1,167	1,253	1,218	1,190	1,239	1,210	1,254	1,249
NGL (bbl/d)	1,845	1,788	1,781	1,708	1,613	1,757	1,564	1,125
Total liquids (bbl/d)	9,105	9,143	9,417	8,833	8,230	8,201	8,219	6,399
Natural gas (Mcf/d)	33,372	33,486	33,744	32,319	31,336	32,845	34,700	29,203
Total production (boe/d) ⁽⁴⁾	14,667	14,724	15,041	14,219	13,453	13,676	14,005	11,265
Oil and NGL (%)	62%	62%	63%	62%	61%	60%	59%	57%
Petroleum & natural gas realized price (\$/boe) ⁽⁴⁾	54.05	56.99	69.76	74.31	87.55	69.71	57.44	49.17
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	7.19	5.82	5.17	3.62	8.38	3.70	3.57	2.49
Netback (\$/boe) ⁽³⁾⁽⁴⁾	46.07	50.79	63.92	69.77	78.80	66.17	53.58	46.60
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	73.78	76.13	82.64	91.56	108.41	94.29	77.19	70.55
Exchange rate (US\$/Cdn\$)	0.75	0.74	0.74	0.77	0.78	0.79	0.79	0.79
Edmonton Light Sweet crude oil (Cdn\$/bbl)	94.97	99.03	109.83	116.85	137.79	115.67	93.28	83.77
Western Canadian Select crude oil (Cdn\$/bbl)	78.76	69.31	77.08	93.49	122.09	101.02	78.71	71.79
Nymex natural gas (US\$/mcf)	2.17	3.30	6.03	8.20	7.17	4.64	4.75	4.35
AECO 7A Monthly Index (Cdn\$/Mcf)	2.40	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 July 31, 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:

- our expectation that drilling activity across North America and Canadian leasing levels will provide continued momentum in volumes through the second half of 2023 and into 2024;
- our expectation that H2-2023 volumes will be positively impacted by several multi-well pads in the Permian (Midland Basin) that are in the process of being completed and will be on production starting in the third quarter;
- our belief that Freehold's payout remains well funded at current commodity prices, as well as at price levels much lower than current strip pricing, and that the diversification and quality of payors through our North American portfolio will provide enhanced sustainability to Freehold's return profile;
- our expectation that we will continue to strengthen Freehold's asset base, balance sheet and the long-term sustainability of our business;
- our belief that junior private payors have mandates to grow production;
- our expectation pertaining to the timeline to resolve assessments with the Canada Revenue Agency;
- our expectation pertaining to the deductibility of certain losses as well as whether the Canada Revenue Agency will deny certain deductions and if we will be successful on its appeal; and
- Freehold's 2023 production guidance (including production mix), underlying commodity and exchange rate assumptions.

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, the quality of our counterparties and the plans thereof, 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 June 30, 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 June 30		Three Months Ended March 31	
	2023	2022	2023	2022
\$/boe				
Royalty and other revenue	\$55.21	\$88.64	\$57.79	\$87.79
Production and ad valorem taxes	(1.95)	(1.46)	(1.98)	(1.48)
Net revenue	\$53.26	\$87.18	\$55.81	\$86.31
Less:				
General and administrative expense	(2.61)	(2.69)	(3.31)	(3.31)
Operating expense	(0.26)	(0.28)	(0.14)	(0.14)
Interest and financing cash expense	(1.94)	(0.64)	(2.37)	(0.37)
Cash payout on share-based compensation	(2.38)	(4.77)	(5.00)	(5.00)
Cash costs	(7.19)	(8.38)	(5.82)	(5.82)
Netback	\$46.07	\$78.80	\$50.79	\$80.79
				Change
				(4%)
				65%
				(6%)
				(33%)
				86%
				10%
				-
				24%
				(9%)

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 June 30		Three Months Ended March 31	
(\$000s, except as noted)	2023	2022	2023	2022
Dividends paid	\$40,682	\$36,150	\$40,680	\$36,150
Funds from operations	\$53,039	\$83,846	\$52,669	\$83,846
Dividend payout ratio (%)	77%	43%	79%	43%
				Change
				-
				(9%)
				12%

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.

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