Freehold
ROYALTIES LTD.

1000, 517 – 10 Avenue SW
Calgary, AB T2R 0A8
t. 403.221.0802

NEWS RELEASE

TSX: FRU

Freehold Royalties Announces Third Quarter Results With Increased U.S. Production

CALGARY, ALBERTA, (GLOBE NEWSWIRE – November 8, 2023) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces third quarter results for the period ended September 30, 2023.

President's Message

The third quarter marked another strong period for Freehold as the Company was able to execute on the core aspects of its North American strategy, while providing a consistent and sustainable return for our shareholders. Record production and premium pricing within Freehold's U.S. portfolio was a key driver in funds from operations of $65 million or $0.43/share for the quarter. Freehold returned $41 million or $0.27/share in dividends to its shareholders, yielding a payout ratio of 62%, while reducing net debt by 19% quarter over quarter. Freehold's high margin, North American royalty portfolio enables the current dividend to be well-funded at prices significantly below current strip prices.

Freehold's U.S. volumes averaged a record of 5,427 boe/d in Q3-2023, representing 12% organic growth over Q2-2023 and a 17% improvement versus the same period in 2022. Flush production from robust completion activity on multi-well, high net royalty interest pads on our Midland and Eagle Ford acreage drove the oil weighted growth. Well performance across our U.S. asset base for the quarter continues to be in-line with expectations. We also continue to benefit from a more oil weighted production base and Gulf Coast pricing in the U.S., with U.S. production realizing a 34% premium to that of our Canadian assets over the quarter.

Canadian production was down from the previous quarter averaging 9,178 boe/d, primarily due to a negative prior period adjustment for production in wildfire impacted areas being offline in June longer than originally estimated. This adjustment was mainly related to natural gas and NGL volumes, which mitigated the impact to funds flow. For our Canadian oil production, we saw positive production trends on our southern Saskatchewan and Clearwater acreage, as drilling resumed post spring break-up. We have achieved a record year of leasing in Canada with 102 leases signed through the first nine months (including 24 new leases in the quarter), concentrated in southeast Saskatchewan and the Mannville stack. The recent advancements in heavy oil drilling technology along with a resurgence of well-capitalized junior operators has revitalized demand for our mineral title acreage across Alberta and Saskatchewan, providing future momentum for drilling activity and royalty production.

Highlights included:

- Record U.S. production of 5,427 boe/d, a 12% increase over Q2-2023; average total production of 14,605 boe/d (9,178 boe/d in Canada (9,418 boe/d before prior period adjustment) and 5,427 boe/d in the U.S.);
- 24 new leases with 13 counterparties; 102 leases signed through Q3-2023, a record for Freehold;
- $84 million in revenue; $235 million through nine months of 2023;
- $65 million in funds from operations ($0.43/share(1)); $177 million through nine months of 2023;
- $41 million in dividends paid ($0.27/share); 8% increase over the same period in 2022;
- 251 gross wells drilled, 116 wells in Canada and 135 wells in the U.S.;
- $61.55/boe average realized price ($73.28/boe in the U.S. and $54.61/boe in Canada);

(1) See Non-GAAP and Other Financial Measures

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 December 15, 2023, to shareholders of record on November 30, 2023. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Operating and Financial Highlights

	Three Months Ended September 30			Three Months Ended June 30	
FINANCIAL ($ millions, except as noted)	**2023**	2022	Change	2023	Change
West Texas Intermediate (US$/bbl)	**82.26**	91.56	(10%)	73.78	11%
Royalty and other revenue	**84.2**	98.4	(14%)	73.7	14%
Funds from operations	**65.3**	80.8	(19%)	53.0	23%
Funds from operations per share, basic ($) (1)(3)	**0.43**	0.54	(20%)	0.35	23%
Dividends paid per share ($) (2)	**0.27**	0.25	8%	0.27	-
Dividend payout ratio (%) (3)	**62%**	47%	32%	77%	(19%)
Long-term debt	**141.2**	196.9	(28%)	152.0	(7%)
Net debt (5)	**106.6**	159.9	(33%)	130.8	(18%)
OPERATING					
Total production (boe/d) (4)	**14,605**	14,219	3%	14,667	-
Canadian production (boe/d)	**9,178**	9,566	(4%)	9,800	(6%)
U.S. production (boe/d)	**5,427**	4,653	17%	4,867	12%
Oil and NGL (%)	**63%**	62%	1%	62%	1%
Petroleum and natural gas realized price ($/boe) (4)	**61.55**	74.31	(17%)	54.05	14%
Cash costs ($/boe) (3)(4)	**5.10**	3.62	41%	7.19	(29%)
Netback ($/boe) (3) (4)	**55.63**	69.77	(20%)	46.07	21%
ROYALTY INTEREST DRILLING (gross / net)					
Canada	**116/ 3.9**	147/ 5.8	(21%)/ (33%)	55/ 1.4	111%/ 179%
U.S.	**135/ 0.7**	157/ 0.9	(14%)/ (22%)	124/ 0.4	9%/ 75%

(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 and Other Financial Measures
(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)
(5) Net debt is a capital management measure

Third Quarter Highlights

- WTI prices averaged US$82.26/bbl for Q3-2023, 10% lower than Q3-2022 but up 11% from the previous quarter. Prices were impacted quarter-over-quarter by continuing supply curtailments within OPEC+ and strong consumer demand through the summer months, driving prices higher relative to Q2-2023.
- Funds from operations totalled $65.3 million ($0.43/share[1]), this compares to $53.0 million ($0.35/share[1]) in the previous quarter. This increase was driven by higher commodity pricing, strength in U.S. production and a slight increase in liquids weighting within Freehold's portfolio.
- Royalty and other revenue totalled $84.2 million up 14% versus the previous quarter. The sequential revenue increase was driven primarily by a higher commodity price environment and growing U.S. production.
- Freehold's corporate realized price of $61.55/boe was down 17% versus Q3-2022 but up 14% versus the previous quarter. Freehold continues to benefit from the advancement of its North American strategy with more favourable U.S. realized pricing of $73.28/boe, 34% higher than what Freehold realized in Canada ($54.61/boe) for the period.

- Record year-to-date leasing with 102 agreements signed through the first nine months of 2023. For the quarter Freehold issued 24 leases with 13 counterparties and recorded lease bonuses of $1.1 million. Most of the leasing activity was focused in southeast Saskatchewan and royalty lands targeting Mannville heavy oil. Approximately 90% of leases signed through the first nine months of 2023 have been with private/public junior E&P's.
- Average production of 14,605 boe/d in Q3-2023, represented an increase of 3% over Q3-2022 and flat versus Q2-2023.
  - U.S. oil and gas royalty production averaged a record 5,427 boe/d, up 12% compared to Q2-2023 and 17% when compared to the same period in 2022. Q3-2023 U.S. production increased by 560 boe/d from the previous quarter and includes approximately 350 boe/d from the flush production from three high net royalty interest, multi-well pads brought onstream in Midland and the Eagle Ford and approximately 150 boe/d from the improved base production and new wells in Howard County.
  - Q3-2023 Canadian oil and gas royalty volumes averaged 9,178 boe/d (9,418 boe/d before a prior period adjustment), down 4% versus the same period in 2022 and 6% quarter-over-quarter. Volumes were reduced by a prior period adjustment as volumes in wildfire impacted areas were offline longer in June than originally estimated. Q3-2023 volumes generally reflect a lower period of new well volumes as drilling activity typically slows in Q2-2023 with spring break-up. Canadian volumes have since rebounded, and we believe production will ramp-up through year-end.

- Recorded a netback[(1)] of $55.63/boe up 21% versus the previous quarter, driven by higher commodity prices and lower cash costs.
- Dividends declared for Q3-2023 totaled $40.7 million ($0.27 per share), up 4% versus the same period in 2022 when Freehold declared dividends of $39.2 million ($0.26 per share). Freehold's dividend payout ratio[(1)] for Q3-2023 was 62%, versus 47% 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.
- Net debt[(1)] of $106.6 million at the end of Q3-2023 was reduced by $24.2 million from the previous quarter and represents 0.4 times trailing funds from operations.
- Cash costs[(1)] for the quarter totalled $5.10/boe, up 41% versus the same period in 2022. This increase was driven by higher interest costs as well as the partial settlement of share-based awards for a retired non-management director.

(1) See Non-GAAP and Other Financial Measures

Drilling and Leasing Activity

During the first nine months of 2023, 779 gross (14.1 net) wells were drilled on Freehold's North American royalty lands, representing the highest level of gross drilling activity through the first three quarters in the Company's 27-year history. For the quarter, 251 gross (4.6 net) wells were drilled on Freehold's royalty lands with 90% of wells targeting oil prospects.

Of the 251 gross wells drilled on Freehold's royalty lands over the quarter, 30% of the drilling occurred in the Permian, 15% was focused in the Eagle Ford, 11% in the Cardium, 9% in the Clearwater, with the remainder balanced between other plays in both Canada and the U.S. By geography, approximately 45% of gross wells on Freehold's royalty lands targeted prospects in Texas, 29% in Alberta and 15% in Saskatchewan with the balance distributed across other regions.

Of the gross wells drilled, approximately 68% were drilled on Freehold's mineral title lands in Canada and the U.S. with the remaining 32% on gross overriding royalty lands.

Royalty Interest Drilling

	Three Months Ended September 30th				Nine Months Ended September 30th			
	2023		2022		**2023**		2022	
	Gross	**Net (1)**	Gross	Net (1)	**Gross**	**Net (1)**	Gross	Net (1)
Canada	**116**	**3.9**	147	5.8	**346**	**12.2**	366	13.9
United States	**135**	**0.7**	157	0.9	**433**	**1.9**	398	2.0
Total	**251**	**4.6**	304	6.7	**779**	**14.1**	764	15.9

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

Canada

In Q3-2023, Freehold had 116 gross (3.9 net) locations drilled on its Canadian portfolio compared to 147 gross (5.8 net) locations during Q3-2022. Drilling on our Canadian lands over the first nine months of 2023 totalled 346 gross locations (12.2 net), down 5% and 12% respectively on a gross and net measure when compared to the same period in 2022. Some of our top payors had slowed activity and now look to increase capital programs into year-end as oil prices have improved.

Over the quarter, drilling in Canada was led by a portfolio of oil weighted plays including the Cardium (26 gross wells), Clearwater (22 gross wells) and Viking (18 gross wells).

The Company has also benefitted from significant leasing throughout our Canadian portfolio in 2023, with nearly half of the 102 new leases issued to date for Mississippian targets in southeast Saskatchewan (51%) and for Mannville oil (28%) targets in Alberta. Freehold continues to see a revitalization of its southeast Saskatchewan and heavy oil portfolios, with several well capitalized growth oriented junior producers focusing on these areas. Multilateral drilling has been a focus by operators in the heavy oil areas to improve both well productivity and oil recovery.

U.S.

Overall, 135 gross wells were drilled on our U.S. royalty lands in Q3-2023, which compares to 157 gross wells during Q3-2022 and 124 gross locations during the previous quarter. Given the composition of our U.S. portfolio (>60% investment grade payors), we see sustained development on our U.S. lands with more than 13 years of multi-zone, oil weighted drilling inventory.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 83% of activity within these basins. In total, Freehold had 71 gross locations targeting prospects in the Permian and 35 gross locations in the Eagle Ford over the quarter. We also saw activity associated with the Delaware, Bakken and Haynesville plays.

Over the quarter, we saw several multi-well pads in the Permian (Midland Basin) and Eagle Ford contribute to record production volumes. We continue to highlight the "saw tooth" nature of our U.S. portfolio where volumes are expected to increase significantly when multi-well and/or high interest production pads are brought onstream, as we saw in Q3-2023. On an annual basis, we expect our U.S. portfolio to provide organic growth of approximately 3% over the next twelve months, aligned with third-party projections of production growth in the U.S. producing basins.

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.

2023 Guidance

Freehold is maintaining its 2023 guidance after incorporating actual results for the first nine 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 September 30, 2023, will be held for the investment community on Thursday November 9, 2023, beginning at 7:00 AM MST (9:00 AM EST).

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/5fhf4efb

A dial-in option is also available and can be accessed by dialing 1-800-952-5114 (toll-free in North America) participant passcode is 5329679#.

For further information, contact
Freehold Royalties Ltd.
Matt Donohue
Investor Relations & Capital Markets
t. 403.221.0833
e. mdonohue@freeholdroyalties.com
w. www.freeholdroyalties.com

Select Quarterly Information

	2023			2022				2021
Financial ($millions, except as noted)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Royalty and other revenue	**84.2**	73.7	76.6	98.5	98.4	108.5	87.6	75.2
Net Income (loss)	**42.3**	24.3	31.1	40.7	63.2	66.9	38.4	31.2
Per share, basic ($) (1)	**0.28**	0.16	0.21	0.27	0.42	0.44	0.25	0.21
Cash flows from operations	**53.7**	49.9	42.6	82.7	99.9	75.4	69.3	59.7
Funds from operations	**65.3**	53.0	58.6	80.0	80.8	83.8	71.9	68.8
Per share, basic ($) (1)(3)	**0.43**	0.35	0.39	0.53	0.54	0.56	0.48	0.46
Acquisitions & related expenditures	**1.2**	3.2	4.3	7.2	161.7	20.7	1.3	67.9
Dividends paid	**40.7**	40.7	40.7	40.7	37.7	36.2	27.1	24.1
Per share ($) (2)	**0.27**	0.27	0.27	0.27	0.25	0.24	0.18	0.16
Dividends declared	**40.7**	40.7	40.7	40.7	39.2	36.2	30.1	25.6
Per share ($) (2)	**0.27**	0.27	0.27	0.27	0.26	0.24	0.20	0.17
Dividend payout ratio (%) (3)	**62%**	77%	69%	51%	47%	43%	38%	35%
Long-term debt	**141.2**	152.0	159.1	156.6	196.9	86.0	105.0	146.0
Net debt	**106.6**	130.8	115.8	127.9	159.9	33.1	62.6	101.2
Shares outstanding, period end (000s)	**150.7**	150.7	150.7	150.7	150.7	150.6	150.6	150.6
Average shares outstanding (000s) (1)	**150.7**	150.7	150.7	150.7	150.6	150.6	150.6	150.6
Operating								
Light and medium oil (bbl/d)	**6,325**	6,093	6,102	6,418	5,935	5,378	5,234	5,401
Heavy oil (bbl/d)	**1,127**	1,167	1,253	1,218	1,190	1,239	1,210	1,254
NGL (bbl/d)	**1,678**	1,845	1,788	1,781	1,708	1,613	1,757	1,564
Total liquids (bbl/d)	**9,130**	9,105	9,143	9,417	8,833	8,230	8,201	8,219
Natural gas (Mcf/d)	**32,851**	33,372	33,486	33,744	32,319	31,336	32,845	34,700
Total production (boe/d) (4)	**14,605**	14,667	14,724	15,041	14,219	13,453	13,676	14,005
Oil and NGL (%)	**63%**	62%	62%	63%	62%	61%	60%	59%
Petroleum & natural gas realized price ($/boe) (4)	**61.55**	54.05	56.99	69.76	74.31	87.55	69.71	57.44
Cash costs ($/boe) (3)(4)	**5.10**	7.19	5.82	5.17	3.62	8.38	3.70	3.57
Netback ($/boe) (3)(4)	**55.63**	46.07	50.79	63.92	69.77	78.80	66.17	53.58
Benchmark Prices								
West Texas Intermediate crude oil (US$/bbl)	**82.26**	73.78	76.13	82.64	91.56	108.41	94.29	77.19
Exchange rate (Cdn$/US$)	**1.34**	1.34	1.35	1.35	1.30	1.28	1.26	1.26
Edmonton Light Sweet crude oil (Cdn$/bbl)	**107.89**	94.97	99.03	109.83	116.85	137.79	115.67	93.28
Western Canadian Select crude oil (Cdn$/bbl)	**93.05**	78.76	69.31	77.08	93.49	122.09	101.02	78.71
Nymex natural gas (US$/mcf)	**2.64**	2.17	3.30	6.03	8.20	7.17	4.64	4.75
AECO 7A Monthly Index (Cdn$/Mcf)	**2.42**	2.40	4.34	5.58	5.50	6.27	4.58	4.93

(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 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 November 8, 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 our North American royalty portfolio enables the current dividend to be well-funded at prices significantly below current strip prices;
- our expectation that recent advancements in heavy oil drilling technology along with a resurgence of well-capitalized junior operators has revitalized demand for our mineral title acreage across Alberta and Saskatchewan, providing future momentum for drilling activity and royalty production;
- our expectation that our Canadian production volumes will ramp through year-end 2023;
- our expectation to see sustained multi-year development on our U.S. lands with more than 13 years of multi-zone, oil weighted drilling inventory;
- our expectation that volumes from our U.S. portfolio will ramp-up significantly when large or high interest pads are brought onstream;
- our expectation that our U.S. portfolio will provide growth in the 3% range over the next twelve month, aligned with third party projections of production growth in the U.S. producing basins; 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 conflicts in the middle-east and eastern Europe 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 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 non-GAAP financial 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 September 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 **Net Revenue**, **Cash costs** and the **Netback**:

	Three Months Ended September 30			**Three Months Ended June 30**	
$/boe	**2023**	2022	Change	2022	Change
Royalty and other revenue	**$62.67**	$75.24	(17%)	$55.21	14%
Production and ad valorem taxes	**(1.94)**	(1.85)	5%	(1.95)	1%
Net revenue	**$60.73**	$73.39	(17%)	$53.26	14%
Less:					
General and administrative expense	**(2.29)**	(2.17)	6%	(2.61)	(12%)
Operating expense	**(0.18)**	(0.15)	20%	(0.26)	(31%)
Interest and financing cash expense	**(2.11)**	(1.30)	62%	(1.94)	9%
Cash payout on share-based compensation	**(0.52)**	-	nm	(2.38)	(78%)
Cash costs	**(5.10)**	(3.62)	41%	(7.19)	(29%)
Netback	**$55.63**	$69.77	(20%)	$46.07	20%

(nm) not meaningful

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 a supplementary measure and is calculated as dividends paid as a percentage of funds from operations.

	Three Months Ended September 30			**Three Months Ended June 30**	
($000s, except as noted)	**2023**	2022	Change	2023	Change
Dividends paid	**$40,683**	$37,658	8%	$40,682	-
Funds from operations	**$65,251**	$80,783	(19%)	$53,039	23%
Dividend payout ratio (%)	**62%**	47%	32%	77%	(19%)

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. Funds from operations per share is a supplementary measure.