

NEWS RELEASE

TSX: FRU

Freehold Royalties Announces Second Quarter Results and Increases Dividend

CALGARY, ALBERTA, (GLOBE NEWSWIRE – August 9, 2022) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces second quarter results for the period ended June 30, 2022.

Operating and Financial Highlights

FINANCIAL (\$ millions, except as noted)	Three Months Ended June 30			Three Months Ended March 31	
	2022	2021	Change	2022	Change
Funds from operations	83.8	40.2	109%	71.9	17%
Funds from operations per share, basic (\$) ⁽¹⁾	0.56	0.31	81%	0.48	17%
Acquisitions and related expenditures	20.7	0.9	nm	1.3	nm
Dividends paid per share (\$) ⁽²⁾	0.24	0.10	140%	0.18	33%
Payout ratio (%) ⁽³⁾	43%	33%	10%	38%	5%
Net debt	33.1	40.8	(19%)	62.6	(46%)
OPERATING					
Total production (boe/d) ⁽⁴⁾	13,453	11,137	21%	13,676	(2%)
Oil and NGL (%)	61%	58%	3%	60%	1%
Petroleum and natural gas realized price (\$/boe) ⁽⁴⁾	87.55	44.22	98%	69.71	26%
Cash costs excluding stock based compensation (\$/boe) ^{(3) (4)}	3.61	3.13	15%	3.70	(2%)
Cash costs (\$/boe) ^{(3) (4)}	8.38	4.48	87%	3.70	126%
Netback (\$/boe) ^{(3) (4)}	78.80	39.83	98%	66.17	19%
ROYALTY INTEREST DRILLING (gross / net)					
Canada	76 / 2.3	59 / 2.1	28% / 10%	143 / 5.8	(47%) / (61%)
United States	148 / 0.7	32 / 0.2	492% / 250%	93 / 0.4	59% / 75%

nm – not meaningful

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

President's Message

The second quarter of 2022 represents the third consecutive quarter of record funds from operations, fueled by the execution of Freehold's North American strategy. By expanding the Company's asset base to the premier basins across North America, Freehold has enhanced the sustainability of the Company's cash flow profile which underpins our ability to grow our dividend and enhance our portfolio through reinvestment. Record funds from operations are a function of the structural shift in Freehold's business yielding a larger exposure to US pricing, with US realized pricing in the second quarter 19% higher on an oil equivalent basis than our Canadian realized pricing.

With the quality and resiliency of Freehold's current asset base, further improved by three recent US acquisitions, we will be increasing our monthly dividend by 13% from \$0.08/share to \$0.09/share. We see this increase as striking a balance between returning capital to shareholders and maintaining balance sheet strength while retaining the optionality to pursue strategic acquisition opportunities.

Volumes of 13,453 boe/d showed a decline from the previous quarter, although are up 21% from Q2-2021. Canadian volumes were flat quarter over quarter with spring breakup impacting activity levels. For our US assets, we continue to expect back half weighted growth in production through 2022 given a pronounced uptrend in spuds and permitted wells through the first half of 2022.

Given the extended cycle times in the US for permitting wells to generating sales production, and with some of Freehold's more active US producers facing further headwinds caused by global supply chain challenges and crew availability, there have been delays in bringing new wells on production. Despite these delays, the level of well permitting, drilling activity, and revenue generating capacity of our US assets have exceeded expectations. We anticipate that some of the production additions expected in the first half of 2022 have been delayed to the second half of 2022. This has resulted in softer H1-2022 US production than originally expected and slightly lower forecast full year 2022 average production, before taking into account the production additions associated with our recently announced acquisitions.

Activity levels remained robust through the first half of 2022, with the seasonal slowdown in Canada associated with spring breakup partially offset by a sizeable increase in drilling across the Company's US asset base. Within our North American portfolio Freehold has exposure to a strong suite of well-capitalized public and private operators across all the premier basins including the Eagle Ford, Midland in the Permian, Clearwater and the Deep Basin.

As previously announced and subsequent to quarter end, Freehold entered into definitive agreements with two private sellers to acquire mineral title and royalty assets located predominantly in Howard County in the Midland basin for \$123 million and in the Eagle Ford basin for \$32 million.

2022 has been an exciting year for Freehold as we continue to incorporate the US portfolio expansion into our business. This expansion, which started in late 2020, and continues to this day with our recent Midland and Eagle Ford deals has provided us the opportunity to materially grow our production base and drilling inventory, has delivered three consecutive quarters of record funds from operations, and has allowed us to restore our monthly dividend to 2015 levels of \$0.09/share, all while maintaining balance sheet strength.

Dividend Announcement

The Board of Directors of Freehold (the Board) has declared a dividend of \$0.09 per share to be paid on September 15, 2022, to shareholders of record on August 31, 2022. The dividend to be paid on September 15, 2022, represents a 13% increase over the \$0.08 per common share dividend to be paid on August 15, 2022, to shareholders on record on July 29, 2022. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Subsequent Events

On July 7th, 2022, Freehold announced that it had entered into definitive agreements with two private sellers to acquire high-quality US mineral title and royalty assets located in the Midland basin predominantly in Howard County, Texas (the "Howard County Midland Assets") for \$123 million and in the Eagle Ford basin in Texas (the Eagle Ford Assets) for \$32 million (net of estimates for exchange rate and customary closing adjustments).

The Howard County Midland Assets consist of a concentrated mineral title and royalty land position across 51,000 gross acres (approximately 4,400 Net Royalty Acres (NRA)⁽²⁾) with an average royalty rate of 1.1%. These assets are expected to provide a significant growth wedge through 2023, growing from an expected Q4-2022 average production of 550 boe/d (95% liquids) to average 750 boe/d in 2023 (95% liquids). Barrels produced from these assets will provide a meaningful uplift to Freehold's realized commodity prices given the \$115/boe H1-2022 realized price (for reference, the realized commodity price in H1-2022

for Freehold's existing asset base was \$78.60/boe). This near-term growth is expected to come through a combination of well funded public and private entities. The acquisition of the Howard County Midland Assets closed August 4, 2022, and the purchase price was funded with cash flow and Freehold's existing credit capacity.

The Eagle Ford Assets consist of 41,000 gross acres (approximately 2,500 NRA⁽²⁾) spread across the Eagle Ford basin with an average royalty rate of 0.8%. Low volatility production is expected to grow from 210 boe/d in Q4-2022 (78% liquids) to average 250 boe/d in 2023 (76% liquids), increasing Freehold's forecasted Eagle Ford production by approximately 10% to 2,800 boe/d in 2023. Similar to the Howard County Midland Assets, the Eagle Ford Assets will provide an increase to Freehold's realized pricing with a H1-2022 realized price of \$88/boe (78% liquids weighting). A diversified group of large payors are expected to drive the majority of development on these assets. The acquisition of the Eagle Ford Assets is expected to close September 2022 and purchase price is expected to be funded by Freehold's existing credit capacity.

These acquisitions enhance the quality of Freehold's North American royalty portfolio through further strengthening of our peer leading realized commodity pricing, building on the production growth platform we have established in the Permian and Eagle Ford basins, and continuing to position our portfolio in the highest quality oil and gas development areas across North America.

Summary of US Acquisitions	Howard County Midland Assets	Eagle Ford Assets
Purchase Price ⁽¹⁾ (millions)	\$123	\$32
Net Royalty Acres ⁽²⁾	4,400	2,500
2023E Average Production (boe/d)	750	250
2023E Funds from Operations ⁽³⁾ (millions)	\$23	\$5

(1) Howard County Midland Assets closed on August 4, 2022. Howard County Midland Assets and Eagle Ford Assets purchase price includes estimated exchange rates and reductions for closing adjustments.

(2) Net royalty acreage or NRA represents mineral ownership normalized to a 12.5% royalty, which is a term commonly used by U.S. oil and gas companies in describing royalty acreage. NRA does not reflect Freehold's actual royalty interest in the royalty lands.

(3) Assumes a West Texas Intermediate price of US\$80/barrel of oil and a NYMEX natural gas price of US\$4.50/Mcf and an exchange rate of US\$0.80 for every CDN\$1.00.

Second Quarter Highlights

- Announced the appointment of Sylvia Barnes and Valerie Mitchell to the Board. Both individuals are US based and bring a wealth of US business knowledge and experience to complement the skills and experience of our current Board members.
- Dividends declared for Q2-2022 totaled \$36.2 million (\$0.24 per share), up 150% in total versus the same period in 2021 when Freehold declared dividends of \$14.5 million (\$0.11 per share). Freehold's dividend payout ratio⁽¹⁾ for Q2-2022 was 43% versus 33% during the same period in 2021.
- Delivered third straight quarter of record level total funds from operations in Q2-2022 of \$83.8 million (\$0.56/share).
- Recorded a realized price of \$87.55/boe over Q2-2022 on a corporate measure, up 86% versus the same period last year and 26% versus the previous quarter. Realized pricing from Freehold's US portfolio totalled \$99.16/boe for the quarter versus \$83.04/boe within our Canadian portfolio. Pricing from both the US and Canadian portfolios were up materially versus the previous quarter and the same period in 2021.
- Cash costs⁽¹⁾ for the quarter totalled \$8.38/boe, up 87% versus the same period in 2021. Almost 100% of the increase year-over-year was driven by higher cash payout on share-based compensation (share-based

compensation payouts occur annually in Q2) and also includes the cash settlement of redeemed deferred share units from a retiring director.

- Recorded a netback⁽¹⁾ of \$78.80/boe in Q2-2022, up 19% over Q1-2022.
- Production averaged 13,453 boe/d in Q2-2022, an increase of 21% over Q2-2021 and a slight decrease of 2% over Q1-2022. Canadian oil and gas royalty volumes declined 0.5% in Q2-2022 relative to Q1-2022, averaging 9,692 boe/d. This decline was mainly due to limited activity during the spring breakup period. However, activity levels began to show a strong recovery in June.
- US oil and gas royalty production averaged 3,761 boe/d in Q2-2022, down slightly from 3,883 boe/d in Q1-2022. Volumes in the US were negatively affected by a combination of lower completion activities and lower net royalty interest wells brought on production during the quarter. New wells spuds have been strong in the first half of 2022 with Q2-2022 increasing meaningfully over Q1-2022. This drilling activity will result in production additions starting in the second half of 2022 and into 2023.
- Achieved a 146% increase in gross wells drilled on our royalty lands in Q2-2022 versus Q2-2021. In total, Freehold had 224 gross (3.0 net) wells drilled in Q2-2022, slightly down on a gross and net basis versus Q1-2022 given the higher proportion of wells drilled coming from US assets. At the end of Q2-2022 there were five rigs drilling on our Canadian lands and 28 rigs drilling on our US lands.
- Net debt⁽¹⁾ of \$33.1 million at Q2-2022, represents 0.1 times trailing funds from operations.

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

Drilling and Leasing Activity

In total, 224 gross wells were drilled on Freehold's royalty lands in Q2-2022, a 146% increase versus the same period in 2021. For the first six months of 2022, 460 gross wells were drilled on Freehold's land, this compares to 196 gross wells for the same period in 2021. The significant increase in drilling activity is attributed to the recovery of commodity prices and our US and Canadian royalty acquisitions.

Of the total wells drilled in Q2-2022, approximately 59% of gross wells on Freehold royalty lands targeted prospects in Texas, 22% in Alberta, and 13% in Saskatchewan with the balance spread across other regions. More broadly, 61% of all gross wells drilled targeted US prospects with the remainder targeting Canadian prospects.

Canada

With spring break-up occurring for the majority of second quarter, third-party drilling activity within Freehold's Canadian portfolio was down compared to levels seen in the previous period. In total, Freehold had 76 gross locations drilled on its royalty lands during the quarter. This compared to 59 gross locations drilled in Canada during the same period in 2021. For the first six months of 2022, 220 gross locations were drilled on Freehold's Canadian land, a 50% increase over the 146 gross locations drilled in the same period in 2021. Approximately 83% of gross wells drilled on Freehold's Canadian lands targeted gross overriding royalty (GORR) prospects, with the remaining 17% targeting mineral title prospects.

While producers continue to remain disciplined in setting their capital programs, we continue to see significant and broad increases in drilling activity across our Canadian portfolio compared to 2021.

During Q2-2022, Freehold generated \$0.5 million in bonus and rental revenue, entering into 17 distinct leasing arrangements with 8 different counterparties. For the first half of 2022 new leasing has already surpassed full year 2021 levels and is on trend to be as strong as 2019 activity levels.

US

Drilling activity levels on Freehold's US lands were generally above expectations for the quarter with most activity targeting light oil prospects in the Midland and Eagle Ford basins, a trend in-line with the previous quarter. New wells drilled on Freehold's US assets continue to be led by public operators, however the proportion of wells drilled by private operators has increased in Q2-2022 compared to Q1-2022.

Freehold's inventory of permitted wells and spuds increased materially during the quarter and first half of 2022, indicative of the broad increase in overall industry activity during this time. Given the average timeline in the US for permitting wells to generating sales production and spudding wells to generating sales production of approximately 9 months and 5 months respectively, this build in inventory is expected to provide production growth in the second half of 2022 and into 2023.

Overall, 148 gross wells were drilled on our US royalty lands during Q2-2022, which compares to 32 gross wells during the same period in 2021 and 100 gross wells in Q1-2022. Approximately 80% of gross wells drilled on Freehold's US lands targeted mineral title prospects with the remaining 20% targeting GORR prospects. Q2-2022 was the strongest drilling quarter on the US royalty lands currently owned by Freehold since Q1-2020 (most of such lands were acquired after Q1-2020).

Royalty Interest Drilling

	Three Months Ended June 30				Six Months Ended June 30			
	2022		2021		2022		2021	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	76	2.3	59	2.1	219	8.1	146	5.5
United States	148	0.7	32	0.2	241	1.1	50	0.3
Total	224	3.0	91	2.3	460	9.2	196	5.8

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

2022 Guidance Update

After realizing actual results for the first half of 2022 and incorporating Freehold's most recent and upcoming US acquisitions, we are updating guidance for 2022. The following table summarizes our key operating assumptions for 2022, where production is expected to be weighted approximately 60% oil and NGL's and 40% natural gas:

2022 Guidance	Guidance Dated August 9, 2022	Guidance Dated May 10, 2022
Average production (boe/d) ⁽¹⁾	13,750-14,750	13,750-14,750
Funds from operations (\$mm)	\$300-\$320	\$230-\$250
West Texas Intermediate crude oil (US\$/bbl)	\$97.00	\$75.00
Edmonton Light Sweet crude oil (cdn\$/bbl)	\$120.00	\$88.00
AECO natural gas (Cdn\$/Mcf)	\$5.00	\$4.00
NYMEX natural gas (US\$/Mcf)	\$5.00	4.00
Exchange rate (US\$/Cdn\$)	0.79	0.80

(1) 2022 production is expected to consist of 8% heavy oil, 41% light and medium oil, 11% NGL's and 40% natural gas

Conference Call Details

A conference call to discuss financial and operational results for the period ended June 30, 2022, will be held for the investment community on Wednesday August 10, 2022, 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 **2666556#**.

For further information, contact

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Select Quarterly Information

Financial (\$000s, except as noted)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	108,495	87,605	75,202	51,423	45,353	37,014	25,882	23,156
Net Income (loss)	66,875	38,395	31,178	22,726	12,545	5,635	373	139
Per share, basic (\$) ⁽¹⁾	\$0.44	\$0.25	\$0.21	\$0.17	\$0.10	\$0.04	\$-	\$-
Cash flows from operations	75,443	69,300	59,700	43,911	33,420	24,990	20,610	1,130
Funds from operations	83,846	71,893	68,773	48,247	40,208	32,421	22,129	19,893
Per share, basic (\$) ⁽¹⁾	\$0.56	\$0.48	\$0.46	\$0.36	\$0.31	\$0.25	\$0.19	\$0.17
Acquisitions and related expenditures	20,661	1,294	67,906	228,382	930	79,782	222	485
Dividends paid	36,150	27,112	24,094	17,095	13,147	7,633	5,342	5,342
Per share (\$) ⁽²⁾	\$0.24	\$0.18	\$0.16	\$0.13	\$0.10	\$0.06	\$0.045	\$0.045
Dividends declared	36,151	30,124	25,598	19,364	14,464	9,201	5,938	5,342
Per share (\$) ⁽²⁾	\$0.24	\$0.20	\$0.17	\$0.14	\$0.11	\$0.07	\$0.05	\$0.045
Payout ratio (%) ⁽³⁾	43%	38%	35%	35%	33%	24%	24%	27%
Long term debt	86,000	105,000	146,000	126,000	78,000	96,000	93,000	107,000
Net debt	33,095	62,578	101,229	75,278	40,751	64,797	65,765	81,678
Shares outstanding, period end (000s)	150,640	150,626	150,612	150,585	131,490	131,463	118,788	118,746
Average shares outstanding (000s) ⁽¹⁾	150,626	150,612	150,585	132,941	131,463	130,874	118,747	118,706
Operating								
Light and medium oil (bbl/d)	5,378	5,305	5,401	4,038	4,102	3,811	3,239	3,384
Heavy oil (bbl/d)	1,239	1,139	1,254	1,236	1,199	1,045	1,173	791
NGL (bbl/d)	1,613	1,757	1,564	1,125	1,107	1,065	824	859
Total liquids (bbl/d)	8,230	8,201	8,219	6,399	6,408	5,921	5,236	5,034
Natural gas (Mcf/d)	31,336	32,845	34,700	29,203	28,376	30,132	26,671	24,656
Total production (boe/d) ⁽⁴⁾	13,453	13,676	14,005	11,265	11,137	10,944	9,681	9,143
Oil and NGL (%)	61%	60%	59%	57%	58%	54%	54%	55%
Petroleum and natural gas realized price (\$/boe) ⁽⁴⁾	87.55	69.71	57.44	49.17	44.21	37.31	28.16	26.95
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	8.38	3.70	3.57	2.49	4.48	4.37	4.03	3.70
Netback (\$/boe) ⁽³⁾⁽⁴⁾	78.80	66.17	53.58	46.60	39.83	32.94	24.85	23.79
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	108.41	94.29	77.19	70.55	66.07	57.81	42.47	40.91
Exchange rate (Cdn\$/US\$)	0.78	0.79	0.79	0.79	0.81	0.79	0.77	0.75
Edmonton Light Sweet crude oil (Cdn\$/bbl)	137.79	115.67	93.28	83.77	77.12	66.76	50.45	49.81
Western Canadian Select crude oil (Cdn\$/bbl)	122.09	101.02	78.71	71.79	66.90	57.55	43.56	42.55
Nymex natural gas (US\$/mcf)	7.17	4.64	4.75	4.35	2.95	3.50	2.26	2.00
AECO 7A Monthly Index (Cdn\$/Mcf)	6.27	4.58	4.93	3.36	2.80	2.92	2.76	2.14

- (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 Measure
(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 August 9, 2022 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:

- the expectation that by expanding the Company's asset base to the premier basins across North America, Freehold has enhanced the sustainability of the Company's cash flow profile which underpins our ability to grow our dividend and enhance our portfolio through reinvestment;
- the expectation of being able to return capital to shareholders and maintain balance sheet strength while retaining the optionality to pursue strategic acquisition opportunities;
- the expectation that with respect to our US assets that there will be growth in production through 2022 and 2023;
- the expected Q4-2022 production and 2023 production from the Howard County Midland Assets;
- the expectation that the Howard County Midland Assets will improve Freehold's realized commodity pricing and liquids weighting;
- the expected Q4-2022 production and 2023 production from the Eagle Ford Assets;
- the expectation that the Eagle Ford Assets will improve Freehold's realized commodity pricing and liquids weighting;
- the expected timing of closing and sources of funds for the acquisition of the Eagle Ford Assets;
- the expected type of operators generating growth and development on the Howard County Midland Assets and the Eagle Ford Assets;
- 2022 forecast production (including commodity weightings) and funds from operations; and
- expectations as to commodity prices.

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, the continued impacts of COVID-19 on demand for commodities, 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 for the year ended December 31, 2021 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 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.

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 Measure

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that the non-GAAP financial ratios, **cash costs** and **netback**, and a supplemental financial measure, **payout ratio**, are useful for management and investors to analyze operating performance 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.

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 pay outs. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods.

The **netback**, which is also calculated on a boe basis, as average realized price less operating expenses, general and administrative and cash interest charges, represents the per boe cash flow amount which allows us to benchmark how changes in commodity pricing and our 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			Six Months Ended June 30		
	2022	2021	Change	2022	2021	Change
\$/boe						
Royalty and other revenue	\$88.64	\$44.73	98%	\$79.88	\$41.21	94%
Production and ad valorem taxes	(1.46)	(0.42)	248%	(1.38)	(0.35)	294%

Net revenue	\$87.18	\$44.31	97%		\$78.50	\$40.86	92%
Less							
General and administrative	(2.69)	(2.20)	22%		(2.80)	(2.73)	3%
Operating expense	(0.28)	(0.25)	12%		(0.21)	(0.20)	5%
Interest and financing cash expense	(0.64)	(0.68)	-6%		(0.65)	(0.81)	-20%
Cash payout on share-based compensation	(4.77)	(1.35)	253%		(6.04)	(4.43)	36%
Cash costs	(8.38)	(4.48)	87%		(6.04)	(4.43)	36%
Netback	\$78.80	\$39.83	98%		\$72.46	\$36.43	99%

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. Payout ratio is calculated as dividends paid as a percentage of funds from operations.

	Three Months Ended March 31			Six Months Ended June 30		
	2022	2021	Change	2022	2021	Change
(000s)						
Dividends paid	\$36,150	\$13,147	175%	\$63,262	\$20,780	204%
Funds from operations	\$83,846	\$40,208	109%	\$155,739	\$72,629	114%
Payout ratio	43%	33%	10%	41%	29%	12%