

# Freehold Royalties Announces Record Setting Fourth Quarter and Year-End Results

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CALGARY, March 01, 2023 - [Freehold Royalties Ltd.](#) (Freehold or the Company) (TSX:FRU) announces fourth quarter and 2022 results for the period ended December 31, 2022.

## President's Message

2022 was a year of records for Freehold, the result of the significant work done over the last three years to establish the Company as a premier North American energy royalty company. Our expansion and optimization efforts have resulted in a "new look" Freehold, with the scale and asset base that will enable sustainable, long-term value creation for our shareholders. By targeting plays across North America, our asset base, development inventory and revenue generation is underpinned by exceptionally high-quality payors in many of the top tier operating areas across North America. Freehold's fourth quarter and full year 2022 results reflect this quality.

Our record revenue, funds from operations and production performance in 2022 was due in part to the record level of industry activity that occurred on our lands in 2022. Despite commodity prices being lower in the second half of the year, drilling on our lands remained strong, especially within our U.S. acreage, highlighting the quality of both our portfolio and payors. The enhancement to the scale of our business is illustrated by the record level of dividends paid to our shareholders, while maintaining our core strategies of low leverage and sustainability along with patient and opportunistic portfolio reinvestment. In 2022, in the absence of acquisitions, proved reserve replacement was 115%.

A snapshot of our record setting achievements in 2022 are as follows:

- \$393 million in revenue
- \$316 million in funds from operations
- \$142 million in dividends paid
- 14,101 boe/d average production
- 1,057 gross wells drilled
- \$75.14/boe average realized price (\$68.12/boe in Canada and \$90.64/boe in the U.S.)

After incorporating the capital programs of our top drillers, we are forecasting 2023 royalty production to average between 14,500 and 15,500 boe/d. Based on this production guidance and our underlying commodity and exchange rate assumptions for 2023, funds from operations is expected to be between \$250 and \$280 million. We will continue to position our dividend at approximately 60% of forward-looking funds from operations. With the improvement to our underlying asset base, payor quality and financial flexibility, we can maintain our current monthly dividend level through prolonged periods of lower pricing, should those conditions exist in the future.

Early in 2023, we announced the release of our Sustainability Report, highlighting the Company's focus on responsibly growing and enhancing our business through Environmental, Social and Governance (ESG) initiatives. As a publicly traded energy royalty company with assets both in Canada and the U.S., Freehold strives to generate shareholder value by maintaining a strong balance sheet, focusing on the long-term sustainability of our business and partnering with high quality operators across North America who are aligned with our views on the importance of sustainability and ESG performance. The report can be found on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com)

2022 represented a very successful year for Freehold as the Company moved forward with a measured advancement of our North American strategy. I would like to thank our employees, shareholders, Board of Directors, and all those who have supported Freehold through 2022.

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 April 17, 2023, to shareholders of record on March 31, 2023. The dividend is designated as an eligible dividend for Canadian income tax purposes.

## Operating and Financial Highlights

|  | Three Months Ended |              | Twelve Months Ended December 31 |
|--|--------------------|--------------|---------------------------------|
|  | December 31        | September 30 | 2022                            |
| FINANCIAL (\$ millions, except as noted)                         | 2022               | 2022         | 2021                            |
| Funds from operations  | 80.0               | 80.8         | 68.8                            |
| Funds from operations per share, basic (\$) <sup>(1)</sup>       | 0.53               | 0.54         | 0.46                            |
| Acquisitions and related expenditures                            | 7.2                | 161.7        | 100.0                           |
| Dividends paid per share (\$) <sup>(2)</sup>                     | 0.27               | 0.25         | 0.17                            |
| Dividend payout ratio (%) <sup>(3)</sup>                         | 51%                | 47%          | 35%                             |
| Net debt <sup>(3)</sup>  | 127.9              | 159.9        | 127.0                           |
| OPERATING  |                    |              |                                 |
| Total production (boe/d) <sup>(4)</sup>                          | 15,041             | 14,219       | 13,804                          |
| Oil and NGL (%)  | 63%                | 62%          | 62%                             |
| Petroleum and natural gas realized price (\$/boe) <sup>(4)</sup> | 69.76              | 74.31        | 88.17                           |
| Cash costs (\$/boe) <sup>(3) (4)</sup>                           | 5.17               | 3.62         | 5.07                            |
| Netback (\$/boe) <sup>(3) (4)</sup>                              | 63.92              | 69.77        | 83.10                           |
| ROYALTY INTEREST DRILLING(gross / net)                           |                    |              |                                 |
| Canada   | 137/ 6.2           | 147/ 5.8     | 137/ 6.3%                       |
| U.S.   | 156/ 0.9           | 157/ 0.9     | 156/ 0.9 42%                    |

(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)

## Fourth Quarter Highlights

- Funds from operations in Q4-2022 totalled \$80.0 million (\$0.53/share), which compares to \$68.8 million (\$0.46/share) in Q4-2021 and \$80.8 million (\$0.54/share) in Q3-2022. The increase versus the same period in 2021 reflects stronger pricing and an increase in production levels from acquisitions and from higher overall levels of activity on our lands.
- Dividends declared for Q4-2022 totaled \$40.7 million (\$0.27 per share), up 59% versus the same period in 2021 when Freehold declared dividends of \$25.6 million (\$0.17 per share). Freehold's dividend payout ratio<sup>(1)</sup> for Q4-2022 was 51% versus 35% during the same period in 2021. Freehold has increased its dividend 500% since the COVID related lows and continues to target its payout at approximately 60% of forward-looking funds from operations, with the ability to weather a higher payout in the event of a pullback in commodity prices.
- Realized price of \$69.76/boe in Q4-2022, up 21% versus the same period last year and down 6% versus the previous quarter. Freehold benefited from more favourable U.S. realized pricing of \$88.17/boe, 47% higher than Canada (\$59.85/boe).
- Recorded a netback<sup>(1)</sup> of \$63.92/boe in Q4-2022, up 19% over Q4-2021 but down 8% versus Q3-2022 on lower commodity prices.
- Achieved record production for the second straight quarter averaging 15,041 boe/d in Q4-2022, an increase of 7% over Q4-2021 and 6% over Q3-2022. Volumes were aided by strong activity levels and higher net interest in wells drilled within the Viking, Eagle Ford and Clearwater portfolios.

- Q4-2022 Canadian oil and gas royalty volumes were up 2% over Q3-2022, averaging 9,777 boe/d. This quarterly organic growth was driven by production additions in the Viking, Clearwater, Deep Basin, and Cardium. Freehold has realized early success associated with the development of the southern and northwestern parts of the Clearwater as higher growth E&P's develop the more exploratory parts of that play.
- U.S. oil and gas royalty production averaged 5,264 boe/d, up 13% from 4,653 boe/d in Q3-2022. Q4-2022 volumes reflected the first full quarter of volumes from the Howard County Midland (up more than 50% since closing) and Eagle Ford acquisitions which closed in August 2022.
- Within Freehold's Diversified Royalties team, we have seen a robust opportunity set since the team's inception in January 2022. The group is advancing the technical due diligence on several modest sized development stage opportunities, including potash, while also continuing to refine the long-term investment strategy.
- Net debt<sup>(1)</sup> of \$127.9 million at Q4-2022, represents 0.4 times trailing funds from operations and well within our leverage strategy of less than 1.5 times funds from operations.
- Cash costs<sup>(1)</sup> for the quarter totalled \$5.17/boe, up 45% versus the same period in 2021. This increase was driven by a material increase in interest costs (up 145% versus Q4-2021), and broad inflationary pressures.

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

## 2022 Highlights

- Royalty and other revenue totalled \$393.0 million, up 88% over 2021 with higher production volumes and a strong commodity price environment driving the strong performance. Revenue from the U.S. accounted for 37% of the total. Oil and NGLs represented 82% of revenue for the year.
- Record funds from operations in 2022 of \$316.5 million (\$2.10/share). This compares to \$189.6 million (\$1.39/share) in 2021. The increase reflects significant increases in third-party drilling on our lands, strength in commodity prices, and additions from acquisitions completed through 2022.
- Production volumes averaged 14,101 boe/d for 2022, an increase of 19% over 2021. Canadian volumes of 9,706 boe/d were approximately flat to 2021 and U.S. volumes of 4,395 boe/d were up over 100% due to acquisition activity and an increase in drilling activity.
- Dividends paid for the year totaled \$141.6 million (\$0.94/share), an increase of 128% over 2021. Freehold's dividend payout ratio of 45% for 2022 was an increase from 33% in 2021.
- During 2022, \$190.8 million was allocated to portfolio reinvestment via acquisitions as Freehold continued to execute on our North American strategy. The focus of the 2022 acquisitions was on the continued enhancement of our U.S. portfolio, with transactions completed in the Permian and Eagle Ford as well as targeted Canadian growth areas such as the early-stage Clearwater opportunity that is expected to support Canadian volumes in 2023 and beyond.
- Proved and probable oil and natural gas reserves totalled 54.5 MMboe as at December 31, 2022, up from 49.8 MMboe as at December 31, 2021. Freehold replaced 160% of proved reserves and 190% of proved plus probable reserves. In the absence of acquisitions, proved reserve replacement was 115%.
- Proved developed producing reserves totalled 25.6 MMboe as of year-end 2022, a 12% improvement versus 2021. Increased reserve additions were the result of acquisitions, infill drilling and improved recovery within Freehold's portfolio.

## Drilling and Leasing Activity

In total, 1,057 gross wells were drilled on Freehold's royalty lands in 2022, a 61% increase versus 2021. Overall, Freehold saw increased drilling activity associated with the expansion of its North American portfolio along with broad increases in capital spending and efficiencies associated with our royalty payors. In total, we estimate approximately \$4 billion of industry capital was spent on Freehold's royalty lands in 2022, approximately \$1 billion (\$40 million net) in Canada and \$3 billion (\$16 million net) in the U.S.

In 2022, approximately 24% of gross wells on Freehold royalty lands targeted prospects in Alberta, 21% in Saskatchewan and 47% in Texas with the balance spread across other regions. Producers continue to remain focused on oil prospects with 94% of wells drilled targeting oil. Of the gross wells drilled in 2022, approximately 34% were drilled on Freehold's gross overriding royalty (GORR) prospects in Canada, 8% targeted mineral title prospects in Canada and 52% were drilled on Freehold's U.S. royalty acreage (83% mineral title) with the remainder drilled on Unit acreage. The Viking in southwest Saskatchewan, Mississippian in southeast Saskatchewan, Clearwater and Cardium in central Alberta, Eagle Ford and Permian in Texas and North Dakota continue to be the areas of focus within Freehold's portfolio.

## Royalty Interest Drilling

|               | Three Months Ended December 31 |                    |       |                    | Twelve Months Ended December |                    |       |                    |
|---------------|--------------------------------|--------------------|-------|--------------------|------------------------------|--------------------|-------|--------------------|
|               | 2022                           |                    | 2021  |                    | 2022                         |                    | 2021  |                    |
|               | Gross                          | Net <sup>(1)</sup> | Gross | Net <sup>(1)</sup> | Gross                        | Net <sup>(1)</sup> | Gross | Net <sup>(1)</sup> |
| Canada        | 137                            | 6.2                | 149   | 5.2                | 503                          | 20.1               | 440   | 16.3               |
| United States | 156                            | 0.9                | 101   | 0.5                | 554                          | 2.9                | 215   | 1.2                |
| Total         | 293                            | 7.1                | 250   | 5.7                | 1,057                        | 23.0               | 655   | 17.5               |

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

## Canada

Canadian drilling rebounded to 2018 levels with 503 gross wells drilled in 2022. Drilling in Canada was led by the Viking where 128 gross wells were spud in 2022, up 16% versus 2021. Operators on our southeast Saskatchewan acreage were also very active in 2022 with 84 gross wells drilled. During the year we saw an increased production contribution from some impactful areas such as the Deep Basin and Spirit River, in addition to an increase in Cardium wells drilled. Notably, Clearwater was the fourth most active region in our Canadian portfolio with 62 wells, up 9% over 2021. During the year, Freehold entered into 80 new leases, bringing 2022 bonus and lease rental revenue to \$2.1 million. This represented almost a 165% increase over leasing activity in 2021.

The 503 gross locations drilled within our Canadian portfolio in 2022 compared to 440 gross locations during the same period in 2021. For Q4-2022, 137 gross locations were drilled on Freehold's Canadian land representing a 8% decrease over the same period in 2021 although was up 19% on a net basis, as the average royalty rate per well drilled was higher in 2022.

## U.S.

Activity on our U.S. assets was very strong in the back half of the year, driven by a pickup in activity in Eagle Ford and mineral title drilling in the Midland in addition to benefitting from a higher average net royalty interest on wells drilled in H2-2022. 90% of activity on our lands in 2022 came from the Permian and Eagle Ford, the two highest productivity oil basins in the U.S. In Midland, 302 wells were spud in 2022, up substantially over 2021 given the increase in industry activity year over year. We also added to our Midland mineral title acreage in 2022 and saw strong activity in Howard County, one of the fastest growing areas within the Midland basin. Third-party activity on our Eagle Ford acreage was very strong throughout 2022, with 160 gross wells spud.

Approximately 83% of wells drilled on our U.S. lands were on mineral title lands with the remaining 17% targeting GORR lands in 2022.

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. We also note that we are seeing upwards of six to nine months from initial license to first production within our U.S. royalty assets (compared to three to four months in Canada, on average).

## 2023 Guidance

After incorporating our commodity and operating assumptions for 2023 along with our expectation for third-party development amongst our royalty payors, we are introducing our 2023 guidance. 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                                | Guidance Dated |
|--|----------------|
|  | March 1, 2023  |
| Average production (boe/d) <sup>(1)</sup>    | 14,500-15,500  |
| Funds from operations (\$, millions)         | \$250-\$280    |
| West Texas Intermediate crude oil (US\$/bbl) | \$80.00        |

|                              |        |
|------------------------------|--------|
| AECO natural gas (Cdn\$/Mcf) | \$3.00 |
| NYMEX natural gas (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 December 31, 2022, will be held for the investment community on Thursday March 2, 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 7121948#.

For further information, contact

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#### Select Quarterly Information

|  | 2022    |         |         |         | 2021    |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
|  | Q4      | Q3      | Q2      | Q1      | Q4      | Q3      | Q2      | Q1      |
| Financial (\$000s, except as noted)              |         |         |         |         |         |         |         |         |
| Royalty and other revenue                        | 98,502  | 98,418  | 108,495 | 87,605  | 75,202  | 51,423  | 45,353  | 37,000  |
| Net Income (loss)                                | 40,744  | 63,175  | 66,875  | 38,395  | 31,178  | 22,726  | 12,545  | 5,630   |
| Per share, basic (\$) <sup>(1)</sup>             | \$0.27  | \$0.42  | \$0.44  | \$0.25  | \$0.21  | \$0.17  | \$0.10  | \$0.06  |
| Cash flows from operations                       | 82,675  | 99,931  | 75,443  | 69,300  | 59,700  | 43,911  | 33,420  | 24,900  |
| Funds from operations                            | 79,973  | 80,783  | 83,846  | 71,893  | 68,773  | 48,247  | 40,208  | 32,400  |
| Per share, basic (\$) <sup>(1)</sup>             | 0.53    | \$0.54  | \$0.56  | \$0.48  | \$0.46  | \$0.36  | \$0.31  | \$0.25  |
| Acquisitions and related expenditures            | 7,160   | 161,679 | 20,661  | 1,294   | 67,906  | 228,382 | 930     | 79,700  |
| Dividends paid                                   | 40,677  | 37,658  | 36,150  | 27,112  | 24,094  | 17,095  | 13,147  | 7,630   |
| Per share (\$) <sup>(2)</sup>                    | \$0.27  | \$0.25  | \$0.24  | \$0.18  | \$0.16  | \$0.13  | \$0.10  | \$0.06  |
| Dividends declared                               | 40,678  | 39,167  | 36,151  | 30,124  | 25,599  | 19,364  | 14,464  | 9,200   |
| Per share (\$) <sup>(2)</sup>                    | \$0.27  | \$0.26  | \$0.24  | \$0.20  | \$0.17  | \$0.14  | \$0.11  | \$0.06  |
| Dividend payout ratio (%) <sup>(3)</sup>         | 51%     | 47%     | 43%     | 38%     | 35%     | 35%     | 33%     | 24%     |
| Long term debt                                   | 156,560 | 196,947 | 86,000  | 105,000 | 146,000 | 126,000 | 78,000  | 96,000  |
| Net debt   | 127,904 | 159,872 | 33,095  | 62,578  | 101,229 | 75,278  | 40,751  | 64,700  |
| Shares outstanding, period end (000s)            | 150,667 | 150,654 | 150,640 | 150,626 | 150,612 | 150,585 | 131,490 | 131,400 |
| Average shares outstanding (000s) <sup>(1)</sup> | 150,654 | 150,640 | 150,626 | 150,612 | 150,585 | 132,941 | 131,463 | 130,000 |
| Operating  |         |         |         |         |         |         |         |         |
| Light and medium oil (bbl/d)                     | 6,418   | 5,935   | 5,378   | 5,234   | 5,401   | 4,025   | 4,048   | 3,780   |
| Heavy oil (bbl/d)                                | 1,218   | 1,190   | 1,239   | 1,210   | 1,254   | 1,249   | 1,253   | 1,070   |

|  |        |        |        |        |        |        |        |      |
|--|--------|--------|--------|--------|--------|--------|--------|------|
| NGL (bbl/d)  | 1,781  | 1,708  | 1,613  | 1,757  | 1,564  | 1,125  | 1,107  | 1,06 |
| Total liquids (bbl/d)  | 9,417  | 8,833  | 8,230  | 8,201  | 8,219  | 6,399  | 6,408  | 5,92 |
| Natural gas (Mcf/d)  | 33,744 | 32,319 | 31,336 | 32,845 | 34,700 | 29,203 | 28,376 | 30,1 |
| Total production (boe/d) <sup>(4)</sup>                          | 15,041 | 14,219 | 13,453 | 13,676 | 14,005 | 11,265 | 11,137 | 10,9 |
| Oil and NGL (%)  | 63%    | 62%    | 61%    | 60%    | 59%    | 57%    | 58%    | 54%  |
| Petroleum and natural gas realized price (\$/boe) <sup>(4)</sup> | 69.76  | 74.31  | 87.55  | 69.71  | 57.44  | 49.17  | 44.22  | 37.3 |
| Cash costs (\$/boe) <sup>(3)(4)</sup>                            | 5.17   | 3.62   | 8.38   | 3.70   | 3.57   | 2.49   | 4.48   | 4.37 |
| Netback (\$/boe) <sup>(3)(4)</sup>                               | 63.92  | 69.77  | 78.80  | 66.17  | 53.58  | 46.60  | 39.83  | 32.9 |
| Benchmark Prices   |        |        |        |        |        |        |        |      |
| West Texas Intermediate crude oil (US\$/bbl)                     | 82.64  | 91.56  | 108.41 | 94.29  | 77.19  | 70.55  | 66.07  | 57.8 |
| Exchange rate (Cdn\$/US\$)                                       | 0.74   | 0.77   | 0.78   | 0.79   | 0.79   | 0.79   | 0.81   | 0.79 |
| Edmonton Light Sweet crude oil (Cdn\$/bbl)                       | 109.83 | 116.85 | 137.79 | 115.67 | 93.28  | 83.77  | 77.12  | 66.7 |
| Western Canadian Select crude oil (Cdn\$/bbl)                    | 77.08  | 93.49  | 122.09 | 101.02 | 78.71  | 71.79  | 66.90  | 57.5 |
| Nymex natural gas (US\$/mcf)                                     | 6.03   | 8.20   | 7.17   | 4.64   | 4.75   | 4.35   | 2.95   | 3.50 |
| AECO 7A Monthly Index (Cdn\$/Mcf)                                | 5.58   | 5.50   | 6.27   | 4.58   | 4.93   | 3.36   | 2.80   | 2.92 |

(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 March 1, 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 asset base will enable sustainable, long-term value creation for our shareholders for many years down the road;
- 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;
- 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](http://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 also contains the capital management measure net debt, as defined in note 15 to the December 31, 2022 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:

| \$/boe                                    | Three Months Ended |                    |        | Year Ended December 31, |         |        |
|---|--------------------|--------------------|--------|-------------------------|---------|--------|
|   | December 31, 2022  | September 30, 2022 | Change | 2022                    | 2021    | Change |
| Royalty and other revenue                 | \$71.17            | \$75.24            | (5%)   | \$76.36                 | \$48.34 | 58%    |
| Production and ad valorem taxes           | (2.08)             | (1.85)             | 12%    | (1.69)                  | (0.64)  | 164%   |
| Net revenue                               | \$69.09            | \$73.39            | (6%)   | \$74.67                 | \$47.70 | 57%    |
| Less                                      |                    |                    |        |                         |         |        |
| General and administrative expense        | (3.08)             | (2.17)             | 42%    | (2.72)                  | (2.48)  | 10%    |
| Operating expense                         | (0.18)             | (0.15)             | 20%    | (0.19)                  | (0.15)  | 27%    |
| Interest and financing cash expense       | (1.91)             | (1.30)             | 47%    | (1.15)                  | (0.76)  | 51%    |
| Cash payout on share-based compensation - | -                  | -                  | -      | (1.13)                  | (0.32)  | 253%   |
| Cash costs                                | (5.17)             | (3.62)             | 43%    | (5.19)                  | (3.71)  | 40%    |
| Netback                                   | \$63.92            | \$69.77            | (8%)   | \$69.48                 | \$43.99 | 58%    |

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.

| (000s)                | Three Months Ended |                    |        | Year Ended December 31 |           |        |
|-----------------------|--------------------|--------------------|--------|------------------------|-----------|--------|
|                       | December 31, 2022  | September 30, 2022 | Change | 2022                   | 2021      | Change |
| Dividends paid        | \$40,677           | \$37,658           | 4%     | \$141,597              | \$61,969  | 128%   |
| Funds from operations | \$79,973           | \$80,783           | (4%)   | \$316,494              | \$189,649 | 67%    |
| Dividend payout ratio | 51%                | 47%                | 9%     | 45%                    | 33%       | 36%    |

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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