

## Freehold Royalties Ltd. Announces 2019 Results and 2020 Guidance

CALGARY, Alberta, March 04, 2020 -- Freehold Royalties Ltd. (Freehold) (TSX:FRU) announces fourth quarter and year-end results for the period ended December 31, 2019 and provides 2020 guidance.

### Results at a Glance

	Three Months Ended December 31			Twelve Months Ended December 31		
	2019	2018	Change	2019	2018	Change
<b>FINANCIAL</b> (\$000s, except as noted)						
Royalty and other revenue	<b>36,827</b>	24,837	48%	<b>140,837</b>	144,542	-3%
Net income	<b>6,113</b>	(4,166)	247%	<b>5,193</b>	14,032	-63%
Per share, basic and diluted (\$) <sup>(1)</sup>	<b>0.05</b>	(0.04)	225%	<b>0.04</b>	0.12	-67%
Funds from operations	<b>30,659</b>	18,463	66%	<b>118,098</b>	121,287	-3%
Per share, basic (\$) <sup>(1)</sup>	<b>0.26</b>	0.16	63%	<b>1.00</b>	1.03	-3%
Acquisitions and related expenditures	<b>2,727</b>	11,071	-75%	<b>49,869</b>	65,733	-24%
Dividends declared	<b>18,683</b>	18,643	-	<b>74,663</b>	73,928	1%
Per share (\$) <sup>(2)</sup>	<b>0.1575</b>	0.1575	-	<b>0.6300</b>	0.6250	1%
Payout ratio <sup>(3)</sup>	<b>61%</b>	101%	-40%	<b>63%</b>	61%	3%
Net debt	<b>94,634</b>	89,375	6%	<b>94,634</b>	89,375	6%
Shares outstanding, period end (000s)	<b>118,623</b>	118,403	-	<b>118,623</b>	118,403	-
Average shares outstanding (000s) <sup>(1)</sup>	<b>118,568</b>	118,348	-	<b>118,486</b>	118,266	-
<b>OPERATING</b>						
Royalty production (boe/d) <sup>(4)</sup>	<b>10,315</b>	10,312	-	<b>10,229</b>	10,718	-5%
Light and medium oil (bbl/d)	<b>4,024</b>	3,934	2%	<b>3,814</b>	3,843	-1%
Heavy oil (bbl/d)	<b>1,089</b>	929	17%	<b>1,034</b>	1,116	-7%
NGL (bbl/d)	<b>799</b>	955	-16%	<b>853</b>	896	-5%
Natural gas (Mcf/d)	<b>26,416</b>	26,962	-2%	<b>27,166</b>	29,177	-7%
Total production (boe/d) <sup>(4)</sup>	<b>10,740</b>	10,929	-2%	<b>10,628</b>	11,410	-7%
Oil and NGL (%)	<b>57</b>	56	2%	<b>56</b>	54	4%
Average price realizations (\$/boe) <sup>(4)</sup>	<b>37.04</b>	23.40	58%	<b>35.78</b>	33.54	7%
Cash Costs (\$/boe) <sup>(3) (4)</sup>	<b>5.09</b>	5.02	1%	<b>5.30</b>	5.10	4%
Operating netback (\$/boe) <sup>(3) (4)</sup>	<b>36.19</b>	23.33	55%	<b>35.28</b>	33.30	6%

(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 Measures.

(4) See conversion of Natural Gas to Barrels of Oil Equivalent

### President's Message

Despite challenging headwinds in the Canadian Energy Sector, 2019 was another successful year for Freehold. Our royalty production was flat Q4-2018 to Q4-2019 and our dividend payout of 63% was consistent with our payout ratio target between 60%-80% of forward-looking funds from operations. We grew our reserves and executed our first U.S. royalty transaction. We will continue to add royalties both in the U.S. and Canada with a focus on shareholder return.

Given the near-term outlook for oil and gas pricing, we are maintaining our monthly dividend at \$0.0525 per share. We are forecasting 2020 royalty production to average 9,750-10,250 boe/d. This forecast does not include acquisitions and increases Freehold's royalty oil weighting by 2% year-over-year. Third party capital on our royalty lands is expected to be similar to 2019 with 20 net wells forecast for development. Freehold continues to maintain its position as one of the more defensive oil and gas stocks in Canada with our dividend fully funded at current commodity price levels. As a leading royalty company, Freehold's objective is to deliver lower risk attractive returns to shareholders over the long term.

**Thomas J. Mullane**  
President and CEO

### Dividend Announcement

With volatility in commodity prices and other macroeconomic factors in Canada, Freehold's Board of Directors (the Board) has

approved maintaining its monthly dividend at \$0.0525 per share or \$0.63 per share annualized. Accordingly, the Board has declared a dividend of \$0.0525 per common share to be paid on April 15, 2020 to shareholders of record on March 31, 2020. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Current payout ratio levels are in-line with our previously stated dividend policy, which outlines a 60%-80% payout ratio based on forward looking funds from operations. Based on our current guidance and commodity price assumptions, and assuming no significant changes in the current business environment, we expect to maintain the current dividend rate through 2020. However, we will continue to evaluate the commodity price environment and adjust the dividend level accordingly.

## 2019 Highlights

- Dividends declared for 2019 totaled \$74.7 million (\$0.63 per share), flat versus 2018 when Freehold declared \$73.9 million (\$0.625 per share). Our dividend payout for 2019 totaled 63%, at the lower end of our guided dividend payout range, further reiterating the sustainability of returns to our shareholders.
- 2019 royalty production averaged 10,229 boe/d, a 5% decrease versus 2018 as acquisitions and third-party capital royalty additions did not fully offset natural declines in our volumes. Most of the decline in our volumes year-over-year was associated with natural gas production, which is less impactful to funds from operations, net income and the sustainability of our dividend. Oil and natural gas liquids (NGL) volumes increased to 56% of 2019 royalty production, up from 54% in 2018.
- 2019 light oil and NGL royalty production averaged 5,701 boe/d, down slightly versus 5,855 boe/d last year. Our royalty portfolio continues to see strong oil focused development from southeast Saskatchewan and Viking acreage as well as the emerging Clearwater play.
- 641 (20.8 net) wells were drilled on our royalty lands in 2019, a 2% decrease on a net measure and an 11% decrease on a gross measure versus 2018. Freehold's lands continue to attract capital with activity levels in-line with investment exceeding our forecast of 20 net wells for 2019.
- Royalty revenue totaled \$136.8 million in 2019, down slightly from the previous year. Total royalty revenue was comprised of 88% oil and NGL's.
- Funds from operations totaled \$118.1 million or \$1.00 per share, down slightly from \$121.3 million or \$1.03 per share in 2018. The decrease year-over-year reflected reduced production volumes offset partially by slightly higher realized prices.
- Freehold exited 2019 with net debt of \$94.6 million, implying net debt to trailing funds from operations of 0.8 times. This compares to \$89.4 million in net debt as of year-end 2018. The increase in leverage versus the previous year reflected acquisitions completed through the year, over and above our free cash flow and dividend payments. At year-end, we had \$71.0 million of available capacity within Freehold's credit facility.
- Freehold completed \$46.0 million in royalty acquisitions in 2019. Canadian highlights included a \$30.0 million acquisition of a gross overriding royalty on light and medium oil reservoirs in central and northern Alberta and southwest Saskatchewan.
- Freehold also completed its first U.S. royalty transaction in 2019, acquiring certain royalty assets in North Dakota for US\$9.8 million. In total, Freehold acquired US\$12.5 million in U.S. royalty assets in 2019.
- Freehold unveiled its inaugural environmental, social and governance (ESG) report highlighting the collective intention by our team to provide a long-term value proposition to shareholders, and to do so responsibly.
- Proved plus probable net reserves totaled 31.7 MMboe as at December 31, 2019, up from 30.9 MMboe as at December 31, 2018, reflecting the quality of royalty assets acquired over the last three years <sup>(1)</sup>.
- 2019 proved plus probable royalty interest reserves additions replaced 129% of production.

(1) A detailed review of Freehold's reserve information is provided in the Annual Information Form (AIF). A copy of the AIF can be found on Freehold's website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com) or [www.sedar.com](http://www.sedar.com).

## Fourth Quarter Results

Freehold continued to execute on its strategy in the fourth quarter of 2019, providing strong returns for its shareholders. Highlights include:

- Dividends declared for Q4-2019 totaled \$0.1575 per share, unchanged from the previous quarter and the same period last year. Our payout ratio totaled 61% for the quarter and 63% for 2019. We continue to set Freehold's dividend within our guided payout ratio thresholds of 60%-80% annualized funds flow, positioning Freehold as one of the most defensive investments in terms of dividend sustainability within the Canadian oil and gas sector.
- Freehold's total royalty production averaged 10,315 boe/d, flat versus the same period in 2018 and up 2% versus the previous quarter, as we organically grew our royalty volumes.
- Royalty oil production, which has higher operating netbacks and returns, averaged 5,113 boe/d in Q4-2019, increasing 5% when compared to the same period last year and 4% higher than the previous quarter.
- Royalty revenue totaled \$35.7 million in Q4-2019, up from \$24.0 million the previous year. Total royalty revenue comprised of 85% oil and NGL's.
- Operating income <sup>(1)</sup> from royalties represented 100% of our total operating income for both the current quarter and the full year. Freehold continues to improve the quality of our assets through the growth of higher netback royalty volumes and ongoing working interest dispositions.
- Q4-2019 royalty and other revenue totaled \$36.8 million, up 48% versus the previous year largely due to higher realized oil prices. Freehold's average realized oil and NGL price in the quarter was \$55.47/boe, compared to \$34.48/boe in Q4-2018.
- Q4-2019 net income totaled \$6.1 million, driven by higher realized oil prices and production growth. This compared to a

\$4.2 million net loss in Q4-2018.

- Funds from operations for Q4-2019 totaled \$30.7 million, an increase of 66% versus the same period in 2018. On a per share basis, funds from operations totaled \$0.26 per share in Q4-2019, up from \$0.16 per share in Q4-2018 and \$0.24 per share in Q3-2019.
- At December 31, 2019, net debt totaled \$94.6 million, down from \$105.5 million in Q3-2019, implying a net debt to 12-month trailing funds from operations ratio of 0.8 times. The decrease in net debt over the previous quarter reflected excess free cash flow <sup>(1)</sup> over and above our dividend in Q4-2019.
- Wells drilled on our royalty lands totaled 186 (4.5 net) in the quarter, down versus 220 (7.4 net) drilled during the same period in 2018. Our royalty assets continue to attract capital despite headwinds associated with Canadian energy development.
- In Q4-2019, Freehold issued 24 leases associated with our unleased mineral title lands; 93 leases were issued in total in 2019, compared to 102 leases in 2018.
- Cash costs <sup>(1)</sup> for the quarter totaled \$5.09/boe, up from \$4.67/boe in Q3-2019 and \$5.08/boe during the same period last year. The increase in costs from Q3-2019 primarily reflects increased general and administrative charges associated with acquisition initiatives.

(1) See Non-GAAP Financial Measures.

### Activity Levels Remain Strong on Royalty Lands

641 (20.8 net) wells were drilled on our royalty lands in 2019, a 2% decrease on a net measure and an 11% decrease on a gross measure versus 2018. Despite significant headwinds associated with Canadian energy and broader activity levels in western Canada, Freehold's lands continue to attract capital with investment exceeding our forecast of 20 net wells for 2019.

Of the net wells drilled, 22% were drilled on mineral title lands while the remainder were drilled on gross overriding royalty lands. There was a continued shift towards oil investment, with 96% of the drilling focused on oil targets. Activity continues to be driven by well-capitalized operators in the Saskatchewan Viking, southeast Saskatchewan Mississippian carbonates, central Alberta Mannville heavy and light oil plays, and west central Alberta Cardium oil plays. Looking into 2020, we are optimistic that activity levels will remain strong on our royalty lands, with activity levels forecast to be similar to 2019. As part of our 2020 guidance, we are forecasting 20 net wells to be drilled on our royalty lands.

### Royalty Interest Drilling

	Three Months Ended December 31 <sup>(1)</sup>				Twelve Months Ended December 31 <sup>(1)</sup>			
	2019		2018		2019		2018	
	Equivalent		Equivalent		Equivalent		Equivalent	
	Gross	Net <sup>(2)</sup>	Gross	Net <sup>(2)</sup>	Gross	Net <sup>(2)</sup>	Gross	Net <sup>(2)</sup>
Total	186	4.5	220	7.4	641	20.8	719	21.3

(1) Counts include wells drilled on acquired lands from after the closing date of the applicable acquisition.

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

### 2020 Guidance

The following table summarizes our key operating assumptions for 2020.

- We are assuming an average royalty production range of 9,750 boe/d to 10,250 boe/d, which is expected to represent approximately 96% of our total production. Income from royalty properties is expected to be 100% of operating income. Royalty volumes are expected to be weighted approximately 58% oil and NGL's and 42% natural gas. Volumes do not include any estimate for acquisitions completed throughout the year.
- Forecasting 20 net wells will be drilled on our lands in 2020, flat compared with 2019.
- We are assuming WTI and Edmonton Light Sweet oil price assumptions of US\$55.00/bbl and \$63.00/bbl respectively, and AECO at \$1.75/mcf.
- Our total cash costs <sup>(1)</sup> assumption is forecast between \$5.00/boe and \$5.50/boe.
- With our monthly dividend remaining at \$0.0525 per share, we expect our 2020 payout ratio (dividends paid/funds from operations) to be approximately 70%.
- Based on the above assumptions, we forecast our 2020 year-end net debt will be well below 1.5 times net debt to funds from operations.

(1) See Non-GAAP Financial Measures.

### Key Operating Assumptions

		Guidance Dated
2020 Annual Average		Mar. 4, 2020
Royalty production (excludes working interest production)	boe/d	9,750-10,250
West Texas Intermediate crude oil	US\$/bbl	55.00
Edmonton Light Sweet crude oil	Cdn\$/bbl	63.00

AECO natural gas	Cdn\$/Mcf	1.75
Exchange rate	Cdn\$/US\$	0.75
Cash costs <sup>(1)(2)</sup>	\$/boe	5.00-5.50
Weighted average shares outstanding	millions	119

(1) Excludes share based compensation; per share cost is based on estimated total production, which includes working interest production.

(2) See Non-GAAP Financial Measures

Recognizing the cyclical nature of the oil and gas industry, we continue to closely monitor commodity prices and industry trends for signs of changing market conditions. We caution that it is inherently difficult to predict activity levels on our royalty lands since we have no operational control. As well, significant changes (positive or negative) in commodity prices (including Canadian oil price differentials), foreign exchange rates, or production rates may result in adjustments to the dividend rate.

## 2019 Reserves Information

Freehold's reserves information, including a summary of the evaluation of Freehold's reserves and associated future net revenue as prepared by Trimble Engineering Associates Ltd., Freehold's independent reserve evaluator effective as at December 31, 2019 is included in our AIF which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and Freehold's website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com)

## Conference Call Details

A conference call to discuss financial and operational results for the period ended December 31, 2019 will be held for the investment community on Thursday, March 5, 2020 beginning at 7:00 am MT (9:00 am ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-806-5484 (toll-free in North America), participant access code 9076822#.

## Availability on SEDAR

Freehold's 2019 audited financial statements and accompanying Management's Discussion and Analysis (MD&A) and AIF are being filed today with Canadian securities regulators and will be available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com).

## Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as at March 4, 2020 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:

- outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, and natural gas;
- light/heavy oil price differentials;
- changing economic conditions; continuing to add royalties in Canada and the U.S.;
- cash costs forecasted between \$5.00/boe and \$5.50/boe;
- forecast 2020 average royalty production, including product mix and percentage of total average production from royalties;
- forecast 2020 working interest production;
- continuing to reduce our working interest production;
- the expectation that oil drilling in 2020 will remain strong on our royalty lands, similar to 2019, with strong oil drilling expected in the Viking, Mississippian and Clearwater formations;
- expectations as to decline rates on certain acquired assets;
- foreign exchange rates;
- expected payout ratio for 2020;
- 2020 percentage of production and operating income from royalties;
- key operating assumptions including cash costs;
- forecast year-end net debt to funds from operations;
- industry drilling and development activity on our royalty lands, including our estimate of 2020 net royalty wells at 20;
- our dividend policy and expectations for future dividends; and
- maintaining our monthly dividend rate through the next year.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, 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 lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our AIF 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, 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. The key 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 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 operating income, operating netback, basic payout ratio and adjusted payout ratio, free cash flow 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 and financial position. 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.

Operating income is calculated as royalty and other revenue less royalty and operating expenses. It shows the profitability of our revenue streams as it provides the cash margin for product sold after directly related expenses. Operating netback, which is calculated as average unit sales price less royalty and operating expenses, represents the cash margin for product sold, calculated on a per boe basis.

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify its dividend levels in relation to the funds it receives and uses in its capital and operational activities. Payout ratio is calculated as dividends declared as a percentage of funds from operations.

Free cash flow is calculated by subtracting capital expenditures from funds from operations. Free cash flow is a measure often used by dividend paying companies to determine cash available for payment of dividends, paying down debt or investment.

Cash costs is a total of all recurring costs in the statement of income deducted in determining funds from operations. For Freehold cash costs are identified as operating expense, G&A expense, interest expense and share based compensation payments. It is key to funds from operations, representing the ability to sustain dividends, repay debt and fund capital expenditures.

We refer to various per boe figures which provide meaningful information on our operational performance. We derive per boe figures by dividing the relevant revenue or cost figures by the total volume of oil, NGL and natural gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

For further information related to these non-GAAP terms, including reconciliations to the most directly comparable GAAP terms, see our most recent MD&A.

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