

NEWS RELEASE

TSX: FRU

Freehold Royalties Announces First Quarter Results and Record Funds from Operations

CALGARY, ALBERTA, (GLOBE NEWSWIRE – May 10, 2022) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces first quarter results for the period ended March 31, 2022.

Operating and Financial Highlights

FINANCIAL (\$ millions, except as noted)	Three Months Ended March 31			Three Months Ended December 31	
	2022	2021	Change	2021	Change
Funds from operations	71.9	32.4	122%	68.7	5%
Funds from operations per share, basic (\$) ⁽¹⁾	0.48	0.25	92%	0.46	4%
Acquisitions and related expenditures	1.3	79.8	nm	67.9	nm
Dividends paid per share (\$) ⁽²⁾	0.18	0.06	200%	0.16	13%
Payout ratio (%) ⁽³⁾	38%	24%	14%	35%	3%
Net debt	62.6	64.8	(3%)	101.2	(38%)
OPERATING					
Total production (boe/d) ⁽⁴⁾	13,676	10,944	25%	14,005	(2%)
Oil and NGL (%)	60%	54%	6%	59%	1%
Petroleum and natural gas realized price (\$/boe) ⁽⁴⁾	69.71	37.31	87%	57.44	21%
Cash costs (\$/boe) ^{(3) (4)}	3.70	4.37	(15%)	3.57	4%
Netback (\$/boe) ^{(3) (4)}	66.17	32.94	101%	53.58	23%
ROYALTY INTEREST DRILLING (gross / net)					
Canada	144 / 5.9	87 / 3.4	66% / 74%	149 / 5.2	(3%) / 13%
United States	100 / 0.4	18 / 0.1	455% / 300%	101 / 0.5	(1%) / (20%)

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

Approximately eighteen months after Freehold's initial expansion in the US, the Company continues to execute its North American strategy providing shareholders a sustainable dividend, low leverage and diversification to royalty payors operating in core oil and gas plays throughout North America. We achieved record level funds from operations for the quarter, marking the second straight period reaching this achievement. Through the efforts of our team and the expansion of our North American portfolio, we are a bigger, better company and will continue to showcase this moving forward.

Volumes averaged 13,676 boe/d for Q1-2022, down slightly from the previous quarter, but up 25% from Q1-2021. Our Canadian portfolio was impacted by cold temperatures to start 2022. In the US, timing delays in bringing new wells on production resulted in a decline in volumes quarter over quarter, despite strong permitting and drilling activity.

Drilling activity levels on the Company's royalty lands remained robust over the quarter, both within the US and Canada as high-quality counterparties put capital to work into plays such as the Viking, Clearwater, Eagle Ford and Permian. As commodity prices have increased, we have seen increased capital directed to drilling on our royalty assets.

Typical cycle times from when a well is permitted to when a well is placed on production in the US is approximately nine months, as compared to approximately three months in Canada. Accordingly, the increased development activity over the past two quarters in our US portfolio will contribute royalty volumes in the mid to latter part of 2022 whereas in Canada, this activity is already contributing to our quarterly results. The extended cycle times in the US predominantly relate to the logistics and timing of multiple wells drilled off a central pad site and the subsequent completions operations once the drilling rig has moved off. As our US asset base has a greater concentration to larger investment grade producers with corresponding larger programs, these delays are expected.

After six consecutive quarters of increasing our dividend, we are maintaining our monthly dividend at \$0.08/share, reflecting our long-term view of commodity pricing and what we see as a strong suite of opportunities to enhance our royalty portfolio with strategic acquisition work within Canada and the US. Assuming current dividend levels for the entire quarter would have implied a payout of approximately 50% while Freehold generated record funds from operations. We will evaluate our monthly dividend as part of our Q2-2022 which will be released in August 2022.

Subsequent to quarter end, Freehold entered into a definitive agreement to acquire mineral title and overriding royalty interests in the core Midland basin of the Permian for US\$15.5 million, that will be funded through available credit capacity. We believe investing in high quality acquisitions provides the best opportunity to maximize value for our shareholders.

2021 was an exciting year for Freehold and we feel we have continued that momentum into 2022. Through our efforts, we have strengthened Freehold's asset base, balance sheet and the long-term sustainability of our business. Enhanced business strength within the portfolio provides significant optionality for Freehold to: (i) continue our measured pace of dividend growth toward a 60% payout ratio; (ii) continue our disciplined acquisition work to grow our Company across North America, and (iii) reduce Company net debt.

Dividend Announcement

Freehold's Board of Directors (the Board) announced that it has declared a monthly dividend of \$0.08 per common share to be paid on June 15, 2022, to shareholders of record on May 31, 2022. The dividend announced today strikes a balance between commodity price volatility, managing our financial leverage, and portfolio reinvestment.

Post Quarter US Acquisition

In May 2022, Freehold entered into a definitive agreement to acquire mineral title and overriding royalty interests across approximately 1,100 net royalty acres (220,000 gross acres) in core Midland basin of the Permian for US\$15.5 million, before customary adjustments. 2023 production volumes associated with the transaction are forecast to average approximately 130 boe/d. Closing of the transaction is anticipated for late Q2-2022. This acquisition adds to Freehold's established position in the Midland basin, adding additional top tier acreage in one of North America's premier basins.

First Quarter Highlights

- Record level total funds from operations in Q1-2022 of \$71.9 million (\$0.48/share) was partially used to pay down \$41.0 million of long-term debt.
- Freehold's production averaged 13,676 boe/d in Q1-2022, an increase of 25% over Q1-2021 and a slight decrease of 2% over Q4-2021.
- Canadian oil and gas royalty volumes declined 1% in Q1-2022 relative to Q4-2021, averaging 9,793 boe/d. This decline was mainly due to extreme cold temperatures impacting January and February volumes, with March volumes showing recovery.

- US oil and gas royalty production averaged 3,883 boe/d in Q1-2022, down from 4,075 boe/d in Q4-2021. US volumes were impacted by the timing of bringing new wells onstream in addition to certain wells being shut-in for offsetting drilling and completion operations.
- Freehold achieved a 132% increase in gross wells drilled on our royalty lands in Q1-2022 versus Q1-2021. In total, Freehold had 244 gross (6.3 net) wells drilled in Q1-2022, slightly down on a gross basis versus Q4-2021 but up on a net basis. For Q1-2022 there were an average of nine rigs drilling on our Canadian lands and 17 rigs drilling on Freehold's US lands.
- Recorded a netback ⁽¹⁾ of \$66.17/boe in Q1-2022, up 23% over Q4-2021. Over the past successive quarters, the higher netbacks represent a continued structural change in Freehold's business brought on by an increasing share of revenue from our US assets which receive premium pricing versus our Canadian assets.
- Net debt ⁽¹⁾ of \$62.6 million at Q1-2022, represents 0.3 times trailing funds from operations.

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

Drilling and Leasing Activity

In total, 244 gross wells were drilled on Freehold's royalty lands in Q1-2022, a 132% increase versus the same period in 2021. Significantly increased drilling activity reflects the strong upward movement in oil prices resulting in increased capital spending by our royalty payors in addition to an increase in our royalty lands available to drill associated with our 2021 US and Canadian royalty transactions.

Of the total wells drilled in Q1-2022, approximately 36% of gross wells on Freehold royalty lands targeted prospects in Texas, 30% in Alberta, and 27% in Saskatchewan with the balance spread across other regions. More broadly, 59% of all wells drilled targeted Canadian prospects with the remainder targeting Freehold's US acreage.

Canada

Through Q1-2022, Freehold has seen consistent drilling activity in plays including the Viking, Mississippian, Clearwater, Deep Basin and Cardium. We are also seeing a strong increase in drilling in plays including the Shaunavon and East Shale Duvernay. Approximately 83% of wells drilled on Freehold's Canadian lands were on gross overriding royalty (GORR) prospects with the remaining 17% targeting mineral title prospects.

As producers balance sheets are improved and their funds from operations become more robust, we are seeing an increase in drilling activities more broadly throughout our Canadian royalty portfolio. In total, we had 144 gross locations drilled compared to 87 gross locations in Canada during the same period in 2021.

During Q1-2022, Freehold generated \$0.6 million in bonus and rental consideration by entering into 32 distinct leasing arrangements with 11 different counterparties.

US

In the US, activity levels on Freehold's royalty lands were generally in line with expectations with the focus on light oil prospects targeting the Permian and Eagle Ford basins. We continue to see development backstopped by a strong group of disciplined investment grade public companies along with an active group of private companies.

Although US net wells are lower than in Canada, US wells are significantly more prolific as first year production contributes approximately ten times that of an average Canadian well in our portfolio. We also note that we are seeing upwards of six to twelve months from initial license to first production within our US royalty assets (compared to three to four months in Canada, on average). Overall, 100 gross wells were drilled on our US royalty lands during Q1-2022, which compares to 18 gross wells

during the same period in 2021, the increase largely due to more royalty lands available to drill associated with our 2021 US royalty property transactions.

In Q1-2022, Freehold executed its first US mineral lease adding \$0.3 million of lease bonus consideration with active dialogue with a number of private operators.

Royalty Interest Drilling

	Three Months Ended March 31			
	2022		2021	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	144	5.9	87	3.4
United States	100	0.4	18	0.1
Total	244	6.3	105	3.5

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

2022 Guidance

The following table summarizes our key assumptions for 2022, which remains unchanged.

	Guidance Date
2022 Average	May 10, 2022
Average production (boe/d) ⁽¹⁾	13,750-14,750
Funds from operations (mm)	\$230-\$250
West Texas Intermediate crude oil (US\$/bbl)	\$75.00
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$88.00
AECO natural gas (Cdn\$/Mcf)	\$4.00
NYMEX natural gas (US\$/Mcf)	\$4.00
Exchange rate (US\$/Cdn\$)	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

Annual Meeting

Freehold's annual meeting of Shareholders will be conducted in person and via live audio webcast at <https://video.isilive.ca/rife/2022-05-10/> commencing at 4:00 PM (MST) on Tuesday May 10, 2022. Further details are available on our website at www.freeholdroyalties.com/investors/events-presentations

Conference Call Details

A conference call to discuss financial and operational results for the period ended March 31, 2022, will be held for the investment community on Wednesday May 11, 2022, beginning at 7:00 AM MST (9:00 AM EST). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-898-3989 (toll-free in North America) participant passcode is 6797277#.

Select Quarterly Information

	2022	2021				2020		
Financial (\$000s, except as noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Royalty and other revenue	87,605	75,202	51,423	45,353	37,014	25,882	23,156	14,847
Net Income (loss)	38,395	31,178	22,726	12,545	5,635	373	139	(5,421)
Per share, basic (\$) ⁽¹⁾	\$0.25	\$0.21	\$0.17	\$0.10	\$0.04	\$-	\$-	\$(0.05)
Cash flows from operations	69,300	59,700	43,911	33,420	24,990	20,610	1,130	13,144
Funds from operations	71,893	68,773	48,247	40,208	32,421	22,129	19,893	10,622
Per share, basic (\$) ⁽¹⁾	\$0.48	\$0.46	\$0.36	\$0.31	\$0.25	\$0.19	\$0.17	\$0.09
Acquisitions and related expenditures	1,294	67,906	228,382	930	79,782	222	485	981
Dividends paid	27,112	24,094	17,095	13,147	7,633	5,342	5,342	9,790
Per share (\$) ⁽²⁾	\$0.18	\$0.16	\$0.13	\$0.10	\$0.06	\$0.045	\$0.045	\$0.0825
Dividends declared	30,124	25,598	19,364	14,464	9,201	5,938	5,342	5,341
Per share (\$) ⁽²⁾	\$0.20	\$0.17	\$0.14	\$0.11	\$0.07	\$0.05	\$0.045	\$0.045
Payout ratio (%) ⁽³⁾	38%	35%	35%	33%	24%	24%	27%	92%
Long term debt	105,000	146,000	126,000	78,000	96,000	93,000	107,000	102,000
Net debt	62,578	101,229	75,278	40,751	64,797	65,765	81,678	96,071
Shares outstanding, period end (000s)	150,626	150,612	150,585	131,490	131,463	118,788	118,746	118,705
Average shares outstanding (000s) ⁽¹⁾	150,612	150,585	132,941	131,463	130,874	118,747	118,706	118,664
Operating								
Light and medium oil (bbl/d)	5,305	5,401	4,038	4,102	3,811	3,239	3,384	3,314
Heavy oil (bbl/d)	1,139	1,254	1,236	1,199	1,045	1,173	791	920
NGL (bbl/d)	1,757	1,564	1,125	1,107	1,065	824	859	788
Total liquids (bbl/d)	8,201	8,219	6,399	6,408	5,921	5,236	5,034	5,022
Natural gas (Mcf/d)	32,845	34,700	29,203	28,376	30,132	26,671	24,656	25,576
Total production (boe/d) ⁽⁴⁾	13,676	14,005	11,265	11,137	10,944	9,681	9,143	9,285
Oil and NGL (%)	60%	59%	57%	58%	54%	54%	55%	54%
Petroleum and natural gas realized price (\$/boe) ⁽⁴⁾	69.71	57.44	49.17	44.21	37.31	28.16	26.95	17.06
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	3.70	3.57	2.49	4.48	4.37	4.03	3.70	4.79
Netback (\$/boe) ⁽³⁾⁽⁴⁾	66.17	53.58	46.60	39.83	32.94	24.85	23.79	12.68
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	94.29	77.19	70.55	66.07	57.81	42.47	40.91	27.81
Exchange rate (Cdn\$/US\$)	0.79	0.79	0.79	0.81	0.79	0.77	0.75	0.72
Edmonton Light Sweet crude oil (Cdn\$/bbl)	115.67	93.28	83.77	77.12	66.76	50.45	49.81	29.79
Western Canadian Select crude oil (Cdn\$/bbl)	101.02	78.71	71.79	66.90	57.55	43.56	42.55	22.37
Nymex natural gas (US\$/mcf)	4.64	4.75	4.35	2.95	3.50	2.26	2.00	1.70
AECO 7A Monthly Index (Cdn\$/Mcf)	4.58	4.93	3.36	2.80	2.92	2.76	2.14	1.85

(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 May 10, 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:

- 2022 forecast production (including commodity weightings) and funds from operations;
- the expectation that enhanced business strength within Freehold's portfolio provides significant optionality for Freehold to: (i) continue our measured pace of dividend growth toward a 60% payout ratio; (ii) continue our disciplined acquisition work to grow our company across North America, and (iii) reduce Company net debt to zero (in the absence of further acquisition work)
- Freehold's belief that the quality of both its Canadian and US portfolios is expected to drive strong third-party production additions throughout 2022; and
- the expectation that the acquisition of additional U.S royalty production and royalty lands in late 2021 will further diversify and enhance Freehold's asset base;
- 2023 production volumes associated with the Post Quarter US transaction.

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, 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, 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, G&A and 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 March 31		
	2022	2021	Change
\$/boe			
Royalty and other revenue	\$69.87	\$37.31	87%
Production and ad valorem taxes	(1.30)	(0.27)	381%
Net revenue	69.87	37.31	87%
Less			
General and administrative	(2.92)	(3.27)	-11%
Operating expense	(0.13)	(0.16)	-19%
Interest and financing cash expense	(0.65)	(0.94)	-31%
Cash costs	(3.70)	(4.37)	-15%

Netback	\$66.17	\$32.94	101%
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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		
(000s)	2022	2021	Change
Dividends paid	\$27,112	\$7,663	255%
Funds from operations	\$71,893	\$32,421	122%
Payout ratio	38%	24%	14%