

## NEWS RELEASE

TSX: FRU

### Freehold Royalties Ltd. Announces Fourth Quarter & 2021 Results and Increases Dividend by [33%]

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**CALGARY, ALBERTA, (GLOBE NEWSWIRE – March 2, 2022)** – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces fourth quarter and 2021 results for the period ended December 31, 2021.

#### Presidents Message

2021 was a very active year for Freehold – a year in which we established royalty positions in some of the best oil and gas basins across North America, with our fourth quarter results showcasing the \$377 million in acquisition work completed in 2021. Strengthening Freehold’s asset base, balance sheet, and the long-term sustainability of our business.

- Achieved record production levels in Q4-2021 of 14,005 boe/d, driven by strong activity levels and acquisitions completed throughout our North American portfolio
- Canadian oil and gas royalty volumes grew 5% Q4-2020 to Q4-2021, averaging 9,930 boe/d. Growth in the portfolio was driven by focused royalty optimization initiatives and third-party drilling
- US oil and gas royalty production averaged 4,074 boe/d in Q4-2021, up from 257 boe/d in Q4-2020. Increased volumes were the result of acquisitions completed throughout the year and strong third-party activity levels
- 76% more gross wells drilled on Freehold’s royalty lands in 2021 versus 2020. In total, Freehold had 655 gross (17.5 net) wells drilled over 2021, with the expectation to see strong momentum in activity into 2022
- Recorded an operating netback of \$53.85/boe in 2021, showcasing the quality of assets in the portfolio, particularly the U.S. portfolio benefiting from Gulf Coast pricing premiums for both oil and natural gas
- Funds from operations in Q4-2021 of \$67.8 million is the highest in our 25-year history
- Increased our monthly dividend every quarter in 2021. As part of today’s results, the dividend will be increased to \$0.08/share, the highest dividend level since late 2015
- Net debt of \$105.9 million at year end 2021, representing 0.7 times trailing funds from operations

This new look Freehold is well positioned to participate in the strengthened commodity price outlook. Based on the mid point of guidance and US\$75.00/bbl West Texas Intermediate oil pricing, 2022 funds from operations expected to range between \$230-\$250 million. Enhanced business strength within the portfolio will allow Freehold, in the absence of further acquisition work, to reduce our net debt to zero by year end 2022, continue our measured pace of dividend growth toward a 60% payout ratio, and allow capacity to do continued disciplined acquisition work to grow our company through the acquisition of additional royalty interests ahead of the drill bit across North America.

Our team is energized and are looking forward to 2022. I would like to thank our shareholders for their support in our repositioning and restructuring initiatives over the past year and thank our Board and employees for the contribution of ideas and inspiration as we continue to build this great company.

**David M. Spyker**

**President and Chief Executive Officer**

## Operating and Financial Highlights

FINANCIAL (\$000s, except as noted)	Three Months Ended December 31			Twelve Months Ended December 31		
	2021	2020	Change	2021	2020	Change
Royalty and other revenue	<b>73,893</b>	25,793	186%	<b>206,442</b>	89,958	129%
Net income (loss)	<b>30,364</b>	373	nm	<b>71,270</b>	-13,931	nm
Per share, basic (\$) <sup>(1)</sup>	<b>0.20</b>	-	nm	<b>0.52</b>	-0.12	nm
Cash flows from operations	<b>59,531</b>	20,610	nm	<b>161,852</b>	65,767	146%
Funds from operations	<b>67,754</b>	22,129	206%	<b>188,630</b>	72,891	159%
Per share, basic (\$) <sup>(1)</sup>	<b>0.45</b>	0.19	137%	<b>1.38</b>	0.61	126%
Acquisitions and related expenditures	<b>68,365</b>	222	nm	<b>377,461</b>	7,058	nm
Dividends paid	<b>24,094</b>	5,343	351%	<b>61,969</b>	39,158	58%
Per share (\$) <sup>(2)</sup>	<b>0.16</b>	0.045	256%	<b>0.45</b>	0.33	36%
Dividends declared	<b>25,598</b>	5,938	331%	<b>68,628</b>	35,306	94%
Per share (\$) <sup>(2)</sup>	<b>0.17</b>	0.050	240%	<b>0.49</b>	0.2975	65%
Payout ratio (%) <sup>(3)</sup>	<b>36%</b>	24%	12%	<b>33%</b>	54%	-21%
Long term debt	<b>146,000</b>	93,000	57%	<b>146,000</b>	93,000	57%
Net debt	<b>102,733</b>	65,765	56%	<b>102,733</b>	65,765	56%
Shares outstanding, period end (000s)	<b>150,612</b>	118,788	27%	<b>150,612</b>	118,788	27%
Average shares outstanding (000s) <sup>(1)</sup>	<b>150,585</b>	118,747	27%	<b>136,510</b>	118,685	15%
<b>OPERATING</b>						
Light and medium oil (bbl/d)	<b>5,401</b>	3,280	65%	<b>4,342</b>	3,449	26%
Heavy oil (bbl/d)	<b>1,254</b>	1,132	11%	<b>1,184</b>	1,063	9%
NGL (bbl/d)	<b>1,564</b>	827	89%	<b>1,217</b>	842	45%
Total liquids (bbl/d)	<b>8,219</b>	5,239	57%	<b>6,743</b>	5,354	25%
Natural gas (Mcf/d)	<b>34,700</b>	26,656	30%	<b>30,608</b>	26,558	15%
Total production (boe/d) <sup>(4)</sup>	<b>14,005</b>	9,681	45%	<b>11,844</b>	9,781	21%
Oil and NGL (%)	<b>59%</b>	54%	4%	<b>57%</b>	55%	1%
Average price realizations (\$/boe) <sup>(4)</sup>	<b>57.44</b>	28.16	104%	<b>47.73</b>	24.56	94%
Cash costs (\$/boe) <sup>(3) (4)</sup>	<b>3.50</b>	3.75	-13%	<b>3.69</b>	4.53	19%
Netback (\$/boe) <sup>(3) (4)</sup>	<b>53.85</b>	25.21	116%	<b>44.06</b>	20.6	114%

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 Measures

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

## Dividend Announcement

The Board of Directors has declared a dividend of [\$0.08] per share to be paid on April 15, 2022, to shareholders of record on March 31, 2022. The dividend to be paid on April 15, 2022, represents a 33% increase over the \$0.06 per common share dividend to be paid on March 15, 2022, to shareholders on record on February 28, 2022. The dividend is designated as an eligible dividend for Canadian income tax purposes.

## Fourth Quarter Highlights

- Freehold's production averaged a record 14,005 boe/d during Q4-2021, ahead of fourth quarter guidance of 13,500-13,750 boe/d. Variance relative to guidance reflected better than expected production from Canada, with Deep Basin NGL volumes coming in ahead of expectations. Production volumes grew 45% compared to the same period last year and 24% compared to Q3-2021, highlighting the impact of better than forecast production adds from Freehold's NGL and natural gas portfolio along with acquisitions completed late in the year.
- Production from Freehold's Canadian assets averaged 9,930 boe/d during Q4-2021, up 5% from the same period in 2020. Gains in production were reflective of increased third-party spending on Freehold royalty lands.
- Funds from operations totaled a record \$67.8 million, or \$0.45 per share. This represents a 206% increase from the \$22.1 million (\$0.19 per share) generated in Q4-2020 and a 41% increase from the \$48.2 million (\$0.36 per share) in Q3-2021. The strong recovery in funds from operations compared to Q4-2020 was due to higher royalty production resulting from Freehold's acquisitions of U.S. royalty properties, increased third-party drilling activities and higher commodity pricing reflecting significant improvement in crude oil benchmark pricing driven by the expansion of the Company's U.S. portfolio.
- Gross wells drilled on our royalty lands totaled 250 in the quarter. Drilling was materially higher compared to 111 gross wells drilled in the same period last year as operators increased their spending on Freehold royalty lands as commodity prices displayed positive momentum and operators increased third-party capital on our royalty lands.
- In October 2021, Freehold closed its acquisition of concentrated, high quality U.S. royalty assets for US\$54 million (\$68 million) (the Midland Assets) from OneMap Mineral Services LLC. The Midland Assets, are expected to play a key role in strengthening the resiliency of Freehold's North American royalty portfolio, enhancing the near and long-term sustainability of Freehold's dividend, through multiple years of production and funds flow growth.
- Dividends declared for Q4-2021 totaled \$0.17 per share, up from \$0.05 per share in Q4-2020 and a 14% improvement from Q3-2021 levels. Freehold's payout ratio (1) was 36% for the quarter, versus 24% during the same quarter in 2020.
- Q4-2021 net income totaled \$30.4 million compared to \$0.4 million in Q4-2020. The higher net income reflected increased revenues due to improving commodity prices and growth in production volumes.
- Long term debt as at December 31, 2021 was \$146 million, an increase of \$20 million from Q3-2021 as we partially financed the Eagle Ford Royalty Transaction by utilizing our amended credit facility. Total debt was up from \$53 million as at December 31, 2020.
- Cash costs <sup>(1)</sup> for the quarter totaled \$3.50/boe. This was down from \$3.75/boe in Q4-2020. This decrease reflects reduced general and administrative and operating cost charges combined with increased production volumes.

(1) See Non-GAAP Financial Measures.

## 2021 Highlights

- Dividends declared for 2021 totaled \$68.6 million (\$0.49 per share), up 65% versus 2020 when Freehold declared dividends of \$35.3 million (\$0.30 per share). Our dividend payout for 2021 totaled 33%, below our guided dividend payout range of 60%-80% as we navigated commodity price volatility through much of the year.
- Royalty and other revenue totaled \$206.4 million in 2021, up 129% from the previous year gains in commodity prices and production growth drove the increase versus the previous year. Total royalty revenue was comprised of 81% oil and natural gas liquids (NGL's) as we maintained the company's crude oil and liquids focus.
- Funds from operations in 2021 totaled \$188.6 million or \$1.38 per share, up 159% from \$72.9 million or \$0.61 per share in 2020. The increase year-over-year reflected strength in commodity prices and production volumes.

- Freehold completed \$377.7 million in royalty acquisitions in 2021. Much of the focus was associated development of Freehold's North American portfolio which included adding royalty assets in the Eagle Ford, Permian, Haynesville and Clearwater formations, both in the U.S. and Canada
- 2021 royalty production averaged 11,844 boe/d, a 21% increase versus the previous year as increased third-party drilling and acquisition activity drove the increase in production versus the previous year.
- Oil and NGL's volumes represented 57% of 2021 royalty production, up slightly from 55% in 2020 as weakness in third-party drilling activity drove gains in Freehold's weighting to oil and NGL's.
- Freehold completed a bought deal equity financing, issuing 19,067,000 subscription receipts at a price of \$9.05 per subscription receipt for gross proceeds of \$172.6 million, which included the full exercise of the over-allotment option granted to the underwriters. The subscription receipts were exchanged for an equivalent number of Freehold common shares upon the September 24, 2021 closing of the Eagle Ford Royalty Transaction.
- Freehold amended its credit facility agreement with a syndicate of four Canadian banks increasing the committed evolving facility to \$285 million and maintaining the operating facility at \$15 million. The amended credit facility agreement includes a permitted increase in the committed revolving facility of up to \$360 million, subject to lenders' consent. Both the committed revolving and operating facilities mature September 28, 2024. In total, 655 (17.5 net) wells were drilled on our royalty lands in 2021, a 76% and 29% increase on a gross and net measure respectively versus 2020. Freehold saw a increase in activity during Q4-2021 with 250 gross (5.7 net) wells drilled on our royalty lands, more than double the level of activity we saw during the same period in 2020. Looking forward, Freehold believes in the quality of both its Canadian and U.S. portfolios and that is expected to drive strong third-party production additions into 2022.
- Proved and probable oil and natural gas reserves <sup>(2)</sup> totaled xx.x MMboe as at December 31, 2021, up from 31.7 MMboe as at December 31, 2019. The increase year-over-year reflected working interest dispositions and production despite additions from tuck-in acquisitions in North Dakota, drilling additions and an on-going evaluation of our undeveloped properties.

## U.S. Royalty Assets Update

- Production from Freehold's U.S. royalty assets averaged 4,074 boe/d in Q4-2021, a 33% increase from 1,748 boe/d in Q3-2021 and a significant increase from 257 boe/d in Q4-2020. Growth in volumes over the same period in 2020 reflect acquisition activity completed throughout 2021 and increased third-party drilling on our royalty lands. Currently 12 rigs are drilling on our Canadian royalty lands.
- In the U.S., activity levels have exceeded expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Overall, 101 gross wells were drilled on our U.S. royalty lands over the quarter, an increase from xx gross wells drilled in Q4-2020. Currently 17 rigs are drilling on our U.S. royalty lands.

## Q4 Drilling Activity

In total, 655 (17.5 net) wells were drilled on Freehold's royalty lands in 2021, 76% and 29% increase on a gross and net basis, respectively, versus 2020. Overall, Freehold saw increased drilling activity associated with broad improvements in capital spending associated with its royalty payors.

In Canada and the U.S. during 2021, approximately xx% of gross wells on Freehold royalty lands targeted prospects in Saskatchewan, xx% in Alberta, xx% in Manitoba, x% in Texas, x% in North Dakota and x% in Louisiana. Producers continue to

remain focused on oil prospects within Freehold's land base with xx% of wells drilled targeting oil and liquids with xx% of net wells drilled targeting gross overriding royalty (GORR) prospects with the remaining xx% drilled on Freehold's mineral title lands. The Viking in southwest Saskatchewan, Clearwater in central Alberta, Cardium in northwest Alberta, Eagle Ford and Permian in Texas along with additional drilling in North Dakota continue to be the areas of focus within Freehold's portfolio.

In Q4-2021, Freehold saw 250 gross (5.7 net) wells drilled on Freehold royalty lands which was more than double Q4-2020 activity. Looking forward, Freehold believes in the quality of both its Canadian and U.S. portfolios and that is expected to drive strong third-party production additions into 2022. The acquisition of additional U.S royalty production and royalty lands in late 2021 is expected to further diversify and enhance Freehold's asset base, bringing added sustainability to its portfolio and dividend.

## Royalty Interest Drilling

	Three Months Ended December 31				12 Months Ended December 31			
	2021		2020		2021		2020	
	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>
<b>Canada</b>	<b>149</b>	5.2	111	4.9	<b>440</b>	16.3	372	13.6
<b>United States (2)</b>	<b>101</b>	0.5	-	-	<b>215</b>	1.2	-	-
<b>Total</b>	<b>250</b>	5.7	111	4.9	<b>655</b>	17.5	372	13.6

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

(2) U.S. drilling locations are typically more prolific than Canadian locations, with drilling including acquisition activity from the effective date of each transaction

## 2022 Guidance

With Freehold's most recent acquisitions combined with improved forward commodity benchmark pricing, we are updating 2022 guidance. The following table summarizes our key assumptions for 2022 with production expected to be weighted approximately 60% oil and NGL's and 40% natural gas.

	Guidance Date
<b>2022 Average</b>	<b>March 2, 2022</b>
Average Production (boe/d) <sup>(1)(2)</sup>	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) Previously, Freehold provided full year 2022 guidance of 13,500-14,500 boe/d on September 8, 2021

(2) 2022 guidance is expected to consist of 8% heavy oil, 41% light and medium oil, 11% NGL's and 40% natural gas

## 2021 Reserves Information

Freehold's reserve information, including a summary of the evaluation of Freehold's reserve and associated future net revenue as prepared by Trimble Engineering Associates Ltd., Freehold's independent reserve evaluator effective as at December 31, 2020 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, 2021 will be held for the investment community on Thursday March 3, 2022 beginning at 7:00 AM MST (9:00 AM ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial **1-866-696-5910** (toll-free in North America) participant passcode is 5856352#.

## Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as of March 2nd, 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:

- Freehold's expectation that its portfolio is positioned to generate organic growth into the future with significantly increased funds from operations to continue to build our business;
- the expectation that funds from operations will shift materially higher with the acquisitions completing during the year and continued strength in commodity prices;
- 2022 forecast production associated with our U.S. royalty asset acquisitions that closed in 2021;
- our production guidance for 2022;
- the expectation that the assets acquired in the U.S. will play a key role in strengthening the resiliency of Freehold's North American royalty portfolio, enhancing near and long-term sustainability of Freehold's dividend, through multi-years of production and funds flow growth.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of the COVID-19 pandemic on economic activity and demand for oil and natural gas, 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 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, 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, 2020 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. 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 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, 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.

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. Freehold's payout ratio is calculated as dividends paid as a percentage of funds from operations.

Free cash flow is calculated by subtracting capital expenditures from funds from operations. In periods where Freehold has no capital expenditures, this figure is interchangeable with funds from operations. Free cash flow is a measure often used by dividend paying companies to determine cash available for the payment of dividends, reducing debt or available for 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, general & administrative 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 management's discussion and analysis which is available on Freehold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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