

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of May 10, 2023 and is management's opinion about the consolidated operating and financial results of Freehold Royalties Ltd. and its wholly-owned subsidiaries (collectively, Freehold or the Company) for the three months ended March 31, 2023 and its comparative period, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein was based on information in the condensed consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. All comparative percentages are between the three months (Q1-2023) (the "first quarter") and the same quarter in 2022 (Q1-2022), and all dollar amounts are expressed in Canadian currency, unless otherwise noted. References to "US\$" are to United States (U.S.) dollars. This MD&A should be read in conjunction with the March 31, 2023 unaudited condensed consolidated financial statements (the interim financial statements) and the December 31, 2022 audited consolidated financial statements and notes (the audited financial statements).

Additional information about Freehold, including its Annual Information Form for the year ended December 31, 2022 (AIF), is available on SEDAR at www.sedar.com and on Freehold's website at www.freeholdroyalties.com.

This MD&A contains the non-GAAP financial ratios: **net revenue**, **cash costs** and **netback** and supplemental financial measures **dividend payout ratio** and **funds from operations per share**. These are useful supplements to analyze operating performance, financial leverage, and liquidity, among others. 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 MD&A also contains the capital management measures of working capital, net debt, capitalization and net debt to funds from operations for the last 12 months as defined in Note 12 of the interim financial statements. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand our business and prospects. Readers are cautioned that the MD&A should be read in conjunction with our disclosure under "Non-GAAP Financial Ratios and Other Financial Measures" and "Forward-Looking Statements" included at the end of this MD&A.

Business Overview

Freehold is incorporated under the laws of the Province of Alberta and trades on the Toronto Stock Exchange under the symbol FRU. We receive revenue primarily from royalties on crude oil, natural gas, natural gas liquids (NGLs) and potash properties as reserves are produced over the life of the properties located in Canada and the continental U.S. Freehold's primary focus is acquiring and managing royalties.

The Royalty Advantage

Freehold manages one of the largest non-government portfolios of oil and natural gas royalties in Canada with a sizeable land base in the U.S., uniquely positioning Freehold as a leading North American energy royalty company. Our total land holdings encompass approximately 6.4 million gross acres in Canada and includes exposure to approximately 0.9 million gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands, which we own in perpetuity, cover approximately 1.1 million acres and we also have gross overriding royalty and other interests in approximately 5.2 million acres. Our U.S. acreage is comprised of greater than 75% mineral title lands.

We have royalty interests in more than 18,000 producing wells and 350 units spanning five provinces and eight states and receive royalty income from over 380 industry operators throughout North America. Our revenues also include potash royalties, lease bonus consideration and lease rental streams that diversify our royalty revenue portfolio. Our North American land base lowers Freehold's risk and, as a royalty owner, Freehold benefits from the drilling activity of others without any capital investments.

As a royalty interest owner, Freehold does not pay any of the capital costs to drill, complete and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, or ultimately abandon the wells and restore the land to its original state. All of these costs are paid by our royalty payors. Freehold receives royalty income from gross production revenue (revenue before any royalty expenses and operating costs are deducted) resulting in strong netbacks.

Freehold's Strategy

As a leading North American royalty company, Freehold's objective is to deliver growth and lower risk attractive returns to shareholders over the long term. Freehold accomplishes this by:

- **Creating Value**
 - Drive development on our lands through our lease out program and royalty optimization
 - Acquire royalty assets with acceptable risk profiles and long economic life
 - Generate gross overriding royalties for revenue growth
- **Enhancing value**
 - Maximize Freehold's royalty interests through a comprehensive audit and compliance program
 - Manage our debt prudently with a target below 1.5 times net debt to funds from operations
- **Delivering value**
 - Target a dividend payout ratio of approximately 60%

Dividend Announcement

Freehold's Board of Directors (the Board) approved a dividend of \$0.09 per common share to be paid on June 15, 2023, to shareholders of record on May 31, 2023. This dividend level strikes a balance between a return of funds from operations to shareholders, managing our financial leverage and retaining the optionality for portfolio reinvestment. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Outlook

Business Environment

West Texas Intermediate (WTI) prices averaged US\$76.13/bbl for Q1-2023, down 19% from the same quarter in 2022. For much of the quarter, crude prices were range bound with some downward pressure late in the quarter, largely the result of recessionary concerns. This resulted in WTI briefly falling below US\$70/bbl for the first time since December 2021. Subsequent to quarter-end, OPEC+ announced an unexpected voluntary production cut as it seeks to balance the market.

Within Canada, Edmonton Sweet light oil prices averaged \$99.03 in Q1-2023, representing a 14% decline versus Q1-2022. Western Canadian Select (WCS) prices averaged \$69.31/bbl in Q1-2023, down 31% over Q1-2022. Canadian heavy oil differentials widened throughout 2022 before starting to narrow again late in Q1-2023. There were a

number of contributing factors including U.S. Strategic Petroleum Reserve releases, increased discounted Russian heavy crude and various refinery and pipeline outages.

For Q1-2023, AECO 7A Monthly Index and NYMEX natural gas monthly contract prices averaged \$4.34/mcf and US\$3.30/mcf, respectively, for the first quarter, down 5% and 29% versus the same quarter in 2022. NYMEX pricing was negatively impacted as an unseasonably warm winter and LNG outages impacted storage levels.

2023 Guidance

Freehold continues to monitor the ongoing wildfire situation in Alberta. We believe there will be an impact on our Q2-2023 and full year production forecast but given the preliminary and ongoing nature of the situation, Freehold does not have an estimate of the impact at this time and will be maintaining our 2023 guidance. We expect to provide an update when we have more information from our payor companies. 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	March 1 2023
Production (boe/d) ⁽¹⁾	14,500 - 15,500
Funds from operations (\$MM)	\$250 - \$280
West Texas Intermediate crude oil (US\$/bbl)	\$ 80.00
AECO natural gas (Cdn\$/Mcf)	\$ 3.00
Nymex (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

Operating and Financial Results

Financial (\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Royalty and other revenue	\$ 76,572	\$ 87,605	-13%
Net income	\$ 31,051	\$ 38,395	-19%
Per share, basic (\$) ⁽¹⁾	\$ 0.21	\$ 0.25	-16%
Cash flows from operations	\$ 42,562	\$ 69,300	-39%
Funds from operations	\$ 58,569	\$ 71,893	-19%
Per share, basic (\$) ⁽¹⁾⁽³⁾	\$ 0.39	\$ 0.48	-19%
Acquisitions and related expenditures	\$ 4,268	\$ 1,294	230%
Dividends paid	\$ 40,680	\$ 27,112	50%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.18	50%
Dividends declared	\$ 40,681	\$ 30,124	35%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.20	35%
Dividend payout ratio (%) ⁽³⁾	69%	38%	82%
Long term debt	\$ 159,114	\$ 105,000	52%
Net debt ⁽⁴⁾	\$ 115,845	\$ 62,578	85%
Shares outstanding, period end (000s)	150,673	150,626	0%
Average shares outstanding (000s) ⁽¹⁾	150,667	150,612	0%
Operating			
Light and medium oil (bbl/d)	6,102	5,234	17%
Heavy oil (bbl/d)	1,253	1,210	4%
NGL (bbl/d)	1,788	1,757	2%
Total liquids (bbl/d)	9,143	8,201	11%
Natural gas (Mcf/d)	33,486	32,845	2%
Total production (boe/d) ⁽⁵⁾	14,724	13,676	8%
Oil and NGL (%)	62%	60%	2%
Petroleum and natural gas realized price (\$/boe) ⁽⁵⁾	\$ 56.99	\$ 69.71	-18%
Cash costs (\$/boe) ⁽³⁾⁽⁵⁾	\$ 5.82	\$ 3.70	57%
Netback (\$/boe) ⁽³⁾⁽⁵⁾	\$ 50.79	\$ 66.17	-23%

(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) Net debt is a capital management measure

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

Q1-2023 Operating and Financial Highlights

- WTI prices averaged US\$76.13/bbl for Q1-2023, 19% lower than the same period in 2022 and down 8% from the previous quarter. Crude prices were weaker over the period as recessionary concerns provided a headwind to prices.
- Dividends paid for Q1-2023 totaled \$40.7 million (\$0.27 per share), up 50% versus Q1-2022 when Freehold paid \$27.1 million (\$0.18 per share).
- Royalty and other revenue totaled \$76.6 million in Q1-2023, down 13% from Q1-2022. Benchmark WTI oil pricing was down 19% which was the primary driver in the decrease in revenue, despite 8% higher production volumes and commodity price premiums from our U.S. portfolio.
- Funds from operations in Q1-2023 totaled \$58.6 million or \$0.39 per share⁽¹⁾, down 19% from \$71.9 million or \$0.48 per share⁽¹⁾ in Q1-2022.
- Q1-2023 production averaged 14,724 boe/d, an 8% increase versus Q1-2022.
 - U.S. production averaged 4,902 boe/d for Q1-2023, up 26% versus the same quarter in 2022. This increase reflects acquisitions completed in 2022 along with third-party drilling and completion activities on our U.S. royalty lands.
 - Canadian volumes averaged 9,822 boe/d for Q1-2023, up slightly from the same quarter in 2022, with drilling activity on Freehold's Canadian asset base at the strongest level in over four years.
- Freehold completed \$3.4 million in Canadian royalty transactions over the quarter. This mostly reflects a capital commitment associated with a previously announced Clearwater transaction along with a tuck-in transaction in the Clearwater.
- Cash costs⁽¹⁾ for the quarter totaled \$5.82/boe in Q1-2023, up 57% versus the same quarter in 2022. This increase includes rising interest costs (up 57% year-over-year), higher annual performance bonus payouts and a one-time severance charge.
- Long term debt at March 31, 2023 was \$159.1 million, a modest increase of \$2.6 million versus December 31, 2022, largely due to the payment of 2022 year-end current income taxes payable of \$29 million.

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

Drilling Activity

In total, 349 gross wells were drilled on Freehold's royalty lands in Q1-2023, a 43% increase versus the same quarter in 2022. Overall, Freehold saw strong momentum in drilling on both its Canadian and U.S. royalty portfolios with well capitalized producers remaining active over the period. Producers continue to remain focused on oil prospects on Freehold's land base with 94% of wells drilled targeting oil.

Of the 349 gross wells drilled on Freehold's royalty lands over the quarter, 21% of the drilling occurred in the Permian, 17% targeted the Viking, 15% was focused in the Eagle Ford, 9% in the Cardium with the remainder balanced between plays in both Canada and the U.S. such as the Clearwater, Bakken and Belly River.

By geography, approximately 27% of gross wells on Freehold royalty lands targeted prospects in Alberta, 21% in Saskatchewan and 36% in Texas with the balance distributed across other regions.

Of the gross wells drilled in Q1-2023, approximately 33% were drilled on Freehold's gross overriding royalty (GORR) prospects in Canada, 17% targeted mineral title prospects in Canada and 50% were drilled on Freehold's U.S. royalty acreage, with 71% of these U.S. wells drilled on Freehold's mineral title.

	Three months ended March 31			
	2023		2022	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	175	6.9	144	5.9
United States	174	0.8	100	0.4
Total	349	7.7	244	6.3

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

Canada

In Q1-2023, Freehold had 175 gross locations drilled within our Canadian portfolio compared to 144 gross locations during Q1-2022, with net wells increasing by 17% to 6.9 net. Q1-2023 drilling activity was the strongest in Freehold's Canadian asset base since the first quarter of 2019.

During Q1-2023, Freehold saw drilling in oil weighted areas such as the Viking, Clearwater and Cardium in addition to liquids rich gas weighted targets in the Deep Basin and Spirit River.

U.S.

Overall, 174 gross wells were drilled on our U.S. royalty lands during Q1-2023, which compares to 100 gross wells during Q1-2022; this increase is associated with the 2022 royalty acquisitions in addition to strong industry activity.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 65% of activity within these basins. Freehold also saw strong activity associated with development in the Bakken and Haynesville plays. Development of Freehold's U.S. lands was led by a diverse group of investment grade public companies and growth oriented public and private operators.

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. However, a U.S. well can take upwards of six to nine months from initial license to first production, compared to three to four months in Canada, on average.

Production

Freehold's total production averaged 14,724 boe/d during the first quarter, an 8% increase over the same quarter in 2022. This increase reflects acquisitions completed over 2022 and increased third-party drilling and completion activities on Freehold's lands.

Freehold's production mix shifted further towards liquids in the first quarter, reflecting last year's U.S. acquisitions. The current production mix is comprised of 41% light and medium oil, 9% heavy oil, 12% NGL and 38% natural gas.

Working interest production for Q1-2023 averaged 128 boe/d, slightly up from 95 boe/d in Q1-2022.

Production Summary

	Three Months Ended March 31		
	2023	2022	Change
Canada (boe/d)	9,822	9,793	0%
United States (boe/d)	4,902	3,883	26%
Total production (boe/d)	14,724	13,676	8%

Average Daily Production by Product Type

	Three Months Ended March 31		
	2023	2022	Change
Light and medium oil (bbl/d)	6,102	5,234	17%
Heavy oil (bbl/d)	1,253	1,210	4%
NGL (bbl/d)	1,788	1,757	2%
Natural gas (Mcf/d)	33,486	32,845	2%
Total production (boe/d)	14,724	13,676	8%
Number of days in period (days)	90	90	-
Total volumes during period (Mboe)	1,325	1,231	8%

Canada

Canadian production averaged 9,822 boe/d during Q1-2023, comprised of approximately 55% oil and NGL's and 45% natural gas. Production volumes for the quarter were consistent with the same quarter in 2022, reflecting third-party drilling offsetting portfolio declines and a better-than-expected bounce back from December's cold weather.

Canadian Average Daily Production by Product Type

	Three Months Ended March 31		
	2023	2022	Change
Canadian production	9,822	9,793	0%
Light and medium oil (bbl/d)	3,243	3,110	4%
Heavy oil (bbl/d)	1,253	1,210	4%
NGL (bbl/d)	903	980	-8%
Natural gas (Mcf/d)	26,538	26,958	-2%
Total production (boe/d)	9,822	9,793	0%

U.S.

U.S. production, representing 33% of total volumes, averaged 4,902 boe/d during Q1-2023, up 26% versus the same quarter in 2022, and consistent with our expectations. This increase in volumes reflects acquisitions completed in 2022 along with third-party drilling and completion activities on our U.S. royalty lands.

U.S. Average Daily Production by Product Type

	Three Months Ended March 31		
	2023	2022	Change
United States production	4,902	3,883	26%
Light and medium oil (bbl/d)	2,859	2,124	35%
NGL (bbl/d)	885	777	14%
Natural gas (Mcf/d)	6,948	5,887	18%
Total production (boe/d)	4,902	3,883	26%

Product Prices

The price received by Freehold for produced oil is primarily driven by the U.S. dollar price of WTI, with the realized Canadian price adjusted for the value of the Canadian dollar relative to the U.S. dollar. WTI averaged US\$76.13/bbl in the first quarter, 19% lower versus the same quarter in 2022.

In Canada, Edmonton Light Sweet and WCS prices averaged \$99.03/bbl and \$69.31/bbl, respectively, during the first quarter, 14% and 31% lower versus the same quarter in 2022. Lower WCS pricing in Q1-2023 reflects a larger

discount for Canadian heavy oil compared to WTI as a weaker supply/demand environment resulted in wider differentials over the quarter.

For natural gas, AECO 7A and NYMEX averaged \$4.34/mcf and US\$3.30/mcf respectively in Q1-2023, 5% and 29% lower respectively versus Q1-2022. We also sell a portion of our Canadian natural gas at AECO 5A, which was down 33% in Q1-2023 compared to the same quarter in 2022.

Average Benchmark Prices

	Three Months Ended March 31		
	2023	2022	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 76.13	\$ 94.29	-19%
Exchange rate (Cdn\$/US\$)	\$ 1.35	\$ 1.27	7%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 99.03	\$ 115.67	-14%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 69.31	\$ 101.02	-31%
Nymex natural gas (US\$/Mcf)	\$ 3.30	\$ 4.64	-29%
AECO 7A Monthly Index (Cdn\$/Mcf)	\$ 4.34	\$ 4.58	-5%

As Freehold has increased its U.S. royalty exposure, its overall realized price has strengthened as U.S. volumes realize prices closer to WTI and NYMEX natural gas benchmarks versus discounted pricing for Canadian production associated with certain egress constraints, transportation costs to markets and oil quality differentials. U.S. realized pricing in Q1-2023 was 38% higher than Canadian realized pricing. However, driven by a lower market commodity price environment, our average selling price was \$56.99/boe in the first quarter, down from \$69.71/boe in the same quarter in 2022.

Average Realized Prices Summary

	Three Months Ended March 31		
	2023	2022	Change
Oil (\$/bbl)	\$ 87.58	\$ 109.01	-20%
NGL (\$/bbl)	\$ 44.95	\$ 56.42	-20%
Oil and NGL (\$/bbl)	\$ 79.25	\$ 97.74	-19%
Natural gas (\$/Mcf)	\$ 3.42	\$ 4.62	-26%
Oil equivalent (\$/boe)	\$ 56.99	\$ 69.71	-18%

Canada

Freehold's average selling price realized in Canada was \$50.66/boe during the first quarter, down 21% versus the same quarter in 2022. For Q1-2023, oil and NGL pricing averaged \$75.99/bbl, whereas the average realized natural gas price was \$3.29/mcf, both down 22% when compared to Q1-2022.

Canadian Average Realized Prices

	Three Months Ended March 31		
	2023	2022	Change
Oil (\$/bbl)	\$ 79.51	\$ 104.27	-24%
NGL (\$/bbl)	\$ 58.46	\$ 65.31	-10%
Oil and NGL (\$/bbl)	\$ 75.99	\$ 97.07	-22%
Natural gas (\$/Mcf)	\$ 3.29	\$ 4.20	-22%
Oil equivalent (\$/boe)	\$ 50.66	\$ 64.09	-21%

U.S.

Freehold's average selling price realized in the U.S. was \$69.68/boe during the first quarter, down 17% versus the same quarter in 2022, despite a 7% strengthening in the U.S. dollar resulting in a higher reported Canadian dollar price. The Q1-2023 average U.S. realized price includes oil and NGL pricing that averaged \$83.94/bbl, down 15% when compared to the same quarter in 2022. Freehold's average realized U.S. natural gas price was \$3.93/mcf, down 40% when compared to the same quarter in 2022.

U.S. Average Realized Prices (in Canadian Dollars)

	Three Months Ended March 31		
	2023	2022	Change
Oil (\$/bbl)	\$ 100.28	\$ 118.63	-15%
NGL (\$/bbl)	\$ 31.16	\$ 45.20	-31%
Oil and NGL (\$/bbl)	\$ 83.94	\$ 98.96	-15%
Natural gas (\$/Mcf)	\$ 3.93	\$ 6.54	-40%
Oil equivalent (\$/boe)	\$ 69.68	\$ 83.88	-17%

Credit Risk Management

Freehold's royalty lands consist of a large number of properties with generally small volumes per property. Many of Freehold's leases and royalty agreements allow it to take its share of oil and natural gas in-kind. Taking product in-kind allows us to take ownership of the product as it is produced and thus sell it directly ourselves rather than having the royalty payor sell the product on our behalf and pass along proceeds from the sale in subsequent months. For Q1-2023, Freehold marketed approximately 2% of its total royalty production that was taken-in-kind using 30-day contracts, a decrease from 4% during Q1-2022. As part of Freehold's credit risk mitigation program, Freehold's dedicated Compliance Group carefully monitors its royalty receivables and may choose to take its royalty in-kind if there are benefits in doing so.

Royalty and Other Revenue

Royalty and other revenue of \$76.6 million in the first quarter was 13% lower when compared to the same quarter in 2022. Freehold's royalty and other revenue was impacted by lower commodity prices during the first quarter, although mitigated by a portfolio shift towards U.S. production with its stronger associated pricing and a strengthening U.S. dollar resulting in higher reported Canadian dollar revenues. Oil and NGL's represented approximately 85% of royalty and other revenue during the first quarter, up from 82% in the same quarter of 2022, reflecting 2022 liquid weighted acquisitions and oil focused drilling activities.

Included in the first quarter for royalty and other revenue is \$0.4 million in potash royalty revenues, a decrease of 53% over the same quarter in 2022. This decrease was due to lower potash pricing, with Q1-2023 pricing coming down from historical highs realized in 2022. Bonus consideration and lease rentals revenue was \$0.6 million in the first quarter with Freehold exploring diversified opportunities on its mineral title lands. During Q1-2023, Freehold entered into 13 new leases with 10 counterparties.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Canada	\$ 45,831	\$ 57,916	-21%
United States	30,741	29,689	4%
Royalty and other revenue	\$ 76,572	\$ 87,605	-13%
Per boe (\$)	\$ 57.79	\$ 71.17	-19%

Royalty and Other Revenue by Category

(\$000s)	Three Months Ended March 31		
	2023	2022	Change
Royalty interest	\$ 75,933	\$ 86,668	-12%
Bonus consideration and lease rentals	639	937	-32%
Royalty and other revenue	\$ 76,572	\$ 87,605	-13%

Royalty and Other Revenue by Type

(\$000s)	Three Months Ended March 31		
	2023	2022	Change
Oil	\$ 57,975	\$ 63,223	-8%
Natural gas	10,317	13,656	-24%
Natural gas liquids	7,233	8,922	-19%
Potash	408	867	-53%
Bonus consideration and lease rentals	639	937	-32%
Royalty and other revenue	\$ 76,572	\$ 87,605	-13%

General and Administrative

Freehold has a business development group solely dedicated to the acquisition and development of Freehold's future and existing assets and a recently created diversified royalties' team who are evaluating non-hydrocarbon energy and mineral based royalty opportunities. Freehold also has dedicated resources in land administration, accounting, and audit to administer and collect royalty payments and to track development activity on its royalty lands. General and administrative (G&A) expense includes directly billed costs in addition to costs incurred by the Manager (as defined below) and allocated to Freehold (see Related Party Transactions).

In the first quarter, G&A expenses totaling \$5.2 million was up 44% versus the same quarter in 2022. This increase relates to additional skill sets obtained in 2022 required to manage Freehold's expanding North American asset base, higher annual performance-based bonus payouts and a one-time severance cost.

On a per boe basis, the current reporting quarter G&A expenses of \$3.91/boe increased by 34% versus the same quarter in 2022.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
General and administrative expenses before capitalized and overhead recoveries	\$ 6,012	\$ 4,360	38%
Less: capitalized and overhead recoveries	(825)	(770)	-7%
General and administrative expenses	\$ 5,187	\$ 3,590	44%
Per boe (\$)	\$ 3.91	\$ 2.92	34%

Production and Ad Valorem Taxes

Production and ad valorem taxes are incurred in the U.S. at the state level and are derived from production and property values. Despite Freehold's 2022 expansion into the U.S., the expense of \$1.6 million in the first quarter was similar to the same period in 2022 as U.S. revenues were largely unchanged due to a lower market commodity price environment. The decrease on a per boe measure, comparing the reporting periods, reflects Freehold's higher production.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Production and ad valorem taxes	\$ 1,560	\$ 1,605	-3%
Per boe (\$)	\$ 1.18	\$ 1.30	-9%

Operating Expenses

Operating expenses consist of expenses associated with Freehold's minor Canadian working interest assets. Freehold does not incur operating expenses on production from its royalty lands.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Operating expenses	\$ 183	\$ 161	14%
Per boe (\$)	\$ 0.14	\$ 0.13	8%

Interest and Financing

Interest on long term debt in the first quarter increased compared to the same quarter in 2022, due to both higher interest rates and average debt levels associated with acquisitions completed throughout 2022. The first quarter's average effective financing rate on advances from Freehold's \$300 million committed credit facilities was 5.9% (Q1-2022 – 2.2%).

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Interest on long term debt and financing fees	\$ 2,341	\$ 806	190%
Non-cash interest expense ⁽¹⁾	63	45	40%
Interest and finance expense	\$ 2,404	\$ 851	182%
Per boe - cash expense (\$)	\$ 1.77	\$ 0.65	172%

(1) Non-cash interest expense represents accretion of Freehold's decommissioning liability and lease obligation

Share-Based Compensation

Share-based compensation expense, reflecting Freehold's award plans, was \$0.6 million during the first quarter, a 70% decrease compared to the same quarter of 2022. The first quarter's share-based compensation reflects a decrease in Freehold's share price.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Share-based compensation	\$ 611	\$ 2,063	-70%

Freehold's award plans are share based and cash settled and consists of grants of performance share units (PSUs), restricted share units (RSUs), director restricted share units (Director RSUs) (combined, Long-term Incentive Plans) and deferred share units (DSUs).

During Q1-2023, Freehold granted 17,293 Director RSUs, resulting in 880,324 in total Long-term Incentive Plan units outstanding at March 31, 2023, whereas subsequent to March 31, 2023, there were grants and payouts of 223,044 and 90,487, respectively, resulting in a total of 1,012,881 Long-term Incentive Plan units outstanding at May 10, 2023.

During Q1-2023, Freehold granted 56,256 DSUs to members of the board of directors largely as part of their annual compensation resulting in a total of 537,615 outstanding DSUs at March 31, 2023. Since Q1-2023, additional grants compensating for paid share dividends resulted in 540,761 outstanding DSUs at May 10, 2023.

Netback and Cash Costs

The netback⁽¹⁾ allows Freehold to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods. Freehold's netback⁽¹⁾ totaled \$50.79/boe during the first quarter, down 23% versus the same quarter in 2022. This decrease includes lower realized commodity pricing and increased cash costs⁽¹⁾.

Cash costs⁽¹⁾ during the first quarter were up 57%, on a boe basis, compared to the same quarter in 2022. This increase was largely driven by higher interest expenses and general and administrative costs.

(\$/boe)	Three Months Ended March 31		
	2023	2022	Change
Royalty and other revenue	\$ 57.79	\$ 71.17	-19%
Production and ad valorem taxes	(1.18)	(1.30)	-9%
Net revenue ⁽¹⁾	\$ 56.61	\$ 69.87	-19%
Less:			
General and administrative	(3.91)	(2.92)	34%
Operating expense	(0.14)	(0.13)	8%
Interest and financing cash expense	(1.77)	(0.65)	172%
Cash costs ⁽¹⁾	\$ (5.82)	\$ (3.70)	57%
Netback ⁽¹⁾	\$ 50.79	\$ 66.17	-23%

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

Depletion, Depreciation and Other

Petroleum, natural gas and other interests, including acquisitions costs, future development costs (if any) and capitalized G&A costs, are depleted on the unit-of-production method based on estimated proved and probable petroleum and natural gas reserves.

The depletion rate per boe of \$19.44/boe in the first quarter was unchanged compared to the same quarter in 2022. However, when combined with increased production associated with 2022 acquisitions, this unchanged rate resulted in an increase of 8% in expensed depletion, depreciation and other during the first quarter compared to the same quarter in 2022.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Depreciation and other	\$ 40	\$ 40	0%
Depletion	25,755	23,923	8%
	\$ 25,795	\$ 23,963	8%
Depletion per boe (\$)	\$ 19.44	\$ 19.43	0%

Foreign Exchange

Foreign exchange results from intercompany balances between Freehold's Canadian parent and its U.S. subsidiary partially offset by changes in the Canadian dollar reported amount of a portion of Freehold's long-term debt denominated in U.S. dollars.

Intercompany balances reflect prior years' U.S. royalty property acquisitions. Although these balances eliminate on consolidation, the intercompany balance held by the Canadian parent was recognized as foreign exchange whereas revaluation by the U.S. subsidiary was recognized within other comprehensive income due to different functional currencies between these entities. These intercompany positions are revalued at the relevant foreign exchange rate at each period end.

During Q1-2023, the U.S. dollar relative to the Canadian dollar remained relatively unchanged, averaging US\$0.74/CDN, with insignificant effects on the reported intercompany note and U.S. denominated debt, resulting in a modest net foreign exchange loss.

(\$000s)	Three Months Ended March 31		
	2023	2022	Change
Unrealized foreign exchange (gain) loss on:			
Intercompany note	\$ 375	\$ 3,920	-90%
Long term debt	(140)	-	nm
	\$ 235	\$ 3,920	-94%

(nm) not meaningful

Management Fee

The Manager (as defined below) receives a quarterly management fee paid with Freehold common shares. In Q1-2023, the management fee is capped at the equivalent of 5,500 Freehold common shares per quarter in 2023 and thereafter.

The ascribed value attributable to the management fee of \$0.1 million during the first quarter was a decrease of 59% compared to the same quarter of 2022. This decrease reflects the lower number of shares issued for the quarterly management fee.

	Three Months Ended March 31		
	2023	2022	Change
Shares issued for management fees	5,500	13,750	-60%
Ascribed value (\$000s) ⁽¹⁾	\$ 80	\$ 196	-59%
Closing share price (\$/share)	\$ 14.53	\$ 14.31	2%

(1) The ascribed value of the management fees was based on Freehold's closing common share price at the end of each quarter

Impairment

At March 31, 2023, there were no indicators of impairment on Freehold's U.S. and Canadian royalty cash generating units nor on its exploration and evaluation assets. As a result, no impairment testing was conducted.

Income Taxes

Freehold's taxable income is based on revenues less deductible expenses, including tax pool deductions. For Q1-2023, Freehold estimates current income tax expense in Canada and the U.S. totaling \$8.7 million, a decrease from the same quarter in 2022 due to a lower market commodity price environment partially offset by the absence in the first quarter of non-capital losses deducted in 2022, despite these losses being denied by the Canada Revenue Agency (CRA) (see "CRA Assessments").

In the first quarter, Freehold had a deferred tax expense of \$0.7 million.

(\$000s)	Three Months Ended March 31		
	2023	2022	Change
Current income tax expense	\$ 8,732	\$ 8,976	-3%
Deferred income tax expense	734	3,885	-81%
Income taxes	\$ 9,466	\$ 12,861	-26%

CRA Assessments

Freehold's Canadian income tax filings for its 2015, 2018, 2019 and 2021 tax years have been assessed by the CRA to deny the deduction of up to \$222 million in non-capital losses (NCLs) that were acquired in a 2015 business combination (the "Assessments"). Freehold has deducted \$171 million of the disputed non-capital losses in its income tax returns to date on the basis of legal advice received. Pursuant to the Assessments, the deductions have been denied resulting in taxes, interest, and penalties totaling \$48.7 million. The CRA is also expected to deny the deduction of the remaining \$51 million of non-capital losses when Freehold files its 2022 income tax returns.

Freehold has objected to the Assessments and has provided deposits totaling \$24.4 million at March 31, 2023 (December 31, 2022 - \$21.9 million).

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful on its appeal. A CRA appeals' officer was assigned in late 2021, with no new developments since the assignment.

Net Income and Comprehensive Income

In the first quarter, Freehold's net income of \$31.1 million decreased compared to \$38.4 million in the same quarter in 2022. This decrease resulted from lower commodity prices but partially offset by higher production volumes.

(\$000s, except per share)	Three Months Ended March 31		
	2023	2022	Change
Net income	\$ 31,051	\$ 38,395	-19%
Per share, basic and diluted (\$)	\$ 0.21	\$ 0.25	-19%
Comprehensive income	\$ 30,979	\$ 36,746	-16%

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We retain working capital primarily to fund capital expenditures or acquisitions, pay dividends and reduce bank indebtedness. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels, foreign exchange rates and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk characteristics of our assets. Ongoing acquisitions and third-party development activities are necessary to replace production and extend reserve life. From time to time, we may issue shares to manage current and projected debt levels or finance acquisitions.

Operating Activities

Cash Flow from Operating Activities and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to pay dividends, fund acquisitions and repay debt. We believe this measure provides a useful assessment of Freehold's operations on a continuing basis by eliminating certain non-cash charges. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.

Funds from operations for the first quarter decreased by 18% to \$58.6 million (\$0.39/share) from \$71.9 million (\$0.48/share) in the same quarter of 2022. This decrease was due to lower commodity prices.

Cash flow from operations of \$42.6 million during the first quarter was 39% lower than the same quarter of 2022, directionally consistent with the decrease in funds from operations, but impacted by paying 2022 current income taxes payable.

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Cash flow from operations	\$ 42,562	\$ 69,300	-39%
Funds from operations	\$ 58,569	\$ 71,893	-19%
Per share - basic (\$) ^{(1) (2)}	\$ 0.39	\$ 0.48	-19%

(1) Weighted average number of shares outstanding during the period, basic

(2) Funds from operations per share is a supplemental measure

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund dividends, acquisitions, expenditures and/or repayments of long-term debt. In the oil and gas industry, accounts receivable from industry partners are typically settled in the following month. However, due to royalty administration, payments to royalty owners are often delayed longer. Also, working capital can fluctuate significantly due to volume and commodity price changes at each period end. Changes in the declared dividend and timing differences between accruing a liability, such as current income taxes, and the related installment payment can also effect working capital.

Working capital on March 31, 2023, was \$43.3 million, 51% higher when compared to December 31, 2022. This increase reflects a \$32.4 million payment for Canadian income taxes, decreasing current income taxes payable. Working capital at March 31, 2023 includes \$24.4 million of deposits provided upon Freehold filing its objections the Assessments (see CRA Assessments), an increase of \$2.5 million for deposits paid during the first quarter.

(\$000s)	At March 31	At December 31	Change
	2023	2022	
Working capital ⁽¹⁾	\$ 43,269	\$ 28,656	51%

(1) Working capital is a capital management measures

Financing Activities

Long-Term Debt

Freehold's amended credit facility agreement with a syndicate of four Canadian banks has a committed revolving facility availability of \$285 million and an operating facility availability of \$15 million, where either facility can be drawn in Canadian or U.S. dollars. The amended credit facility agreement includes a permitted increase in the committed revolving facility to \$435 million, subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At March 31, 2023, \$159.1 million was drawn on the committed revolving facility (December 31, 2022 - \$156.6 million), consisting of Canadian dollar and U.S. dollar denominated borrowings of \$105.7 million and US\$39.5 million (\$53.4 million), respectively. There were no drawings against the operating facility. The credit facilities are secured with a \$400 million first charge demand debenture over all of Freehold's Canadian royalty income assets and fixed charge mortgage securities on certain US royalty income assets with associated proved developed producing reserves.

The amended credit agreement contains, among affirmative covenants, two primary financial covenants: (i) long-term debt to EBITDA on royalty interest properties (calculated as earnings on royalty interest properties before non-cash charges including, but not limited to, interest, taxes, depletion and depreciation and amortization) shall not exceed 3.5 times (the actual ratio was 0.5 times at March 31, 2023) and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (the actual percentage was 14% at March 31, 2023). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations.

Outstanding borrowings under the amended credit facilities currently bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rates (SOFR) and Banker's Acceptance (BA) rates, respectively, or at the lender's prime lending rate plus applicable margins and standby fees, dependent on ratios of Freehold's long-term debt to EBITDA on royalty interest properties. During Q1-2023, Freehold's lender transitioned from London Interest Borrowing Overnight Rates (LIBOR) to SOFR on U.S. dollar denominated debt, with this transition having only a negligible effect on the cost of borrowing. BA rates are to cease in the future, with the amended credit facility agreement transitioning this rate to Canadian Overnight Repo Rate Average rates (CORRA).

Freehold does not expect this future transition will cause a significant difference on the cost of its borrowings under the amended credit facility agreement.

At March 31, 2023 and December 31, 2022, the fair value of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange rates.

Net Debt

During Q1-2023, net debt decreased by \$12.1 million, or 9%, to \$115.8 million from \$127.9 million at December 31, 2022. The working capital component of net debt increased \$14.6 million during Q1-2023 due to paying year-end 2022 current income tax payable. Going forward, corporate income taxes are expected to be paid through regular installments. Additionally, net debt at March 31, 2023 includes \$24.4 million of deposits provided upon Freehold filing its objections to the Assessments (see CRA Assessments), a \$2.5 million increase compared to December 31, 2022.

Freehold's net debt to trailing funds from operations ratio of 0.4 times at March 31, 2023 was unchanged from December 31, 2022, and well within our net debt strategy target of below 1.5 times. This ratio is a financial leverage measure. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others. However, the calculation of net debt to funds from operations for the last 12 months excludes funds from operations from U.S. assets acquired during 2022 for periods starting April 1, 2022 through closing of such acquisitions, that, if included, would benefit this measure.

Freehold uses the capital management measure capitalization which is defined as net debt plus shareholders' equity. The associated capital management measure net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. Freehold's low net debt to capitalization ratio of 11% at March 31, 2023, a slight decrease from the 12% at December 31, 2022, reflects an increase in working capital, due to the pay down of current income taxes payable.

Debt Analysis

(\$000s)	At March 31		At December 31	
		2023	2022	Change
Long-term debt	\$	159,114	\$ 156,560	2%
Working capital ⁽¹⁾		(43,269)	(28,656)	51%
Net debt ⁽¹⁾	\$	115,845	\$ 127,904	-9%

(1) Working capital and net debt are capital management measures

Financial Leverage Ratios ⁽¹⁾

	At March 31		At December 31	
		2023	2022	Change
Net debt to funds from operations for the last 12 months (times)		0.4	0.4	0%
Net debt to capitalization (%)		11%	12%	-1%

(1) Funds from operations are 12-months trailing and do not include the proforma effects of acquisitions

Shareholders' Capital

During Q1-2023, Freehold issued 5,500 common shares for payment of the management fee. At March 31, 2023 and May 10, 2023, there were 150,672,834 common shares outstanding.

Shareholders' Capital

(\$000s, except as noted)	March 31, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of period	150,667,334	\$ 1,500,331	150,612,334	\$ 1,499,544
Issued for payment of management fee	5,500	80	55,000	787
Balance, end of period	150,672,834	\$ 1,500,411	150,667,334	\$ 1,500,331

Weighted Average and Year Ending Shares

	Three Months Ended March 31		
	2023	2022	Change
Weighted average			
Basic	150,667,395	150,612,334	0%
Diluted	151,185,938	151,123,124	0%
At period end	150,672,834	150,626,084	0%

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering many factors including but not limited to expected commodity prices, foreign exchange rates, economic conditions, production volumes, taxes payable, and Freehold's capacity to finance operating and investing obligations and opportunities. The dividend rate is established with the intent of absorbing short-term market volatility over several months. It also recognizes our intention to fund capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of acquisition opportunities and withstand potential commodity price declines.

The payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the *Business Corporations Act* (Alberta) (ABCA). Pursuant to the ABCA, after the payment of a dividend, we must be able to pay our liabilities as they become due and the realizable value of our assets must be greater than our liabilities and the legal stated capital of our outstanding securities. At March 31, 2023, our legal stated capital was \$361 million.

2023 Dividends Declared

Record Date	Payment Date	Dividend Amount (\$/share)	
January 31, 2023	February 15, 2023	\$	0.09
February 28, 2023	March 15, 2023	\$	0.09
March 31, 2023	April 17, 2023	\$	0.09
		\$	0.27

Dividends declared and paid in Q1-2023 totaled \$40.7 million (\$0.27 per share), higher the \$30.1 million and \$27.1 million declared and paid in Q1-2022, respectively, or \$0.20 and \$0.18 per share.

On April 13, 2023, the Board declared a dividend of \$0.09 per common share to be paid on May 15, 2023, to common shareholders on record on April 28, 2023. On May 10, 2023, the Board declared a dividend of \$0.09 per common share to be paid on June 15, 2023, to common shareholders on record on May 31, 2023.

From inception in 1996 through to March 31, 2023, Freehold has distributed \$2.0 billion (\$34.33 per share) to our shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends ⁽¹⁾

(\$000's, except per share)	Three Months Ended March 31		
	2023	2022	Change
Dividends declared	\$ 40,681	\$ 30,124	35%
Accumulated, beginning of period	1,952,597	1,806,477	8%
Accumulated, end of period	\$ 1,993,278	\$ 1,836,601	9%
Dividends per share (\$) ⁽²⁾	\$ 0.27	\$ 0.20	35%
Accumulated, beginning of period (\$)	34.06	33.09	3%
Accumulated, end of period (\$)	\$ 34.33	\$ 33.29	3%

(1) Accumulated dividends reflect distributions paid on trust units of Freehold Royalty Trust (the predecessor of Freehold) from 1996 through 2010 and dividends on common shares of Freehold from 2011 onwards

(2) Based on the number of shares issued and outstanding at each record date

In the first quarter, Freehold's dividend payout⁽²⁾ ratio was 69% with excess funds from operations largely being used to pay Canadian income taxes.

Dividend Payout Ratio ⁽²⁾

(\$000s, except as noted)	Three Months Ended March 31		
	2023	2022	Change
Dividends paid ⁽¹⁾	\$ 40,680	\$ 27,112	50%
Funds from operations	\$ 58,569	\$ 71,893	-19%
Dividend payout ratio (%) ⁽²⁾	69%	38%	82%

(1) Based on the dividend payment date which is generally on the 15th day of the month following the month it was declared

(2) Dividend payout ratio is a supplemental measure

Dividend payout ratios, a supplemental measure, are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to the funds a company receives and uses in its capital and operational activities. Freehold's dividend payout ratio is calculated as dividends declared as a percentage of funds from operations.

With the goal of aligning dividend levels to a stronger and stabilizing business outlook, Freehold has increased its monthly dividend from \$0.04/share in May 2021, to \$0.05/share in August 2021, to \$0.06/share in November 2021, to \$0.08/share in March 2022 and to \$0.09/share or \$1.08/share on an annualized basis in August 2022.

Investing Activities

Acquisitions and Related Expenditures

Acquisitions

In Q1-2023, Freehold invested \$3.4 million in exchange for gross overriding royalties in the range of 2% to 4% in the Clearwater play in central Alberta.

Related Expenditures

For Q1-2023, Freehold recognized capitalized general & administrative costs of \$0.8 million and other royalty income asset and miscellaneous expenditures of \$0.1 million.

Related Party Transactions

Freehold does not have any employees. Rather, Freehold is managed by Rife Resources Management Ltd. (the Manager) pursuant to a management agreement (the Management Agreement). The Manager is a wholly-owned

subsidiary of Rife Resources Ltd. (Rife). Rife is 100% owned by the pension funds for the employees of the Canadian National Railway Company (the CN Pension Trust Funds), and both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 16.7% ownership in Freehold at March 31, 2023 and December 31, 2022. Canpar Holdings Ltd. is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

All amounts owing to/from the Related Parties are unsecured, non-interest bearing and due on demand. All transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the parties.

Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares on a quarterly basis. Pursuant to the Management Agreement, the management fee was capped at 5,500 and 13,750 Freehold common shares per quarter for 2023 and 2022, respectively. For Q1-2023, the ascribed value of \$0.1 million was based on the March 31, 2023 closing price of Freehold's common shares (Q1-2022 - \$0.2 million).

For Q1-2023, the Manager charged \$5.1 million in general and administrative costs (Q1-2022 - \$3.4 million). At March 31, 2023, there was \$1.4 million in accounts payable and accrued liabilities relating to these costs (December 31, 2022 - \$nil).

Rife Resources Ltd. and CN Pension Trust Funds

In Q1-2023, Freehold paid \$6.8 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares (Q1-2022 - \$5.1 million). In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the three months ended March 31, 2023 Freehold received royalties of approximately \$0.1 million from Rife (Q1-2022 - \$0.2 million). At March 31, 2023 and December 31, 2022 there was \$2.3 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared.

Canpar Holdings Ltd.

Freehold and Canpar generally share mineral title ownership in a substantial land base in western Canada. Generally, Canpar owns mineral rights that were below the deepest producing formation at the time that Freehold was created, and Freehold holds the balance of the mineral rights. Where Freehold is not the legal registered owner of such mineral rights, Canpar holds these rights in trust for Freehold and receives the royalty payments in respect of such mineral rights on behalf of Freehold. Amounts due from Canpar at March 31, 2023 was \$0.1 million (December 31, 2022 - \$0.7 million).

Select Quarterly Information

Financial (\$millions, except as noted)	2023		2022		2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Royalty and other revenue	76.6	98.5	98.4	108.5	87.6	75.2	51.4	45.4
Net income	31.1	40.7	63.2	66.9	38.4	31.2	22.7	12.5
Per share, basic (\$) ⁽¹⁾	0.21	0.27	0.42	0.44	0.25	0.21	0.17	0.10
Cash flows from operations	42.6	82.7	99.9	75.4	69.3	59.7	43.9	33.4
Funds from operations	58.6	80.0	80.8	83.8	71.9	68.8	48.2	40.2
Per share, basic (\$) ⁽¹⁾	0.39	0.53	0.54	0.56	0.48	0.46	0.36	0.31
Acquisitions and related expenditures	4.3	7.2	161.7	20.7	1.3	67.9	228.4	0.9
Dividends paid	40.7	40.7	37.7	36.2	27.1	24.1	17.1	13.1
Per share (\$) ⁽²⁾	0.27	0.27	0.25	0.24	0.18	0.16	0.13	0.10
Dividends declared	40.7	40.7	39.2	36.2	30.1	25.6	19.4	14.5
Per share (\$) ⁽²⁾	0.27	0.27	0.26	0.24	0.20	0.17	0.14	0.11
Payout ratio (%) ⁽³⁾	69%	51%	47%	43%	38%	35%	35%	33%
Long term debt	159.1	156.6	196.9	86.0	105.0	146.0	126.0	78.0
Net debt ⁽⁴⁾	115.8	127.9	159.9	33.1	62.6	101.2	75.3	40.8
Shares outstanding, period end (millions)	150.7	150.7	150.7	150.6	150.6	150.6	150.6	131.5
Average shares outstanding (millions) ⁽¹⁾	150.7	150.7	150.6	150.6	150.6	150.6	132.9	131.5
Operating								
Light and medium oil (bbls/d)	6,102	6,418	5,935	5,378	5,234	5,401	4,025	4,048
Heavy oil (bbls/d)	1,253	1,218	1,190	1,239	1,210	1,254	1,249	1,253
NGL (bbls/d)	1,788	1,781	1,708	1,613	1,757	1,564	1,125	1,107
Total liquids (bbls/d)	9,143	9,417	8,833	8,230	8,201	8,219	6,399	6,408
Natural gas (Mcf/d)	33,486	33,744	32,319	31,336	32,845	34,700	29,203	28,376
Total production (boe/d) ⁽⁵⁾	14,724	15,041	14,219	13,453	13,676	14,005	11,265	11,137
Oil and NGL (%)	62%	63%	62%	61%	60%	59%	57%	58%
Petroleum and natural gas realized price (\$/boe)	56.99	69.76	74.31	87.55	69.71	57.44	49.17	44.22
Cash costs (\$/boe) ⁽³⁾⁽⁵⁾	5.82	5.17	3.62	8.38	3.70	3.57	2.49	4.48
Netback (\$/boe) ⁽³⁾⁽⁵⁾	50.79	63.92	69.77	78.80	66.17	53.58	46.60	39.83
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	76.13	82.64	91.56	108.41	94.29	77.19	70.55	66.07
Exchange rate (Cdn\$/US\$)	1.35	1.35	1.30	1.28	1.27	1.27	1.27	1.23
Edmonton Light Sweet crude oil (Cdn\$/bbl)	99.03	109.83	116.85	137.79	115.67	93.28	83.77	77.12
Western Canadian Select crude oil (Cdn\$/bbl)	69.31	77.08	93.49	122.09	101.02	78.71	71.79	66.90
Nymex natural gas (US\$/Mcf)	3.30	6.03	8.20	7.17	4.64	4.75	4.35	2.95
AECO 7A Monthly Index (Cdn\$/Mcf)	4.34	5.58	5.50	6.27	4.58	4.93	3.36	2.80

(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) Net debt is a capital management measure

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

Internal Control Over Financial Reporting

Freehold is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires us to disclose in the MD&A any changes in our internal

controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting during Q1-2023. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

Sustainability Reporting

In March 2022, the International Sustainability Standards Board (ISSB) published exposure drafts “General Requirements for Disclosure of Sustainability-related Financial Information” and “Climate-related Disclosures”, with standards expected to be released mid-2023. These exposure drafts “sets out the overall requirements for disclosing sustainability-related financial information in order to provide primary users with a complete set of sustainability-related financial disclosures” and “sets out the requirements for identifying, measuring and disclosing climate-related risks and opportunities as part of an entity’s general purpose financial reporting.” Currently, the ISSB’s sustainability disclosure standard, effective from January 1, 2024, is subject to adoption by the international community, including Canada’s Securities Administration. The recently formed Canadian Sustainability Standards Board’s mandate is to develop and support adopting international sustainability standards in Canada. With the adoption of future sustainability standards not yet having an effective date in Canada, accordingly, Freehold, at this time, is not able to determine the impact on future financial statements that may result from the ISSB’s exposure drafts. Costs to comply with these developing sustainability disclosures is not quantifiable at this time.

In January 2023, Freehold published its Sustainability Report, in accordance with the Global Reporting Initiative and Sustainability Accounting Standards Board, focusing on the long-term sustainability of its business, including partnering with investment grade operators across North America who share the same view on the importance of sustainability. The report details the historical trends of Freehold’s sustainability performance metrics, including its commitment to net zero Scope-1 and Scope-2 emissions and discusses future Environment, Social and Governance goals and targets.

Forward-looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or our expectations of future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "forecast", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions (including the negatives thereof). These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and, as such, forward-looking statements included in this MD&A should not be unduly relied upon. These forward-looking statements are provided to allow readers to better understand our business and prospects.

In particular, this MD&A contains forward-looking statements under the headings Freehold’s Strategy, Dividend Announcement, Outlook, 2023 Guidance, Q1-2023 Operating and Financial Highlights, CRA Reassessments and Liquidity and Capital Resources pertaining to the following:

- our expectation of generating lower risk returns to our shareholders by driving oil and gas development on our lands through our lease program, acquiring royalty assets with acceptable risk profiles and long economic life and generating gross overriding royalties for revenue growth;

- our intent to maintain balance sheet strength (1.5 times or less net debt to funds from operations) and target a payout ratio of approximately 60%;
- our dividend policy and expectations for future dividends;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, natural gas liquids and natural gas, including the impact of recent OPEC+ announcements thereon;
- light/heavy oil price differentials;
- 2023 guidance including average royalty production (including commodity weighting), funds from operations and commodity prices;
- Freehold's expectations regarding the timing of payment of corporate income taxes, the deductibility of certain losses as well as whether the CRA will deny certain deductions and if Freehold will be successful on its appeal;
- our expectation that we will be successful in our objection of the Reassessments and the payment of the deposits held by the CRA will be refunded, plus interest, and the denied NCLs will be reinstated;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations;
- Freehold's expectation that the transition from BAs to CORRA will not cause a significant difference on the cost of its borrowings under the amended credit facility agreement;
- Our belief there will be an impact on our Q2-2023 and full year production forecast from shut-ins from wildfires;
- Freehold's intent in establishing its dividend rate; and
- treatment under governmental regulatory regimes and tax laws.

Our actual results could differ materially from those anticipated in these forward-looking statements because of many factors, the most significant of which are as follows:

- volatility in market prices for crude oil, NGL and natural gas;
- the impacts of the Russian-Ukraine war and associated sanctions as well as OPEC+ curtailments on the global economy and commodity prices;
- the impacts of inflation and supply chain shortages on the operations of our industry partners and royalty payors, as well as on demand and commodity prices;
- future capital expenditure levels;
- future production levels;
- future exchange rates;
- future tax rates;
- future legislation;
- the cost of developing and expanding our assets;
- our ability and the ability of our industry partners and royalty payors to obtain equipment in a timely manner to carry out development activities;

- our ability to market our product successfully to current and new customers;
- our expectation for the consumption of crude oil, NGL's and natural gas;
- our expectation for industry drilling levels on our royalty lands;
- the impact of competition;
- our ability to obtain financing on acceptable terms;
- our ability to add production and reserves through our development and acquisitions activities.
- lack of pipeline capacity;
- currency fluctuations;
- our and our counsel's interpretation of tax laws, regulations, royalties, or incentive programs relative to the interpretation and enforcement of thereof by governmental authorities;
- changes in income tax laws or changes in tax laws, regulations, royalties, or incentive programs relating to the oil and gas industry;
- reliance on royalty payors to drill and produce on our lands and their ability to pay their obligations;
- uncertainties or imprecision associated with estimating oil and gas reserves;
- stock market volatility and our ability to access sufficient capital from internal and external sources;
- a significant or prolonged downturn in general economic conditions or industry activity;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- geological, technical, drilling, and processing problems;
- environmental risks and liabilities inherent in oil and gas operations; and
- other factors discussed in Freehold's annual MD&A and audited financial statements for the year-ended December 31, 2022 and our AIF.

Key operating assumptions with respect to the forward-looking statements contained in this MD&A are provided in the Outlook section and elsewhere in this MD&A. In addition, with respect to forward-looking statements contained in this MD&A, 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, assumptions as to expected performance of current and future wells drilled by our royalty payors, 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.

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.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement and speak only as of the date of this MD&A. 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.

Non-GAAP Financial Ratios and Other Financial Measures

Within this MD&A, 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 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.

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.

Netback, which is calculated on a boe basis, as average realized price less production and ad valorem taxes, operating expenses, general and administrative, cash interest charges and share-based payouts, represents the per boe netback amount allowing the Company to benchmark how changes in commodity pricing, net of production and ad valorem taxes, and our cash-based cost structure compare against prior periods.

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.

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.

Cash costs, which is also calculated on a boe basis, is comprised of 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 and financing charges and share-based payouts. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods.

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 barrel). 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, 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.

Condensed Consolidated Balance Sheets

(unaudited) (\$000s)	March 31 2023	December 31 2022
Assets		
Current assets:		
Cash	\$ 508	\$ 524
Accounts receivable	49,213	57,650
Income tax deposits (note 2)	24,413	21,909
	74,134	80,083
Exploration and evaluation assets (note 3)	67,333	68,758
Petroleum, natural gas and other interests (note 4)	1,042,694	1,063,162
Total Assets	\$ 1,184,161	\$ 1,212,003
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable (note 7)	\$ 13,561	\$ 13,560
Accounts payable and accrued liabilities	5,455	4,016
Current portion of share based compensation payable (note 5)	5,499	3,853
Current income taxes	5,655	29,303
Current portion of lease obligation	195	195
Current portion of decommissioning liability	500	500
	30,865	51,427
Lease obligation	1,495	1,520
Share based compensation payable (note 5)	11,227	12,167
Decommissioning liability	5,468	5,437
Deferred income tax liability	25,273	24,551
Long-term debt (note 6)	159,114	156,560
Shareholders' equity:		
Shareholders' capital (note 7)	1,500,411	1,500,331
Accumulated other comprehensive income	10,095	10,167
Deficit	(559,787)	(550,157)
Total Shareholders' Equity	950,719	960,341
Total Liabilities and Shareholders' Equity	\$ 1,184,161	\$ 1,212,003

See accompanying notes to interim condensed consolidated financial statements
Subsequent event (note 7)

Condensed Consolidated Statements of Income and Comprehensive Income

(unaudited) (\$000s, except per share and weighted average shares)	Three months ended March 31	
	2023	2022
Revenue:		
Royalty and other revenue (note 8)	\$ 76,572	\$ 87,605
Expenses:		
General and administrative	5,187	3,590
Production and ad valorem taxes	1,560	1,605
Operating	183	161
Interest and financing (note 9)	2,404	851
Share based compensation (note 5)	611	2,063
Depletion, depreciation and other	25,795	23,963
Foreign exchange loss (note 11)	235	3,920
Management fee (note 10)	80	196
	36,055	36,349
Income before taxes	40,517	51,256
Income taxes:		
Current income tax expense	8,732	8,976
Deferred income tax expense	734	3,885
	9,466	12,861
Net income	\$ 31,051	\$ 38,395
Other comprehensive loss		
Foreign currency translation adjustment	(72)	\$ (1,649)
Comprehensive income	\$ 30,979	\$ 36,746
Net income per share, basic and diluted	\$ 0.21	\$ 0.25
Weighted average number of shares:		
Basic	150,667,395	150,612,334
Diluted	151,185,938	151,123,124

See accompanying notes to to interim condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (\$000s)	Three months ended March 31	
	2023	2022
Operating:		
Net income	\$ 31,051	\$ 38,395
Adjustments:		
Depletion, depreciation and other	25,795	23,963
Foreign exchange loss (note 11)	235	3,920
Deferred income tax expense	734	3,885
Share based compensation (note 5)	611	2,063
Management fee (note 10)	80	196
Accretion of decommissioning liabilities and lease obligation	63	45
Decommissioning expenditures	-	(574)
Funds from operations	58,569	71,893
Changes in non-cash working capital (note 14)	(16,007)	(2,593)
	42,562	69,300
Financing:		
Long-term debt net draw (repayment)	2,694	(41,000)
Dividends paid (note 7)	(40,680)	(27,112)
Lease obligation paid	(48)	(49)
	(38,034)	(68,161)
Investing:		
Acquisitions and related expenditures (note 4)	(4,268)	(1,294)
Changes in non-cash working capital (note 14)	(257)	(41)
	(4,525)	(1,335)
Increase (decrease) in cash	3	(196)
Impact of foreign currency on cash balance	(19)	(92)
Cash, beginning of period	524	2,189
Cash, end of period	\$ 508	\$ 1,901
Supplemental disclosures		
Interest paid	\$ 2,341	\$ 806
Income taxes paid	\$ 32,380	\$ 363

See accompanying notes to interim condensed consolidated financial statements

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (\$000s)	Three months ended March 31	
	2023	2022
Shareholders' capital:		
Balance, beginning of period	\$ 1,500,331	\$ 1,499,544
Shares issued for payment of management fee (note 10)	80	196
Balance, end of period	1,500,411	1,499,740
Accumulated other comprehensive income (loss):		
Balance, beginning of period	10,167	126
Foreign currency translation adjustment	(72)	(1,649)
Balance, end of period	10,095	(1,523)
Contributed surplus:		
Balance, beginning and end of period	-	4,521
Deficit:		
Balance, beginning of period	(550,157)	(613,225)
Net income	31,051	38,395
Dividends declared (note 7)	(40,681)	(30,124)
Balance, end of period	(559,787)	(604,954)
Total shareholders' equity	\$ 950,719	\$ 897,784

See accompanying notes to interim condensed consolidated financial statements

Notes to Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022 (unaudited)

1. Basis of Presentation

Freehold Royalties Ltd. (Freehold) is incorporated under the laws of the Province of Alberta. Freehold's primary focus is acquiring and managing royalties.

Freehold's principal place of business is located at 1000, 517 – 10 Avenue SW, Calgary, Alberta, Canada, T2R 0A8.

a) Statement of Compliance

These interim condensed consolidated financial statements, the "financial statements", have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard 34 Interim Financial Reporting. These financial statements do not include all the disclosures normally provided in annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2022.

These financial statements were approved by the Board of Directors on May 10, 2023.

b) Basis of Measurement and Principles of Consolidation

The financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which when recognized, are measured at fair value with the changes in their fair values recorded in net income and include the accounts of Freehold and its wholly-owned subsidiaries: Freehold Royalties (USA) Inc., 1872348 Alberta Ltd., Freehold Holdings Trust and Freehold Royalties Partnership. All intercompany balances and transactions have been eliminated in preparing the financial statements.

c) Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the current reporting period.

2. Income Tax Deposits

Freehold's Canadian income tax filings for its 2015, 2018, 2019 and 2021 tax years have been assessed by the CRA to deny the deduction of up to \$222 million in non-capital losses that were acquired in a 2015 business combination (the "Assessments"). Freehold has deducted \$171 million of the disputed non-capital losses in its income tax returns to date on the basis of legal advice received. Pursuant to the Assessments, the deductions have been denied resulting in taxes, interest, and penalties totaling \$48.7 million. The CRA is also expected to deny the deduction of \$51 million of non-capital losses when Freehold files its 2022 income tax returns.

Freehold has objected to the Assessments and has provided deposits totaling \$24.4 million at March 31, 2023 (December 31, 2022 - \$21.9 million).

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful on its appeal. A CRA appeals' officer was assigned in late 2021, with no new developments since the assignment.

3. Exploration and Evaluation Assets

(\$000s)	March 31 2023	December 31 2022
Balance, beginning of period	\$ 68,758	\$ 74,455
Transfers to petroleum and natural gas interests (note 4)	(1,425)	(5,697)
Balance, end of period	\$ 67,333	\$ 68,758

There was no impairment recorded on the transfer of Exploration and Evaluation assets to Petroleum and Natural Gas Interests during the three months ended March 31, 2023.

There were no indicators of impairment on Freehold's exploration and evaluation assets as at March 31, 2023.

4. Petroleum, Natural Gas and Other Interests

(\$000s)	March 31 2023	December 31 2022
Balance, beginning of period	\$ 2,113,341	\$ 1,879,457
Acquisitions and related expenditures	4,268	190,794
Capitalized portion of long term incentive plan	95	1,260
Transfers from exploration and evaluation assets (note 3)	1,425	5,697
Foreign exchange translation	(491)	36,133
Balance, end of period	2,118,638	2,113,341
Balance, beginning of period	(1,050,179)	(946,608)
Depletion and depreciation	(25,803)	(101,277)
Foreign exchange translation	38	(2,294)
Balance, end of period	(1,075,944)	(1,050,179)
Net book value, end of period	\$ 1,042,694	\$ 1,063,162

a. Acquisitions and related expenditures

Freehold paid \$2.4 million during the three months ended March 31, 2023 in exchange for gross overriding royalties of 4% in the Clearwater play in central Alberta pursuant to an agreement. Freehold's remaining commitment per this agreement is \$9.3 million in exchange for gross overriding royalties in the range of 2% to 4%.

Freehold also paid \$1.0 million during the three months ended March 31, 2023 in exchange for an incremental gross overriding royalty of 2% in an existing Clearwater property in central Alberta, bringing Freehold's total interest to 5% in this specific property.

Related Expenditures

For the three months ended March 31, 2023, Freehold recognized capitalized general & administrative costs of \$0.8 million and other royalty income asset and miscellaneous expenditures of \$0.1 million.

b. Impairment

At March 31, 2023, there were no indicators of impairment on Freehold's U.S. and Canadian Royalty Cash Generating Units.

5. Share Based Compensation

Freehold's award plans consists of grants of performance share units (PSUs), restricted share units (RSUs), director restricted share units (Directors' RSUs) (combined, the Long-term Incentive Plans) and deferred share units (DSUs) (when combined with Long-term incentive Plans, the Award Plans). Underlying each unit pursuant to the Award Plans is one notional Freehold common share. The notional units are adjusted whenever a dividend is paid by Freehold.

For the three months ended March 31, 2023 expensed share based compensation associated with the Award Plans was \$0.6 million (three months ended March 31, 2022 - \$2.1 million). Freehold further capitalized \$0.1 million of Award Plan costs (see note 4) for the three months ended March 31, 2023, included in the share-based compensation liability (2022 – \$1.3 million).

The following table reconciles the change in share-based compensation payable:

(\$000s)	March 31 2023	December 31 2022
Balance, beginning of period	\$ 16,020	\$ 7,742
Increase in liability	706	9,595
Reclassification from contributed surplus	-	4,521
Payout	-	(5,838)
Balance, end of period	\$ 16,726	\$ 16,020
Current portion of liability	\$ 5,499	\$ 3,853
Long-term portion of liability	\$ 11,227	\$ 12,167

a. Long-term Incentive Plans

Upon vesting of the units pursuant to the Long-term Incentive Plans, the holder is entitled to an amount equal in value to the notional Freehold common shares (as adjusted for dividends paid) underlying such units. The value of the notional Freehold common shares is based on the volume weighted average trading price of Freehold common shares on the TSX for the five trading days prior to the vesting date of such units. For PSUs, the notional Freehold common shares and value are calculated in the same manner, but with the additional application of a performance multiplier. The metrics used for determining the performance multiplier (which can range from 0 to 2 times) are at the discretion of Freehold's Board of Directors (the Board), but currently are determined evenly from absolute and relative total shareholder returns over a three-year period.

Generally, one-third of the granted RSUs and Director RSUs will vest on each of the first, second and third anniversaries of the date of grant whereas PSUs vest on the third anniversary of the date of grant.

The following table reconciles the outstanding number of units pursuant to Long-term Incentive Plans:

	March 31 2023	December 31 2022
Balance, beginning of period	864,642	926,922
Units issued	17,293	238,616
Forfeitures	(1,611)	(59,155)
Payout	-	(241,741)
Balance, end of period	880,324	864,642

b. Deferred Share Unit Plan

Fully-vested DSUs are granted annually in the first quarter to members of the Board. The equivalent Freehold dividends per share paid during the months prior to redemption of each DSU is then reinvested in additional DSUs. Upon a member's retirement, at the Board's discretion, outstanding DSUs are redeemable for either an equal number of Freehold common shares or cash in lieu of the equivalent fair value of such shares.

The following table reconciles the outstanding number of DSUs:

	March 31 2023	December 31 2022
Balance, beginning of period	481,359	447,684
Annual grants and grants in lieu of fees	47,277	82,461
Additional grants resulting from paid dividends	8,979	30,551
Redeemed	-	(79,337)
Balance, end of period	537,615	481,359

6. Long-term Debt

Freehold's amended credit facility agreement with a syndicate of four Canadian banks has a committed revolving facility availability of \$285 million and an operating facility availability of \$15 million, where either facility can be drawn in Canadian or U.S. dollars. The amended credit facility agreement includes a permitted increase in the committed revolving facility to \$435 million subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At March 31, 2023, \$159.1 million was drawn on the committed revolving facility (December 31, 2022 - \$156.6 million), consisting of Canadian dollar and US dollar denominated borrowings of \$105.7 million and US\$39.5 million (\$53.4 million), respectively. There were no drawings against the operating facility. The credit facilities are secured with a \$400 million first charge demand debenture over all of Freehold's Canadian royalty income assets and fixed charge mortgage securities on certain US royalty income assets with associated proved developed producing reserves.

The amended credit agreement contains, among affirmative covenants, two primary financial covenants: (i) long-term debt to EBITDA on royalty interest properties (calculated as earnings on royalty interest properties before non-cash charges including, but not limited to, interest, taxes, depletion and depreciation and amortization) shall not

exceed 3.5 times (the actual ratio was 0.5 times at March 31, 2023) and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (the actual percentage was 14% at March 31, 2023). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations.

Outstanding borrowings under the amended credit facilities bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rates (SOFR) and Banker's Acceptance (BA) rates, respectively, or at the lender's prime lending rate plus applicable margins and standby fees, dependent on ratios of Freehold's long-term debt to EBITDA on royalty interest properties. BA rates are to cease in the future, with the amended credit facility agreement transitioning this rate to Canadian Overnight Repo Rate Average rates (CORRA). Freehold does not expect this transition will cause a significant difference on the cost of its borrowings under the amended credit facility agreement.

For the three months ended March 31, 2023, the average effective interest rate on advances from Freehold's committed credit facility was 5.9% (three months ended March 31, 2022 – 2.2%).

At March 31, 2023 and December 31, 2022, the fair value of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange rates.

7. Shareholders' Capital

Freehold has authorized an unlimited number of common shares, without stated par value. Freehold has authorized 10,000,000 preferred shares, without stated par value, of which none have been issued.

a. Shares Issued and Outstanding

(\$000s, except shares)	March 31, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of period	150,667,334	\$ 1,500,331	150,612,334	\$ 1,499,544
Issued for payment of management fee (note 10)	5,500	80	55,000	787
Balance, end of period	150,672,834	\$ 1,500,411	150,667,334	\$ 1,500,331

b. Dividends

During the three months ended March 31, 2023, Freehold declared and paid dividends of \$40.7 million or \$0.27 per common share (three months ended March 31, 2022 – declared and paid dividends of \$30.1 million and \$27.1 million, respectively, or \$0.20 and \$0.18 per common share).

On March 1, 2023, the Board declared a dividend of \$0.09 per common share or \$13.6 million which was paid on April 17, 2023 to common shareholders on record on March 31, 2023 (December 31, 2022 - \$13.6 million). On April 13, 2023, the Board declared a dividend of \$0.09 per common share to be paid on May 15, 2023, to common shareholders on record on April 28, 2023. On May 10, 2023, the Board declared a dividend of \$0.09 per common share to be paid on June 15, 2023, to common shareholders on record on May 31, 2023.

8. Revenue

Royalty and other revenue is measured at fair value of the consideration received or receivable, per the terms of various agreements. The transaction price used for crude oil, natural gas, natural gas liquids and other products is based on the commodity price in the month of production specific to the property or interest. The realized commodity price received or receivable is based on publicly available benchmarks adjusted for quality, location, allowable deductions or other factors pursuant to the terms of the Company's US and Canadian leases and royalty agreements.

Typically, Freehold receives the cash payment generally up to three months following production. Bonus consideration received or receivable can significantly vary period over period as it is dependent on the specific details of each lease and the number of leases issued.

a. Royalty and Other Revenue by Commodity Type

(\$000s)	Three months ended March 31	
	2023	2022
Oil	\$ 57,975	\$ 63,223
Natural gas	10,317	13,656
NGL	7,233	8,922
Potash	408	867
Bonus consideration and lease rentals	639	937
Royalty and other revenue	\$ 76,572	\$ 87,605

b. Royalty and Other Revenue by Category

(\$000s)	Three months ended March 31	
	2023	2022
Royalty interest revenue	\$ 75,933	\$ 86,668
Bonus consideration and lease rentals	639	937
Royalty and other revenue	\$ 76,572	\$ 87,605

As at March 31, 2023, there was outstanding accounts receivable and accrued revenue of \$46.5 million (December 31, 2022 - \$55.9 million) associated with U.S. and Canadian royalty and other revenues. For the three months ended March 31, 2023 there was no significant royalty and other revenue adjustments relating to prior periods.

9. Interest and Financing

(\$000s)	Three months ended March 31	
	2023	2022
Interest on long term debt and financing expense	\$ 2,341	\$ 806
Accretion of decommissioning obligation	39	21
Accretion of lease obligation	24	24
Interest and financing	\$ 2,404	\$ 851

10. Related Party Transactions

Freehold does not have any employees. Rather, Freehold is managed by Rife Resources Management Ltd. (the Manager) pursuant to a management agreement (the Management Agreement). The Manager is a wholly-owned subsidiary of Rife Resources Ltd. (Rife). Rife is 100% owned by the pension funds for the employees of the Canadian National Railway Company (the CN Pension Trust Funds), and both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 16.7% ownership in Freehold at March 31, 2023 and December 31, 2022. Canpar Holdings Ltd. is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

All amounts owing to/from the Related Parties are unsecured, non-interest bearing and due on demand. All transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the parties.

a. Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares on a quarterly basis. Pursuant to the Management Agreement, the management fee was capped at 5,500 and 13,750 Freehold common shares per quarter for 2023 and 2022. For the three months ended March 31, 2023, the ascribed value of \$0.1 million was based on the March 31, 2023 closing price of Freehold's common shares (three months ended March 31, 2022 - \$0.2 million).

For the three months ended March 31, 2023, the Manager charged \$5.1 million in general and administrative costs (three months ended March 31, 2022 - \$3.4 million). At March 31, 2023 there was \$1.4 million in accounts payable and accrued liabilities relating to these costs (December 31, 2022 - \$nil).

b. Rife Resources Ltd. and CN Pension Trust Funds

For the three months ended March 31, 2023, Freehold paid \$6.8 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares (three months ended March 31, 2022 - \$5.1 million). In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the three months ended March 31, 2023 Freehold received royalties of approximately \$0.1 million from Rife (three months ended March 31, 2022 - \$0.2 million). At March 31, 2023 and December 31, 2022 there was \$2.3 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared.

c. Canpar Holdings Ltd.

Freehold and Canpar generally share mineral title ownership in a substantial land base in western Canada. Generally, Canpar owns mineral rights that were below the deepest producing formation at the time that Freehold was created, and Freehold holds the balance of the mineral rights. Where Freehold is not the legal registered owner of such mineral rights, Canpar holds these rights in trust for Freehold and receives the royalty payments in respect of such mineral rights on behalf of Freehold. Amounts due from Canpar at March 31, 2023 was \$0.1 million (December 31, 2022 - \$0.7 million).

11. Foreign Exchange

(\$000s)	Three months ended March 31	
	2023	2022
Foreign exchange loss (gain) on:		
Intercompany note	\$ 375	\$ 3,920
Long term debt	(140)	-
	\$ 235	\$ 3,920

Foreign exchange results from the revaluation of a U.S. dollar intercompany receivable held by Freehold's Canadian parent partially offset by the revaluation of U.S. dollar denominated long-term debt (see note 6). Although the intercompany balances eliminate on consolidation, the revaluation of the parent's U.S. dollar intercompany receivable is recognized as foreign exchange whereas the revaluation of the U.S. subsidiary's intercompany debt is recognized within other comprehensive income due to different functional currencies between these entities.

12. Capital Management

Freehold is a publicly traded dividend-paying corporation incorporated under the laws of the Province of Alberta. Its primary focus is acquiring and managing oil and gas royalties. Freehold receives most of its revenue from oil and gas properties as reserves are produced. Freehold then pays dividends to shareholders on a regular basis over the economic life of the properties. Freehold's objective for managing capital is to maximize long-term shareholder value by distributing to shareholders cash exceeding what is required for financing operations or capital investment growth opportunities that may offer shareholders better value.

Freehold defines capital (or capitalization) as long-term debt, shareholders' equity and working capital based on the consolidated financial statements. Freehold retains working capital primarily to fund capital expenditures or acquisitions, pay dividends and reduce bank indebtedness. Freehold's capital structure is managed by taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels and taxes, among others. In addition, changes in economic conditions, commodity prices and the risk characteristics of Freehold's assets are considered. Freehold has a declining asset base, therefore ongoing development activities and acquisitions are necessary to replace production and add additional reserves. From time to time, Freehold may issue shares or adjust capital spending to manage current and projected debt levels or finance acquisitions.

Management of Freehold's capital structure is facilitated through its financial and operating forecasting processes. The forecast of Freehold's future cash flows is based on estimates of production, commodity prices, forecast capital, royalty expenses, operating expenditures, taxes and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes that Freehold views as critical in the current environment. Selected forecast information is frequently provided to and approved by the Board of Directors.

Freehold is bound by non-financial covenants and two financial covenants (see note 6) on its credit facilities. The covenants are monitored as part of management's internal review to ensure compliance with requirements. As at March 31, 2023, Freehold was in compliance with all such covenants.

Freehold's March 31, 2023 and December 31, 2022 net debt to funds from operations ratio was 0.4 times and within its debt strategy target of below 1.5 times. This ratio is a financial leverage measure that reflects cash available to

pay back Freehold’s debts. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others.

a. Working Capital

(\$000s)	March 31 2023	December 31 2022
Cash	\$ 508	\$ 524
Accounts receivable	49,213	57,650
Income tax deposits	24,413	21,909
Dividends payable	(13,561)	(13,560)
Accounts payable and accrued liabilities	(5,455)	(4,016)
Current income taxes	(5,655)	(29,303)
Current portion of lease obligation	(195)	(195)
Current portion of decommissioning liability	(500)	(500)
Current portion of share based compensation payable	(5,499)	(3,853)
Working capital⁽¹⁾	\$ 43,269	\$ 28,656

(1) Working capital is considered a capital management measure.

b. Capitalization and net debt

(\$000s)	March 31 2023	December 31 2022
Shareholders' equity	\$ 950,719	\$ 960,341
Long term debt	159,114	156,560
Working capital	(43,269)	(28,656)
Net debt⁽¹⁾	\$ 115,845	\$ 127,904
Capitalization⁽¹⁾	\$ 1,066,564	\$ 1,088,245

(1) Capitalization and net debt are considered capital management measures.

c. Net Debt to Trailing Funds from Operations

(\$000s, except as noted)	March 31 2023	December 31 2022
Cash provided by operating activities for the last 12 months	\$ 300,610	\$ 327,348
Change in operating non-cash working capital	2,560	(10,854)
Funds from operations for the last 12 months	\$ 303,170	\$ 316,494
Net debt to funds from operations for the last 12 months (times)⁽¹⁾	0.4	0.4

(1) Net debt to funds from operations is considered a capital management measure.

13. Segmented Information

Freehold's reportable segments are based on its underlying operations geographic locations:

- Canada includes exploration and evaluation assets and the petroleum and natural gas interests in Western Canada.
- US includes petroleum and natural gas interests primarily held in the Permian (Midland and Delaware), Eagle Ford, Haynesville and Bakken basins largely located in the states of Texas, Louisiana, and North Dakota.

Freehold's royalty and other revenue is reportable by segment whereas all other accounts presented on the condensed consolidated statements of income are either not significant on a segment basis, associated with both segments with any allocation of such accounts not providing meaningful information or pertain to taxes or other measures which the Company does not consider a component of its operating results. The following table presents royalty and other revenue by geographic region:

(\$000s)	Three months ended March 31	
	2023	2022
Canada	\$ 45,831	\$ 57,916
United States	30,741	29,689
Royalty and other revenue	\$ 76,572	\$ 87,605

The following table presents total assets by geographic region:

(\$000s)	March 31 2023	December 31 2022
Canada	\$ 620,927	\$ 638,613
United States	563,234	573,390
Total Assets	\$ 1,184,161	\$ 1,212,003

14. Changes in Non-Cash Working Capital

(\$000s)	Three months ended March 31	
	2023	2022
Accounts receivable	\$ 8,449	\$ (12,174)
Income tax deposits	(2,504)	-
Accounts payable and accrued liabilities	1,439	927
Current income taxes	(23,648)	8,613
	\$ (16,264)	\$ (2,634)
Operating	\$ (16,007)	\$ (2,593)
Investing	(257)	(41)
	\$ (16,264)	\$ (2,634)

Board of Directors

Marvin F. Romanow
Chair of the Board

Sylvia K. Barnes ⁽²⁾
Corporate Director

Gary R. Bugeaud ^{(1) (2)}
Corporate Director

Peter T. Harrison
Corporate Director

Maureen E. Howe ⁽¹⁾
Corporate Director

J. Douglas Kay ^{(2) (3)}
Corporate Director

Arthur N. Korpach ^{(1) (2)}
Corporate Director

Valerie A. Mitchell ⁽³⁾
Corporate Director

David M. Spyker
President and Chief Executive Officer
Rife Resources Ltd.

Aidan M. Walsh ^{(1) (3)}
Corporate Director

(1) Audit Committee

(2) Governance, Nominating and Compensation Committee

(3) Reserves Committee

Officers

David M. Spyker
President and Chief Executive Officer

David W. Hendry
Vice President, Finance and Chief Financial Officer

Robert A. King
Chief Operating Officer

Lisa N. Farstad
Vice President, Corporate Services

Brianna E.C. Guenther
General Counsel & Corporate Secretary

Ian C. Hantke
Vice President, Diversified Royalties

Susan J. Nagy
Vice President, Business Development

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Auditors

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Bankers

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Toronto-Dominion Bank
ATB Financial

Legal Counsel

Burnet, Duckworth & Palmer LLP

Reserve Evaluators

Trimble Engineering Associates Ltd.
RSC Group, Inc.

Stock Exchange and Trading Symbol

Toronto Stock Exchange (TSX)
Common Shares: FRU

Transfer Agent and Registrar

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