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NEWS RELEASE

TSX: FRU

Freehold Royalties Ltd. Announces First Quarter 2021 Results and Increases Dividend by 33%

CALGARY, ALBERTA, (GLOBE NEWSWIRE – May 11, 2021) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces first quarter results for the period ended March 31, 2021.

Operating and Financial Highlights

	Three Months Ended March 31		
FINANCIAL ($000s, except as noted)	**2021**	2020	Change
Royalty and other revenue	**36,745**	26,284	40%
Net income (loss)	**5,635**	(9,022)	nm
Per share, basic ($) (1)	**0.04**	(0.08)	nm
Cash flows from operations	**24,990**	30,883	-19%
Funds from operations	**32,421**	20,248	60%
Per share, basic ($) (1)	**0.25**	0.17	47%
Acquisitions and related expenditures	**79,782**	5,370	nm
Dividends Paid	**7,633**	18,683	-59%
Per share ($) (2)	**0.06**	0.1575	-63%
Dividends declared	**9,201**	18,685	-51%
Per share ($) (2)	**0.07**	0.1575	-56%
Payout ratio (%) (3)	**24**	92	-68%
Long term debt	**96,000**	103,000	-7%
Net debt	**64,797**	101,833	-36%
Shares outstanding, period end (000s)	**131,463**	118,664	11%
Average shares outstanding (000s) (1)	**130,874**	118,623	10%
OPERATING			
Light and medium oil (bbl/d)	**3,811**	3,936	-3%
Heavy oil (bbl/d)	**1,045**	1,300	-20%
NGL (bbl/d)	**1,065**	896	19%
Total liquids (bbl/d)	**5,921**	6,132	-3%
Natural gas (Mcf/d)	**30,132**	29,361	3%
Total production (boe/d) (4)	**10,944**	11,026	-1%
Oil and NGL (%)	**54**	56	-2%
Average price realizations ($/boe) (4)	**37.31**	26.20	42%
Cash Costs ($/boe) (3) (4)	**4.37**	5.74	-24%
Netback ($/boe) (3) (4)	**32.94**	20.46	61%

(1) Weighted average number of shares outstanding during the period, basic
(2) Based on the number of shares issued and outstanding at each record date
(3) See Non-GAAP Financial Measures
(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

President's Message

The first quarter of 2021 marked a period of rebound as Freehold restored production levels, generated significant improvements in funds from operations, increased its dividend and completed a transformational U.S. royalty transaction, all while reducing leverage.

We closed Freehold’s first material U.S. royalty transaction during the quarter. Our team worked hard to incorporate these assets into our portfolio, with early indications suggesting performance exceeding expectations. We see the growth of Freehold’s U.S. portfolio as further diversifying our royalty lands, enabling participation in some of the most attractive plays in North America. Moving forward, we believe our U.S. royalty lands will provide a key growth wedge to our production profile, increasing option value to provide returns to our shareholders.

Production from our royalty lands continues to display growth, with volumes increasing 13% quarter-over-quarter (3% on a production per share measure). At current commodity price levels, we see third-party activity offsetting natural declines. Drilling activity on our lands over the quarter was in-line with expectations, with our core royalty positions in the Viking, Cardium and Sparky, continuing to attract capital. We also saw a ramp-up in activity associated with the Clearwater in central Alberta where we have approximately 200 sections of land at an average 4.0% royalty interest. In the U.S. there has been strong activity on our royalty lands in both the Permian and Eagle Ford basins. We currently have approximately 10 rigs on our royalty lands, in the U.S. and Canada.

With an improved outlook for commodity prices and strengthened business model, we are increasing our monthly dividend from $0.03 to $0.04 per share, or $0.48 per share annualized. The revision reflects a measured increase in our payout strategy, with the goal of aligning dividend levels to a stronger and stabilizing business outlook.

Looking forward, the groundwork is in place for an exciting 2021 and beyond. The improved economic conditions are very positive for our industry and highlight the strength of the royalty model. Through execution of our strategy in the coming quarters, we expect to be able to showcase the strong return proposition an investment in Freehold provides, with the ultimate commitment to maximize value to our shareholders.

David M. Spyker

President and CEO

Dividend Announcement

The Board of Directors has declared a dividend of $0.04 per share to be paid on June 15, 2021 to shareholders of record on May 31, 2021. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Projected 2021 payouts are below our stated dividend policy levels, which outlines a 60%-80% payout ratio over the long-term based on forward looking funds from operations. The dividend increase announced today is at a measured pace as, although the commodity price outlook has improved, there is still risk, as the supply - demand balance for oil continues to be tenuous. We also see meaningful, high quality, acquisition opportunities across North America and feel it would be prudent to retain financial flexibility to pursue these as we work to continually enhance our portfolio.

First Quarter Highlights

- Freehold's production averaged 10,944 boe/d during Q1-2021. This represents a 13% improvement over Q4-2020 and brings volumes back in-line with the 11,026 boe/d averaged in Q1-2020.
- Funds from operations totaled $32.4 million, or $0.25 per share. This represented a 60% increase from the $20.2 million ($0.17 per share) generated in Q1-2020 and a 47% increase from the $22.1 million ($0.19 per share) in Q4-2020. The strong recovery in funds from operations were due to continued upward momentum in crude oil prices, growth in production volumes, and stronger realized pricing on our U.S. assets.

- Gross wells drilled on our royalty lands totaled 111 in the quarter, which was in-line with production guidance. Drilling was lower compared to 175 gross wells drilled in Q1-2020 as operators have taken a more measured approach to a return to activity. Q1-2021 drilling activity was unchanged from Q4-2020.
- Dividends declared for Q1-2021 totaled $0.07 per share, down from $0.1575 per share in Q1-2020, but up from and Q4-2020 levels of $0.05 per share. Freehold's payout ratio (1) totaled 24% for the quarter, versus 92% during the same period last year but unchanged from Q4-2020.
- Q1-2021 net income totaled $5.6 million compared with a $9.0 million net loss recorded in Q1-2020. The higher net income reflected increased revenues due to improving oil prices.
- Closing net debt as at March 31, 2021 was $64.8 million, a decrease of $1.0 million versus the previous quarter while reducing net debt by $37.0 million versus the same period last year. Despite partially funding four acquisitions through its existing bank facility, Freehold was able to maintain net debt levels quarter-over-quarter.
- Freehold exchanged 12.6 million subscription receipts for an equivalent number of Freehold's common shares for gross proceeds of $60.7 million upon closing of a U.S. royalty acquisition.
- Freehold amended its credit facility agreement with an unchanged committed revolving and operating facilities at $165 million and $15 million respectively, with three-year terms maturing in March 31, 2024.
- Cash costs (1) for the quarter totaled $4.37/boe, down from $5.74/boe in Q1-2020. The decrease year-over-year reflects reduced general and administrative (G&A) and operating cost charges.

(1) See Non-GAAP Financial Measures.

US Royalty Assets Update

- Freehold closed four U.S. royalty property acquisitions in Q1-2021 for total consideration of $79.7 million. The first transaction closed on January 5, 2021, for $74.3 million. This acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins and eight states. Freehold closed three additional transactions, complementing Freehold's position in the Bakken and Permian basins. Total consideration associated with these transactions was approximately $4.9 million with the assets estimated to add 85 boe/d to 2021 average production. In total, the newly acquired U.S. royalty assets are estimated to add 1,335 boe/d to 2021 average production.
- Production from Freehold's U.S. royalty assets averaged 1,285 boe/d in Q1-2021, a 400% increase from 257 boe/d in Q4-2020 and a 414% increase versus the same period last year. Volume increases reflect the closing of the four U.S. royalty acquisitions in Q1-2021.
- In the U.S., activity levels have exceeded expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Overall, 18 gross wells were drilled on our U.S. royalty lands over the quarter with between 4-5 rigs continuing to drill on our lands.

Q1 Activity Levels in-line with Forecasts

In total, 111 (3.9 net) wells were drilled on our royalty lands in Q1-2021, a 37% decline on a gross measure versus the same period in 2020 but flat when compared to Q4-2020. Reduced activity year-over-year was driven by a broad reduction in overall industry spending across both Canada and the U.S. With the upward move in crude oil prices, we have seen activity increase on Freehold's royalty lands with approximately 10 rigs (six in Canada, four in the U.S.) running on our royalty lands currently.

In Q1-2021, approximately 75% of all locations drilled on Freehold's Canadian assets targeted gross overriding royalty prospects with 25% focused on prospects on Freehold's mineral title lands. 50% of all locations drilled targeted prospects in Saskatchewan, with the remainder focused in Alberta. The vast majority of wells drilled (>90%) focused on oil or liquids prospects.

The Clearwater oil play in central Alberta, where Freehold holds an interest in approximately 200 sections of land at an average 4.0% royalty interest, represented Freehold's most active area over the quarter. The increase in activity reflected a change in operator late last year and subsequent ramp-up in that operator's spending on the lands. We expect this area to represent a key growth area for Freehold in the near to medium term with the play offering strong economics at current commodity price levels.

In addition, we saw consistent drilling activity in the Viking in southwest Saskatchewan, the Cardium in northwest Alberta and the Sparky in central Alberta over the quarter. These areas remain core in terms of growth and execution of strategy for the producers developing them and we expect activity levels to remain strong.

In the U.S., activity levels on Freehold's mineral title lands have met expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Overall, 18 gross wells were drilled on our U.S. royalty lands over the quarter with between 4-5 rigs continuing to drill on our lands. The acquisition of additional U.S royalty production and royalty lands in Q1-2021 has further diversified and enhanced Freehold's asset base, bringing added sustainability to its portfolio and dividend.

Royalty Interest Drilling

	Three Months Ended March 31			
	2021		2020	
	Gross	**Net (1)**	Gross	Net (1)
Canada	**93**	**3.8**	175	6.2
United States	**18**	**0.1**	-	-
Total	**111**	**3.9**	**175**	**6.2**

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

2021 Guidance

The following table summarizes our key operating assumptions for 2021.

- We are maintaining our 2021 average production range of 10,500 boe/d to 11,000 boe/d. Volumes are expected to be weighted approximately 55% oil and NGL's and 45% natural gas.
- We are increasing our WTI price forecast from US$50.00/bbl to US$55.00/bbl.
- We are increasing our Edmonton Light Sweet oil price assumptions from $58.00/bbl to $63.00/bbl.
- We are maintaining our AECO monthly price assumption at $2.75/mcf.

2021 Annual Average		**Guidance Date May 11, 2021**	**Guidance Date March 4, 2021**
Average Production	boe/d	**10,500-11,000**	**10,500-11,000**
West Texas Intermediate crude oil	US$/bbl	**55.00**	**50.00**
Edmonton Light Sweet crude oil	Cdn$/bbl	**63.00**	**58.00**
AECO natural gas	Cdn$/Mcf	**2.75**	**2.75**
NYMEX natural gas	US$/mmbtu	**3.10**	**3.10**
Exchange rate	US$/Cdn$	**0.79**	**0.79**

(1) See Non-GAAP Financial Measures.

Virtual Annual and Special Meeting

Freehold's annual and special meeting of Shareholders will be conducted via live audio webcast at https://web.lumiagm.com/478980034 commencing at 4:00 PM (MDT) on Tuesday, May 11, 2021. Further details are available on our website at www.freeholdroyalties.com/investors/events-presentations.

Conference Call Details

A conference call to discuss financial and operational results for the three months ended March 31, 2021 will be held for the investment community on Wednesday May 12, 2021 beginning at 7:00 AM MDT (9:00AM EDT). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-898-3989 (toll free in North America) participant passcode is 6233148#

Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as at May 11, 2021 and contains forward-looking statements that we believe allow readers to better understand our business and prospects. These forward-looking statements include our expectations for the following:

- our expectation that performance on the newly acquired U.S. royalty assets may exceed expectations;
- our expectation that the newly acquired U.S. royalty assets will provide a key growth wedge to our production profile, increasing option value to provide returns to our shareholders;
- our expectation that third-party activity on our royalty lands may offset natural declines;
- our expectation that the execution of our strategy in the coming quarters will provide strong returns;
- our commitment to maximize value to our shareholders;
- our expectation that our 2021 payouts will be below our stated dividend policy levels;
- our expectation that there will be meaningful, high quality, acquisition opportunities across North America;
- our intent to retain financial flexibility to pursue acquisition opportunities and enhance our portfolio;
- 2021 forecast production associated with various U.S. royalty asset acquisitions;
- our expectation that the Clearwater play in Alberta will represent a key growth area for Freehold in the near to medium term;
- our expectations as to activity levels to remaining strong in certain other areas where Freehold has interests;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil and natural gas;
- our expectation that the acquisition of U.S royalty production and royalty lands will further diversify our royalty lands, bringing added sustainability to our portfolio and dividend;
- 2021 guidance including average royalty production (including commodity weighting) and commodity prices; and
- our dividend policy and expectations for future dividends.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of the COVID-19 pandemic on economic activity and demand for oil and natural gas, general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form for the year ended December 31, 2020 available at www.sedar.com.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, future commodity prices, future capital expenditure levels, future production levels, future exchange rates, future tax rates, future legislation, the cost of developing and producing our assets, our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities, our ability to market our oil and gas successfully to current and new customers, our expectation for the consumption of crude oil and natural gas, our expectation for industry drilling levels, our ability to obtain financing on acceptable terms, shut-in production, production additions from our audit function and our ability to add production and reserves through development and acquisition activities. Additional operating assumptions with respect to the forward-looking statements referred to above are detailed in the body of this news release.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. To the extent any guidance or forward-looking statements herein constitute a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises, requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

Conversion of Natural Gas to Barrels of Oil Equivalent (BOE)

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Non-GAAP Financial Measures

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that operating income, operating netback, payout ratio, free cash flow and cash costs are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

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

Free cash flow is calculated by subtracting capital expenditures from funds from operations. In periods where Freehold has no capital expenditures, this figure is interchangeable with funds from operations. Free cash flow is a measure often used by dividend paying companies to determine cash available for the payment of dividends, reducing debt or available for investment.

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

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

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

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