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NEWS RELEASE

TSX: FRU

Freehold Royalties Ltd. Announces First Quarter 2020 Results

CALGARY, ALBERTA, (GLOBE NEWSWIRE – May 5, 2020) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces first quarter results for the period ended March 31, 2020.

Results at a Glance

	Three Months Ended March 31		
FINANCIAL ($000s, except as noted)	**2020**	2019	Change
Royalty and other revenue	**26,284**	35,609	-26%
Net income (loss)	**(9,022)**	(7,079)	-27%
Per share, basic and diluted ($) (1)	**(0.08)**	(0.06)	-33%
Funds from operations	**20,248**	29,348	-31%
Per share, basic ($) (1)	**0.17**	0.25	-32%
Acquisitions and related expenditures	**5,370**	929	478%
Dividends declared	**18,685**	18,651	-
Per share ($) (2)	**0.1575**	0.1575	-
Payout ratio (3)	**92%**	64%	44%
Net debt	**101,833**	77,533	31%
Shares outstanding, period end (000s)	**118,664**	118,458	-
Average shares outstanding (000s) (1)	**118,623**	118,403	-
OPERATING			
Royalty production (boe/d) (4)	**10,618**	10,139	5%
Light and medium oil (bbl/d)	**3,863**	3,734	3%
Heavy oil (bbl/d)	**1,238**	911	36%
NGL (bbl/d)	**872**	912	-4%
Total liquids (bbl/d)	**5,973**	5,557	7%
Natural gas (Mcf/d)	**27,870**	27,492	1%
Total production (boe/d) (4)	**11,026**	10,627	4%
Oil and NGL (%)	**56**	55	2%
Average price realizations ($/boe) (4)	**25.69**	36.29	-29%
Cash Costs ($/boe) (3) (4)	**5.74**	6.39	-10%
Operating netback ($/boe) (3) (4)	**25.22**	36.22	-30%

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

President's Message

Operationally, Q1-2020 was a strong quarter as royalty production of 10,618 boe/d was 5% greater than the same period last year and a 3% increase versus Q4-2019. Q1-2020 average royalty production is at the highest level in the last two years. Drilling on our royalty lands totaled 175 gross (6.2 net) wells during the quarter, up 19% on a gross measure and down 15% on a net measure compared to Q1-2019, outpacing the broader Western Canadian Sedimentary Basin, which has seen activity levels decline by greater than 25% over the same period. Our top drillers maintain strong balance sheets and we expect that they will recommit capital as commodity prices improve.

With the advancement of novel coronavirus (COVID-19) however, our outlook from Q1-2020 has changed materially. Under the current backdrop, crude oil demand has been reduced by greater than 30% globally. Combining this drop-off in demand with a price war involving Russia and the Organization of Petroleum Exporting Countries ("OPEC") and the resulting flooding of oil supply into the market, North American commodity prices have hit multi-decade lows. With West Texas Intermediate ("WTI") prices at approximately US$20/bbl and Canadian light and heavy blends trading at significant discounts to these levels, the business environment has changed dramatically. While we expect crude oil fundamentals to improve through the second half of 2020 and into 2021, prices are forecast to recover slowly.

Proactively, Freehold reduced its dividend from $0.0525 per share to $0.015 per share, effective with the May 15, 2020 monthly dividend payment. With the revised payout, we feel better positioned to operate within the new commodity price environment and the associated likelihood of reduced production volumes on our lands during this period. Given the uncertainty of our payors near-term spending programs and production levels, we have also withdrawn our 2020 guidance, with the expectation to revisit our forward-looking estimates when the operating environment becomes less volatile.

The COVID-19 pandemic has prompted the Government of Alberta to declare a state of public health emergency. Alongside government and public health officials, we are actively monitoring COVID-19 updates and we are following the latest guidance. As the COVID-19 pandemic continues to evolve, we are prioritizing the health and safety of our workforce by directing employees to work remotely from home. All employees have been working from home since we implemented our business continuity plan in March 2020. This preparation, along with a dedicated team, has led to a smooth transition. We appreciate the continued efforts of our staff during this time and we want to thank our shareholders for their ongoing support.

Looking forward, we expect the next three to six months to represent a challenging period for the North American exploration and production industry. Setting ourselves apart from the broader industry, Freehold provides investors with diversification, as royalties represent a higher margin business, as we do not pay typical costs associated with oil and gas operations and reclamation, enabling more returns to be transferred to our shareholders.

Thomas J. Mullane
President and CEO

Dividend Announcement

Freehold's Board of Directors (the "Board") has approved maintaining its revised monthly dividend at $0.015 per share or $0.18 per share annualized. Accordingly, the Board has declared a dividend of $0.015 per common share to be paid on June 15, 2020 to shareholders of record on May 31, 2020. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Current payout levels are in-line with our previously stated dividend policy, which outlines a 60%-80% payout based on annualized funds from operations. The COVID-19 pandemic however has caused significant destruction of demand for oil, volatility in commodity prices and uncertainty regarding the timing for recovery, which has made the preparation of financial forecasts challenging. As a result, there may be adverse changes in funds from operations that are currently unforeseen that could require further adjustments to dividend levels. We will continue to evaluate our production expectations and the commodity price environment and adjust the dividend level accordingly.

Q1 2020 Highlights

- Dividends declared for Q1-2020 totaled $0.1575 per share, unchanged from Q1-2019 and Q4-2019. Our payout ratio totaled 92% for the quarter, versus 64% during the same period last year. We continue to position Freehold's dividend within our guided payout thresholds of 60%-80% of annualized funds flow.
- Freehold's royalty production averaged 10,618 boe/d during Q1-2020. This represented a 5% improvement versus the same period last year and 3% growth when compared to the previous quarter. Royalty liquids production averaged 5,973 boe/d for Q1-2020, up 7% versus the same period in 2019 and 1% when compared to the previous quarter.
- Production from Freehold's U.S. royalty assets averaged 242 boe/d in Q1-2020, representing a 32% increase from 184 boe/d in Q4-2019.
- Royalty interests accounted for 96% of total production and contributed 100% of operating income(1) in Q1-2020. Oil and natural gas liquids represented 56% of production in Q1-2020, up slightly from 55% in Q1-2019.

- Q1-2020 funds from operations and free cash flow[1] totaled $20.2 million, or $0.17 per share over the quarter, compared to $29.3 million or $0.25 per share in Q1-2019. Compared to the prior quarter, funds from operations were impacted by the material drop in crude oil prices late in the period, partially offset by growing production volumes.
- Q1-2020 net loss totaled $9.0 million compared with a $7.1 million net loss recorded in Q1-2019. The higher net loss reflected lower revenues due to the retreat in oil prices late in the quarter, as well as an impairment loss of $9.6 million related to Freehold's working interest properties recorded in Q1-2020. This compared with a $14.1 million impairment loss recorded during Q1-2019 related to the termination of a specific production volume royalty agreement.
- Closing net debt as at March 31, 2020 was $101.8 million, an increase of $7.2 million versus the previous quarter. The increase quarter-over-quarter reflects the decline in oil prices as well as acquisition activity, a planned decommissioning liability disposal, and the dividend payout.
- Freehold closed two acquisitions in Q1-2020 for total consideration of $3.2 million (US$2.4 million) on certain royalty assets located in North Dakota. Production from the acquired assets in Q1-2020 was approximately 20 boe/d. These transactions were completed at attractive rates of return.
- Wells drilled on our royalty lands totaled 175 (6.2 net) in the quarter, compared to 186 (4.5 net) in Q4-2019 and 147 (7.3 net) royalty wells drilled in Q1-2019. During the first quarter, drilling activity was focused primarily on the Viking light oil plays in western Saskatchewan and east central Alberta, as well as the Mississippian subcrop and Cantuar light oil plays in south Saskatchewan.
- In Q1-2020, Freehold issued 12 new lease agreements with six companies, compared to 20 leases issued in Q1-2019 and 24 leases issued in Q4-2019.
- Cash costs[1] for the quarter totaled $5.74/boe, down from $6.39/boe in Q1-2019. The decrease in costs year-over-year reflects reduced general and administrative (G&A) charges, deferred payment of stock-based compensation and increased production volumes. The first quarter typically represents a period of higher G&A for Freehold based on the seasonal nature of these expenditures.

(1) See Non-GAAP Financial Measures.

Subsequent Event

On April 9, 2020, Freehold announced that reflecting sustained weakness in crude oil prices due to the COVID-19 pandemic, its Board had declared a dividend of $0.015 per common share to be paid on May 15, 2020 to shareholders of record on April 30, 2020. This reflected a reduction from the previous monthly dividend level of $0.0525 per common share. At the revised dividend level, Freehold's funds from operations are forecast to exceed dividend outflows for the remainder of 2020 and remain positioned at or below the low end of our payout range of 60%-80%. Adjusting the dividend at this time preserves the strength of our balance sheet and enhances optionality to pursue value enhancing acquisitions as they are presented.

On April 30, 2020, Freehold disposed of certain working interest properties with an estimated production of 265 boe/d. As part of the transaction, the purchaser has agreed to assume decommissioning liabilities of approximately $3.7 million on those properties. Freehold has agreed to pay $1.7 million into escrow that will be released to the purchaser once the legal interests are satisfactorily transferred. An additional $0.3 million will also be deposited on behalf of the purchaser with various regulators as security deposits.

Strong Start to 2020 Drilling

Drilling activity in Q1-2020 was strong, with 175 gross (6.2 net) wells drilled on our royalty lands over the period. This compares to 186 (4.5 net) in Q4-2019 and 147 (7.3 net) royalty wells drilled in Q1-2019. Drilling continues to be dominated by activity in Saskatchewan and Manitoba, which together represent 64% of the gross Q1-2020 drilling (75% on a net basis). Drilling continues to be focused on oil prospects throughout the Western Canadian Sedimentary Basin. The Viking oil play in west central Saskatchewan and east central Alberta continues to be the dominant play for Freehold, with 65 gross (3.3 net) wells in the quarter. The Mississippian subcrop oil play in southeast Saskatchewan and southwest Manitoba saw 29 gross (1.2 net) wells drilled. The various Mannville oil plays across Saskatchewan and Manitoba saw 17 gross (0.8 net) wells drilled, not including 10 gross (0.2 net) wells drilled on recently acquired Sparky royalty lands in central Alberta, and 7 gross (0.3 net) wells on the Clearwater royalty lands in northern Alberta. Nearly 100% of the wells drilled on the royalty lands were horizontal in Q1-2020, 63% of the gross drilling (78% net) was on gross overriding royalty lands, 13% gross on title land (20% net), and 24% of the gross drilling was on unit interests (2% net). Activity continued to be funded by some of the most stable operators in the industry.

Royalty Interest Drilling

	Three Months Ended March 31			
	2020		2019	
		Equivalent		Equivalent
	Gross	**Net** (1)	Gross	Net (1)
Total	**175**	**6.2**	**147**	**7.3**

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

Guidance Update

As part of Freehold's press release dated April 9, 2020, the Company announced that due to uncertainty associated with the underlying business environment, including the potential for voluntary shut-ins of production, regulatory imposed production curtailments, high crude oil inventories and continued price volatility, its previously released 2020 guidance was no longer applicable. As a result, Freehold has withdrawn all previous guidance and forward-looking statements, including the guidance provided in our MD&A for the year ended December 31, 2019 dated March 4, 2020 and the accompanying press release of the same date. We expect to provide a revised guidance update at a time of increased stability associated with the commodity price environment and our royalty payors capital programs.

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

Virtual Annual and Special Meeting

As the City of Calgary and the Province of Alberta have declared a state of public health emergency, and to support efforts to combat the spread of COVID-19, we will be convening the Annual and Special Meeting by virtual-only format. We believe hosting a virtual meeting in the face of the COVID-19 pandemic is in the best interests of all stakeholders and the broader community. Shareholders will not be able to attend the Annual and Special Meeting in person.

The virtual meeting will be conducted by live audio webcast at https://web.lumiagm.com/232049364 commencing at 3:30 p.m. (MDT) on May 5, 2020. Below is some information on attending the virtual meeting. Further details are available on our website at www. freeholdroyalties.com/investors/events-presentations.

Registered shareholders and duly appointed proxyholders will be able to listen to the virtual meeting, ask questions and vote online, all in real time, provided they are connected to the internet and have properly followed the instructions on the website.

Non-registered (beneficial) shareholders who have not duly appointed themselves as proxyholders may still attend the virtual meeting as guests. Guests will be able to listen to the meeting but will not be able to vote at the meeting or ask questions.

https://web.lumiagm.com/232049364 in your web browser.

Password: "free2020" (case sensitive)

Conference Call Details

A conference call to discuss financial and operational results for the period ended March 31, 2020 will be held for the investment community on Wednesday May 6, 2020 beginning at 7:00 am MT (9:00 am ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-289-0462 (toll-free in North America), participant access code 641120#.

Availability on SEDAR

Freehold's 2020 first quarter interim unaudited condensed consolidated financial statements and accompanying Management's Discussion and Analysis (MD&A) are being filed today with Canadian securities regulators and will be available at www.sedar.com and on our website at www.freeholdroyalties.com.

Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as at May 5, 2020 and contains forward-looking statements that we believe allow readers to better understand our business and prospects. These forward-looking statements include our expectations for the following:

- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil and natural gas including the impact of COVID-19 on such factors;
- changing economic conditions;
- our expectation that our royalty payors will recommit capital as commodity prices improve;
- our expectation of providing a revised guidance update at a time of increased stability associated with the commodity price environment and our royalty payors' capital programs; 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, 2019 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. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in the body of this news release.

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

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

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

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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