

## NEWS RELEASE

TSX: FRU

### Freehold Royalties Ltd. Announces Third Quarter 2021 Results and Increases Dividend by 20%

CALGARY, ALBERTA, (GLOBE NEWSWIRE – November 10, 2021) – Freehold Royalties Ltd. (Freehold or the Company) (TSX:FRU) announces third quarter results for the period ended September 30, 2021.

### Operating and Financial Highlights

FINANCIAL (\$000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Royalty and other revenue	50,879	23,123	120%	132,549	64,165	107%
Net income (loss)	22,726	139	nm	40,906	(14,304)	nm
Per share, basic (\$) <sup>(1)</sup>	0.17	-	nm	0.31	(0.12)	nm
Cash flows from operations	43,911	1,130	nm	102,321	45,157	127%
Funds from operations	48,247	19,893	143%	120,876	50,763	138%
Per share, basic (\$) <sup>(1)</sup>	0.36	0.17	112%	0.92	0.43	114%
Acquisitions and related expenditures	228,382	415	nm	309,094	6,836	nm
Dividends paid	17,095	5,342	220%	37,875	33,815	12%
Per share (\$) <sup>(2)</sup>	0.13	0.045	189%	0.29	0.285	1%
Dividends declared	19,364	5,342	262%	43,029	29,368	47%
Per share (\$) <sup>(2)</sup>	0.14	0.045	211%	0.32	0.2475	29%
Payout ratio (%) <sup>(3)</sup>	35%	27%	8%	31%	67%	-36%
Long term debt	126,000	107,000	18%	126,000	107,000	18%
Net debt	75,278	81,678	-8%	75,278	81,678	-8%
Shares outstanding, period end (000s)	150,585	118,746	27%	150,585	118,746	27%
Average shares outstanding (000s) <sup>(1)</sup>	132,941	118,706	12%	131,767	118,665	11%
<b>OPERATING</b>						
Light and medium oil (bbl/d)	4,038	3,384	19%	3,986	3,522	13%
Heavy oil (bbl/d)	1,236	791	56%	1,160	1,025	13%
NGL (bbl/d)	1,125	859	31%	1,100	848	30%
Total liquids (bbl/d)	6,399	5,034	27%	6,246	5,395	16%
Natural gas (Mcf/d)	29,203	24,656	18%	29,229	26,524	10%
Total production (boe/d) <sup>(4)</sup>	11,265	9,143	23%	11,118	9,816	13%
Oil and NGL (%)	57%	55%	4%	56%	55%	1%
Average price realizations (\$/boe) <sup>(4)</sup>	49.17	26.93	83%	43.60	23.37	87%
Cash costs (\$/boe) <sup>(3) (4)</sup>	2.49	3.70	-33%	3.76	4.80	-22%
Netback (\$/boe) <sup>(3) (4)</sup>	46.60	23.79	96%	39.92	19.06	109%

nm – not meaningful

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

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

(3) See Non-GAAP Financial Measures

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

## President's Message

The third quarter of 2021 was transformational for Freehold as the Company was able to close greater than \$250 million in portfolio enhancing transactions (before closing adjustments). These transactions were focused in core U.S. and Canadian oil basins and further solidify Freehold's position as a North American royalty company.

As a result of this hard work, Freehold's portfolio is positioned to generate organic growth into the coming years with significantly increased funds from operations which will allow us to continue to build and enhance our business. The "new look" Freehold has the following attributes:

- Positioned in some of the best oil and gas basins in North America with core positions added in the Permian (Delaware and Midland) and Eagle Ford in the United States and the Clearwater in Canada
- Q3-2021 production of 11,265 boe/d is 23% higher on an absolute and 10% on a per share measure over the same period in 2020
- 2022 guidance of 13,750 – 14,750 boe/d, represents a greater than 25% increase from the current quarter with production per share expected to grow by 12% at the midpoint of guidance
- Funds from operations of \$48.2 million (\$0.36/share) in Q3-2021 and expected to grow materially higher with the acquisitions completed during the year fully incorporated in Q4-2021
- 179 gross wells (6.0 net) drilled on Freehold lands in the quarter more than doubles, on a net basis, the activity levels on our royalty lands through the first half of 2021

With the strength in our business model, we are continuing our measured approach to setting Freehold's monthly dividend, increasing it by 20% from \$0.05/share to \$0.06/share, or \$0.72/share annualized. Projected 2021 payout levels are below our stated dividend policy levels, which outlines a payout ratio starting at 60% over the long-term based on forward looking funds from operations. This dividend increase strikes a balance between returning value to our shareholders, managing our balance sheet, and positioning Freehold to remain active on the acquisition front, as the opportunities to further build on the quality of our portfolio remains robust, within both U.S. and Canada.

On November 25, 2021, Freehold will celebrate its 25<sup>th</sup> anniversary from its initial public offering. From an offering of \$10.00/share, Freehold has returned almost \$33/share in dividends, while providing a lower risk income vehicle for investors. I would like to personally thank all of our shareholders for their support over that time and also thank our Board and employees that contribute to the ideas, the energy, and the inspiration that have made an investment in Freehold a success.

We have enjoyed the first 25 years and strongly believe that we are positioning Freehold for another 25 years of continued success.

**David M. Spyker**

**President and CEO**

## Dividend Announcement

The Board of Directors has declared a dividend of \$0.06 per share to be paid on December 15, 2021 to shareholders of record on November 30, 2021. The dividend to be paid on December 15, 2021 represents a 20% increase over the \$0.05 per common share dividend to be paid on November 15, 2021 to shareholders on record on October 31, 2021. The dividend is designated as an eligible dividend for Canadian income tax purposes.

## Subsequent Events

### Permian Transaction

On October 5, 2021, Freehold announced that it had closed its previously disclosed transaction to acquire concentrated, high quality U.S. royalty assets for US\$54.7 million (\$69.3 million) (the Midland Assets). The Midland Assets, in conjunction with the focused acquisition work completed year-to-date, are expected to play a key role in strengthening the resiliency of Freehold's North American royalty portfolio, enhancing the near and long-term sustainability of Freehold's dividend, through multiple years of production and funds flow growth.

## Third Quarter Highlights

- Freehold's production averaged 11,265 boe/d during Q3-2021. Production volumes grew 23% compared to the same period last year and 1% compared to Q2-2021, highlighting the impact of our year-to-date acquisition activity as well as a return of third-party drilling activity to our royalty lands.
- Production from Freehold's Canadian assets averaged 9,517 boe/d during Q2-2021, up 5% from the same period in 2020. Gains in production were reflective of increased third-party spending on Freehold royalty lands, although we expect much of the benefit of increased drilling in Q3-2021 to occur later in 2021 and into 2022.
- Funds from operations totaled \$48.2 million, or \$0.36 per share. This represents a 143% increase from the \$19.9 million (\$0.17 per share) generated in Q3-2020 and a 20% increase from the \$40.2 million (\$0.31 per share) in Q2-2021. The strong recovery in funds from operations compared to Q3-2020 was due to higher royalty production resulting from Freehold's acquisitions of U.S. royalty properties, increased third-party drilling activities and higher commodity pricing reflecting significant improvement in crude oil benchmark pricing driven by the expansion of the Company's U.S. portfolio.
- Gross wells drilled on our royalty lands totaled 179 in the quarter. Drilling was materially higher compared to 32 gross wells drilled in the same period last year as operators increased their spending on Freehold royalty lands as commodity prices displayed positive momentum combined with incremental drilling activities on our U.S. properties acquired earlier in 2021.
- In July, Freehold closed the acquisition of certain U.S. royalty properties for US\$15.5 million (\$19.4 million). This acquisition included exposure to the Eagle Ford, Delaware and Midland basins in Texas, expanding Freehold's North American royalty footprint. The acquired royalty assets provide exposure to a strong suite of E&P companies with multiple year development plans expected on the acreage.
- In late September, Freehold closed the acquisition of a high-quality U.S. royalty assets located in the Eagle Ford basin in Texas for US\$160.6 million (\$203.2 million) after closing adjustments (the Eagle Ford Royalty Transaction). The Eagle Ford Transaction is expected to significantly enhance the quality of Freehold's North American portfolio, improving both the near-term and long-term sustainability of Freehold's dividend while providing further option value to return capital to shareholders through multiple years of free cash flow growth.

- In late September, Freehold announced that it had completed its previously announced bought deal equity financing, issuing 19.1 million subscription receipts at a price of \$9.05 per subscription receipt for gross proceeds of \$172.6 million, which included the full exercise of the over-allotment option granted to the underwriters. The subscription receipts were exchanged for an equivalent number of Freehold common shares on September's closing of the Eagle Ford Royalty Transaction.
- Concurrently with the closing of the Eagle Ford Royalty Transaction, Freehold amended its credit facility agreement with a syndicate of four Canadian banks increasing the committed revolving facility to \$285 million and maintaining the operating facility at \$15 million. The amended credit facility agreement includes a permitted increase in the committed revolving facility of up to \$360 million subject to lenders' consent. Both the committed revolving and operating facilities mature September 28, 2024.
- Dividends declared for Q3-2021 totaled \$0.14 per share, up from \$0.045 per share in Q3-2020 and a 27% improvement from Q2-2021 levels. Freehold's payout ratio <sup>(1)</sup> was 35% for the quarter, versus 27% during the same quarter in 2020.
- Q3-2021 net income totaled \$22.7 million compared to \$0.1 million in Q3-2020. The higher net income reflected increased revenues due to improving commodity prices and growth in production volumes.
- Long term debt as at September 30, 2021 was \$126 million, an increase of \$48 million from Q2-2021 as we partially financed the Eagle Ford Royalty Transaction by utilizing our amended credit facility. This is up from \$107 million as at September 30, 2020.
- Cash costs <sup>(1)</sup> for the quarter totaled \$2.49/boe, a record low for Freehold. This was down from \$3.70/boe in Q3-2020. This decrease reflects reduced general and administrative and operating cost charges combined with increased production volumes.

(1) See Non-GAAP Financial Measures.

## U.S. Royalty Assets Update

- Production from Freehold's U.S. royalty assets averaged 1,748 boe/d in Q3-2021, a 13% increase from 1,544 boe/d in Q2-2021 and a significant increase from 108 boe/d in Q3-2020. Growth in volumes over the same period last year reflect acquisition activity completed throughout 2021 and increased third-party drilling on our royalty lands.
- In the U.S., activity levels have exceeded expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Overall, 34 gross wells were drilled on our U.S. royalty lands over the quarter, an increase from 25 gross wells drilled in Q2-2021. Currently 14 rigs are drilling on our U.S. royalty lands across five basins with eight unique operators.

## Q3 Net Drilling Activity Outpaces H1-2021

In total, 179 gross (6.0 net) wells were drilled on our royalty lands in Q3-2021, a 459% improvement on a gross basis versus the same period in 2020, as activity continued to return to Freehold's lands supported by higher commodity pricing while also reflecting growth within our U.S. portfolio.

For the quarter, the most significant plays drilled included 27 gross wells in the Viking, 24 in the Mississippian, 18 in the Cardium, 18 in the Spirit River, 17 in the Clearwater, 14 in the Eagle Ford and 11 targeting the Midland/Delaware basins. For the first nine months of 2021, 375 (11.8 net) wells were drilled on Freehold royalty lands, this compares to 261 (8.7 net) wells drilled during the same period last year.

Increased activity was driven by a broad increase in overall industry spending across North America. With the upward move in crude oil prices, we have seen activity increase on Freehold's royalty lands with approximately 20 rigs (six in Canada, 14 in the U.S.) running on our royalty lands currently.

In Q3-2021, approximately 70% of all gross locations on Freehold’s Canadian assets targeted gross overriding royalty prospects with 25% focused on Freehold’s mineral title lands and 5% from unit wells. 44% of all locations drilled targeted prospects in Alberta, 37% in Saskatchewan and 19% in the U.S. on a gross basis. The majority of wells drilled (greater than 88%) focused on oil or liquids prospects.

## Royalty Interest Drilling

	Three Months Ended September 30				Nine Months Ended September 30			
	2021		2020		2021		2020	
	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>	Gross	Net <sup>(1)</sup>
<b>Canada</b>	<b>145</b>	5.8	32	2.1	<b>291</b>	11.3	261	8.7
<b>United States (2)</b>	<b>34</b>	0.2	-	-	<b>84</b>	0.5	-	-
<b>Total</b>	<b>179</b>	6.0	32	2.1	<b>375</b>	11.8	261	8.7

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

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

## Fourth Quarter 2021 Guidance Update

After incorporating Q3-2021 results and including all of the recent acquisition work completed by Freehold, we are implementing guidance for Q4-2021. The following table summarizes our key operating assumptions for Q4-2021 where production is expected to be weighted approximately 60% oil and NGL’s and 40% natural gas:

	Guidance Date
<b>Q4 2021</b>	<b>November 10, 2021</b>
Average Production (boe/d) <sup>(1) (2)</sup>	13,500-13,750
West Texas Intermediate crude oil (US\$/bbl)	\$82.00
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$95.00
AECO natural gas (Cdn\$/Mcf)	\$5.00
NYMEX natural gas (US\$/Mcf)	\$5.00
Exchange rate (US\$/Cdn\$)	0.80

(1) Previously, Freehold provided full year 2021 guidance of 10,500-11,000 boe/d on March 4, 2021 and second half of 2021 guidance of 11,750 – 12,250 boe/d on September 8, 2021. Freehold is currently forecasting full year 2021 guidance of 11,500-12,000 boe/d (9% heavy oil, 38% light and medium oil, 10% NGL's and 43% natural gas) and second half of 2021 guidance of 12,250-12,750 boe/d (9% heavy oil, 38% light and medium oil, 10% NGL's and 43% natural gas).

(2) Fourth quarter 2021 guidance is expected to consist of 8% heavy oil, 41% light and medium oil, 11% NGL’s and 40% natural gas

## 2022 Guidance

With Freehold’s most recent acquisitions, we are updating our 2022 production guidance in addition to introducing commodity price guidance. The following table summarizes our key operating assumptions for 2022 where production is expected to be weighted approximately 60% oil and NGL’s and 40% natural gas:

	Guidance Date
2022 Average	November 10, 2021
Average Production (boe/d) <sup>(1)(2)</sup>	13,750-14,750
West Texas Intermediate crude oil (US\$/bbl)	\$75.00
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$88.00
AECO natural gas (Cdn\$/Mcf)	\$4.00
NYMEX natural gas (US\$/Mcf)	\$4.00
Exchange rate (US\$/Cdn\$)	0.80

(1) Previously, Freehold provided full year 2022 guidance of 13,500-14,500 boe/d on September 8, 2021

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

## Shelf Prospectus

On November 10, 2021, Freehold's Board of Directors approved the filing of a preliminary short form base shelf prospectus with securities regulators in each province and territory of Canada. Upon filing of the final base short form shelf prospectus, Freehold will be able to, from time to time, offer and sell common shares, preferred shares, subscription receipts, warrants and units at an aggregate amount of up to \$500 million during the next 25-month period following the filing of such final base short form shelf prospectus. Freehold has no immediate plans to raise equity capital however, the filing of a shelf prospectus is a natural and prudent step for the Company for financial flexibility and as it continues to improve and expand its asset base. Freehold anticipates filing the preliminary short form base shelf prospectus on or about November 12, 2021.

## Conference Call Details

A conference call to discuss financial and operational results for the three months ended September 30, 2021 will be held for the investment community on Wednesday November 10, 2021 beginning at 4:00 PM MDT (6:00PM EST). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-806-5484 (toll free in North America) participant passcode is 1753446#

## Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as of November 10, 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:

- Freehold's expectation that its portfolio is positioned to generate organic growth into the future with significantly increased funds from operations to continue to build our business;
- the expectation that funds from operations will shift materially higher with the acquisitions completing during the year and continued strength in commodity prices;
- 2021, 2022 forecast production associated with our U.S. royalty asset acquisitions that closed in 2021;
- our production guidance for Q4 2021 and the second half and full year in 2021;
- our production guidance for 2022;
- Freehold's expectation of the production volumes growth from 2021 through 2024 associated with the Midland Assets; and
- the expectation that the assets acquired in the U.S. will play a key role in strengthening the resiliency of Freehold's North American royalty portfolio, enhancing near and long-term sustainability of Freehold's dividend, through multi-years of production and funds flow growth.

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

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

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

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

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

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

#### **Non-GAAP Financial Measures**

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that operating income, operating netback, payout ratio, free cash flow and cash costs are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these

terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

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

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

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

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

For further information related to these non-GAAP terms, including reconciliations to the most directly comparable GAAP terms, see our most recent management's discussion and analysis which is available on Freehold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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