

Management Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of August 10, 2021 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 and six months ended June 30, 2021 and comparative periods, 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 ("Q2") and six months ("first half") ended June 30, 2021 (combined the "current reporting periods" in that respective order) and the same period(s) in 2020 (also in that respective order), 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 June 30, 2021 unaudited condensed consolidated financial statements and the December 31, 2020 audited consolidated financial statements and notes.

Additional information about Freehold, including its Annual Information Form for the year ended December 31, 2020 (AIF), can be found on SEDAR at www.sedar.com and on its website at www.freeholdroyalties.com.

This MD&A contains the following non-GAAP financial measures: **netback**, **payout ratio** and **cash costs**. These are useful supplemental measures 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. 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 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 from oil and natural gas properties as reserves are produced over the life of the properties. Freehold's primary focus is acquiring and managing royalties.

The Royalty Advantage

We manage one of the largest non-government portfolios of oil and natural gas royalties in Canada with an expanding land base in the United States, uniquely positioning Freehold as a North American royalty company. Our total land holdings encompass approximately 6.3 million gross acres in Canada and exposure to approximately 700,000 gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands (including royalty assumption lands), which we own in perpetuity, cover approximately 1.1 million acres (over 550,000 acres are undeveloped) and we also have gross overriding royalty and other interests in approximately 5.2 million acres. Our U.S. acreage is comprised of more than 90% mineral title lands.

We have royalty interests in more than 12,000 producing wells and 350 units spanning five provinces and eight states and receive royalty income from over 350 industry operators throughout North America. Our revenues also include potash, bonus consideration and lease rental streams that diversify our royalty revenue portfolio. Royalty rates vary from less than 1.0% (for some gross overriding royalties) to 22.5% (for some lessor royalties). 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 and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, and ultimately restore the land to its original state. All of these costs are paid by others. 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 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 oil and gas 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 with a payout ratio of 60%-80%

Subsequent Events

U.S. Royalty Transactions

In July 2021, Freehold closed the acquisition of certain U.S. royalty properties in the Eagle Ford and Permian basins for US\$15.5 million (\$19.3 million) before customary adjustments. In August 2021, Freehold entered into a definitive agreement to acquire U.S. royalty properties in the Midland basin for US\$52.3 million (\$67.1 million), before customary and potential adjustments resulting from confirmatory due diligence, scheduled to close in October 2021. Of the total proceeds to acquire the U.S. royalty properties in the Midland basin, Freehold deposited, on signing of the definitive agreement, US\$5.3 million (\$6.7 million) into escrow. Combined, these acquisitions expand Freehold's North American royalty footprint through 228,000 gross drilling unit acres.

Clearwater Transaction

In July 2021, Freehold closed a Canadian royalty transaction adding to the Company's already strong position in the Clearwater play in central Alberta. Total committed consideration associated with the transaction is up to \$7.9 million.

Dividend Announcement

The Board of Directors has declared a dividend of \$0.05 per share to be paid on September 15, 2021 to shareholders of record on August 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 strikes a balance between continuing to enhance our portfolio through acquisitions and returning the value created by this work back to our shareholders at an appropriate pace.

Outlook

Business Environment

Q2-2021 saw strong upward momentum in crude oil prices, both globally and within North America. In Q2-2021, the price for West Texas Intermediate (“WTI”) averaged US\$66.07/bbl, a 138% improvement versus the same period in 2020 and a 14% increase when compared to the previous quarter. Within Canada, Q2-2021 prices have mirrored the upward trajectory in pricing with Edmonton Sweet light oil prices averaging \$77.12/bbl, a 159% improvement versus the same period in 2020 and a 16% gain versus the previous quarter. Western Canadian Select price averaged \$66.90/bbl for Q2-2021, up 199% versus the same period in 2020 and a 16% gain versus the previous quarter.

Broad gains in pricing were driven by improving supply/demand fundamentals associated with the roll-out of COVID-19 vaccines and the associated demand impact on crude oil. On the supply side, there continues to be sustained discipline amongst E&P producers, which has been evidenced by a flat North American rig count as prices have improved, putting a cap on production supply.

In Q2-2021, AECO and NYMEX monthly contract prices averaged \$2.80/mcf and US\$2.95/mcf, respectively, up 51% and 74% versus the same period in 2020. Versus the previous quarter, AECO prices were down 4% while NYMEX prices retreated 15%, reflecting the cyclical nature of the North American high demand winter months.

Looking forward, OECD crude oil inventory levels are at pre-pandemic levels. The most recent OPEC meeting highlighted some level of dissent within the group as the United Arab Emirates looked for a right size production agreement. While OPEC was able to reach an agreement a few weeks later, the volatility in pricing around this instability highlights the fragile nature of the macroeconomic environment. In the coming months, we continue to expect a gradual taper in of previous production curtailments as global oil demand recovers.

Within Canada, the summer months typically represent a period for maintenance activities. Several major oil sands facilities underwent planned turnarounds in Q2-2021 including Kearl, Horizon and Syncrude. Into the third quarter, it is expected that volumes will ramp-up post maintenance activity, putting pressure on wider differentials until further egress comes online, with the replacement of Line-3 expected prior to year-end.

Pricing for North American natural gas remains unseasonably strong with demand outpacing supply and less volatile than in previous years. There is a more constructive environment around base level pricing through the remainder of the year following the warm start to summer and production levels remaining for the most part subdued. Power burns in June were higher than expected in the U.S., with the key difference between previous years being the

absence of material coal switching ability. Further driving prices, LNG exports out of the U.S. remain robust running at approximately 6 Bcf/d higher than the 5-year average.

Within Western Canada, receipts at 16 Bcf/d, sit 1.1 Bcf/d above the 5-year average. Seasonal demand has been stronger primarily associated with oil sands growth, coal fuel switching opportunities and warmer than typical summer weather. As a result, we would expect a continued draw down into a more balanced supply/demand equilibrium through the second half of 2021. In the near-term upward price momentum will remain focused on maintenance activity from TC Energy, which could see differentials widen.

2021 Guidance Update

After realizing actual results for the first half of 2021 and with Freehold's most recent acquisitions, we are implementing guidance for the second half of the year. The following table summarizes our key operating assumptions for the second half of 2021 where production is expected to be weighted approximately 55% oil and NGL's and 45% natural gas:

Second Half 2021 Average	August 10, 2021
Production (boe/d) ⁽¹⁾	11,000 - 11,500
West Texas Intermediate crude oil (US\$/bbl)	\$ 65.00
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 75.00
AECO natural gas (Cdn\$/mcf)	\$ 3.25
Exchange rate (US\$/Cdn\$)	\$ 0.78

(1) Previously, Freehold provided full year 2021 guidance of 10,500-11,000 boe/d

Prior 2021 U.S. Royalty Acquisitions

On January 5, 2021, Freehold acquired U.S. royalty properties for US\$58.3 million (\$74.3 million) after customary adjustments. This acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins. 2021 production associated with these acquired assets is forecast at 1,250 boe/d.

Freehold also closed three additional U.S. royalty transactions in the first half of 2021, further complementing our positions in the Bakken and Permian basins. Total consideration associated with these transactions was approximately US\$3.9 million (\$4.9 million) and the assets are estimated to add 85 boe/d to 2021 average production.

As a result of these prior 2021 U.S. acquisitions, complementing our most recent U.S. acquisitions (see Subsequent Events), and the significant reduction in working interest production, Freehold evaluated its reportable segments and determined them based on the underlying operations' geographic locations:

- **Canada** includes exploration and evaluation assets and the petroleum and natural gas interests in Western Canada.
- **U.S.** includes petroleum and natural gas interest held in the Permian, Eagle Ford, Haynesville and Bakken basins primarily located in the states of Texas, Louisiana, and North Dakota.

As a result, segmented disclosure by geographical location is presented throughout this MD&A.

Operating and Financial Results

FINANCIAL (\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Royalty and other revenue	\$ 44,925	\$ 14,758	204%	\$ 81,670	\$ 41,042	99%
Net income (loss)	\$ 12,545	\$ (5,421)	nm	\$ 18,180	\$ (14,443)	nm
Per share, basic (\$) ⁽¹⁾	\$ 0.10	\$ (0.05)	nm	\$ 0.14	\$ (0.12)	nm
Cash flows from operations	\$ 33,420	\$ 13,144	154%	\$ 58,410	\$ 44,027	33%
Funds from operations	\$ 40,208	\$ 10,622	279%	\$ 72,629	\$ 30,870	135%
Per share, basic (\$) ⁽¹⁾	\$ 0.31	\$ 0.09	244%	\$ 0.55	\$ 0.26	112%
Acquisitions and related expenditures	\$ 930	\$ 981	-5%	\$ 80,712	\$ 6,421	nm
Dividends paid	\$ 13,147	\$ 9,790	34%	\$ 20,780	\$ 28,473	-27%
Per share (\$) ⁽²⁾	\$ 0.10	\$ 0.0825	21%	\$ 0.16	\$ 0.2400	-34%
Dividends declared	\$ 14,464	\$ 5,341	171%	\$ 23,665	\$ 24,026	-2%
Per share (\$) ⁽²⁾	\$ 0.11	\$ 0.045	144%	\$ 0.18	\$ 0.2025	-11%
Payout ratio (%) ⁽³⁾	33%	92%	-59%	29%	92%	-63%
Long term debt	\$ 78,000	\$ 102,000	-24%	\$ 78,000	\$ 102,000	-24%
Net debt	\$ 40,751	\$ 96,071	-58%	\$ 40,751	\$ 96,071	-58%
Shares outstanding, period end (000s)	131,490	118,705	11%	131,490	118,664	11%
Average shares outstanding (000s) ⁽¹⁾	131,463	118,664	11%	131,170	118,623	11%
OPERATING						
Light and medium oil (bbl/d)	4,102	3,314	24%	3,958	3,595	10%
Heavy oil (bbl/d)	1,199	920	30%	1,122	1,140	-2%
NGL (bbl/d)	1,107	788	40%	1,087	842	29%
Total liquids (bbl/d)	6,408	5,022	28%	6,167	5,577	11%
Natural gas (Mcf/d)	28,376	25,576	11%	29,250	27,468	6%
Total production (boe/d) ⁽⁴⁾	11,137	9,285	20%	11,042	10,155	9%
Oil and NGL (%)	58%	54%	4%	56%	55%	1%
Average price realizations (\$/boe) ⁽⁴⁾	\$ 44.22	\$ 17.06	159%	\$ 40.71	\$ 21.67	88%
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	\$ 4.48	\$ 4.79	-6%	\$ 4.43	\$ 5.30	-16%
Netback (\$/boe) ⁽³⁾⁽⁴⁾	\$ 39.83	\$ 12.68	214%	\$ 36.43	\$ 16.91	115%

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)

Q2-2021 Operating and Financial Highlights

- Royalty and other revenue totaled \$44.9 million in Q2-2021, up 204% from the same period in 2020 given positive momentum in crude oil prices and production growth due in part to recent U.S. acquisitions. Royalty and other revenue was comprised of 84% oil and natural gas liquids (NGL's), an increase from 74% in the same period of 2020, driven by increases in broad crude oil pricing.
- Funds from operations in Q2-2021 totaled \$40.2 million or \$0.31 per share (one of Freehold's highest reported measures for funds from operations including on a per share basis), up 279% in total from \$10.6 million or \$0.09 per share in the same period in 2020. This increase reflects broad gains across commodity prices, production volumes and a reduction in cash costs⁽¹⁾.
- Dividends declared for Q2-2021 totaled \$14.5 million (\$0.11 per share), up 171% versus the same period in 2020 when Freehold declared dividends of \$5.3 million (\$0.045 per share). Our dividend payout ratio⁽¹⁾ for Q2-2021 was 33% versus 92% during the same period in 2020. As commodity prices and production volumes on our royalty lands have improved, so has our funds from operations resulting in a payout ratio⁽¹⁾ below our targeted 60% floor.

- Q2-2021 production averaged 11,137 boe/d, a 20% increase versus the same period in 2020 as volumes added from U.S. acquisitions, a return of previously shut-in volumes and third-party royalty drilling activity drove gains on our royalty lands.
- U.S. oil production averaged 1,544 boe/d for Q2-2021, up materially versus the same period in 2020. This increase also reflects acquisition activity and increased third party drilling on our royalty lands. Canadian volumes averaged 9,593 boe/d for Q2-2021, up 4% versus the same period in 2020.
- Oil and NGL's volumes represented 58% of Q2-2021 production, slightly higher versus the same period in 2020 as third-party activity was primarily oil focused over the period.
- Wells drilled on our royalty lands totaled 84 (2.1 net) in Q2-2021, compared to 54 (0.4 net) in the same period in 2020. Activity was focused primarily in the Viking, Sparky, Clearwater, southeast Saskatchewan Eagle Ford and Permian formations. As of the latest update, there was approximately 16 rigs on Freehold lands with nine rigs in Canada and seven operating in the U.S.
- Closing long term debt at June 30, 2021 was \$78.0 million, a decrease of \$18.0 million versus March 31, 2021.

(1) See Non-GAAP Financial Measure

Drilling Activity

In total, 84 gross (2.15 net) wells were drilled on our royalty lands in Q2-2021, a 55% improvement on gross versus the same period in 2020, which also reflects growth from our Q1-2021 U.S. acquisitions. 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 16 rigs (nine in Canada, seven in the U.S.) running on our royalty lands currently. For the first half of 2021, 189 (5.61 net) wells were drilled on Freehold royalty lands, this compares to 229 (6.63 net) wells drilled during the same period last year.

In Q2-2021, approximately 40% of all locations on Freehold's Canadian assets targeted gross overriding royalty prospects with 60% focused on prospects on Freehold's mineral title lands. 24% of all locations drilled targeted prospects in Saskatchewan, 53% in Alberta and 23% in the U.S. on a gross basis. The vast majority of wells drilled (greater than 96%) focused on oil or liquids prospects.

Canada

Through the first half of 2021, Freehold has seen consistent drilling activity in oil plays including the Viking, Sparky, Clearwater and Cardium. We are also seeing a strong increase in licensing and well spuds in the Deep Basin as natural gas prices remained strong into Q2-2021.

We expect this resurgence in drilling activity that started in June and has continued into Q3, will result in incremental volumes being brought on later in 2021 and early 2022.

U.S.

In the U.S., activity levels on Freehold's mineral title lands have met or exceeded expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Although U.S. net wells are lower than in Canada, U.S. wells are significantly more prolific as they generally produce more than a Canadian well. Overall, 25 gross wells were drilled on our U.S. royalty lands over Q2-2021, this compares to 18 gross wells drilled in Q1-2021.

Royalty Interest Drilling

	Three Months Ended June 30				Six Months Ended June 30			
	2021		2020		2021		2020	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ^{(1),(2)}	Gross	Net ⁽¹⁾
Canada	59	2.10	54	0.40	146	5.51	229	6.63
United States	25	0.05	-	-	43	0.10	-	-
Total	84	2.15	54	0.40	189	5.61	229	6.63

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

(2) Canada drilled interest wells in Q1-2021 were restated for an unfavorable 0.53 net well adjustment

Production

Freehold's total production averaged 11,137 boe/d during Q2-2021, a 20% increase over the same period in 2020. This increase reflects acquisition activity, a recovery from last year's shut-in volumes and higher third-party drilling additions on Freehold's U.S. lands. Production volumes for the first half of 2021 averaged 11,042 boe/d, up 9% versus the same period in 2020 for similar reasons.

Our production mix through the first half of 2021 was 36% light and medium oil, 10% heavy oil, 10% NGL and 44% natural gas. Working interest production for Q2-2021 was 22 boe/d versus 135 boe/d during the same period of 2020.

Production Summary

(boe/d)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Canada	9,593	9,211	4%	9,626	9,993	-4%
United States	1,544	74	nm	1,416	162	nm
Total	11,137	9,285	20%	11,042	10,155	9%

nm – not meaningful

Average Daily Production by Product Type

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	4,102	3,314	24%	3,958	3,595	10%
Heavy oil (bbl/d)	1,199	920	30%	1,122	1,140	-2%
NGL (bbl/d)	1,107	788	40%	1,087	842	29%
Natural gas (Mcf/d)	28,376	25,576	11%	29,250	27,468	6%
Total production (boe/d)	11,137	9,285	20%	11,042	10,155	9%
Number of days in period (days)	91	91	-	181	182	-
Total volumes during period (Mboe)	1,013	845	20%	1,999	1,848	8%

Canada

Canadian production averaged 9,593 boe/d during Q2-2021, comprised of 57% oil and NGL's. Volumes were up 4% primarily from a recovery since Q2-2020 when volumes, at that time, were shut-in in response to weak Canadian oil benchmarks resulting from demand destruction caused by the COVID-19 pandemic. Production volumes for the first half of 2021 averaged 9,626 boe/d, down 4% versus the same period in 2020 reflecting last year's drop in drilling activities on Freehold's lands in response to third parties preserving capital in a low Canadian oil benchmark environment. As to be discussed, Canadian oil benchmarks have since recovered significantly.

Canadian Average Daily Production by Product Type

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	3,329	3,255	2%	3,270	3,464	-6%
Heavy oil (bbl/d)	1,199	920	30%	1,122	1,140	-2%
NGL (bbl/d)	928	785	18%	912	840	9%
Natural gas (Mcf/d)	24,823	25,502	-3%	25,933	27,294	-5%
Canadian production (boe/d)	9,593	9,211	4%	9,626	9,993	-4%

U.S.

U.S. production, representing 14% of total volumes, averaged 1,544 boe/d during Q2-2021, up materially versus the same period in 2020. Production for the first half of 2021 averaged 1,416 boe/d, up from 162 boe/d in the same period in 2020. These increased volumes reflect acquisitions completed in the first half of 2021 and strong drilling and production additions within Freehold's U.S. royalty portfolio. The first half of 2021 increase was partially offset by an estimated reduction of 50 boe/d in the first quarter of 2021 due to extreme cold weather related shut-in's in the southern U.S. that had fully recovered by early March.

U.S. Average Daily Production by Product Type

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	773	59	nm	688	131	nm
NGL (bbl/d)	179	3	nm	175	2	nm
Natural gas (Mcf/d)	3,553	74	nm	3,317	174	nm
United States production (boe/d)	1,544	74	nm	1,416	162	nm

nm – not meaningful

Product Prices

The price received by Freehold for Canadian produced oil is primarily driven by the U.S. dollar price of WTI, adjusted for the value of the Canadian dollar relative to the U.S. dollar. WTI averaged US\$66.07/bbl in Q2-2021, 138% higher versus the same period in 2020. For the first half of 2021, WTI prices averaged US\$61.94/bbl, an increase of 68% versus the same period in 2020. As the Company has increased its U.S. exposure, Freehold's realized price has improved, as U.S. volumes realize prices closer to WTI and NYMEX benchmarks versus discounted pricing for Canadian production.

In Canada, Edmonton Light Sweet prices averaged \$77.12/bbl and \$71.96/bbl during the current reporting periods, 159% and 76% higher versus the same periods in 2020. WCS prices averaged \$66.90/bbl and \$62.23/bbl during the current reporting periods, 199% and 120% higher versus the same periods in 2020. The increase in Canadian oil prices versus the same periods in 2020 reflects narrower differentials and improved supply/demand fundamentals as economic uncertainty subsides with the rollout of COVID-19 vaccinations.

For natural gas, the AECO daily averaged \$2.80/mcf and \$2.86/mcf in the current reporting periods, 51% and 43% higher versus the same periods in 2020. For the same periods, NYMEX natural gas prices averaged US\$2.95/mcf and US\$3.22/mcf, up 74% and 79%. Natural gas prices have remained strong as North American supply/demand fundamentals have remained tighter than we have historically seen over the past 5-years.

Average Benchmark Prices

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 66.07	\$ 27.81	138%	\$ 61.94	\$ 36.78	68%
Exchange rate (US\$/Cdn\$)	\$ 0.81	\$ 0.72	13%	\$ 0.80	\$ 0.73	10%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 77.12	\$ 29.79	159%	\$ 71.96	\$ 40.89	76%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 66.90	\$ 22.37	199%	\$ 62.23	\$ 28.25	120%
Nymex natural gas (US\$/Mcf)	\$ 2.95	\$ 1.70	74%	\$ 3.22	\$ 1.80	79%
AECO monthly contract natural gas (Cdn\$/Mcf)	\$ 2.80	\$ 1.85	51%	\$ 2.86	\$ 2.00	43%

Freehold's average selling prices reflect product quality and transportation differences from benchmark prices. On a boe basis, our average selling price was \$44.22/boe and \$40.71/boe in the current reporting periods, significantly higher than the same periods in 2020. As Freehold has added to its North American portfolio through the addition of U.S. royalty production, the Company has seen a strong upwards trend in the price it receives at the wellhead.

Average Realized Prices Summary

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Oil (\$/bbl)	\$ 70.83	\$ 26.01	172%	\$ 65.28	\$ 34.52	89%
NGL (\$/bbl)	\$ 39.41	\$ 15.24	159%	\$ 38.51	\$ 21.53	79%
Oil and NGL (\$/bbl)	\$ 65.39	\$ 24.13	171%	\$ 60.56	\$ 32.39	87%
Natural gas (\$/Mcf)	\$ 2.58	\$ 1.42	82%	\$ 2.60	\$ 1.40	86%
Oil equivalent (\$/boe)	\$ 44.22	\$ 17.06	159%	\$ 40.71	\$ 21.67	88%

Canada

Freehold's average selling price realized in Canada was \$42.83/boe and \$39.70/boe during the current reporting periods, up 151% and 86% versus the same periods in 2020. For these same periods, Oil and NGL's pricing averaged \$64.23/bbl and \$59.83/bbl, up 165% and 86%. Also for these same periods, the average realized Canadian natural gas price was \$2.43/mcf and \$3.42/mcf, up 69% and 74%.

Canadian Average Realized Prices

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Oil (\$/bbl)	\$ 69.35	\$ 26.11	166%	\$ 63.98	\$ 34.08	88%
NGL (\$/bbl)	\$ 39.73	\$ 15.27	160%	\$ 40.30	\$ 21.56	87%
Oil and NGL (\$/bbl)	\$ 64.23	\$ 24.22	165%	\$ 59.83	\$ 32.09	86%
Natural gas (\$/Mcf)	\$ 2.43	\$ 1.44	69%	\$ 2.49	\$ 1.43	74%
Oil equivalent (\$/boe)	\$ 42.83	\$ 17.04	151%	\$ 39.70	\$ 21.37	86%

U.S.

Freehold's average selling price realized in the U.S. was \$52.53/boe and \$47.38/boe during the current reporting periods, up 578% and 27% versus the same periods in 2020. The current reporting periods include realized oil pricing in the U.S. that averaged \$79.48/bbl and \$73.59/bbl, up 314% and 48% when compared to the same periods in 2020. Freehold's average realized U.S. natural gas price was \$3.64/mcf and \$3.42/mcf, both up significantly when compared to the same periods in 2020.

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

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Oil (\$/bbl)	\$ 79.48	\$ 19.21	314%	\$ 73.59	\$ 49.76	48%
NGL (\$/bbl)	\$ 37.71	\$ 5.33	608%	\$ 29.19	\$ 9.71	201%
Oil and NGL (\$/bbl)	\$ 67.10	\$ 17.23	289%	\$ 60.39	\$ 44.86	35%
Natural gas (\$/Mcf)	\$ 3.64	nm	nm	\$ 3.42	nm	nm
Oil equivalent (\$/boe)	\$ 52.53	\$ 7.75	578%	\$ 47.38	\$ 37.43	27%

nm – not meaningful

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. 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. Currently Freehold takes-in-kind and markets approximately 15% of its total royalty production using 30-day contracts. This compares to 13% in the comparative quarter, as with the retreat in commodity prices during 2020, Freehold has taken a more active approach to mitigating risk within its Canadian portfolio while it continues to evaluate credit risk associated with its recently expanded U.S. operations. Historically Freehold has not experienced significant collection issues.

Royalty and Other Revenue

Royalty and other revenue of \$44.9 million and \$81.7 million in the current reporting periods was 204% and 99% higher when compared to the same periods in 2020. Freehold's royalty and other revenue has benefited from strong upward momentum in crude oil and natural gas prices, while growing production volumes due in part to recent U.S. royalty property acquisitions. Oil and NGL's represented approximately 85% and 83% of royalty and other revenue for the current reporting periods.

Freehold deducts production taxes, that generally represents state taxes paid on revenues earned in the U.S. and withheld at source, from its royalty and other revenue. The increase in production taxes in the current reporting periods, as compared to the same periods in 2020, reflects Freehold's first half of 2021 U.S. royalty property acquisitions.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Canada	\$ 37,940	\$ 14,714	158%	\$ 70,172	\$ 40,046	75%
United States	6,985	44	nm	11,498	996	nm
Royalty and other revenue	\$ 44,925	\$ 14,758	204%	\$ 81,670	\$ 41,042	99%
Per boe (\$)	\$ 44.31	\$ 17.47	154%	\$ 40.86	\$ 22.21	84%

nm – not meaningful

Royalty and Other Revenue by Category

(\$000s)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Royalty revenue	\$ 45,144	\$ 14,749	206%	\$ 82,006	\$ 40,651	102%
Bonus consideration, lease rentals, and other	209	98	113%	361	585	-38%
	\$ 45,353	\$ 14,847	205%	\$ 82,367	\$ 41,236	100%
Production taxes	(428)	(89)	381%	(697)	(194)	259%
Royalty and other revenue	\$ 44,925	\$ 14,758	204%	\$ 81,670	\$ 41,042	99%

Royalty and Other Revenue by Type

(\$000s)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Oil	\$ 34,165	\$ 10,007	241%	\$ 60,024	\$ 29,594	103%
Natural gas	6,670	3,315	101%	13,758	7,163	92%
Natural gas liquids	3,978	1,093	264%	7,577	3,301	130%
Potash	331	334	-1%	647	593	9%
Bonus consideration, lease rentals, and other	209	98	113%	361	585	-38%
	\$ 45,353	\$ 14,847	205%	\$ 82,367	\$ 41,236	100%
Production taxes	(428)	(89)	381%	(697)	(194)	259%
Royalty and other revenue	\$ 44,925	\$ 14,758	204%	\$ 81,670	\$ 41,042	99%

Operating Expenses

Operating expenses consists of expenses associated with Freehold's Canadian working interest production activities which were largely sold in 2020. Freehold does not incur operating expenses on production from its royalty lands.

Operating expenses decreased 52% and 59% on a total and per boe basis in Q2-2021 when compared to the same period in 2020. For the first half of 2021, operating expenses of \$0.4 million was down 73% and 75% on a total and per boe basis versus the same period in 2020. The current reporting periods' reductions versus the same periods in 2020 were the result of last year's working interest disposition activity.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Operating expenses	\$ 249	\$ 514	-52%	\$ 404	\$ 1,502	-73%
Per boe (\$)	\$ 0.25	\$ 0.61	-59%	\$ 0.20	\$ 0.81	-75%

General and Administrative

Freehold has a business development group dedicated to the acquisition and development of its future and existing assets in addition to land administration, accounting, and auditing requirements to administer and collect royalty payments, including systems to track development activity on its royalty lands. General and administrative (G&A) expense include directly billed costs in addition to costs incurred by the Manager (as defined below) and allocated to Freehold (see Related Party Transactions).

In the current reporting periods, G&A expenses totaling \$2.2 million and \$5.5 million were down 9% and 12% versus the same periods in 2020. These decreases were due in part to staffing level reductions throughout 2020 in response to weakening crude oil pricing associated with the COVID-19 pandemic.

On a total production per boe basis, the current reporting periods G&A expenses of \$2.20/boe and \$2.73/boe were decreases of 25% and 19% versus the same periods in 2020. These decreases were also aided by growth in production.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
General and administrative expenses before capitalized and overhead recoveries	\$ 2,699	\$ 2,910	-7%	\$ 6,433	\$ 7,183	-10%
Less: capitalized and overhead recoveries	(468)	(446)	-5%	(977)	(972)	-1%
General and administrative expenses	\$ 2,231	\$ 2,464	-9%	\$ 5,456	\$ 6,211	-12%
Per boe (\$)	\$ 2.20	\$ 2.92	-25%	\$ 2.73	\$ 3.36	-19%

Share-Based Compensation

Share-based compensation expenses associated with Freehold’s award and deferred share unit plans was \$1.8 million and \$3.5 million in the current reporting periods versus \$0.2 million and \$0.3 million during the same periods in 2020. These increases were due to a higher Freehold share price at June 30, 2021 of \$9.77/share compared to June 30, 2020 when it was \$3.52/share and the comparative periods including a reduction of previously reported share-based compensation associated with Freehold’s reduced staffing levels.

Associated with the award plan, during the current reporting periods Freehold paid to its employees \$1.4 million, an increase from the \$0.4 million paid in the same periods in 2020. This increase was due to a higher Freehold share price at the time of payout in addition to a higher number of vested award plan units.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Share-based compensation	\$ 1,815	\$ 247	nm	\$ 3,483	\$ 286	nm
Per boe (\$)	\$ 1.79	\$ 0.13	nm	\$ 1.74	\$ 0.15	nm
Cash payout on share based compensation	\$ 1,371	\$ 389	252%	\$ 1,371	\$ 389	252%
Per boe (\$)	\$ 1.35	\$ 0.46	193%	\$ 0.69	\$ 0.21	229%

nm – not meaningful

Award Plan

Freehold’s award plan is share based and cash settled and consists of grants of performance share units (PSUs) and restricted share units (RSUs).

Share-based compensation expense is based on Freehold’s share price, the number of share-based awards outstanding at each period end, a notional adjustment for paid dividends and an estimated forfeiture rate. Compensation expense is recognized over the vesting period. For the PSUs there is also a performance multiplier of 0 to 2 times based upon 50% of an absolute total shareholder return and 50% on a relative total shareholder return over a three-year period.

During the current reporting periods, there were 429,454 units granted under Freehold’s award plan. Net of forfeitures and payouts, this resulted in a total of 919,097 PSUs and RSUs outstanding at June 30 and August 10, 2021 (December 31, 2020 – 686,792).

Deferred Share Unit Plan

Pursuant to our deferred share unit plan, fully-vested deferred share units (DSUs) are granted annually in the first quarter to non-management members of Freehold’s Board of Directors (the Board). 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 upon the member’s retirement. Dividends paid on Freehold’s common shares prior to redemption of DSUs are equated to a fair value which is then reinvested on behalf of the member in additional DSU’s. The Board does not currently have a stated intent whether such future settlements of DSUs will be cash or equity-settled but because the Board has the ability to settle such transactions at its discretion through issuing common shares, this plan continues to be classified as equity-settled.

During the first half of 2021, Freehold granted a total of 97,931 DSUs to members of the Board largely as part of their annual compensation resulting in 431,916 outstanding DSUs at June 30, 2021 (December 31, 2020 – 325,633).

Since Q2-2021, additional grants compensating for paid share dividends resulted in 433,780 outstanding DSUs at August 10, 2021.

Interest and Financing

Q2-2021 interest and financing expense increased compared to the same period in 2020, due to costs associated with the recent credit facility renewal. For the first half of 2021, lower average debt levels and interest rates resulted in a decrease to interest and financing expense compared to the same period in 2020. The average effective interest rate on advances under our credit facilities for both current reporting periods was 2.1% (2020 – 2.3% and 3.0%, respectively).

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Interest on long term debt and financing fees	\$ 693	\$ 676	3%	\$ 1,616	\$ 1,705	-5%
Non-cash interest expense ⁽¹⁾	58	52	12%	115	117	-2%
Interest and finance expense	\$ 751	\$ 728	3%	\$ 1,731	\$ 1,822	-5%
Per boe (\$)	\$ 0.74	\$ 0.86	-14%	\$ 0.87	\$ 0.99	-12%
Per boe - cash expense (\$)	\$ 0.68	\$ 0.80	-15%	\$ 0.81	\$ 0.92	-12%

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

Netback⁽¹⁾

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 \$39.83/boe and \$36.43/boe during the current reporting periods, 214% and 115% increases versus the same periods in 2020. These increases include significantly improved crude oil prices and reduced cash costs⁽¹⁾. As part of ongoing efforts to improve our portfolio with higher netback production, Freehold acquired U.S. properties in 2021 and sold a substantial portion of its remaining working interest production in 2020. The higher cash payout on share based compensation was due to an improved Freehold share price. No further cash payouts for Freehold's award plan is expected in the back-half of 2021. Combined with lower G&A and cash-based interest charges, cash costs⁽¹⁾ for the current reporting periods were down 6% and 16% on a boe basis compared to the same periods in 2020.

(\$/boe)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Royalty and other revenue	\$ 44.31	\$ 17.47	154%	\$ 40.86	\$ 22.21	84%
Less:						
Operating expense	(0.25)	(0.61)	-59%	(0.20)	(0.81)	-75%
General and administrative	(2.20)	(2.92)	-25%	(2.73)	(3.36)	-19%
Interest and financing cash expense	(0.68)	(0.80)	-15%	(0.81)	(0.92)	-12%
Cash payout on share based compensation	(1.35)	(0.46)	193%	(0.69)	(0.21)	229%
Cash costs ⁽¹⁾	(4.48)	(4.79)	-6%	(4.43)	(5.30)	-16%
Netback ⁽¹⁾	\$ 39.83	\$ 12.68	214%	\$ 36.43	\$ 16.91	115%

(1) See Non-GAAP Financial Measures

Depletion, Depreciation and Other

Petroleum and natural gas interests, including acquisitions costs, future development costs (if any) and directly attributable general and administrative costs, are depleted on the unit-of-production method based on estimated proved and probable petroleum and natural gas reserves.

The improved depletion rates per boe in both current reporting periods of less than \$21/boe, compared to the same periods in 2020, are due largely to Freehold's recent U.S. royalty income asset acquisitions that lowered the overall rate. However, this lower rate was more than offset by higher production resulting in overall increases in depletion, depreciation and other of \$21.2 million and \$41.8 million in the current reporting periods compared to the same periods in 2020.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Depletion, depreciation and other	\$ 21,220	\$ 17,942	18%	\$ 41,796	\$ 40,768	3%
Per boe (\$)	\$ 20.93	\$ 21.24	-1%	\$ 20.91	\$ 22.06	-5%

Unrealized Foreign Exchange Loss

During the current reporting periods, intercompany balances from Freehold's Canadian parent to its U.S. subsidiary increased as a result of the acquisitions in the first half of 2021 of U.S. royalty properties. These balances eliminate on consolidation and are revalued at the relevant foreign exchange rate at each period end. Revaluation of the intercompany balances by the Canadian parent is recognized as unrealized foreign exchange whereas revaluation by the U.S. subsidiary is recognized within other comprehensive income due to different functional currencies between the parent and the U.S. subsidiary.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Unrealized foreign exchange loss	\$ 1,412	\$ -	nm	\$ 3,324	\$ -	nm
Per boe (\$)	\$ 1.39	\$ -	nm	\$ 1.66	\$ -	nm

Management Fee

The Manager receives a quarterly management fee paid with Freehold common shares. In 2021, the management fee is capped at the equivalent of 27,500 Freehold common shares per quarter, with the fee gradually decreasing to the equivalent of 5,500 common shares per quarter by 2023 as per the table below:

	2021	2022	2023 and thereafter
Quarterly share payment	27,500	13,750	5,500

The management fee was up 86% and 76% in the current reporting periods versus the same periods in 2020, due to increases in Freehold's trading share price.

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Shares issued for management fees	27,500	41,250	-33%	55,000	82,500	-33%
Ascribed value (\$000s) ⁽¹⁾	\$ 269	\$ 145	86%	\$ 468	\$ 266	76%
Closing share price (\$/share)	\$ 9.77	\$ 3.52	178%	\$ 9.77	\$ 3.52	178%
Per boe (\$)	\$ 0.27	\$ 0.17	59%	\$ 0.23	\$ 0.14	64%

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

Impairment

At June 30, 2021, there were no indicators of impairment on Freehold's United States and Canadian Royalty cash generating units (CGUs) nor on its exploration and evaluation assets or impairment reversal on the Working Interest CGU. As a result, no impairment or impairment reversal testing was conducted. During the year-to-date comparative

period, there was an impairment charged against the Working Interest CGU of \$9.6 million as its carrying value exceeded its estimated value in use.

Income Tax

Freehold's taxable income is based on revenues (which will vary depending on commodity prices and production volumes) less deductible expenses, including tax pool deductions. For both the current reporting periods and the same periods in 2020, Freehold had no current federal income tax expense because it had sufficient tax pool deductions. In the current reporting periods, Freehold had a deferred tax expense of \$4.4 million and \$6.8 million because its estimated tax deductions exceeded its reported expenses. It was the inverse situation in the same periods in 2020 resulting in \$1.9 million and \$5.0 million recoveries.

CRA Reassessments

As previously reported, Freehold's corporate income tax filings for 2015, 2018, and 2019 were reassessed by the Canada Revenue Agency (CRA) in 2020 (the Reassessments). Pursuant to the Reassessments, deductions of \$92.6 million of non-capital losses (NCLs) by Freehold were denied, resulting in reassessed taxes, interest, and penalties totaling \$29.3 million, in addition to a denial of \$129.9 million of carried forward NCLs. Freehold previously filed its objection of the Reassessments which required deposits totaling \$14.7 million that have been provided to the CRA.

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, management remains of the opinion that all tax filings to date were filed correctly and that it expects to be successful in its objection of these Reassessments and therefore the payment of these deposits held by the CRA should be refunded, plus interest, and the denied NCLs should be reinstated. The CRA has yet to assign an appeal officer to these Reassessments and there was no additional information that came to the Company's attention through to the date of this MD&A.

Net Income (Loss) and Comprehensive Income (Loss)

In the current reporting periods, Freehold had net income of \$12.5 million and \$18.2 million compared with net losses of \$5.4 million and \$14.4 million in the same periods in 2020. These increases were due to higher commodity pricing reflecting significant improvement in crude oil benchmark pricing combined with a weighted average shift to stronger U.S. based pricing, higher volumes resulting from both a return to drilling on Freehold's Canadian lands and the recent U.S. properties acquisition combined with a lower cost structure. In addition, for the first half of 2021 there was the absence of an impairment charge as reported in the same period of 2020. For the same reasons, comprehensive income of \$12.4 million and \$18.1 million for the current reporting periods was higher than the comprehensive losses reported in the same periods of 2020.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Net income (loss)	\$ 12,545	\$ (5,421)	nm	\$ 18,180	\$ (14,443)	nm
Per share, basic and diluted (\$)	\$ 0.10	\$ (0.05)	nm	\$ 0.14	\$ (0.12)	nm
Comprehensive income (loss)	\$ 12,448	\$ (5,483)	nm	\$ 18,058	\$ (14,445)	nm

nm – not meaningful

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk characteristics of our assets. We have a depleting asset base, and 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 fund acquisitions, sustain dividends and repay debt. We believe that such a 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 (loss) per share.

Funds from operations for the current reporting periods increased 279% and 135% to \$40.2 million (\$0.31/share) and \$72.6 million (\$0.55/share) from \$10.6 million (\$0.09/share) and \$30.9 million (\$0.26/share) in the same periods in 2020. These increases were due to higher royalty production resulting from Freehold's recent acquisitions of U.S. royalty properties, higher third party drilling activities, higher commodity pricing reflecting significant improvement in crude oil benchmark pricing combined with both a weighted average shift to stronger U.S. based pricing and a lower cost structure.

With improved revenues reflecting higher pricing and royalty production, correspondingly Freehold has a higher accounts receivable balance resulting in the current reporting periods' cash flow from operations of \$33.4 million and \$58.4 million being lower than the same periods' funds from operations. Cash flow from operations of \$33.4 million and \$58.4 million for the current reporting periods was 154% and 33% higher than the same periods of 2020 for the same reasons as explained for funds from operations.

(\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Cash flow from operations	\$ 33,420	\$ 13,144	154%	\$ 58,410	\$ 44,027	33%
Funds from operations	\$ 40,208	\$ 10,622	279%	\$ 72,629	\$ 30,870	135%
Per share - basic ⁽¹⁾	\$ 0.31	\$ 0.09	244%	\$ 0.55	\$ 0.26	112%

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

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund acquisitions and related expenditures and/or reduce bank indebtedness. 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 price changes at each period end and asset and liability reclassifications.

Working capital on June 30, 2021 was \$37.2 million, higher by \$10.0 million from year-end. This increase reflects higher commodity pricing, the acquisitions of U.S. royalty properties in the first half of 2021, improved Canadian production and their associated revenues partially offset by the reduction of prepaid costs associated with share issue or acquisition costs.

(\$000s)	At June 30		At December 31	Change
	2021		2020	
Current assets	\$	47,729	\$ 95,086	-50%
Current liabilities		(10,480)	(67,851)	-85%
Working capital	\$	37,249	\$ 27,235	37%

Financing Activities

Long-Term Debt

In March 2021, Freehold amended its credit facility agreement with a syndicate of four Canadian banks maintaining the committed revolving facility at \$165 million and the operating facility at \$15 million. The amended credit facility agreement includes a permitted increase in the revolving facility to \$215 million, subject to lenders' consent. Both the committed revolving and operating facilities mature March 31, 2024. At June 30, 2021, \$78 million was drawn on these facilities (December 31, 2020 - \$93 million). The decrease is due to the funds from operations outpacing dividend and acquisition funding. 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 U.S. royalty income assets with associated proved developed producing reserves.

The credit agreement contains two financial covenants: (i) the first financial covenant is that 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 0.6 times at June 30, 2021) and (ii) the second financial covenant is that the long-term debt to capitalization (the aggregate of long-term debt and shareholders' equity) percentage shall not exceed 55% (the actual percentage was 10% at June 30, 2021). In addition, Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations. As a result of significant economic uncertainties that exist around the impact of COVID-19, actual operating results may vary from Freehold's current best estimate.

Borrowings under the credit facilities bear interest at the bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins and standby fees, dependent on ratios of Freehold's long-term debt to EBITDA on royalty interest properties (see Financing and Interest). The LIBOR benchmark transition begins on December 31, 2021 with certain tenors of this benchmark to be replaced with an alternative. Since Freehold has historically borrowed at banker's acceptance rates, the Company does not anticipate the LIBOR benchmark transition to have any effect on its future borrowing rates.

At June 30, 2021 and December 31, 2020, the fair values of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market rates.

Net Debt

In the first half of 2021, net debt decreased by \$25.0 million, or 38%, to \$40.8 million from \$65.8 million at December 31, 2020, mainly as a result of funds from operations exceeding the combination of declared dividends and the debt financed portion of the previous quarter's 2021 U.S. royalty acquisitions.

At June 30, 2021, Freehold's net debt to trailing funds from operations ratio improved to 0.4 times (Q4-2020 – 0.9 times) and well within our net debt strategy target of below 1.5 times. This ratio is a financial leverage measure that reflects cash available to pay back our 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.

Freehold defines capital (and capitalization) as net debt plus shareholders' equity. The net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. Freehold's low financial risk ratio of 5% at June 30, 2021 (December 31, 2020 – 9%) reflects the aforementioned net debt decrease and the previous quarter's increase in share capital resulting from the conversion of subscription receipts in exchange for an equivalent number of shares.

Debt Analysis

(\$000s)	At June 30		At December 31	
	2021	2020	2020	Change
Long-term debt	\$ 78,000	\$ 93,000		-16%
Short-term debt (operating line)	-	-		-
Total debt	\$ 78,000	\$ 93,000		-16%
Working capital	(37,249)	(27,235)		37%
Net debt	\$ 40,751	\$ 65,765		-38%

Financial Leverage Ratios ⁽¹⁾

	At June 30		At December 31	
	2021	2020	2020	Change
Net debt to funds from operations (times)	0.4	0.9		-56%
Net debt to capitalization	5%	9%		-4%

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

Shareholders' Capital

On December 5, 2020, Freehold issued 12,647,667 subscription receipts at a price of \$4.80 per receipt through a public offering pursuant to Freehold's short form prospectus and a concurrent private placement. The total gross proceeds from these subscription receipts was \$60.7 million. Each subscription receipt entitled the holder to receive, upon occurrence of all outstanding conditions precedent to the closing of Freehold's acquisition of certain U.S. based royalty properties, one common share of Freehold. This U.S. based royalty properties acquisition closed during January 2021 resulting in the 12,647,667 subscription receipts being exchanged for an equivalent number of Freehold's common shares concurrent with the release from escrow of gross proceeds of \$60.7 million (December 31, 2020 - \$63.3 million including \$2.6 million of prepaids). Costs associated with the subscription receipts' prospectus totaled \$2.3 million (\$1.7 million net of deferred income tax).

In the first half of 2021, Freehold also issued 55,000 shares for payment of the management fee.

At June 30 and August 10, 2021, there were 131,490,334 shares outstanding.

Shareholders' Capital

(\$000s, except as noted)	June 30, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	118,787,667	\$ 1,272,397	118,622,667	\$ 1,271,763
Share issuance	12,647,667	60,709	-	-
Share issue costs, net of tax effect	-	(1,755)	-	-
Issued for payment of management fee	55,000	468	165,000	634
Balance, end of period	131,490,334	\$ 1,331,819	118,787,667	\$ 1,272,397

Shares Outstanding

	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Weighted average						
Basic	131,463,136	118,664,370	11%	131,169,957	118,643,745	11%
Diluted	131,890,251	118,664,370	11%	131,593,704	118,643,745	11%
At period end	131,490,334	118,705,167	11%	131,490,334	118,705,167	11%

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering expected commodity prices, foreign exchange rates, economic conditions, production volumes, tax payable, and Freehold's capacity to finance operating and investing obligations. 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 June 30, 2021, our legal stated capital was \$187 million.

2021 Dividends Declared

Record Date	Payment Date	Dividend Amount (\$ per share)
January 31, 2021	February 16, 2021	\$ 0.02
February 28, 2021	March 15, 2021	0.02
March 31, 2021	April 15, 2021	0.03
April 30, 2021	May 17, 2021	0.03
May 31, 2021	June 15, 2021	0.04
June 30, 2021	July 15, 2021	0.04
		\$ 0.18

Dividends declared in Q2-2021 totaled \$14.5 million (\$0.11 per share), up from \$5.3 million (\$0.045 per share) compared to the same period of 2020. Freehold paid dividends in Q2-2021 of \$13.1 million (\$0.10 per share), up from the \$9.8 million (\$0.0825 per share) compared to the same period of 2020.

In the first half of 2021, Freehold's dividends declared totaled \$23.7 million (\$0.18 per share), a decrease from \$24.0 million (\$0.2025 per share) compared to the same period of 2020. Freehold paid dividends in the first half of 2021 of \$20.8 million (\$0.16 per share), down from the \$28.5 million (\$0.24 per share) compared to the same period of 2020.

On July 14, 2021, the Board declared a dividend of \$0.04 per common share to be paid on August 16, 2021, to common shareholders on record on July 31, 2021.

From inception in 1996 through to June 30, 2021, Freehold has distributed \$1.8 billion (\$32.7825 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 June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Dividends declared	\$ 14,464	\$ 5,341	171%	\$ 23,665	\$ 24,026	-2%
Accumulated, beginning of period	1,747,050	1,721,228	2%	1,737,849	1,702,543	2%
Accumulated, end of period	\$ 1,761,514	\$ 1,726,569	2%	\$ 1,761,514	\$ 1,726,569	2%
Dividends per share ⁽²⁾	\$ 0.11	\$ 0.045	144%	\$ 0.18	\$ 0.2025	-11%
Accumulated, beginning of period (\$)	32.6725	32.4625	1%	32.6025	32.3050	1%
Accumulated, end of period (\$)	\$ 32.7825	\$ 32.5075	1%	\$ 32.7825	\$ 32.5075	1%

(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

The following tables reconciles funds from operations to dividends declared. In the current reporting periods Freehold's payout ratio was 33% and 29% exhibiting that dividend payments are being made within our means, with excess funds from operations being used to repay debt and fund acquisitions.

Reconciliation of Funds from Operations and Dividends Declared

(\$000s)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Funds from operations	\$ 40,208	\$ 10,622	279%	\$ 72,629	\$ 30,870	135%
Debt repayments	(18,000)	(1,000)	1700%	(15,000)	(7,000)	114%
Release of restricted cash related to subscription receipts net of costs	-	-	nm	58,396	-	nm
Acquisitions and related expenditures	(930)	(981)	-5%	(80,712)	(6,421)	1157%
Working interest dispositions	-	(2,294)	nm	-	(2,297)	nm
Working capital change	(6,814)	(1,006)	577%	(11,648)	8,874	-231%
Dividends declared	\$ 14,464	\$ 5,341	171%	\$ 23,665	\$ 24,026	-2%

Payout Ratio ⁽²⁾

(\$000s)	Three Months Ended June 30			Six Months Ended June 30		
	2021	2020	Change	2021	2020	Change
Dividends paid ⁽¹⁾	\$ 13,147	\$ 9,790	34%	\$ 20,780	\$ 28,473	-27%
Funds from operations	\$ 40,208	\$ 10,622	279%	\$ 72,629	\$ 30,870	135%
Payout ratio ⁽²⁾	33%	92%	-59%	29%	92%	-63%

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

(2) Dividends paid as a percentage of funds from operations (see Non-GAAP Financial Measures)

Payout ratios, which are considered non-GAAP financial measures, 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 payout ratio is calculated as dividends declared as a percentage of funds from operations.

Freehold's payout ratio for Q2-2021 was 33%, below the lower end of our guided dividend payout range of 60%-80% of annualized funds flow, and a decrease versus 92% in the same period of 2020. Freehold initially reduced its monthly dividend in the second quarter of 2020, reflecting the COVID-19 pandemic and the significant demand destruction for oil resulting in volatile commodity pricing and uncertainty regarding the timing for recovery. Commodity prices and production volumes on our royalty lands has since recovered with funds from operations

outperforming expectations. With improved commodity prices and other macroeconomic factors in North America, Freehold is committed to return to the payout ratio target through a measured strategy. With the goal of aligning dividend levels to a stronger and stabilizing business outlook, Freehold has increased its monthly dividend from \$0.015/share in November 2020 to \$0.04/share in May 2021 and most recently has approved increasing its monthly dividend to \$0.05/share or \$0.60/share on an annualized basis.

Investing Activities

Acquisitions

In the first half of 2021, Freehold incurred \$80.7 million of acquisition and related expenditures.

During January 2021, Freehold acquired U.S. royalty properties for US\$58.3 million (\$74.3 million) after customary adjustments. The acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins.

Freehold also completed another three acquisitions in the first half of 2021 for certain U.S. royalty assets for US\$3.9 million (\$4.9 million) estimated to add 85 boe/d to 2021 average production. These additional U.S. royalty acquisitions complemented our positions in the Bakken and Permian basins.

These U.S. royalty transactions were included in the U.S. royalty cash generating unit and treated as asset acquisitions resulting in the purchase prices being reported as petroleum and natural gas interests as supported by estimated cash flows.

For the first half of 2021, Freehold recognized capitalized administrative costs and other royalty income asset expenditures of \$1.0 million and \$0.5 million, respectively.

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 CN Pension Trust Funds (the pension funds for the employees of the Canadian National Railway Company), whereby both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 22% ownership in Freehold at June 30, 2021 (December 31, 2020 – 22%). Canpar Holdings Ltd. (Canpar) is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of Rife's and Canpar's directors are also directors of Freehold.

On May 18, 2021, Rife, Canpar and the Manager (the "Related Parties") entered into an acquisition opportunities agreement with Freehold that sets out the agreed upon process for consideration of how potential petroleum and other mineral royalty interest acquisitions will be shared between the parties. Where the Related Parties have identified such opportunities, generally this agreement prioritizes Freehold's right to pursue potential petroleum royalty interest acquisitions in addition to providing a process to share potential other mineral royalty interest acquisitions.

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 that capped the respective management fee at 27,500 and 41,250 Freehold common shares per quarter for 2021 and 2020. For the current reporting periods the ascribed values of \$0.3 million and \$0.5 million (comparative periods - \$0.1 million and \$0.3 million) were based on the closing price of Freehold's common shares on the last trading day of each quarter.

In the current reporting periods, the Manager charged \$2.4 million and \$5.3 million in general and administrative costs, respectively (comparative periods - \$2.2 million and \$5.7 million). At June 30, 2021, there was \$0.9 million (December 31, 2020 – \$0.7 million) in accounts payable and accrued liabilities relating to these costs.

Rife Resources Ltd. and CN Pension Trust

During 2020, Rife acquired 2,791,667 subscription receipts at \$4.80 per receipt through a private placement that closed concurrently with Freehold's public offering of subscription receipts pursuant to its December 2020 short form prospectus. No commission was paid in respect of the subscription receipts purchased by Rife pursuant to the private placement. This price per subscription receipt paid by Rife was equivalent to the public offering price. The total proceeds from this private placement were \$13.4 million. During January 2021 and per the same terms as the public offering, upon Freehold's acquisition of U.S. based royalty properties, the private placement subscription receipts were exchanged for an equivalent number of Freehold's common shares.

In the current reporting periods, Freehold respectively paid \$2.9 million and \$4.6 million (comparative periods - \$2.1 million and \$6.2 million) in total cash dividends to Rife and the CN Pension Trust Funds for their combined 22% ownership in Freehold's common shares.

In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. In the current reporting periods, Freehold received royalties of approximately \$0.2 million and \$0.3 million from Rife (comparative periods - \$nil and \$0.1 million). At June 30, 2021 and December 31, 2020, there was \$nil in accounts receivable relating to these transactions.

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. At June 30, 2021 and December 31, 2020 there was \$nil in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

Select Quarterly Information

Financial (\$000s, except as noted)	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	44,925	36,745	25,793	23,123	14,758	26,284	36,827	33,068
Net income (loss)	12,545	5,635	373	139	(5,421)	(9,022)	6,113	2,729
Per share, basic (\$) ⁽¹⁾	\$ 0.10	\$ 0.04	\$ -	\$ -	\$ (0.05)	\$ (0.08)	\$ 0.05	\$ 0.02
Cash flows from operations	33,420	24,990	20,610	1,130	13,144	30,833	27,954	30,711
Funds from operations	40,208	32,421	22,129	19,893	10,622	20,248	30,659	27,996
Per share, basic (\$) ⁽¹⁾	\$ 0.31	\$ 0.25	\$ 0.19	\$ 0.17	\$ 0.09	\$ 0.17	\$ 0.26	\$ 0.24
Acquisitions and related expenditures	930	79,782	222	485	981	5,370	2,727	15,060
Dividends paid	13,147	7,633	5,342	5,341	9,790	18,683	18,675	18,666
Per share (\$) ⁽²⁾	0.10	0.06	0.045	0.045	0.0825	0.1575	0.1575	0.1575
Dividends declared	14,464	9,201	5,938	5,342	5,341	18,685	18,683	18,669
Per share (\$) ⁽²⁾	\$ 0.11	\$ 0.07	\$ 0.0500	\$ 0.0450	\$ 0.0450	\$ 0.1575	\$ 0.1575	\$ 0.1575
Payout ratio (%) ⁽³⁾	33%	24%	24%	27%	92%	92%	61%	67%
Long term debt	78,000	96,000	93,000	107,000	102,000	103,000	109,000	116,000
Net debt	40,751	64,797	65,765	81,678	96,071	101,833	94,634	105,524
Shares outstanding, period end (000s)	131,490	131,463	118,788	118,746	118,705	118,664	118,623	118,568
Average shares outstanding (000s) ⁽¹⁾	131,463	130,874	118,747	118,706	118,664	118,623	118,568	118,513
Operating								
Light and medium oil (bbls/d)	4,102	3,811	3,239	3,384	3,314	3,936	4,050	3,810
Heavy oil (bbls/d)	1,199	1,045	1,173	791	920	1,300	1,222	1,264
NGL (bbls/d)	1,107	1,065	824	859	788	896	827	773
Total liquids (bbls/d)	6,408	5,921	5,236	5,034	5,022	6,132	6,099	5,847
Natural gas (Mcf/d)	28,376	30,132	26,671	24,656	25,576	29,361	27,841	27,806
Total production (boe/d) ⁽⁴⁾	11,137	10,944	9,681	9,143	9,285	11,026	10,740	10,482
Oil and NGL (%)	58%	54%	54%	55%	54%	56%	57%	56%
Average price realizations (\$/boe)	44.22	37.31	27.99	26.95	17.06	25.69	37.04	33.87
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	4.48	4.37	4.11	3.70	4.79	5.74	5.10	4.67
Netback (\$/boe) ⁽³⁾⁽⁴⁾	39.83	32.94	24.85	23.79	12.68	20.46	33.48	29.62
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	66.07	57.81	42.47	40.91	27.81	45.65	56.99	56.36
Exchange rate (Cdn\$/US\$)	0.81	0.79	0.77	0.75	0.72	0.74	0.76	0.76
Edmonton Light Sweet crude oil (Cdn\$/bbl)	77.12	66.76	50.45	49.81	29.79	51.77	68.12	70.27
Western Canadian Select crude oil (Cdn\$/bbl)	66.90	57.55	43.56	42.55	22.37	34.02	54.16	58.12
Nymex natural gas (US\$/mcf)	2.95	3.50	2.26	2.00	1.70	1.90	2.39	2.38
AECO monthly contract natural gas (Cdn\$/Mcf)	2.80	2.92	2.76	2.14	1.85	2.13	2.34	1.04

(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)

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 Q2-2021. 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.

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, Outlook, 2021 Guidance, Financial and Operating Highlights, Drilling Activity, 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 achieve a payout ratio of between 60%-80%;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, natural gas liquids and natural gas;
- light/heavy oil price differentials;
- 2021 guidance including average royalty production (including commodity weighting) and commodity prices;
- 2021 forecast production and in certain cases 2022 forecast production and funds from operations associated with our U.S. royalty asset acquisitions that closed in 2021;
- our expectations as to activity levels to remaining strong in certain other areas where Freehold has interests;
- 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;
- 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;
- our dividend policy and expectations for future dividends; 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 continuing impact of the COVID-19 pandemic 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;
- 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, 2020 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, 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 and elsewhere in this MD&A.

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 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 netback, payout ratio 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.

The netback, which is calculated on a boe basis, as average realized price less operating expenses, general and administrative and cash interest charges, represents the per unit cash flow amount which allows the Company to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods.

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. Payout ratio is calculated as dividends paid as a percentage of funds from operations.

Cash costs, which is also calculated on a boe basis, is comprised by the recurring cash based costs in the statement of income deducted in determining funds from operations. For Freehold, cash costs are identified as operating expense, G&A and cash-based interest, financing and share-based compensation charges. Cash costs allow Freehold to benchmark how changes in its 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.