

Condensed Consolidated Balance Sheets

(unaudited) (\$000s)	September 30 2022	December 31 2021
Assets		
Current assets:		
Cash	\$ 1,154	\$ 2,189
Accounts receivable	65,594	46,303
Income tax deposits (note 2)	14,711	14,711
	81,459	63,203
Exploration and evaluation assets (note 3)	70,182	74,455
Petroleum and natural gas interests (note 4)	1,087,941	932,849
Total Assets	\$ 1,239,582	\$ 1,070,507
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable (note 7)	\$ 13,559	\$ 9,037
Accounts payable and accrued liabilities	3,372	5,163
Current income taxes	22,998	-
Current portion of lease obligation	195	195
Current portion of decommissioning liability	500	750
Current portion of share based compensation payable (note 5)	3,760	3,287
	44,384	18,432
Lease obligation	1,544	1,619
Share based compensation payable (notes 1 d and 5)	9,955	4,455
Decommissioning liability	4,459	4,815
Deferred income tax liability	20,987	4,220
Long-term debt (note 6)	196,947	146,000
Shareholders' equity:		
Shareholders' capital (note 7)	1,500,114	1,499,544
Accumulated other comprehensive income	11,414	126
Contributed surplus (note 1d)	-	4,521
Deficit	(550,222)	(613,225)
Total Shareholders' Equity	961,306	890,966
Total Liabilities and Shareholders' Equity	\$ 1,239,582	\$ 1,070,507

See accompanying notes to interim condensed consolidated financial statements
Subsequent events (note 6 and 7b)

Condensed Consolidated Statements of Income and Comprehensive Income

(unaudited) (\$000s, except per share and weighted average shares)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue:				
Royalty and other revenue (note 8)	\$ 98,418	\$ 51,423	\$ 294,518	\$ 133,790
Expenses:				
General and administrative	2,840	1,896	9,721	7,352
Production and ad valorem taxes	2,418	544	5,805	1,241
Operating	198	20	704	424
Interest and financing (note 9)	1,749	710	3,427	2,441
Share based compensation (note 5)	2,153	1,602	6,308	5,085
Depletion, depreciation and other	26,828	22,144	74,318	63,940
Unrealized foreign exchange gain (note 11)	(18,147)	(4,342)	(22,576)	(1,018)
Management fee (note 10)	199	286	570	754
	18,238	22,860	78,277	80,219
Income before taxes	80,180	28,563	216,241	53,571
Income taxes:				
Current income tax expense	10,382	-	31,746	-
Deferred income tax expense	6,623	5,837	16,050	12,665
	17,005	5,837	47,796	12,665
Net income	\$ 63,175	\$ 22,726	\$ 168,445	\$ 40,906
Other comprehensive loss				
Foreign currency translation adjustment	\$ 9,292	\$ 562	11,288	\$ 440
Comprehensive income	\$ 72,467	\$ 23,288	\$ 179,733	\$ 41,346
Net income per share, basic and diluted	\$ 0.42	\$ 0.17	\$ 1.12	\$ 0.31
Weighted average number of shares:				
Basic	150,639,983	132,941,383	150,626,285	131,766,921
Diluted	151,101,167	133,373,926	151,112,540	132,193,632

See accompanying notes to interim condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Operating:				
Net income	\$ 63,175	\$ 22,726	\$ 168,445	\$ 40,906
Adjustments:				
Depletion, depreciation and other	26,828	22,144	74,318	63,940
Unrealized foreign exchange gain (note 11)	(18,147)	(4,342)	(22,576)	(1,018)
Deferred income tax expense	6,623	5,837	16,050	12,665
Share based compensation expense (note 5)	2,153	1,602	6,308	5,085
Management fee (note 10)	199	286	570	754
Accretion of decommissioning liabilities and lease obligation	47	45	139	160
Cash payout on share based compensation (note 5)	-	-	(5,838)	(1,371)
Decommissioning expenditures	(95)	(51)	(894)	(245)
Funds from operations	80,783	48,247	236,522	120,876
Changes in non-cash working capital (note 14)	19,148	(4,336)	8,151	(18,555)
	99,931	43,911	244,673	102,321
Financing:				
Long-term debt net draw	102,507	48,000	42,507	33,000
Dividends paid (note 7)	(37,658)	(17,095)	(100,920)	(37,875)
Lease obligation paid	(48)	(48)	(146)	(146)
Share issuance related to subscription receipts, net of costs	-	165,393	-	223,789
Changes in non-cash working capital (note 14)	-	585	-	1,741
	64,801	196,835	(58,559)	220,509
Investing:				
Acquisitions and related expenditures (note 4)	(161,679)	(228,382)	(183,634)	(309,094)
Changes in non-cash working capital (note 14)	(3,539)	(13,067)	(3,767)	(12,582)
	(165,218)	(241,449)	(187,401)	(321,676)
Increase (decrease) in cash	(486)	(703)	(1,287)	1,154
Impact of foreign currency on cash balance	18	(6)	252	(66)
Cash, beginning of period	1,622	2,823	2,189	1,026
Cash, end of period	\$ 1,154	\$ 2,114	\$ 1,154	\$ 2,114

See accompanying notes to interim condensed consolidated financial statements
Supplemental cash flow disclosures (note 14)

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (\$000s)	Nine months ended September 30	
	2022	2021
Shareholders' capital:		
Balance, beginning of period	\$ 1,499,544	\$ 1,272,397
Shares issued for payment of management fee (note 10)	570	754
Share issuance related to subscription receipts	-	233,265
Share issue costs, net of tax effect	-	(7,154)
Balance, end of period	1,500,114	1,499,262
Accumulated other comprehensive income (loss):		
Balance, beginning of period	126	(40)
Foreign currency translation adjustment	11,288	440
Balance, end of period	11,414	400
Contributed surplus:		
Balance, beginning of period	4,521	3,763
Share based compensation	-	667
Reclassification to share based compensation payable (note 1d)	(4,521)	-
Balance, end of period	-	4,430
Deficit:		
Balance, beginning of period	(613,225)	(616,681)
Net income	168,445	40,906
Dividends declared (note 7)	(105,442)	(43,029)
Balance, end of period	(550,222)	(618,804)
Total shareholders' equity	\$ 961,306	\$ 885,288

See accompanying notes to interim condensed consolidated financial statements

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

1. Basis of Presentation

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

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

a) Statement of Compliance

These interim condensed consolidated financial statements, the "financial statements", have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard 34 Interim Financial Reporting. These financial statements do not include all the disclosures normally provided in annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2021. Certain comparative period disclosures have been revised to conform to the current periods' presentation including production and ad valorem taxes, which are incurred in the US at the state level derived from production and property values, as expensed on the condensed consolidated statements of income.

These financial statements were approved by the Board of Directors on November 8, 2022.

b) Basis of Measurement and Principles of Consolidation

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

c) Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the current reporting period. Among other uncertainties, the Company continues to monitor the direct and indirect impacts on its operations, cash flows and liquidity of global economic and commodity pricing volatility caused by both on-going COVID-19 regionalized lockdowns and economic sanctions against Russia.

d) Change in Deferred Share Unit Accounting

The accounting policies used in the preparation of the audited consolidated financial statements and notes for the year ended December 31, 2021, have been applied in the preparation of these financial statements, except for the accounting treatment for the deferred share unit (DSU) plan. Effective April 1, 2022 (the effective date), DSUs are

prospectively accounted as cash settled. Previously the DSU plan was accounted as equity settled as it was then the intention of the Company to settle DSUs with equity and there was no history of cash settlement. This change in treatment resulted from redeemed DSUs being paid out in cash, as allowed by the DSU plan, during the nine months ended September 2022. Because the DSU plan's accounting treatment changed from equity to cash-settled, the DSUs' carrying amount of \$4.5 million on the effective date was reclassified from contributed surplus to share-based compensation liability as reported on the Condensed Consolidated Balance Sheet. On reclassification of those DSUs previously accounted as equity settled, the market value was determined from Freehold's share price with the difference between it and the amount reclassified from contributed surplus of \$2.3 million charged to share-based compensation expense for the nine months ended September 30, 2022. For all future period ends, including September 30, 2022, outstanding DSUs are measured to the market value of Freehold's share price. The equivalent Freehold dividend per share paid prior to redemption of each DSU is then reinvested on behalf of the non-management directors in additional DSUs. Cash payouts occur on redemption of DSUs when a non-management director retires, whereby the payout reduces share-based compensation payable. Although DSUs are prospectively accounted for as cash-settled from the effective date, the Board retains the right to settle DSUs through the issuance of equity.

2. Income Tax Deposits

During the three months ended September 30, 2022, Freehold's 2021 Canadian corporate income tax return was reassessed by the Canada Revenue Agency (CRA). As previously reported, Freehold's Canadian corporate income tax filings for 2015, 2018 and 2019 were reassessed by CRA (combined with the 2021 reassessment, the Reassessments). Pursuant to the Reassessments, deductions of \$171.1 million of non-capital losses (NCLs) by Freehold were denied, resulting in expected reassessed taxes, interest, and penalties totaling \$48.7 million, in addition to a denial of \$50.6 million of carried forward NCLs. Freehold has filed its Notices of Objection for the 2015, 2018 and 2019 reassessments which required deposits totaling \$14.7 million at September 30, 2022 and is in the process of filing its objection for the 2021 reassessment that is expected to require additional deposits totaling \$10 million to be paid prior to year-end 2022 or thereabouts.

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful on its appeal and payment of these deposits held by the CRA should be refunded, plus interest, and the denied NCLs should be reinstated. A CRA appeals' officer was assigned in late 2021, with no new developments since the assignment.

3. Exploration and Evaluation Assets

	September 30 2022	December 31 2021
Balance, beginning of period	\$ 74,455	\$ 80,152
Transfers to petroleum and natural gas interests (note 4)	(4,273)	(5,697)
Balance, end of period	\$ 70,182	\$ 74,455

There was no impairment recorded on the transfer of Exploration and Evaluation assets to Petroleum and Natural Gas Interests during the three and nine months ended September 30, 2022.

There were no indicators of impairment on Freehold's exploration and evaluation assets as at September 30, 2022.

4. Petroleum and Natural Gas Interests

(\$000s)	September 30 2022	December 31 2021
Balance, beginning of period	\$ 1,878,761	\$ 1,496,062
Acquisitions and related expenditures	183,634	377,002
Capitalized portion of long term incentive plan	983	1,163
Transfers from exploration and evaluation assets (note 3)	4,273	5,697
Foreign exchange translation	43,121	(467)
Decommissioning liability additions and revisions	341	(696)
Balance, end of period	2,111,113	1,878,761
Balance, beginning of period	(945,912)	(857,665)
Depletion and depreciation	(74,440)	(88,288)
Foreign exchange translation	(2,820)	41
Balance, end of period	(1,023,172)	(945,912)
Net book value, end of period	\$ 1,087,941	\$ 932,849

a. Acquisitions and related expenditures

All transactions for the three and nine months ended September 30, 2022 were treated as asset acquisitions, using cash consideration as initially funded from long-term debt.

US Acquisitions

On June 28, 2022, Freehold acquired US mineral title and overriding royalty interests on 220,000 gross acres (1,100 net royalty acres) for \$19.4 million (US\$15.1 million), net of customary adjustments, in the Midland basin located in Texas.

On August 4, 2022, Freehold acquired US mineral title and royalty assets located in the Midland basin predominantly in Howard County, Texas across 51,000 gross acres for \$125.7 million (US\$97.7 million), net estimated customary closing adjustments.

On August 19, 2022 Freehold acquired US mineral title and royalty assets located in the Eagle Ford basin in Texas for \$32.8 million (US\$ 25.4 million), net of estimated customary closing adjustments.

Canadian Acquisitions

Freehold paid \$2.4 million during the nine months ended September 30, 2022 in exchange for gross overriding royalties in the range of 2% to 5% in the Clearwater play in central Alberta pursuant to two agreements. These two Canadian royalty agreements were transacted in 2021 and during the three months ended September 30, 2022, respectively. Freehold's combined commitments per these agreements is \$26.3 million, of which \$8.3 million has been paid to date.

Related Expenditures

For the nine months ended September 30, 2022, Freehold recognized capitalized general & administrative costs of \$2.4 million and other royalty income asset and miscellaneous expenditures of \$1.0 million.

b. Impairment

At September 30, 2022, there were no indicators of impairment on Freehold's US and Canadian Royalty Cash Generating Units.

5. Share Based Compensation

For the three and nine months ended September 30, 2022, expensed share based compensation associated with Freehold's combined award and DSU plans was \$2.2 million and \$6.3 million, respectively (three and nine months ended September 30, 2021 - \$1.6 and \$5.1 million, respectively), where the nine months ended September 30, 2022 includes a charge of \$2.3 million to adjust the carrying amount of DSUs previously accounted for as equity settled to their market value on reclassification from contributed surplus to share-based compensation payable (see note 1d). Freehold further capitalized \$1.0 million of award plan costs (see note 4) for the nine months ended September 30, 2022, included in the share-based compensation liability (2021 - \$1.1 million).

Associated with the award and DSU plans, during the three and nine months ended September 30, 2022, Freehold paid to its employees and a non-management director \$5.8 million (three and nine months ended September 30, 2021 - \$1.4 million paid to its employees).

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

(\$000s)	September 30 2022	December 31 2021
Balance, beginning of period	\$ 7,742	\$ 1,633
Reclassification from Contributed Surplus (note 1d)	4,521	-
Increase in liability	7,290	7,480
Cash payout	(5,838)	(1,371)
Balance, end of period	\$ 13,715	\$ 7,742
Current portion of liability	\$ 3,760	\$ 3,287
Long-term portion of liability	\$ 9,955	\$ 4,455

a. Long-term Incentive Plans

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 PSUs and RSUs outstanding at each period end, a notional adjustment for paid dividends and an estimated forfeiture rate. Compensation expense is recognized over the vesting period. Also, for the PSUs there is a performance multiplier of 0 to 2 times, 50% of which is determined from absolute total shareholder return and 50% of which is determined from relative total shareholder return over a three-year period.

The following table reconciles the outstanding number of combined RSUs and PSUs:

	September 30 2022	December 31 2021
Balance, beginning of period	926,922	686,792
Units issued	237,234	429,454
Forfeitures	(36,609)	(37,244)
Cash payout	(241,741)	(152,080)
Balance, end of period	885,806	926,922

b. Deferred Share Unit Plan

Pursuant to our DSU plan, fully-vested DSUs are granted annually in the first quarter to non-management members (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 DSUs.

While the Board may elect to settle DSUs through issuing common shares, from the effective date outstanding DSUs were prospectively accounted for as cash-settled (see note 1d) due to the Company establishing a precedent of cash settlement. Previously they were accounted for as equity settled.

The following table reconciles the outstanding number of DSUs:

	September 30 2022	December 31 2021
Balance, beginning of period	447,684	325,633
Annual grants and grants in lieu of fees	80,142	101,597
Additional grants resulting from paid dividends	22,715	20,454
Redeemed	(79,337)	-
Balance, end of period	471,204	447,684

6. Long-term Debt

On October 21, 2022, Freehold signed the fourth amendment to its credit facility agreement with a syndicate of four Canadian banks extending the term of the agreement and a larger permitted increase. The amended credit facility agreement has a committed revolving facility availability of \$285 million and an operating facility availability of \$15 million. The amended credit facility agreement includes a permitted increase in the revolving facility to \$435 million, an increase from \$360 million, subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At September 30, 2022, \$196.9 million was drawn on the committed revolving facility (December 31, 2021 - \$146 million), consisting of Canadian dollar and US dollar denominated borrowings of \$69.0 million and US\$93.3 million (\$127.9 million), respectively. There were no drawings against the operating facility. The credit facilities are secured with a \$400 million first charge demand debenture over all of Freehold's Canadian royalty income assets and fixed charge mortgage securities on US royalty income assets with associated proved developed producing reserves.

The amended 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 0.55 times at September 30, 2022) 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 17% at September 30, 2022). 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.

Outstanding borrowings under the amended credit facilities bear interest on US and Canadian denominated drawings at London Interest Borrowing Overnight Rates (LIBOR) and Banker's Acceptance (BA) rates, respectively,

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

For the three and nine months ended September 30, 2022, the average effective LIBOR rate on US dollar advances from Freehold's committed credit facility was 4.3%. For the three and nine months ended September 30, 2022, the average effective BA rates on Canadian dollar advances from Freehold's committed credit facility was 4.2% and 2.7%, respectively (three months ended September 30, 2021 – 2.4% and 2.3%).

At September 30, 2022 and December 31, 2021, the fair values of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange rates.

7. Shareholders' Capital

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

a. Shares Issued and Outstanding

(\$000s)	September 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of period	150,612,334	\$ 1,499,544	118,787,667	\$ 1,272,397
Share issuances related to subscription receipts	-	-	31,714,667	233,265
Share issue costs, net of tax effect	-	-	-	(7,192)
Issued for payment of management fee	41,250	570	110,000	1,074
Balance, end of period	150,653,584	\$ 1,500,114	150,612,334	\$ 1,499,544

b. Dividends

During the three and nine months ended September 30, 2022, Freehold declared dividends of \$39.2 million and \$105.4 million (three and nine months ended September 30, 2021 - \$19.4 million and \$43.0 million) or \$0.26 and \$0.70 per common share, respectively (three and nine months ended September 30, 2021 - \$0.14 and \$0.32 per common share). During this same period, Freehold paid dividends of \$37.7 million and \$100.9 million (three and nine months ended September 30, 2021 - \$17.1 million and \$37.9 million) or \$0.25 and \$0.67 per common share (three and six months ended September 30, 2021 - \$0.13 and \$0.29 per common share).

On September 14, 2022, the Board declared a dividend of \$0.09 per common share or \$13.6 million which was paid on October 17, 2022 to common shareholders on record on September 30, 2022 (December 31, 2021 – dividend of \$0.06 per common share or \$9.0 million). On October 13, 2022, the Board declared a dividend of \$0.09 per common share to be paid on November 15, 2022, to common shareholders on record on October 31, 2022. On November 8, 2022, the Board declared a dividend of \$0.09 per common share to be paid on December 15, 2022, to common shareholders on record on November 30, 2022.

8. Revenue

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

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

Resulting from Freehold's 2021 US acquisitions, "production taxes" were reclassified from net revenue, as then presented in 2021, to the "production and ad valorem taxes" expense line item captured in the condensed consolidated statements of income.

a. Royalty and Other Revenue by Commodity Type

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Oil	\$ 73,191	\$ 37,595	\$ 215,689	\$ 97,619
Natural gas	16,375	8,815	48,718	22,573
NGL	7,646	4,539	25,777	12,116
Potash	583	258	2,269	905
Bonus consideration and lease rentals	623	216	2,065	577
Royalty and other revenue	\$ 98,418	\$ 51,423	\$ 294,518	\$ 133,790

b. Royalty and Other Revenue by Category

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Royalty interest revenue	\$ 97,795	\$ 51,207	\$ 292,453	\$ 133,213
Bonus consideration and lease rentals	623	216	2,065	577
Royalty and other revenue	\$ 98,418	\$ 51,423	\$ 294,518	\$ 133,790

As at September 30, 2022, there was outstanding accounts receivable and accrued revenue of \$59.4 million (December 31, 2021 - \$44.6 million) associated with US and Canadian royalty and other revenues. For the three and nine months ended September 30, 2022 and 2021 there were no significant royalty and other revenue adjustments relating to prior periods.

9. Interest and Financing

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Interest on long term debt and financing expense	\$ 1,702	\$ 665	\$ 3,288	\$ 2,281
Accretion of decommissioning obligation	23	21	67	88
Accretion of lease obligation	24	24	72	72
Interest and financing	\$ 1,749	\$ 710	\$ 3,427	\$ 2,441

10. Related Party Transactions

Freehold does not have any employees. Rather, Freehold is managed by Rife Resources Management Ltd. (the Manager) pursuant to a management agreement (the Management Agreement). The Manager is a wholly-owned subsidiary of Rife Resources Ltd. (Rife). Rife is 100% owned by the pension funds for the employees of the Canadian National Railway Company (the CN Pension Trust Funds), and both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 18.1% ownership in Freehold at September 30, 2022, a decrease from the 19.9% ownership at December 31, 2021, as Rife sold 2,791,667 shares of its investment in Freehold in January 2022. Canpar Holdings Ltd. (Canpar) is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

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

a. Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares on a quarterly basis. Pursuant to the Management Agreement, the management fee was capped at 13,750 and 27,500 Freehold common shares per quarter for 2022 and 2021, respectively. For both the three and nine months ended September 30, 2022, ascribed values of \$0.2 million and \$0.6 million were based on the closing price of Freehold's common shares on the last trading day of each quarter (three and nine months ended September 30, 2021 - \$0.3 million and \$0.8 million, respectively).

For the three and nine months ended September 30, 2022, the Manager charged \$2.1 million and \$8.0 million (three and nine months ended September 30, 2021 - \$2.0 million and \$7.1 million) in general and administrative costs. At September 30, 2022, there was \$0.6 million (December 31, 2021 - \$0.5 million) in accounts payable and accrued liabilities relating to these costs.

b. Rife Resources Ltd. and CN Pension Trust Funds

For the three and nine months ended September 30, 2022, Freehold paid \$6.8 million and \$18.4 million (three and nine months ended September 30, 2021 - \$3.8 million and \$8.4 million) in cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares.

In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the three and nine months ended September 30, 2022, Freehold reported royalties of approximately \$0.2 million and \$0.5 million from Rife (three and nine months ended September 30, 2021 - \$0.3 million and \$0.6 million).

At September 30, 2022, there was \$2.5 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared, net of royalties receivable (December 31, 2021 - \$1.8 million).

c. Canpar Holdings Ltd.

Freehold and Canpar generally share mineral title ownership in a substantial land base in western Canada. Generally, Canpar owns mineral rights that were below the deepest producing formation at the time that Freehold was created, and Freehold holds the balance of the mineral rights. Where Freehold is not the legal registered owner of such

mineral rights, Canpar holds these rights in trust for Freehold and receives the royalty payments in respect of such mineral rights on behalf of Freehold. At September 30, 2022 and December 31, 2021 there was \$nil in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

11. Unrealized Foreign Exchange

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Unrealized foreign exchange loss (gain) on:				
Intercompany note	\$ (26,587)	\$ (4,342)	\$ (31,016)	\$ (1,018)
Long term debt	8,440	-	8,440	-
	\$ (18,147)	\$ (4,342)	\$ (22,576)	\$ (1,018)

12. Capital Management

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

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

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

Freehold is bound by non-financial covenants and two financial covenants (see note 6) on its credit facilities. The covenants are monitored as part of management's internal review to ensure compliance with requirements. As at September 30, 2022, Freehold was in compliance with all such covenants.

Freehold's September 30, 2022 and December 31, 2021 net debt to funds from operations ratio was 0.5 times and within its debt strategy target of below 1.5 times. This ratio is a financial leverage measure. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others.

a. Working Capital

(\$000s)	September 30 2022	December 31 2021
Cash	\$ 1,154	\$ 2,189
Accounts receivable	65,594	46,303
Income tax deposits	14,711	14,711
Dividends payable	(13,559)	(9,037)
Accounts payable and accrued liabilities	(3,372)	(5,163)
Current income taxes	(22,998)	-
Current portion of lease obligation	(195)	(195)
Current portion of decommissioning liability	(500)	(750)
Current portion of share based compensation payable	(3,760)	(3,287)
Working capital⁽¹⁾	\$ 37,075	\$ 44,771

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

b. Capitalization and net debt

(\$000s)	September 30 2022	December 31 2021
Shareholders' equity	\$ 961,306	\$ 890,966
Long term debt	196,947	146,000
Working capital	(37,075)	(44,771)
Net debt⁽¹⁾	\$ 159,872	\$ 101,229
Capitalization⁽¹⁾	\$ 1,121,177	\$ 992,195

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

c. Net Debt to Funds from Operations

(\$000s)	September 30 2022	September 30 2021
Cash provided by operating activities for last 12 months	\$ 304,373	\$ 122,931
Change in operating non-cash working capital	921	20,073
Funds from operations for the last 12 months	\$ 305,295	\$ 143,004
Net debt to funds from operations (times)⁽¹⁾	0.5	0.5

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

13. Segmented Information

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

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

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

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Canada	\$ 58,854	\$ 42,039	\$ 191,344	\$ 112,254
United States	39,564	9,384	103,174	21,536
Royalty and other revenue	\$ 98,418	\$ 51,423	\$ 294,518	\$ 133,790

The following table presents total assets by geographic region:

(\$000s)	September 30 2022	December 31 2021
Canada	\$ 641,525	\$ 683,190
United States	598,057	387,317
Total Assets	\$ 1,239,582	\$ 1,070,507

14. Supplemental Disclosures

Changes in Non-Cash Working Capital

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Accounts receivable	\$ 7,442	\$ (11,098)	\$ (16,823)	\$ (25,221)
Accounts payable and accrued liabilities	795	793	(1,791)	(285)
Current income taxes payable	7,372	(6,513)	22,998	(6,513)
Prepaid	-	-	-	2,623
	\$ 15,609	\$ (16,818)	\$ 4,384	\$ (29,396)
Operating	\$ 19,148	\$ (4,336)	\$ 8,151	\$ (18,555)
Financing	-	585	-	1,741
Investing	(3,539)	(13,067)	(3,767)	(12,582)
	\$ 15,609	\$ (16,818)	\$ 4,384	\$ (29,396)

Cash Expenses

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Interest on long term debt and financing fees	\$ 1,702	\$ 665	\$ 3,288	\$ 2,281
Current income taxes	\$ 3,169	-	\$ 9,384	-