

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared as of July 30, 2025 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, 2025 and its comparative period, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein is based on information in the interim condensed consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which are the Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. Presented periods are between the three months (the "second quarter") and six months ("first six months", "first half" or "year-to-date") ended June 30, 2025 and the "same quarter" or "same periods" in 2024 (combined, the "reporting periods") and March 31, 2025 ("previous quarter" or "prior quarter"), unless otherwise noted 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, 2025 unaudited interim condensed consolidated financial statements (the "interim financial statements") and the December 31, 2024 audited consolidated financial statements (the "audited financial statements"). These documents, as well as additional information about Freehold, including its Annual Information Form for the year ended December 31, 2024 ("AIF"), are available on SEDAR+ at www.sedarplus.ca and on Freehold's website at www.freeholdroyalties.com.

This MD&A contains the non-GAAP financial measures: **net revenue**, **cash costs** and **netback** and the supplementary financial measures: **dividend payout ratio** and **funds from operations per share**. These are useful supplements 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. This MD&A also contains the capital management measures of working capital, net debt, capitalization, net debt to capitalization ratio and net debt to trailing funds from operations for the last 12 months as defined in Note 14 of the interim financial statements. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand Freehold's business and prospects. Readers are cautioned that the MD&A should be read in conjunction with the disclosure under "Non-GAAP and Other 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 ("TSX") under the symbol FRU. We receive revenue primarily from royalties on crude oil, natural gas and natural gas liquids ("NGLs") as reserves are produced over the life of the properties located in the continental U.S. and Canada. Freehold's business is managing and acquiring royalties.

The Royalty Advantage

Freehold manages one of the largest non-government portfolios of crude oil and natural gas royalties in Canada along with a sizeable land base in the U.S., uniquely positioning Freehold as a leading North American energy royalty company. Our total land holdings encompass approximately 6.1 million gross acres in Canada and approximately 1.2 million gross drilling acres in the U.S. Our Canadian mineral title lands, which we own in perpetuity, cover approximately 1.1 million acres and we also have gross overriding royalty ("GORR") and other

interests in approximately 5 million acres. Our U.S. acreage is comprised of almost 80% mineral title lands, also owned in perpetuity.

We have royalty interests in more than 23,000 producing wells and almost 500 units spanning five provinces and eight states and receive royalty income from over 380 industry operators throughout North America. Our revenues also include potash royalties, lease bonus consideration and lease rental streams that diversify our revenue portfolio. Our North American land base lowers Freehold's risk and, as a royalty owner, Freehold benefits from the drilling activity of others.

As a royalty interest owner, Freehold does not pay any of the capital costs to drill, complete and equip wells for production on the Company's properties, nor does it incur costs to operate wells, maintain production, or ultimately abandon wells and restore the land to its original state. All of these costs are paid by our royalty payors. 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 North American 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 development on our lands through our lease out program and royalty optimization
 - Acquire royalty assets with acceptable risk profiles and long economic life
 - Generate GORRs 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 trailing funds from operations for the last 12 months
- Delivering Value
 - Target a dividend payout ratio of approximately 60%

Dividend Announcement

Freehold's Board of Directors (the "Board") approved a dividend of \$0.09 per common share to be paid on September 15, 2025, to shareholders of record on August 29, 2025. Freehold's dividend of \$0.09 per common share is consistent with the Company's payout strategy. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Outlook

The ongoing threat and announcement of U.S. tariffs, counter tariffs and the potential effect on global GDP growth expectations, along with materially heightened geopolitical concerns continued to fuel market uncertainty and caution. Additionally, increased supply from the Organization of the Petroleum Exporting Countries ("OPEC+") caused further volatility in crude oil prices. During the quarter, WTI prices fluctuated between a low of US\$58.50/bbl and a high of US\$75.89/bbl. The average price settled at US\$63.74/bbl, reflecting an 11% decline from the previous quarter. Looking ahead, the focus will be on OPEC+ and the ongoing reversal of production cuts,

alongside other sources of incremental global supply amid fragile and uncertain demand growth. In Canada, the WTI:WCS differential narrowed by approximately US\$2.50/bbl from the previous quarter to average US\$11.44/bbl largely due to oil sands turnaround activity reducing supply (approximately 17% of Freehold's Canadian crude oil production is exposed to the WTI:WCS heavy oil differential).

Freehold's North American portfolio continues to demonstrate strong resiliency amidst ongoing volatility. We expect our crude oil focused, diversified North American asset base will generate strong cash flows through the evolving commodity markets and allow the Company to continue to deliver robust shareholder returns in 2025.

Freehold remains well positioned to navigate dynamic natural gas conditions both in the U.S. and Canada. Henry Hub prices decreased from the prior quarter, with prices averaging approximately US\$3.50/MMbtu (down 9% from the prior quarter) due to increasing storage levels. Demand was flat year-over-year; however, incremental LNG export capacity from the Plaquemines project could not fully offset the growth in U.S. natural gas production during the second quarter.

AECO spot prices averaged \$1.73/mcf, 19% lower than the previous quarter due to persistent inventory builds and seasonal pipeline maintenance that restricted flows. Western Canadian natural gas production fell by approximately 820 MMcf/d from the previous quarter but was approximately 150 MMcf/d higher year-over-year. Encouragingly, LNG Canada loaded its first export cargo signaling progress towards greater market access and improved regional pricing.

During the second quarter of 2025, drilling activity in Canada slowed due to spring break-up but increased late in the quarter leading to an increase in licensing and drilling activity. Licensing for the first half of 2025 remained consistent with the first half of 2024, with over 50% of licensing activity focused on our crude oil-weighted growth areas (southeast Saskatchewan, Mannville Stack and Clearwater). Confidence in natural gas markets following the commissioning of LNG Canada also contributed to increased well licensing activity in the first half of 2025. Freehold had over 22 licenses on its Deep Basin/Montney acreage in the first half of 2025, a significant increase compared to the first half of 2024 with 9 licenses.

In the U.S., gross drilling activity on Freehold's lands increased by 8% in the second quarter of 2025 compared to the first quarter of 2025 with over 70% of the gross drilling concentrated in the Midland basin, where Freehold maintained approximately 1/3 of the market share of active rigs at the end of the quarter. Freehold's most significant payors in the U.S. are investment grade companies, including ConocoPhillips, ExxonMobil, Occidental Petroleum and Diamondback, which combined are approximately 35% of Freehold's corporate revenue and approximately 70% of Freehold's U.S. revenue. Freehold anticipates sustained drilling on its lands across the Permian and Eagle Ford basins where economics remain robust.

2025 Guidance

Freehold has not made any changes to its 2025 production assumptions. We continue to expect production to average between 15,800 and 17,000 boe/d for 2025, weighted approximately 66% crude oil and NGLs (45% light and medium oil, 8% heavy oil and 13% NGLs), an increase from 64% crude oil and NGLs in 2024. Since early 2025, there has been a significant shift in the global macroeconomic environment, which introduced uncertainty across commodity markets which may influence operator plans for the remainder of 2025. However, the energy industry is well positioned to navigate commodity price volatility as a result of the capital discipline and prudent balance sheet management demonstrated over the past number of years. While some growth directed capital may be scaled back, we do not expect a significant slowdown in activity on Freehold lands. Contributing to this is Freehold's positioning in the lowest break-even plays across North America under investment grade operators who take a longer term, and more measured view to capital allocation.

Termination of Management Agreement

Freehold is managed by Rife Resources Management Ltd. (the "Manager") pursuant to a management agreement (the "Management Agreement").

On April 30, 2025, it was mutually agreed by Freehold and the Manager to terminate the Management Agreement. Accordingly, Freehold provided notice to the Manager that it was terminating the Management Agreement (the "Notice of Termination") effective December 31, 2025 (the "Termination Date"). Freehold's Board of Directors made this decision with the support of the Manager's owner, the pension fund for the employees of the Canadian National Railway Company (the "CN Pension Trust Funds"). Freehold is not required to pay the Manager a termination fee or any future management fees for periods after the Notice of Termination. Compensation and other administration costs previously incurred under the Management Agreement are expected to be similar to Freehold's independent cost structure. Transition costs are not expected to be material. Following the delivery of the Notice of Termination, although Freehold will continue to be managed by the Manager until the Termination Date, the Freehold executive team and employee base is fully dedicated to the business of Freehold. Freehold will be responsible for reimbursement of certain general and administrative costs until the Termination Date. Freehold and the Manager are working collaboratively towards an orderly and stable transition of systems, software, workflows, files and office space during the transition period prior to the Termination Date.

Operating and Financial Results

Financial (\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Royalty and other revenue	\$ 78,272	\$ 84,471	\$ 169,337	\$ 158,744
Net income	\$ 6,236	\$ 39,302	\$ 43,547	\$ 73,321
Per share, basic (\$) ⁽¹⁾	\$ 0.04	\$ 0.26	\$ 0.27	\$ 0.49
Per share, diluted (\$) ⁽¹⁾	\$ 0.04	\$ 0.26	\$ 0.26	\$ 0.48
Cash flows from operations	\$ 57,394	\$ 47,596	\$ 120,330	\$ 100,075
Funds from operations	\$ 56,600	\$ 59,569	\$ 124,650	\$ 113,931
Per share, basic & diluted (\$) ⁽¹⁾⁽³⁾	\$ 0.35	\$ 0.40	\$ 0.76	\$ 0.76
Acquisitions and related expenditures	\$ 15,195	\$ 11,470	\$ 29,066	\$ 132,951
Dividends paid and declared	\$ 44,270	\$ 40,686	\$ 88,539	\$ 81,372
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54
Dividend payout ratio (%) ⁽³⁾	78%	68%	71%	71%
Long-term debt	\$ 292,591	\$ 228,017	\$ 292,591	\$ 228,017
Net debt ⁽⁴⁾	\$ 270,577	\$ 199,088	\$ 270,577	\$ 199,088
Shares outstanding, period end (000s)	163,960	150,689	163,960	150,689
Average shares outstanding (000s) ⁽⁵⁾	163,960	150,689	163,960	150,689
Operating				
Light and medium crude oil (bbl/d)	6,940	6,551	6,910	6,322
Heavy crude oil (bbl/d)	1,557	1,348	1,555	1,324
NGL (bbl/d)	2,550	1,902	2,377	1,893
Total liquids (bbl/d)	11,047	9,801	10,842	9,540
Natural gas (Mcf/d)	33,220	32,524	33,446	32,572
Total production (boe/d) ⁽⁶⁾	16,584	15,221	16,416	14,968
Liquids weighting (%)	67%	64%	66%	64%
Petroleum and natural gas realized price (\$/boe) ⁽⁶⁾	\$ 50.36	\$ 59.74	\$ 54.75	\$ 57.31
Cash costs (\$/boe) ⁽³⁾⁽⁶⁾	\$ 7.38	\$ 9.80	\$ 7.18	\$ 8.52
Netback (\$/boe) ⁽³⁾⁽⁶⁾	\$ 42.68	\$ 49.44	\$ 47.78	\$ 48.05

1. Calculated based on the basic or diluted weighted average number of shares outstanding during the period

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

3. See Non-GAAP and Other Financial Measures

4. Net debt is a capital management measure

5. Weighted average number of shares outstanding during the period, basic

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

Operating and Financial Highlights for the three months ended June 30, 2025

- Delivered production of 16,584 boe/d, a 9% increase from the same quarter in 2024, with 67% of production liquids weighted.
 - U.S. production was 7,480 boe/d, an increase of 34% from the same period in 2024 reflecting acquisitions completed in late 2024 and continued development of our U.S. land base, including robust initial production results from new wells in the Eagle Ford and Permian basins.
 - Canadian production of 9,104 boe/d decreased by 5% from the same period of 2024 due to lower natural gas and NGL volumes, offset by a 15% increase in Mannville Stack heavy oil production.
- Second quarter drilling activity included 271 gross wells (1.7 net), predominantly targeting crude oil prospects, consistent on a gross basis from the same quarter in 2024.

- Cash costs⁽¹⁾ in the second quarter of 2025 totaled \$7.38/boe, a decrease of 25% compared to the same quarter in 2024, reflecting a lower cash settlement on share based compensation to employees (paid annually in the second quarter) and higher production volumes.
- Funds from operations in the second quarter of 2025 totaled \$56.6 million or \$0.35 per share⁽¹⁾, a decrease of 5% from \$59.6 million (\$0.40 per share⁽¹⁾) for the same quarter in 2024, reflecting a 27% decrease in crude oil benchmark pricing, offset by 9% increase in production .
- During the second quarter of 2025, dividends of \$44.3 million (\$0.27 per share) were declared and paid, an increase from \$40.7 million in the same quarter in 2024 (\$0.27 per share), reflecting the additional 13.3 million common shares issued in December 2024.
 - Dividend payout ratio⁽²⁾ of 78% was higher than 68% for the same period in 2024.
- Announced the commencement of a normal course issuer bid, where Freehold can purchase, at its discretion, up to approximately 13.7 million common shares, for cancellation, during a 12-month period.
- Long term debt at June 30, 2025 was \$292.6 million, \$8.3 million lower than at December 31, 2024.
 - Net debt⁽³⁾ also decreased by \$11.7 million to \$270.6 million.
- On April 30, 2025, provided notice to the Manager that it was terminating the Management Agreement with all associated services expected to be fully transitioned by December 31, 2025.

1. See Non-GAAP and Other Financial Measures
2. Dividend payout ratio is a supplementary financial measure
3. Net debt is a capital management measure

Drilling Activity

During the first half of 2025, drilling activity levels were up on a gross basis, with 593 gross wells (6.4 net) drilled on Freehold's royalty lands, compared to the same period in 2024. However, net wells decreased by 33% primarily due to a higher proportion of drilling on U.S. lands where average net well additions are lower than in Canada. Despite this shift, U.S. wells generally produce approximately ten times the volumes of an average Canadian well. Strong activity during the first half of the year was supported by the Company's expanded U.S. asset base, the quality of its lands and the resilience of its royalty payors to manage fluctuations in benchmark crude oil prices. As anticipated, there was a decrease in Canadian drilling activity from 92 gross wells drilled in the first quarter of 2025 largely due to the seasonal impact of spring break-up. On a gross basis, during the first half of 2025, 23% of new wells were drilled in Canada with 77% in the U.S., primarily targeting crude oil.

	Three months ended June 30				Six months ended June 30			
	2025		2024		2025		2024	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	45	1.1	65	2.1	137	5.0	197	8.0
United States	226	0.6	209	1.0	456	1.4	377	1.5
Total	271	1.7	274	3.1	593	6.4	574	9.5

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

CANADA

For the first six months of 2025 gross drilling activity was down 30% compared to the same period in 2024 as challenged AECO prices curtailed natural gas drilling activity. Top focus areas were crude oil weighted plays targeting Clearwater, Mannville Stack and southeast Saskatchewan. By geography, approximately 46% of gross

wells drilled were in Saskatchewan and 51% in Alberta. Notably during the first six months of 2025, ten Montney and Duvernay gross wells were drilled, with an additional 19 active licenses.

U.S.

During the first six months of 2025, 456 gross wells were drilled, a 21% increase compared to 377 gross wells during the same period in 2024, although a 1% decrease on a net basis. The gross increase is associated with the 2024 U.S. acquisitions and strong industry activity focused in the Midland and Delaware subbasins of the Permian. Approximately 86% of the first six months drilling activity was in the Permian basin and 13% in the Eagle Ford basin. By geography, almost all gross wells drilled in the U.S. during the first six months of 2025 targeted crude oil prospects in Texas.

Although Freehold's U.S. net well additions are lower than in Canada, U.S. wells generally come on production at approximately ten times that of an average Canadian well in the Company's portfolio. However, a U.S. well can take upwards of six to twelve months on average from initial license to first production, compared to three to four months in Canada.

Production

Freehold's production averaged 16,584 boe/d and 16,416 boe/d during the current reporting periods, increases of 9% and 10% over the same periods in 2024, with second quarter 2025 production representing the highest production levels in Freehold's history. These increases reflect growth in Freehold's U.S. portfolio from third party drilling and completion activity and an expansion of the Company's U.S. asset base through acquisitions. The impact of strong performance from several new U.S. Eagle Ford and Permian wells, that came on production late in the first quarter of 2025, increased second quarter production by an estimated 430 boe/d, comprised of 315 boe/d from crude oil and NGLs and 690 Mcf/d from natural gas. Higher netback crude oil and NGL production was the primary driver of growth, representing 67% and 66% of total production for the current reporting period.

Production Summary

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Canada (boe/d)	9,104	9,622	-5%	9,190	9,608	-4%
United States (boe/d)	7,480	5,599	34%	7,226	5,360	35%
Total production (boe/d)	16,584	15,221	9%	16,416	14,968	10%

Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Light and medium crude oil (bbl/d)	6,940	6,551	6%	6,910	6,322	9%
Heavy crude oil (bbl/d)	1,557	1,348	16%	1,555	1,324	17%
NGL (bbl/d)	2,550	1,902	34%	2,377	1,893	26%
Natural gas (Mcf/d)	33,220	32,524	2%	33,446	32,572	3%
Total production (boe/d)	16,584	15,221	9%	16,416	14,968	10%
Liquids weighting (%)	67%	64%	3%	66%	64%	4%
Number of days in period (days)	91	91		181	182	
Total volumes during period (MMboe)	1.509	1.385	9%	2.971	2.724	9%

CANADA

Canadian production averaged 9,104 boe/d and 9,190 boe/d during the current reporting periods, comprised of approximately 58% crude oil and NGLs and 42% natural gas. Recent Canadian development has been focused on heavy oil prospects, particularly in the Mannville Stack and Clearwater areas, where Canadian heavy oil differentials to WTI have strengthened since the completion of the Trans Mountain pipeline expansion in 2024. This has resulted in higher Canadian heavy oil weightings relative to total Canadian production during the current reporting periods as compared to the same periods in 2024. The 5% and 4% decreases in Canadian production during the current reporting periods, compared to the same periods in 2024, is partially due to lower natural gas activity associated with challenged AECO prices.

In April 2025, Freehold's remaining operated working interest volumes were shut-in. Production from these wells contributed 50 boe/d during the first six months of 2025 and were comprised of dry natural gas.

Canadian Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Light and medium crude oil (bbl/d)	2,831	3,056	-7%	2,785	3,076	-9%
Heavy crude oil (bbl/d)	1,557	1,348	16%	1,555	1,324	17%
NGL (bbl/d)	850	959	-11%	864	933	-7%
Natural gas (Mcf/d)	23,195	25,556	-9%	23,918	25,647	-7%
Total production (boe/d)	9,104	9,622	-5%	9,190	9,608	-4%
Liquids weighting (%)	58%	56%	3%	57%	56%	2%

U.S.

U.S. production averaged 7,480 boe/d and 7,226 boe/d during the current reporting periods, increases of 34% and 35% compared to the same periods in 2024. These increases reflect strong additions from third-party drilling and completion activities in addition to U.S. acquisitions during 2024.

Freehold's U.S. production during the current reporting periods represents approximately 45% and 44% of corporate volumes, increases from 37% and 36% during the same periods in 2024, comprised of approximately 78% crude oil and NGLs and 22% natural gas.

U.S. Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Light and medium crude oil (bbl/d)	4,108	3,495	18%	4,125	3,246	27%
NGL (bbl/d)	1,701	943	80%	1,513	960	58%
Natural gas (Mcf/d)	10,025	6,968	44%	9,528	6,925	38%
Total production (boe/d)	7,480	5,599	34%	7,226	5,360	35%
Liquids weighting (%)	78%	79%	-1%	78%	78%	0%

Product Prices

Benchmark Prices

The price received by Freehold for produced crude oil is primarily driven by the U.S. dollar price of WTI, with the realized Canadian price adjusted for the value of the Canadian dollar relative to the U.S. dollar, quality

differentials and for the transportation cost to move product to U.S. pricing points. For the current reporting periods, WTI averaged US\$63.74/bbl and US\$67.58/bbl, 21% and 14% lower compared to the same periods in 2024, with WTI at its lowest point during the second quarter of 2025 since the spring of 2021. When compared to the first quarter of 2025, WTI decreased by 11%, with more recent volatility in WTI pricing attributed to uncertainty on crude oil demand caused by the U.S. Administration's enacted and threatened tariffs, and OPEC+ increasing supply.

Within Canada, Western Canadian Select ("WCS") prices averaged \$73.96/bbl and \$79.13/bbl during the current reporting periods, 19% and 7% lower compared to the same periods in 2024. Although these lower prices reflect the impact of lower WTI benchmark pricing, Canadian heavy oil differentials narrowed in the second half of 2024 from historical levels due to the completion of the Trans Mountain pipeline expansion in May 2024, low heavy oil inventory levels resulting in minimal apportionment on Enbridge's mainline and constrained supply due to oil sands turnaround activity. Light Sweet prices averaged \$84.25/bbl and \$89.79/bbl during the current reporting periods, 20% and 9% lower compared to the same periods in 2024. Canadian oil benchmarks during the current reporting periods were also impacted by a 1% and 4% strengthening in the U.S. dollar, compared to the same periods in 2024, although the U.S. dollar has weakened since 2024.

For the current reporting periods, the AECO 5A Monthly Index spot price averaged \$1.69/Mcf and \$1.93/Mcf, an increase of 43% and 35% from the same periods in 2024, and NYMEX natural gas contract prices increased 82% and 72% to US\$3.57/Mcf and US\$3.68/Mcf. These increases are the result of reduced storage levels, although still above the five-year average, and increased U.S. LNG exports with the Plaquemines project coming online in 2024.

Average Benchmark Prices

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 63.74	\$ 80.57	-21%	\$ 67.58	\$ 78.77	-14%
Exchange rate (Cdn\$/US\$)	1.38	1.37	1%	1.41	1.35	4%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 84.25	\$ 105.29	-20%	\$ 89.79	\$ 98.72	-9%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 73.96	\$ 91.63	-19%	\$ 79.13	\$ 84.70	-7%
NYMEX natural gas (US\$/Mcf)	\$ 3.57	\$ 1.96	82%	\$ 3.68	\$ 2.14	72%
AECO 5A Monthly Index (Cdn\$/Mcf)	\$ 1.69	\$ 1.18	43%	\$ 1.93	\$ 1.43	35%

Realized Prices

As Freehold has expanded its U.S. royalty portfolio, its overall realized price has strengthened relative to crude oil benchmarks, as U.S. crude oil production receives prices closer to WTI compared to discounted pricing in Canada associated with higher transportation costs and crude oil quality differentials. This coupled with a higher crude oil weighting in the U.S. relative to Canada, resulted in Freehold receiving a 31% and 39% pricing premium for its U.S. volumes compared to its Canadian volumes during the current reporting periods. Despite this pricing premium and the continued expansion of Freehold's U.S. portfolio, lower crude oil benchmarks resulted in an average sales price of \$50.36/boe and \$54.75/boe in the current reporting periods, a 16% and 4% decrease compared to the same periods in 2024.

Average Realized Prices Summary

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Crude oil (\$/bbl)	\$ 80.81	\$ 102.34	-21%	\$ 87.57	\$ 96.06	-9%
NGL (\$/bbl)	\$ 34.95	\$ 39.08	-11%	\$ 37.57	\$ 39.68	-5%
Crude oil and NGL (\$/bbl)	\$ 70.22	\$ 90.06	-22%	\$ 76.61	\$ 84.87	-10%
Natural gas (\$/Mcf)	\$ 1.79	\$ 0.82	118%	\$ 2.04	\$ 1.48	38%
Oil equivalent (\$/boe)	\$ 50.36	\$ 59.74	-16%	\$ 54.75	\$ 57.31	-4%

CANADA

Freehold's average realized sales price in Canada was \$44.23/boe and \$46.75/boe during the current reporting periods, decreases of 14% and 5% compared to the same periods in 2024. These decreases reflect a lower WTI benchmark price, despite differentials to Canadian crude oil benchmarks narrowing, most notably for WCS, the increased weighting of heavy oil and higher realized natural gas prices. Realized pricing in Canada was also impacted by the weakening of the U.S. dollar.

Freehold's Canadian realized crude oil and NGL price averaged \$69.79/bbl and \$74.68/bbl during the current reporting periods, decreases of 21% and 8% compared to the same periods in 2024. The average realized natural gas price was \$1.60/Mcf and \$1.72/Mcf during the current reporting periods, 77% and 14% higher than the same periods in 2024.

Canadian Average Realized Prices

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Crude oil (\$/bbl)	\$ 74.98	\$ 95.85	-22%	\$ 80.17	\$ 88.04	-9%
NGL (\$/bbl)	\$ 42.94	\$ 52.52	-18%	\$ 47.11	\$ 50.98	-8%
Crude oil and NGL (\$/bbl)	\$ 69.79	\$ 88.11	-21%	\$ 74.68	\$ 81.56	-8%
Natural gas (\$/Mcf)	\$ 1.60	\$ 0.90	77%	\$ 1.72	\$ 1.51	14%
Oil equivalent (\$/boe)	\$ 44.23	\$ 51.50	-14%	\$ 46.75	\$ 49.31	-5%

U.S.

Freehold's average realized sales price in the U.S. was \$57.83/boe and \$64.93/boe during the current reporting periods, 22% and 9% decreases from the same periods in 2024, reflecting a lower WTI price and the higher weighting of NGL production relative to total U.S. production, where this commodity's realized price is significantly lower than crude oil. Freehold did benefit from strong performance from several new U.S. Eagle Ford and Permian wells that came on production late in the first quarter of 2025 during a more constructive pricing environment, combined with improved NGL benchmarks and lower differentials for condensate. As a result, realized NGL pricing was \$30.96/bbl and \$32.13/bbl during the current reporting periods, increases of 22% and 12% from the same periods in 2024. Freehold's average realized U.S. natural gas price was \$2.23/Mcf and \$2.86/Mcf during the current reporting periods, significantly higher compared to the same periods in 2024 due to additional LNG export capacity in the U.S. and positive weather related impacts, albeit tempered by a wider Waha Hub differential due to natural gas egress constraints in the Permian basin.

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

	Three months ended June 30			Six months ended June 30		
	2025	2024	Change	2025	2024	Change
Crude oil (\$/bbl)	\$ 87.03	\$ 110.51	-21%	\$ 95.35	\$ 106.94	-11%
NGL (\$/bbl)	\$ 30.96	\$ 25.41	22%	\$ 32.13	\$ 28.70	12%
Crude oil and NGL (\$/bbl)	\$ 70.61	\$ 92.42	-24%	\$ 78.38	\$ 89.08	-12%
Natural gas (\$/Mcf)	\$ 2.23	\$ 0.52	328%	\$ 2.86	\$ 1.36	110%
Oil equivalent (\$/boe)	\$ 57.83	\$ 73.90	-22%	\$ 64.93	\$ 71.65	-9%

Credit Risk Management

Freehold's royalty lands consist of many properties with generally small volumes per property. Many of Freehold's leases and royalty agreements allow it to take its share of crude oil and natural gas production in-kind. Taking product in-kind allows Freehold to take ownership of the product as it is produced allowing the Company to sell it directly rather than having the royalty payor sell the product on its behalf and pass along proceeds from the sale in subsequent months. Due to the strength of our royalty payors, Freehold marketed and took-in-kind approximately 2% of its total royalty production during the second quarter of 2025. 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.

Royalty and Other Revenue

For the six month period ended June 30, 2025, royalty and other revenue was \$169.3 million an increase of 7% when compared to the same period in 2024. This increase reflects record level production, albeit during a lower crude oil price environment and higher bonus consideration and lease revenue. For the three month period ended June 30, 2025, royalty and other revenue of \$78.3 million decreased by 7% compared to the same period in 2024, despite record level production, reflecting lower crude oil benchmarks. For each of the current reporting periods, crude oil represented 80% of royalty and other revenue, decreases of 7% and 4% from the same periods in 2024.

Freehold's primary source of revenues is from royalty interest production, however also included in royalty and other revenue in the current reporting periods was bonus consideration and lease rental revenue of \$1.9 million and \$5.8 million, increases of 42% and 224% from the same periods in 2024. During the first six months of 2025, Freehold entered into 65 new leases (48 in Canada and 17 in the U.S.) with numerous counterparties. The majority of the leasing in the U.S. was on Freehold's Permian mineral title lands, with the Canadian leasing primarily in southeast Saskatchewan.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Canada	\$ 37,681	\$ 45,853	\$ 79,879	\$ 87,845
United States	40,591	38,618	89,458	70,899
Royalty and other revenue	\$ 78,272	\$ 84,471	\$ 169,337	\$ 158,744
Per boe (\$)	\$ 51.87	\$ 60.99	\$ 57.00	\$ 58.28

Royalty and Other Revenue by Category

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Royalty interest	\$ 76,383	\$ 83,137	\$ 163,501	\$ 156,944
Bonus consideration and lease rentals	1,889	1,334	5,836	1,800
Royalty and other revenue	\$ 78,272	\$ 84,471	\$ 169,337	\$ 158,744

Royalty and Other Revenue by Type

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Crude oil	\$ 62,479	\$ 73,558	\$ 134,165	\$ 133,680
Natural gas liquids	8,110	6,762	16,165	13,668
Natural gas	5,405	2,425	12,360	8,779
Potash	390	392	811	817
Bonus consideration and lease rentals	1,889	1,334	5,836	1,800
Royalty and other revenue	\$ 78,272	\$ 84,471	\$ 169,337	\$ 158,744

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 expertise to administer and collect royalty payments, including systems to track development activity on its royalty lands. General and administrative ("G&A") expenses include directly billed costs in addition to costs incurred by the Manager and billed to Freehold (see Related Party Transactions). On April 30, 2025, Freehold provided notice to terminate the Management Agreement (see Termination of Management Agreement), effective as at the Termination Date. Freehold is not required to pay a termination fee in connection with the termination of the Management Agreement.

In the current reporting periods, G&A expenses of \$4.2 million and \$9.2 million were 7% and 5% higher than the same periods in 2024, reflecting inflationary cost pressures.

The G&A expense, on a per boe basis for the current reporting periods were \$2.80/boe and \$3.10/boe, a decrease of 2% and 3% from the same periods in 2024, as result of incremental production from the December 2024 acquisition with minimal increase in total G&A expenses.

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
General and administrative expenses before capitalized and overhead recoveries	\$ 5,182	\$ 4,937	\$ 11,275	\$ 10,842
Less: capitalized and overhead recoveries	(974)	(970)	(2,076)	(2,086)
General and administrative expenses	\$ 4,208	\$ 3,967	\$ 9,199	\$ 8,756
Per boe (\$)	\$ 2.79	\$ 2.86	\$ 3.10	\$ 3.21

Production and Ad Valorem Taxes

Production and ad valorem taxes are incurred in the U.S. at the state level and are derived from revenue and property values. The expenses of \$2.7 million and \$6.1 million were 13% and 31% higher than the same periods in 2024. These increases reflect Freehold's late 2024 U.S. acquisition, expanding the Company's U.S. portfolio and corresponding increase in Texas based royalty revenues. The state of Texas does not charge state corporate

income taxes but does assess flat tax rates on commodity revenues as well as property taxes, assessed by local counties, based on the market value of the royalty interests held by Freehold.

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Production and ad valorem taxes	\$ 2,730	\$ 2,420	\$ 6,067	\$ 4,647
Per boe (\$)	\$ 1.81	\$ 1.75	\$ 2.04	\$ 1.71

Interest and Financing

Interest on long term debt increased in the current reporting periods as compared to the same periods in 2024 due to higher average debt levels, previously drawn to fund a portion of the 2024 U.S. acquisitions, partially offset by a lower borrowing rate. The current reporting periods average effective interest rate on advances from Freehold's committed credit facilities were 5.6% and 5.8% (same periods in 2024 – 6.4% and 6.5%).

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest on long-term debt	\$ 4,448	\$ 3,973	\$ 9,282	\$ 7,707
Non-cash accretion and finance costs ⁽¹⁾	216	64	432	130
Interest and finance expense	\$ 4,664	\$ 4,037	\$ 9,714	\$ 7,837
Per boe - cash expense (\$)	\$ 2.95	\$ 2.87	\$ 3.12	\$ 2.83

1. Includes accretion of Freehold's decommissioning liability, lease obligation and amortization of deferred financing fees

Management Fee

The Manager previously charged a quarterly management fee, which Freehold had the right to settle through cash or the issuance of Freehold common shares. Pursuant to the Management Agreement, the management fee was the equivalent value of 5,500 Freehold common shares per quarter for periods prior to the Notice of Termination. Freehold previously elected to settle this management fee through cash payments. Management fees are no longer incurred subsequent to the Notice of Termination of the Management Agreement (see Termination of Management Agreement).

Cash (\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash (\$000s)	\$ 21	\$ 75	\$ 91	\$ 155
Per boe (\$)	\$ 0.01	\$ 0.05	\$ 0.03	\$ 0.06

Share Based Compensation

Freehold's award plans consist of grants of performance share units ("PSUs") and restricted share units ("RSUs") to executive officers, employees under a Share Unit Award Plan (the "Share Award Plan") and grants of deferred share units ("DSUs") and restricted share units ("DRSUs") to non-management directors of Freehold under a Deferred and Restricted Share Unit Plan (the "Director Award Plan", and when combined with the Share Award Plan, the "Award Plans"). The Award Plans are accounted for as cash settled, where outstanding units are remeasured at each reporting period using the period end share price.

Share based compensation expense fluctuates with the units outstanding under the Award Plans, Freehold's share price at each period end, estimated PSU multipliers at each period end and the timing and quantity of forfeitures. Share based compensation expense was \$0.7 million and \$2.0 million during the current reporting periods, an increase of 258% and a decrease of 20% compared to the same periods of 2024. These differences reflect changes

in the performance multipliers, Freehold's share price, and an increase in forfeitures, resulting in recoveries of previously expensed awards during the current reporting periods.

During the second quarter of 2025, Freehold paid \$3.1 million in share based compensation, as previously charged against net income, to executive officers and employees (for the first six months of 2025 – paid \$3.2 million which included payments to directors), both decreases from the same periods in 2024. These decreases reflect lower award values and the absence of payouts to previously retired directors, that increased the same periods in 2024.

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Share based compensation	\$ 670	\$ 187	\$ 2,000	\$ 2,487
Cash payout on share based compensation	\$ 3,064	\$ 5,234	\$ 3,214	\$ 6,054
Operating cash payout on share based compensation per boe (\$)	\$ 1.50	\$ 3.78	\$ 0.81	\$ 2.22

The following table details the Award Plans' grants and outstanding units:

	RSUs	PSUs	DSUs	DRSUs
Awards granted during the six months ended June 30, 2025	143,307	247,859	65,457	31,702
Balance outstanding as at June 30, 2025	218,768	493,262	621,965	50,234
Balance outstanding as at July 30, 2025	212,961	488,514	629,938	50,582

Netback and Cash Costs

The netback⁽¹⁾ allows Freehold to benchmark how changes in commodity pricing and its cash-based cost structure compare against prior periods. Freehold's netback⁽¹⁾ totaled \$42.68/boe and \$47.78/boe during the current reporting periods, down 14% and 1% from the same periods in 2024. These decreases reflect lower average realized crude oil pricing as partially offset by lower cash costs.

(\$/boe)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Royalty and other revenue	\$ 51.87	\$ 60.99	\$ 57.00	\$ 58.28
Production and ad valorem taxes	(1.81)	(1.75)	(2.04)	(1.71)
Net revenue ⁽¹⁾	\$ 50.06	\$ 59.24	\$ 54.96	\$ 56.57
Less:				
General and administrative	\$ (2.79)	\$ (2.86)	\$ (3.10)	\$ (3.21)
Operating expense ⁽²⁾	(0.13)	(0.24)	(0.13)	(0.20)
Interest and financing cash expense	(2.95)	(2.87)	(3.12)	(2.83)
Management fee	(0.01)	(0.05)	(0.03)	(0.06)
Cash payout on share based compensation	(1.50)	(3.78)	(0.81)	(2.22)
Cash costs ⁽¹⁾	\$ (7.38)	\$ (9.80)	\$ (7.19)	\$ (8.52)
Netback ⁽¹⁾	\$ 42.68	\$ 49.44	\$ 47.77	\$ 48.05

1. See Non-GAAP and Other Financial Measures

2. Operating expense relates to working interest assets, which were recently shut-in

Depletion and Depreciation

Petroleum and natural gas interests, including acquisitions costs, and directly attributable G&A costs, are depleted on the unit-of-production method based on estimated proved and probable petroleum and natural gas reserves.

Depletion and depreciation expense in the current reporting periods of \$27.3 million and \$54.5 million, increased 8% and 10% compared to the same periods in 2024 due to higher production, whereas the per boe rates were relatively unchanged.

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Depletion and depreciation	\$ 27,291	\$ 25,304	\$ 54,497	\$ 49,608
Per boe (\$)	\$ 18.09	\$ 18.27	\$ 18.34	\$ 18.21

Foreign Exchange

Freehold has intercompany balances with its U.S. subsidiary, which arose from financing several U.S. royalty acquisitions. Although these balances eliminate on consolidation, the foreign exchange change in the intercompany balances held by the Canadian parent is recognized as foreign exchange within net income. The revaluation by the U.S. subsidiary is recognized within other comprehensive income due to different functional currencies between these entities. These intercompany positions are revalued at the relevant foreign exchange rate at each period end in addition to changes in the Canadian dollar equivalent of the portion of Freehold's long-term debt denominated in U.S. dollars.

At June 30, 2025, as compared to March 31, 2025 and December 31, 2024, the U.S. dollar weakened relative to the Canadian dollar, resulting in foreign exchange losses on the intercompany note held by the Canadian parent and foreign exchange gains on the U.S. dollar denominated long-term debt during the current reporting periods. There is no consolidated foreign exchange impact on total comprehensive income from the revaluation of the intercompany note, as the loss included in net income is offset by the revaluation of the intercompany payable held by the U.S. subsidiary, as included within other comprehensive income.

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Foreign exchange (gain) loss on:				
Intercompany note	\$ 29,887	\$ (3,731)	\$ 30,273	\$ (11,303)
Long-term debt	(3,716)	795	(3,656)	1,576
	\$ 26,171	\$ (2,936)	\$ 26,617	\$ (9,727)

Impairment

At June 30, 2025, there were no indicators of impairment on Freehold's U.S. and Canadian royalty cash generating units nor on its exploration and evaluation assets. As a result, no impairment testing was conducted.

Income Taxes

Freehold's taxable income is based on revenues less deductible expenses, including tax pool deductions. For the current reporting periods, income tax expenses of \$6.1 million and \$17.2 million decreased by 48% and 18% compared to the same periods in 2024, reflecting similar reductions in income before taxes.

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Current income tax expense	\$ 7,379	\$ 8,762	\$ 16,559	\$ 16,763
Deferred income tax (recovery) expense	(1,296)	3,021	665	4,360
Income taxes	\$ 6,083	\$ 11,783	\$ 17,224	\$ 21,123

CRA Assessments

The Canada Revenue Agency ("CRA") has assessed Freehold's prior years' tax returns, denying \$222 million of non-capital losses ("NCLs") (the "Assessments"). Pursuant to the Assessments, denied NCL claims resulted in taxes, interest, and penalties totaling an estimated \$62 million. Freehold objected to the Assessments, requiring it to provide deposits totaling \$30.9 million as at June 30, 2025 (December 31, 2024 – \$30.9 million). During 2024, the CRA issued a notice of confirmation regarding their Assessments. Freehold has filed a notice of appeal with the Tax Court of Canada.

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful in defending its filed tax positions. If unsuccessful, additional interest of approximately \$10.0 million as at June 30, 2025 would be owed.

Net Income and Comprehensive Income

In the current reporting periods, Freehold had net income of \$6.2 million and \$43.5 million, decreases of 84% and 41% compared to the same periods in 2024, due to foreign exchange losses of approximately \$26 million, increased interest costs, higher depletion and lower crude oil and NGL realized pricing. For the same periods, comprehensive income (loss) also decreased, as additionally impacted by foreign currency translation losses related to the translation of Freehold's wholly-owned U.S. subsidiary to Canadian dollars. There is no consolidated impact of the foreign exchange losses on revaluation of the intercompany note, as an equivalent revaluation gain is included in comprehensive income (loss).

(\$000s, except per share)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net income	\$ 6,236	\$ 39,302	\$ 43,547	\$ 73,321
Per share, basic (\$)	\$ 0.04	\$ 0.26	\$ 0.27	\$ 0.49
Per share, diluted (\$)	\$ 0.04	\$ 0.26	\$ 0.26	\$ 0.48
Comprehensive (loss) income	\$ (9,520)	\$ 41,802	\$ 26,810	\$ 81,934

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We retain working capital primarily to fund acquisitions, dividends, share repurchases and repayments of bank indebtedness. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels, our market share price, foreign exchange rates and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk characteristics of our assets. 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 finance acquisitions.

Operating Activities

Cash Flow from Operations and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to pay dividends, fund acquisitions, repurchase shares and repay debt. We believe this 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 per share.

During the six months ended June 30, 2025, funds from operations increased to \$124.7 million (\$0.76/share) from \$113.9 million (\$0.76/share) in the same period of 2024, reflecting higher revenues attributable to both increased production and bonus consideration, in addition to a lower payout on share based compensation. Funds from operations for the second quarter of 2025 decreased to \$56.6 million (\$0.35/share) from \$59.6 million (\$0.40/share) in the same quarter of 2024, reflecting lower crude oil and NGL realized pricing and increased borrowing costs.

Cash flow from operations for the current reporting periods of \$57.4 million and \$120.3 million was 21% and 20% higher than the same periods in 2024, due to fluctuations in non-cash operating working capital.

Cash Flow from Operations and Funds from Operations

(\$000s, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash flow from operations	\$ 57,394	\$ 47,596	\$ 120,330	\$ 100,075
Funds from operations	\$ 56,600	\$ 59,569	\$ 124,650	\$ 113,931
Per share - basic (\$) ⁽¹⁾⁽²⁾	\$ 0.35	\$ 0.40	\$ 0.76	\$ 0.76

1. Calculated based on the basic weighted average number of shares outstanding during the period
2. Funds from operations per share is a supplementary financial measure

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund dividends, acquisitions, expenditures, repurchase shares and repayments of long-term debt. 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. Also, working capital can fluctuate significantly due to production and commodity price changes at each period end. Changes in the declared dividend and timing differences between accruing a liability, such as current income taxes, and the related payments can also affect working capital.

Working capital as of June 30, 2025, was \$22.0 million, 18% or \$3.4 million higher than on December 31, 2024, reflecting an increase in accounts receivables due to higher production, lower accounts payables and the annual settlement of share based compensation during the second quarter of 2025.

Working Capital

(\$000s)	At June 30	At December 31
	2025	2024
Working capital ⁽¹⁾	\$ 22,014	\$ 18,588

1. Working capital is a capital management measure

Financing Activities

Long-Term Debt

Freehold's amended and restated credit facilities are with a syndicate of four Canadian banks. The credit facilities have a committed revolving facility (the "Revolving Facility") with an availability of \$430 million and an operating facility (the "Operating Facility", and together with the Revolving Facility, the "Credit Facilities") with an availability of \$20 million for total Credit Facilities of \$450 million. Each facility can be drawn in Canadian or U.S. dollars. The credit agreement includes a permitted increase in the committed revolving facility of an additional \$50 million subject to lenders' consent. The Credit Facilities mature November 12, 2027. The Credit Facilities are secured with a \$700 million first charge demand debenture over all of Freehold's Canadian royalty income assets

and fixed charge mortgage securities on certain U.S. royalty income assets with associated proved developed producing reserves.

Borrowings bear interest on U.S. and Canadian denominated drawings at the Secured Overnight Financing Rate and Canadian Overnight Repo Rate, respectively, or at the lender's prime lending rate plus applicable margins and standby fees, dependent on the ratios of Freehold's long-term debt to earnings before interest, tax, depreciation and amortization ("EBITDA") on royalty interest properties.

Freehold's credit agreement contains, among affirmative covenants, two financial covenants: (i) long-term debt to EBITDA on royalty interest properties shall not exceed 3.5 times (1.0 times at June 30, 2025); and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (22% at June 30, 2025). Freehold expects to be in compliance with all covenants on a quarterly basis for at least the next year based on its current best estimate of results from operations.

Long-term Debt

(\$000s)	At June 30		At December 31	
		2025		2024
Drawn in Canadian dollars	\$	243,998	\$	201,754
Drawn in U.S. dollars (US\$36.6 million (December 31, 2024 - US\$70.0 million))		49,933		100,723
Unamortized deferred financing costs		(1,340)		(1,623)
Long-term debt	\$	292,591	\$	300,854

Net Debt

At June 30, 2025, net debt decreased by \$11.7 million, or 4%, to \$270.6 million from \$282.3 million at December 31, 2024, as a result of debt repayments, the impact of a strengthening Canadian dollar when revaluing U.S. dollar denominated debt and higher working capital.

Freehold's net debt to trailing funds from operations ratio of 1.1 times at June 30, 2025 decreased from 1.2 times at December 31, 2024. This ratio remains within the Company's net 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.

Freehold uses the capital management measure capitalization which is defined as net debt plus shareholders' equity. The associated capital management measure, net debt to capitalization ratio, is a financial leverage measure that shows the portion of capital relating to debt. Freehold's net debt to capitalization ratio was 21% and 20% at June 30, 2025 and December 31, 2024, respectively.

Debt Analysis

(\$000s)	At June 30		At December 31	
		2025		2024
Long-term debt	\$	292,591	\$	300,854
Working capital ⁽¹⁾		(22,014)		(18,588)
Net debt ⁽¹⁾	\$	270,577	\$	282,266

1. Working capital and net debt are capital management measures

Financial Leverage Ratios

	At June 30	At December 31
	2025	2024
Net debt to funds from operations (times) ⁽¹⁾⁽²⁾	1.1	1.2
Net debt to capitalization (%)	21%	20%

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

2. Net debt to trailing funds from operations is a capital management measure

Shareholders' Capital

No shares were issued during the first six months of 2025. At each of June 30, 2025 and July 30, 2025, there were 163,960,334 common shares outstanding.

On May 22, 2025, the Company announced acceptance by the TSX of its notice to commence a NCIB. The NCIB allows the Company to purchase, at its discretion, up to approximately 13.7 million common shares of the Company, subject to certain restrictions, during a 12-month period, which commenced on May 27, 2025. Common shares purchased pursuant to the NCIB will be cancelled. Since inception, no common shares have been repurchased and cancelled pursuant to the NCIB.

Shareholders' Capital

(\$000s, except as noted)	June 30, 2025		December 31, 2024	
	Shares	Amount	Shares	Amount
Balance, beginning of period	163,960,334	\$ 1,667,803	150,689,334	\$ 1,500,639
Shares issued pursuant to bought deal financing	-	-	13,271,000	172,523
Share issuance costs, net of tax effect	-	-	-	(5,359)
Balance, end of period	163,960,334	\$ 1,667,803	163,960,334	\$ 1,667,803

Weighted Average Shares

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Weighted average				
Basic	163,960,334	150,689,334	163,960,334	150,689,334
Diluted	164,637,322	151,300,387	164,627,418	151,295,954
At period end	163,960,334	150,689,334	163,960,334	150,689,334

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering many factors including but not limited to, expected commodity prices, foreign exchange rates, economic conditions, production volumes, taxes payable, the repurchase of shares and Freehold's capacity to finance operating and investing obligations and opportunities. The dividend rate is established with the intent of absorbing short-term market volatility over several months. It also recognizes Freehold's intention to fund either share repurchases or capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of situations where Freehold's shares are undervalued, acquisition opportunities and to withstand potential commodity price declines.

2025 Dividends Paid & Declared

Total dividends paid and declared in the current reporting periods were \$44.3 million (\$0.27/share) and \$88.5 million (\$0.54/share), higher in total than the same periods in 2024 reflecting the December 2024 equity offering, where Freehold issued approximately 13.3 million common shares.

Record Date	Payment Date	Dividend Amount (\$/share)	
January 31, 2025	February 14, 2025	\$	0.09
February 28, 2025	March 17, 2025	\$	0.09
March 31, 2025	April 15, 2025	\$	0.09
April 30, 2025	May 15, 2025	\$	0.09
May 31, 2025	June 16, 2025	\$	0.09
June 30, 2025	July 15, 2025	\$	0.09
		\$	0.54

Subsequent to the second quarter of 2025, on July 15, 2025, the Board declared a dividend of \$0.09 per common share to be paid on August 15, 2025, to common shareholders on record on July 31, 2025. On July 30, 2025, the Board declared a dividend of \$0.09 per common share to be paid on September 15, 2025, to common shareholders on record on August 29, 2025.

Dividend Payout Ratio²

Freehold's payout ratio ⁽²⁾ in the second quarter of 2025 was 78%, higher than the 68% reported for the same period in 2024. The increase is due to lower funds from operations. The year-to-date payout ratio of 71% was consistent with the same period in 2024.

(\$000s, except as noted)	Three months ended June 30		At June 30	
	2025	2024	2025	2024
Dividends paid ⁽¹⁾	\$ 44,270	\$ 40,686	\$ 88,539	\$ 81,372
Dividends per share (\$) ⁽²⁾	0.27	0.27	0.54	0.54
Funds from operations	\$ 56,600	\$ 59,569	\$ 124,650	\$ 113,931
Dividend payout ratio (%) ⁽³⁾	78%	68%	71%	71%

1. Based on the dividend payment date which is generally on the 15th day of the month following the month it was declared
2. Based on the number of shares issued and outstanding at each record date
3. Dividend payout ratio is a supplementary financial measure

Dividend payout ratios, a supplementary financial measure, are often used for dividend paying companies in the crude 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 dividend payout ratio is calculated as dividends declared as a percentage of funds from operations.

Investing Activities

Acquisitions and Related Expenditures

In the first six months of 2025, Freehold invested \$29.1 million in acquisitions and related expenditures, comprised of the following details:

U.S. Acquisitions

For the first six months of 2025, Freehold paid \$23.1 million (US\$16.4 million) in exchange for future development-oriented mineral title and royalty interests in the Permian basin in Texas.

Canadian Acquisitions

For the first six months of 2025, Freehold paid \$1.0 million in exchange for gross overriding royalties in the Clearwater play in Alberta and \$1.0 million for royalty interest transactions in Saskatchewan.

Related Expenditures

Freehold capitalized G&A costs of \$2.0 million, share based compensation payouts of \$0.8 million and incurred miscellaneous expenditures of \$1.2 million during the first six months of 2025.

Related Party Transactions

Freehold does not currently have any employees. Rather, Freehold is managed by the Manager pursuant to the Management Agreement. The Manager is a wholly-owned subsidiary of Rife Resources Ltd. ("Rife"). Rife is 100% owned by the pension fund 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 16.0% ownership in Freehold at June 30, 2025 and December 31, 2024. Canpar Holdings Ltd. ("Canpar") and Evergreen Royalties Ltd. (together with its wholly owned U.S. subsidiary, "Evergreen", and together with Rife, Canpar, and the Manager, the "Related Parties") are managed by Rife and owned 100% by the CN Pension Trust Funds. During the second quarter of 2025, two of the directors of each of Rife, Canpar and Evergreen were directors of Freehold.

On April 30, 2025, Freehold provided the Notice of Termination to the Manager to terminate the Management Agreement effective December 31, 2025 (see Termination of Management Agreement).

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 exchange amount, with consideration established and agreed to by the parties.

Rife Resources Management Ltd.

The Manager provides certain services in exchange for a fee based on a specified number of Freehold common shares on a quarterly basis. Pursuant to the Management Agreement, the management fee is the equivalent value of 5,500 Freehold common shares per quarter for periods prior to the Notice of Termination. Effective May 1, 2025, the Company is no longer required to pay a management fee. Freehold previously elected to settle this fee through cash payments resulting in a \$0.1 million charge during the first six months of 2025 (three and six months ended June 30, 2024 - \$0.1 million and \$0.2 million, respectively) as determined from the closing price per the TSX of Freehold's common shares on the last trading day of the quarter for periods prior to the Notice of Termination.

For the current reporting periods, the Manager charged \$3.8 million and \$8.9 million, in G&A costs (same periods in 2024 - \$3.4 million and \$8.0 million) and for both current reporting periods, the Manager charged \$3.1 million for share based compensation payouts (same periods in 2024 - \$6.2 million). At June 30, 2025, there was \$1.2 million (December 31, 2024 - \$2.0 million) in accounts payable and accrued liabilities relating to these G&A costs and management fees. The Manager will continue to provide Freehold certain G&A services during the orderly transfer of software, workflows, files and office space, all expected to be completed and in place by December 31, 2025.

Rife Resources Ltd. and CN Pension Trust Funds

For the current reporting periods, Freehold paid \$7.1 million and \$14.2 million (same periods in 2024 - \$6.8 million and \$13.6 million), in cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares. At each of June 30, 2025 and December 31, 2024, there was \$2.4 million in dividends payable due to Rife and the CN Pension Trust Funds related to dividends declared. In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the current reporting periods, Freehold received royalties of nil and \$0.1 million from Rife, respectively (same periods in 2024 - \$0.1 million and \$0.2 million).

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, during the current reporting periods Canpar paid Freehold \$2.6 million and \$5.6 million of royalty payments (same periods in 2024 - \$3.3 million and \$6.5 million). Amounts due from Canpar at June 30, 2025 was \$0.3 million (December 31, 2024 - \$0.2 million).

Freehold's acquisitions opportunities agreement with the Related Parties was terminated on April 30, 2025, concurrent with the delivery of the Notice of Termination.

Select Quarterly Information

Financial (\$millions, except as noted)	2025			2024			2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	78.3	91.1	76.9	73.9	84.5	74.3	80.1	84.2
Net income	6.2	37.3	51.1	25.0	39.3	34.0	34.3	42.3
Per share, basic & diluted (\$) ⁽¹⁾	0.04	0.23	0.33	0.17	0.26	0.23	0.23	0.28
Cash flows from operations	57.4	62.9	59.1	64.1	47.6	52.5	70.7	53.7
Funds from operations	56.6	68.1	61.3	55.7	59.6	54.4	62.8	65.3
Per share, basic & diluted (\$) ⁽¹⁾⁽³⁾	0.35	0.42	0.40	0.37	0.40	0.36	0.42	0.43
Acquisitions and related expenditures	15.2	13.9	277.0	1.8	11.5	121.5	2.1	1.2
Dividends paid	44.3	44.3	40.7	40.7	40.7	40.7	40.7	40.7
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Dividends declared	44.3	44.3	41.9	40.7	40.7	40.7	40.7	40.7
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Payout ratio (%) ⁽³⁾	78%	65%	66%	73%	68%	75%	65%	62%
Long term debt	292.6	294.3	300.9	205.8	228.0	223.6	123.0	141.2
Net debt ⁽⁴⁾	270.6	272.2	282.3	187.1	199.1	210.5	100.9	113.4
Shares outstanding, period end (millions)	164.0	164.0	164.0	150.7	150.7	150.7	150.7	150.7
Average shares outstanding, basic (millions) ⁽⁵⁾	164.0	164.0	153.4	150.7	150.7	150.7	150.7	150.7
Operating								
Light and medium oil (bbls/d)	6,940	6,880	6,296	6,080	6,551	6,094	6,308	6,325
Heavy oil (bbls/d)	1,557	1,552	1,516	1,315	1,348	1,300	1,182	1,127
NGL (bbls/d)	2,550	2,203	2,066	1,972	1,902	1,884	1,878	1,678
Total liquids (bbls/d)	11,047	10,635	9,878	9,367	9,801	9,278	9,368	9,130
Natural gas (Mcf/d)	33,220	33,678	32,564	31,447	32,524	32,617	32,968	32,851
Total production (boe/d) ⁽⁶⁾	16,584	16,248	15,306	14,608	15,221	14,714	14,863	14,605
Oil and NGL (%)	67%	65%	65%	64%	64%	63%	63%	63%
Petroleum and natural gas realized price (\$/boe)	50.36	59.29	53.80	54.36	59.74	54.81	57.94	61.55
Cash costs (\$/boe) ⁽³⁾⁽⁶⁾	7.38	7.00	5.93	5.42	9.80	7.19	4.73	5.10
Netback (\$/boe) ⁽³⁾⁽⁶⁾	42.68	53.01	47.25	47.78	49.44	46.62	52.59	55.63
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	63.74	71.42	70.27	75.09	80.57	76.96	78.32	82.26
Average Exchange rate (Cdn\$/US\$)	1.38	1.43	1.40	1.37	1.37	1.35	1.36	1.34
Edmonton Light Sweet crude oil (Cdn\$/bbl)	84.25	95.32	94.90	97.85	105.29	92.14	99.69	107.89
Western Canadian Select crude oil (Cdn\$/bbl)	73.96	84.30	80.75	83.95	91.63	77.77	76.96	93.05
Nymex natural gas (US\$/Mcf)	3.57	3.79	2.86	2.24	1.96	2.33	2.98	2.64
AECO 5A Monthly Index (Cdn\$/Mcf)	1.69	2.17	1.48	0.69	1.18	1.80	2.60	1.88

1. Calculated based on the basic or diluted weighted average number of shares outstanding during the period
2. Based on the number of shares issued and outstanding at each record date
3. See Non-GAAP and Other Financial Measures
4. Net debt is a capital management measure
5. Weighted average number of shares outstanding during the period, basic
6. See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

Controls, Accounting and Regulatory Matters

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 from April 1, 2025 to June 30, 2025. 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.sedarplus.ca.

Recent Accounting Pronouncements Not Yet Adopted

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB issued IFRS 18 Presentation and Disclosure in Financial Statements in April 2024, replacing IAS 1 Presentation of Financial Statements. This standard introduces a defined structure to the statements of comprehensive income and specific disclosure requirements related to the same. This standard is effective January 1, 2027 and is to be applied retrospectively with certain transition provisions available. The Company is evaluating the impact that the adoption of IFRS 18 will have on the consolidated financial statements.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to clarify the date of recognition and derecognition of financial assets and liabilities and provide further clarification on the classification of certain financial assets. The amendments are effective January 1, 2026 and are to be applied retrospectively. The Company is evaluating the impact that the amendments will have on the consolidated financial statements.

Canadian Securities Administrators Pause Development of Mandatory Sustainability Reporting

In December 2024, the Canadian Sustainability Standards Board ("CSSB") released General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures (combined "CSDS 1&2") with both standards largely aligned to the International Sustainability Standards Board sustainability disclosure standards. Reporting in accordance with CSDS 1&2 is currently voluntary for companies. In April 2025, the Canadian Securities Administrators ("CSA") announced it paused work on development of mandatory climate-related Canadian disclosures related to CSDS 1&2. The CSA announced that it expects to revisit mandatory sustainability-reporting in future years.

Forward-looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or Freehold's 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, 2025 Guidance, Operating and Financial Highlights for the three months ended June 30, 2025, Credit Risk Management, CRA Assessments, Liquidity and Capital Resources, Financing Activities, and Dividend Policy and Analysis pertaining to the following:

- our expectation that we will maximize Freehold's royalty interests through a comprehensive audit and compliance program, our intent to manage our debt prudently with a target below 1.5 times net debt to trailing funds from operations and target a dividend payout ratio of approximately 60%;
- our expectations surrounding the ongoing threat and announcement of U.S. tariffs, counter tariffs and the potential effect on global GDP growth expectations, along with materially heightened geopolitical concerns continuing to fuel market uncertainty and caution;
- the expectation that increased supply from OPEC+ will cause further volatility in crude oil prices and that the focus will be on OPEC+ and the ongoing reversal of production cuts, alongside other sources of incremental global supply amid fragile and uncertain demand growth;
- the expectation that Freehold's North American portfolio will continue to provide resiliency despite volatility;
- the expectation that Freehold's crude oil focused, diversified North American asset base will generate positive cash flows through the evolving commodity markets and allow the Company to continue to provide robust shareholder returns, reduce net debt and explore opportunistic acquisitions in 2025;
- Freehold remains well positioned to navigate dynamic natural gas conditions both in the U.S. and Canada;
- Freehold anticipates sustained drilling on its lands across the Permian and Eagle Ford basins where economics remain robust;
- 2025 production is expected to average between 15,800 and 17,000 boe/d, weighted approximately 66% oil and NGLs (45% light and medium oil, 8% heavy oil, 13% NGLs and 34% natural gas);
- our expectations the energy industry is well positioned to navigate commodity price volatility as a result of the capital discipline and prudent balance sheet management demonstrated over the past number of years;
- our expectation while some growth directed capital may be scaled back, there will not be significant slowdown in core activity on Freehold's lands;
- our expectations that compensation and other administration costs previously incurred under the Management Agreement are expected to be similar to Freehold's independent cost structure, and that transition costs associated with termination of the Management Agreement will not be material;
- our expectation that all associated services relating to termination of the Management Agreement will be fully transitioned by December 31, 2025;
- our expectation that although Freehold's U.S. net well additions are lower than in Canada, U.S. wells generally come on production at approximately ten times that of an average Canadian well in the Company's portfolio;
- our expectations that a U.S. well can take upwards of six to twelve months on average from initial license to first production, compared to three to four months in Canada;
- expectations around confidence in the Canadian natural gas markets following the commissioning of LNG Canada;

- our expectation that recent Canadian development has been focused on heavy oil prospects, particularly in the Mannville Stack and Clearwater areas, where Canadian heavy oil differentials to WTI have strengthened since the completion of the Trans Mountain pipeline expansion in 2024;
- the possibility that we may take our royalty in-kind if there are benefits in doing so;
- Freehold's expectations of success on defending its filed tax positions in respect of the Assessments;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations;
- Freehold's intent in establishing its dividend rate and the process;
- Freehold's intention to fund either share repurchases or capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of situations where Freehold's shares are undervalued, acquisition opportunities and to withstand potential commodity price declines; 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 impacts of the ongoing Middle-East conflicts, and Russia-Ukraine wars (and any associated sanctions) and actions taken by OPEC+ on the global economy and commodity prices;
- geopolitical instability;
- political instability;
- industry conditions;
- the impacts of inflation and supply chain shortages on the operations of our industry partners and royalty payors, as well as on demand and commodity prices;
- the risks and impacts of tariffs (and other retaliatory trade measures) imposed by Canada or the United States on exports and/or imports into and out of such countries;
- inflationary pressures;
- volatility of commodity prices;
- our ability to continue paying dividends;
- 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, NGLs and natural gas;
- our expectation for industry drilling levels on our royalty lands;
- inaccurate assumptions on supply and demand factors affecting the consumption of crude oil, NGLs and natural gas;
- 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;
- pipeline capacity constraints;
- currency fluctuations;
- our and our counsel's interpretation of tax laws, regulations, royalties, or incentive programs relative to the interpretation and enforcement thereof by governmental authorities;
- 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;
- unanticipated litigation;
- environmental risks and liabilities inherent in oil and gas operations; and
- other factors discussed in this MD&A, the interim financial statements, the audited financial statements 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, the interpretation and implementation of tax legislation, 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 expectations regarding completion of drilled wells, assumptions as to expected performance of current and future wells drilled by our royalty payors, 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.

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 and Other 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 net revenue, cash costs, netback, dividend payout ratio and funds from operations per share are useful financial 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 Freehold's 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.

Net revenue, which is a non-GAAP measure is calculated as revenues less ad valorem and production taxes (as incurred in the U.S. at the state level, largely Texas, which do not charge corporate income taxes but do assess flat tax rates on commodity revenues in addition to property tax assessments) details the net amount Freehold receives from its royalty payors, largely after state withholdings. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of net revenue.

Cash costs, which is a non-GAAP measure and is also calculated on a boe basis, is comprised of recurring cash-based costs, excluding taxes, reported on the statements of operations. For Freehold, cash costs are identified as operating expense, G&A expense, cash-based interest charges, cash-based management fees, and share based payouts. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of cash costs.

Netback, which is a non-GAAP ratio is calculated on a boe basis, as average realized price less production and ad valorem taxes, operating expenses, G&A expense, cash-based interest charges, cash-based management fees and share based payouts, represents the per boe netback amount allowing Freehold to benchmark how changes in commodity pricing, net of production and ad valorem taxes, and its cash-based cost structure compare against prior periods. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of netback.

Dividend 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. Dividend payout ratio is calculated as dividends paid as a percentage of funds from operations. Please refer to the table under the heading Dividend Policy and Analysis – Dividend Payout Ratio within this MD&A for discussion on this supplementary financial measure.

Funds from operations per share, which is calculated as funds from operations divided by the weighted average shares outstanding, provides direction if changes in commodity prices, cash costs, and/or acquisitions were accretive on a per share basis. Please refer to the table under the heading Cash Flow from Operations and Funds from Operations within this MD&A for discussion on this supplementary financial measure.

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.