

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of July 28, 2023 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, 2023 and its comparative periods, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein was based on information in the condensed consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. All comparative percentages are between the three ("Q2-2023") and six ("first six months") months ended June 30, 2023 (combined the "current reporting periods" in that respective order) and the same period(s) in 2022 (also in that respective order), and all dollar amounts are expressed in Canadian currency, unless otherwise noted. References to "US\$" are to United States (U.S.) dollars. This MD&A should be read in conjunction with the June 30, 2023 unaudited condensed consolidated financial statements (the "interim financial statements") and the December 31, 2022 audited consolidated financial statements and notes (the "audited financial statements").

Additional information about Freehold, including its Annual Information Form for the year ended December 31, 2022 (AIF), is available on SEDAR at www.sedar.com and on Freehold's website at www.freeholdroyalties.com.

This MD&A contains the non-GAAP financial ratios: **net revenue**, **cash costs** and **netback** and supplemental 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 and net debt to trailing funds from operations for the last 12 months as defined in Note 12 of the interim financial statements. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand our business and prospects. Readers are cautioned that the MD&A should be read in conjunction with our disclosure under "Non-GAAP Financial Ratios 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 under the symbol FRU. We receive revenue primarily from royalties on crude oil, natural gas, natural gas liquids (NGLs) and potash properties as reserves are produced over the life of the properties located in Canada and the continental U.S. Freehold's primary focus is managing and acquiring royalties.

The Royalty Advantage

Freehold manages one of the largest non-government portfolios of oil and natural gas royalties in Canada 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 6.2 million gross acres in Canada and approximately 0.9 million gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands, which we own in perpetuity, cover approximately 1.1 million acres and we also have gross overriding royalty

and other interests in approximately 5.1 million acres. Our U.S. acreage is comprised of greater than 75% mineral title lands.

We have royalty interests in more than 18,000 producing wells and 350 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 without any capital investments.

As a royalty interest owner, Freehold does not pay any of the capital costs to drill, complete and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, or ultimately abandon the 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 gross overriding royalties for revenue growth
- **Enhancing value**
 - Maximize Freehold's royalty interests through a comprehensive audit and compliance program
 - Manage our debt prudently with a target below 1.5 times net debt to trailing funds from operations
- **Delivering value**
 - Target a dividend payout ratio of approximately 60%

Approved Dividend

Freehold's Board of Directors (the Board) approved a dividend of \$0.09 per common share to be paid on September 15, 2023, to shareholders of record on August 31, 2023. Freehold's dividend of \$0.09 per common share is in-line with our payout strategy and highlights the sustainability of our dividend through our diversified North American asset base. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Outlook

Business Environment

Crude Oil

WTI averaged US\$73.78/bbl and US\$74.95/bbl in the current reporting periods, 32% and 26% lower versus the same periods in 2022, and 3% lower from the previous quarter, as recessionary concerns caused headwinds for this benchmark. Oil prices entered the quarter with positive momentum as fears of a widespread banking crisis abated, along with an unexpected OPEC+ cut at the beginning of April. However, the positive momentum quickly

faded as recessionary concerns and continued tightening of monetary policy weighed on crude demand expectations.

Within Canada, Edmonton Light Sweet prices averaged \$94.97/bbl and \$96.99/bbl during the current reporting periods, 31% and 23% lower versus the same periods in 2022, and a 4% decline from the previous quarter. Western Canadian Select (WCS) prices averaged \$78.76/bbl and \$74.03/bbl during the current reporting periods, 35% and 34% lower versus the same periods in 2022, but up 14% versus the previous quarter. Lower WCS pricing in the current reporting periods, as compared to the same periods in 2022, reflected broad weakness in crude oil fundamentals. Canadian heavy oil differentials narrowed through most of Q2-2023, versus the previous quarter, as Strategic Petroleum Reserve volumes cleared the market, creating tighter supply/demand conditions.

Natural Gas Prices

For Q2-2023, AECO 7A Monthly Index and NYMEX natural gas monthly contract prices averaged \$2.40/mcf and US\$2.17/mcf, respectively, down 62% and 70% from the same period in 2022 and 45% and 34% from the previous quarter. For the first six months of 2023, these natural gas monthly contract prices averaged \$3.42/mcf and US\$2.86/mcf, respectively, down 37% and 52% from the same period in 2022. We also sell a portion of our Canadian natural gas at AECO 5A, which was down 66% and 53% in the current reporting periods compared to the same periods in 2022. Canadian natural gas benchmarks were negatively affected by curtailments due to wildfires and weak pricing at U.S. import hubs in relation to Canadian benchmarks has undermined the incentive to export Canadian natural gas to the U.S., with NYMEX impacted by egress constraints and stronger production levels.

The imbalance in natural gas markets also increased the NGL supply in North America, which combined with a weaker than expected U.S. liquified natural gas export market is expected to sustain further widening NGL pricing differentials relative to the price of crude oil for the current reporting periods, compared to the same periods of 2022 and previous quarter.

Average Benchmark Prices

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 73.78	\$ 108.41	-32%	\$ 74.95	\$ 101.35	-26%
Exchange rate (Cdn\$/US\$)	\$ 1.34	\$ 1.28	5%	\$ 1.35	\$ 1.27	7%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 94.97	\$ 137.79	-31%	\$ 96.99	\$ 126.73	-23%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 78.76	\$ 122.09	-35%	\$ 74.03	\$ 111.56	-34%
Nymex natural gas (US\$/Mcf)	\$ 2.17	\$ 7.17	-70%	\$ 2.86	\$ 5.91	-52%
AECO 7A Monthly Index (Cdn\$/Mcf)	\$ 2.40	\$ 6.27	-62%	\$ 3.42	\$ 5.43	-37%

2023 Guidance

Freehold is maintaining its 2023 guidance after incorporating actual results for the first six months of 2023. The following table summarizes our key operating assumptions for 2023 with production expected to be weighted 62% oil and NGL's and 38% natural gas:

	March 1 2023
2023 Guidance	
Production (boe/d) ⁽¹⁾	14,500 - 15,500
Funds from operations (\$MM)	\$250 - \$280
West Texas Intermediate crude oil (US\$/bbl)	\$80.00
AECO natural gas (Cdn\$/Mcf)	\$3.00
Nymex (US\$/Mcf)	\$3.00
Exchange rate (US\$/Cdn\$)	\$0.75

(1) 2023 production is expected to consist of 8% heavy oil, 43% light and medium oil, 11% NGL's and 38% natural gas

Operating and Financial Results

Financial (\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Royalty and other revenue	\$ 73,707	\$ 108,495	-32%	\$ 150,279	\$ 196,100	-23%
Net income	\$ 24,261	\$ 66,875	-64%	\$ 55,312	\$ 105,270	-47%
Per share, basic (\$) ⁽¹⁾	\$ 0.16	\$ 0.44	-64%	\$ 0.37	\$ 0.70	-45%
Cash flows from operations	\$ 49,945	\$ 75,443	-34%	\$ 92,527	\$ 144,742	-36%
Funds from operations	\$ 53,039	\$ 83,846	-37%	\$ 111,607	\$ 155,739	-28%
Per share, basic (\$) ⁽¹⁾⁽³⁾	\$ 0.35	\$ 0.56	-38%	\$ 0.74	\$ 1.03	-28%
Acquisitions and related expenditures	\$ 3,158	\$ 20,661	-85%	\$ 7,426	\$ 21,955	-66%
Dividends paid	\$ 40,682	\$ 36,150	13%	\$ 81,362	\$ 63,262	29%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.24	12%	\$ 0.54	\$ 0.42	29%
Dividends declared	\$ 40,681	\$ 36,151	13%	\$ 81,362	\$ 66,275	23%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.24	12%	\$ 0.54	\$ 0.44	23%
Dividend payout ratio (%) ⁽³⁾	77%	43%	79%	73%	41%	78%
Long term debt	\$ 152,027	\$ 86,000	77%	\$ 152,027	\$ 86,000	77%
Net debt ⁽⁴⁾	\$ 130,785	\$ 33,095	295%	\$ 130,785	\$ 33,095	295%
Shares outstanding, period end (000s)	150,678	150,640	0%	150,678	150,640	0%
Average shares outstanding (000s) ⁽¹⁾	150,673	150,626	0%	150,670	150,619	0%
Operating						
Light and medium oil (bbl/d)	6,093	5,378	13%	6,089	5,319	14%
Heavy oil (bbl/d)	1,167	1,239	-6%	1,218	1,212	0%
NGL (bbl/d)	1,845	1,613	14%	1,816	1,685	8%
Total liquids (bbl/d)	9,105	8,230	11%	9,123	8,216	11%
Natural gas (Mcf/d)	33,372	31,336	6%	33,429	32,086	4%
Total production (boe/d) ⁽⁵⁾	14,667	13,453	9%	14,695	13,564	8%
Oil and NGL (%)	62%	61%	1%	62%	61%	1%
Petroleum and natural gas realized price (\$/boe) ⁽⁵⁾	\$ 54.05	\$ 87.55	-38%	\$ 55.52	\$ 78.60	-29%
Cash costs (\$/boe) ⁽³⁾⁽⁵⁾	\$ 7.19	\$ 8.38	-14%	\$ 6.51	\$ 6.04	8%
Netback (\$/boe) ⁽³⁾⁽⁵⁾	\$ 46.07	\$ 78.80	-42%	\$ 48.42	\$ 72.46	-33%

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

Q2-2023 Operating and Financial Highlights

- Q2-2023 production averaged 14,667 boe/d, a 9% increase versus Q2-2022.
 - U.S. production averaged 4,867 boe/d for Q2-2023, up 29% versus the same quarter in 2022. This increase reflects acquisitions completed in 2022 along with third-party drilling and completion activities on our U.S. royalty lands.
 - Canadian volumes averaged 9,800 boe/d for Q2-2023, up 1% from the same quarter in 2022, as additions from third-party drilling on our royalty lands mitigated the impact of producer shut-ins due to regionalized wildfires. For Q2-2023, the wildfires reduced Canadian volumes by an estimated 225 boe/d (2%).
- Lower benchmark prices during Q2-2023 resulted in an average realized commodity price of \$54.05/boe, down 38% from the same period in 2022
- Royalty and other revenue totaled \$73.7 million in Q2-2023, down 32% from the same period in 2022. Lower commodity pricing drove the lower revenue, despite 9% higher production volumes and realized price premiums from our U.S. portfolio.
- Funds from operations in Q2-2023 totaled \$53.0 million or \$0.35 per share⁽¹⁾, down 37% from \$83.8 million or \$0.56 per share⁽¹⁾ in the same period in 2022.
- Dividends paid for Q2-2023 totaled \$40.7 million (\$0.27 per share), up 13% versus the same period in 2022 when Freehold paid \$36.2 million (\$0.24 per share).
- Our dividend payout ratio⁽¹⁾ of 77% during Q2-2023 is up 79% from the same period in 2022 and continues to be in-line with our strategy with no changes in the dividend rate expected in 2023 based on forecasted commodity pricing.
- Cash costs⁽¹⁾ for the quarter totaled \$7.19/boe in Q2-2023, down 14% versus the same period in 2022 reflecting lower award payouts.
- Long term debt at June 30, 2023 was \$152.0 million, a decrease of \$7.1 million versus March 31, 2023.
 - Net debt at June 30, 2023 was \$130.8 million, an increase of \$15.0 million versus March 31, 2023, largely due to reclassifying income tax deposits from current to non-current assets (see CRA Assessments).

(1) See Non-GAAP Financial Ratios and Other Financial Measures

Drilling Activity

For the first six months of 2023, 528 gross wells drilled on Freehold's land representing the highest level of drilling activity in Freehold's history over that period. This compares to the 460 gross wells for the same period in 2022. This increase reflects the advancement of our U.S. portfolio which is more resilient to slowdowns associated with the spring break-up. Of the gross wells drilled in the first six months of 2023, approximately 28% were drilled on Freehold's gross overriding royalty (GORR) prospects in Canada, 16% targeted mineral title prospects in Canada and 56% were drilled on Freehold's U.S. royalty acreage, with 61% of these U.S. wells drilled on Freehold's mineral title.

In total, 179 gross wells were drilled on Freehold's royalty lands in Q2-2023, a 20% decrease versus the same quarter in 2022. Of these 179 gross wells drilled on Freehold's royalty lands, 40% of the drilling occurred in the Permian, 21% was focused in the Eagle Ford, 11% in the Bakken and Mississippian Subcrop, 6% in the Cardium with the remainder balanced between plays in both Canada and the U.S. By geography, approximately 15% of gross

wells on Freehold royalty lands targeted prospects in Alberta, 17% in Saskatchewan and 60% in Texas with the balance distributed across other regions.

	Three months ended June 30				Six months ended June 30			
	2023		2022		2023		2022	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	55	1.4	76	2.3	230	8.3	219	8.1
United States	124	0.4	148	0.7	298	1.2	241	1.1
Total	179	1.8	224	3.0	528	9.5	460	9.2

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

Canada

With spring break-up and wildfires occurring in Q2-2023, third-party activity trended downward compared to the previous quarter. In Q2-2023, we had 55 gross locations drilled within our Canadian portfolio compared to 76 gross locations during the same period in 2022. Despite this, gross drilling activity during the first six months of 2023 was the strongest on Freehold's Canadian asset base since 2019. For the first six months of 2023, 230 gross locations were drilled on Freehold's Canadian land, a 5% increase over 219 gross locations in the same period in 2022.

During Q2-2023, Freehold saw drilling in oil weighted areas such as the Cardium, Duvernay and Clearwater in Alberta and the Mississippian Subcrop, Bakken and Viking in Saskatchewan.

U.S.

For the first six months of 2023, 298 gross locations were drilled on Freehold's U.S. land, a 24% increase over the 241 gross locations in the same period in 2022. This increase is associated with the 2022 royalty acquisitions and strong industry activity. Overall, 124 gross wells were drilled on our U.S. royalty lands during Q2-2023, compared to 148 gross wells during Q2-2022.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 88% of activity within these basins. Freehold also saw strong activity associated with development in the Piceance, Marcellus and Haynesville plays. Development of Freehold's U.S. lands was led by a diverse group of investment grade public companies and growth oriented public and private operators.

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

Production

Freehold's total production averaged 14,667 boe/d and 14,695 boe/d during the current reporting periods, 9% and 8% increases over the same periods in 2022. These increases reflect acquisitions completed over 2022 and third-party drilling and completion activities on Freehold's lands.

Working interest production for Q2-2023 averaged 134 boe/d, slightly up from 110 boe/d in the same period of 2022.

Production Summary

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Canada (boe/d)	9,800	9,692	1%	9,811	9,743	1%
United States (boe/d)	4,867	3,761	29%	4,884	3,821	28%
Total production (boe/d)	14,667	13,453	9%	14,695	13,564	8%

Average Daily Production by Product Type

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Light and medium oil (bbl/d)	6,093	5,378	13%	6,089	5,319	14%
Heavy oil (bbl/d)	1,167	1,239	-6%	1,218	1,212	0%
NGL (bbl/d)	1,845	1,613	14%	1,816	1,685	8%
Natural gas (Mcf/d)	33,372	31,336	6%	33,429	32,086	4%
Total production (boe/d)	14,667	13,453	9%	14,695	13,564	8%
Number of days in period (days)	91	91	-	181	181	-
Total volumes during period (Mboe)	1,335	1,224	9%	2,660	2,455	8%

Canada

Canadian production averaged 9,800 boe/d and 9,811 boe/d during the current reporting periods, comprised of approximately 55% oil and NGL's and 45% natural gas. These production volumes increased versus the same periods in 2022, as additions from third-party drilling on our royalty lands mitigated the impact of producer shut-ins due to regionalized wildfires in Q2-2023.

Canadian Average Daily Production by Product Type

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Canadian production						
Light and medium oil (bbl/d)	3,242	3,242	0%	3,234	3,189	1%
Heavy oil (bbl/d)	1,167	1,239	-6%	1,218	1,212	0%
NGL (bbl/d)	942	888	6%	922	934	-1%
Natural gas (Mcf/d)	26,696	25,938	3%	26,618	26,445	1%
Total production (boe/d)	9,800	9,692	1%	9,811	9,743	1%

U.S.

U.S. production averaged 4,867 boe/d and 4,884 boe/d during the current reporting periods, up by 29% and 28% versus the same periods in 2022. These increases reflect acquisitions completed in 2022 along with third-party drilling and completion activities on our U.S. royalty lands. Freehold's U.S. production during the current reporting periods represents approximately 33% of corporate volumes, a 5% increase from the same periods in 2022.

Freehold's U.S. production is weighted 59% to crude oil and 77% to oil and NGLs.

U.S. Average Daily Production by Product Type

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
United States production						
Light and medium oil (bbl/d)	2,851	2,136	34%	2,855	2,130	34%
NGL (bbl/d)	903	725	25%	894	751	19%
Natural gas (Mcf/d)	6,676	5,399	24%	6,811	5,641	21%
Total production (boe/d)	4,867	3,761	29%	4,884	3,821	28%

Product Prices

As Freehold has increased its U.S. royalty portfolio, its overall realized price has strengthened as U.S. crude oil production realizes prices closer to WTI versus discounted pricing in Canada associated with transportation costs to markets, oil quality differentials and the stronger U.S. dollar. Specifically, for the current reporting periods Freehold received approximately a 39% commodity pricing premium for its U.S. production compared to its Canadian production. However, as driven by a lower market commodity price environment, our average selling prices were \$54.05/boe and \$55.52/boe in the current reporting periods, down from \$87.55/boe and \$78.60/boe during the same periods in 2022.

Average Realized Prices Summary

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Oil (\$/bbl)	\$ 90.93	\$ 131.66	-31%	\$ 89.26	\$ 120.54	-26%
NGL (\$/bbl)	\$ 36.16	\$ 62.74	-42%	\$ 40.46	\$ 59.46	-32%
Oil and NGL (\$/bbl)	\$ 79.84	\$ 118.15	-32%	\$ 79.54	\$ 108.02	-26%
Natural gas (\$/Mcf)	\$ 1.98	\$ 6.55	-70%	\$ 2.70	\$ 5.57	-52%
Oil equivalent (\$/boe)	\$ 54.05	\$ 87.55	-38%	\$ 55.52	\$ 78.60	-29%

Canada

Freehold's average selling price realized in Canada was \$47.86/boe and \$49.26/boe during the current reporting periods, lower by 42% and 33% versus the same periods in 2022. During Q2-2023 the WCS benchmark increased as differentials narrowed causing Freehold's Canadian realized average oil price to be 7% higher versus the \$79.51/bbl realized during the previous quarter. However, decreases in oil benchmarks during the current reporting periods caused Freehold's Canadian realized oil pricing to average \$85.13/bbl and \$82.30/bbl, down 34% and 29% when compared to the same periods in 2022. The realized average NGL price of \$44.52/bbl during Q2-2023 was down 41% versus the same period in 2022, reflecting lower oil benchmarks and a widening differential to oil pricing. Average realized natural gas price was \$1.94/mcf and \$2.61/mcf in the current reporting periods, down by 69% and 50% from the same periods in 2022.

Canadian Average Realized Prices

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Oil (\$/bbl)	\$ 85.13	\$ 128.30	-34%	\$ 82.30	\$ 116.57	-29%
NGL (\$/bbl)	\$ 44.52	\$ 75.00	-41%	\$ 51.31	\$ 69.95	-27%
Oil and NGL (\$/bbl)	\$ 77.97	\$ 119.49	-35%	\$ 76.99	\$ 108.41	-29%
Natural gas (\$/Mcf)	\$ 1.94	\$ 6.30	-69%	\$ 2.61	\$ 5.23	-50%
Oil equivalent (\$/boe)	\$ 47.86	\$ 83.04	-42%	\$ 49.26	\$ 73.57	-33%

U.S.

Freehold's average selling price realized in the U.S. was \$66.52/boe and \$68.10/boe during the current reporting periods, down 33% and 26% versus the same periods in 2022, reflecting lower commodity prices but aided by a 5% and 7% strengthening in the U.S. dollar. The current reporting periods include realized oil pricing in the U.S. averaging \$99.92/bbl and \$100.10/bbl, down 28% and 22% when compared to the same periods in 2022 although hovering at the \$100/bbl level. U.S. realized average NGL pricing of \$27.46/bbl and \$29.28/bbl, decreased 42% and 37% versus the same periods in 2022. Freehold's average realized U.S. natural gas price was \$2.11/mcf and

\$3.04/mcf, down 73% and 58% when compared to the same periods in 2022, although Freehold still received a 16% premium for its U.S. natural gas compared to Canadian pricing.

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

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Oil (\$/bbl)	\$ 99.92	\$ 138.70	-28%	\$ 100.10	\$ 128.75	-22%
NGL (\$/bbl)	\$ 27.46	\$ 47.74	-42%	\$ 29.28	\$ 46.43	-37%
Oil and NGL (\$/bbl)	\$ 82.48	\$ 115.64	-29%	\$ 83.21	\$ 107.26	-22%
Natural gas (\$/Mcf)	\$ 2.11	\$ 7.79	-73%	\$ 3.04	\$ 7.15	-58%
Oil equivalent (\$/boe)	\$ 66.52	\$ 99.16	-33%	\$ 68.10	\$ 91.44	-26%

Credit Risk Management

Freehold's royalty lands consist of a large number of properties with generally small volumes per property. Many of Freehold's leases and royalty agreements allow it to take its share of oil and natural gas in-kind. Taking product in-kind allows us to take ownership of the product as it is produced and thus sell it directly ourselves rather than having the royalty payor sell the product on our behalf and pass along proceeds from the sale in subsequent months. For Q2-2023 and the same period in 2022, Freehold marketed approximately 2% of its total royalty production that was taken-in-kind using 30-day contracts. 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

Royalty and other revenue of \$73.7 million and \$150.3 million in the current reporting periods was 32% and 23% lower when compared to the same periods in 2022. Although somewhat mitigated by higher U.S. production and its stronger associated pricing and a strengthening U.S. dollar resulting in higher reported Canadian dollar revenues, these factors did not offset lower commodity benchmark prices. Oil and NGL's represented approximately 88% of royalty and other revenue for both current reporting periods, approximately a 6% increase from the same periods in 2022.

Included in the current reporting periods for royalty and other revenue is \$0.6 million and \$1.0 million in potash royalty revenues, decreases of 31% and 42% versus the same periods in 2022. These decreases were due to lower potash pricing, with current reporting periods' pricing coming down from historical highs realized in 2022. Bonus consideration and lease rentals revenue were \$1.0 million and \$1.6 million in the current reporting periods also reflect Freehold's continued success in leasing its mineral title lands. During the first six months in 2023, Freehold entered into 78 new leases with 24 counterparties.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Canada	\$ 44,202	\$ 74,574	-41%	\$ 90,032	\$ 132,490	-32%
United States	\$ 29,505	\$ 33,921	-13%	\$ 60,247	\$ 63,610	-5%
Royalty and other revenue	\$ 73,707	\$ 108,495	-32%	\$ 150,279	\$ 196,100	-23%
Per boe (\$)	\$ 55.21	\$ 88.64	-38%	\$ 56.50	\$ 79.88	-29%

Royalty and Other Revenue by Category

(\$000s)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Royalty interest	\$ 72,710	\$ 107,990	-33%	\$ 148,643	\$ 194,658	-24%
Bonus consideration and lease rentals	997	505	97%	1,636	1,442	13%
Royalty and other revenue	\$ 73,707	\$ 108,495	-32%	\$ 150,279	\$ 196,100	-23%

Royalty and Other Revenue by Type

(\$000s)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Oil	\$ 60,075	\$ 79,276	-24%	\$ 118,050	\$ 142,499	-17%
Natural gas	6,003	18,687	-68%	16,320	32,343	-50%
Natural gas liquids	6,070	9,209	-34%	13,303	18,131	-27%
Potash	562	818	-31%	970	1,685	-42%
Bonus consideration and lease rentals	997	505	97%	1,636	1,442	13%
Royalty and other revenue	\$ 73,707	\$ 108,495	-32%	\$ 150,279	\$ 196,100	-23%

General and Administrative

Freehold has a business development group dedicated to the acquisition and development of its future and existing assets and a diversified royalties' team who are evaluating non-hydrocarbon and alternative royalty opportunities 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) expense include directly billed costs in addition to costs incurred by the Manager (as defined below) and allocated to Freehold (see Related Party Transactions).

In the current reporting periods, G&A expenses totaling \$3.5 million and \$8.7 million were up 6% and 26% versus the same periods in 2022. These increases relate to additional skill sets obtained in 2022 required to manage Freehold's expanding North American asset base, demonstrated through a 28% increase in U.S. production. The increase in the first six months of 2023 was primarily caused by higher annual performance-based bonus payouts and a one-time severance cost.

On a per boe basis, G&A expenses in Q2-2023 of \$2.61/boe decreased by 3% reflecting higher production versus the same period in 2022.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
General and administrative expenses before capitalized and overhead recoveries	\$ 4,075	\$ 3,796	7%	\$ 10,087	\$ 8,156	24%
Less: capitalized and overhead recoveries	(592)	(505)	-17%	(1,417)	(1,275)	-11%
General and administrative expenses	\$ 3,483	\$ 3,291	6%	\$ 8,670	\$ 6,881	26%
Per boe (\$)	\$ 2.61	\$ 2.69	-3%	\$ 3.26	\$ 2.80	16%

Production and Ad Valorem Taxes

Production and ad valorem taxes are incurred in the U.S. at the state level derived from production and property values. With Freehold's expansion into the U.S., the expenses of \$2.6 million and \$4.2 million during the current reporting periods were 46% and 23% higher than the same periods in 2022. The increases on a per boe basis reflect Freehold's U.S. expansion into states, largely Texas, which do not charge corporate income taxes but do assess flat tax rates on commodity revenues in addition to property tax assessments.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Production and ad valorem taxes	\$ 2,605	\$ 1,782	46%	\$ 4,166	\$ 3,387	23%
Per boe (\$)	\$ 1.95	\$ 1.46	34%	\$ 1.57	\$ 1.38	14%

Operating Expenses

Operating expenses consist of expenses associated with Freehold's minor Canadian working interest assets. Freehold does not incur operating expenses on production from its royalty lands.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Operating expenses	\$ 341	\$ 345	-1%	\$ 524	\$ 506	4%
Per boe (\$)	\$ 0.26	\$ 0.28	-7%	\$ 0.20	\$ 0.21	-5%

Interest and Financing

Interest on long term debt in the current reporting periods increased compared to the same periods in 2022, due to both higher interest rates and average debt levels associated with acquisitions completed throughout 2022. The current reporting periods' average effective interest rate on advances from Freehold's \$300 million committed credit facilities was 6.2% (same periods in 2022 – 3.2% and 2.6%).

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Interest on long term debt and financing fees	\$ 2,586	\$ 780	232%	\$ 4,927	\$ 1,586	211%
Non-cash interest expense ⁽¹⁾	47	47	0%	110	92	20%
Interest and finance expense	\$ 2,633	\$ 827	218%	\$ 5,037	\$ 1,678	200%
Per boe - cash expense (\$)	\$ 1.94	\$ 0.64	203%	\$ 1.85	\$ 0.65	185%

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

Share-Based Compensation

Freehold's award plans are share based and cash settled and consists of grants of performance share units (PSUs), restricted share units (RSUs), director restricted share units (Director RSUs) (combined, Long-term Incentive Plan) and deferred share units (DSUs) (when combined with the Long-term Incentive Plan, the Award Plans).

Share-based compensation (recovery)/expense, reflecting the Award Plans, were (\$0.1 million) and \$0.5 million during the current reporting periods, decreases of 106% and 88% compared to the same periods of 2022. The lower expenses reflect decreases in both Freehold's share price and the number of outstanding Long-term Incentive Plan awards. Share-based compensation expense in the same periods in 2022 also included a non-cash charge of \$1.5 million, adjusting DSUs to market value to prospectively account for these units as cash settled effective April 1, 2022.

During the current reporting periods Freehold paid \$3.2 million in share-based compensation as previously charged against net income, a decrease from the \$5.8 million paid during the same periods in 2022. This decrease was due to the absence of a payout to a retiring director as included in the same periods in 2022 and a lower award value.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Share-based compensation	\$ (129)	\$ 2,092	-106%	\$ 482	\$ 4,155	-88%
Cash payout on share based compensation before capitalized recovery	\$ 4,112	\$ 5,838	-30%	\$ 4,112	\$ 5,838	-30%
Less: capitalized recovery	(930)	-	nm	(930)	-	nm
Cash payout on share based compensation	\$ 3,182	\$ 5,838	-46%	\$ 3,182	\$ 5,838	-46%
Per boe (\$)	2.38	4.77	-50%	1.20	2.38	-50%

During the current reporting periods, Freehold granted 225,553 Long-term Incentive Plan awards resulting in a total of 644,476 outstanding Long-term Incentive Plan awards at June 30 and July 28, 2023, (December 31, 2022 – 864,642).

During the current reporting periods, Freehold granted 49,471 DSUs to members of the board of directors largely as part of their annual compensation resulting in a total of 550,067 outstanding DSUs at June 30, 2023 (December 31, 2022 – 481,359). Since Q2-2023, redeemed DSUs net of additional grants resulted in 503,618 outstanding DSUs at July 28, 2023.

Netback and Cash Costs

The netback⁽¹⁾ allows Freehold to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods. Freehold's netback⁽¹⁾ totaled \$46.07/boe and \$48.42/boe during the current reporting periods, 42% and 33% lower than the same periods in 2022. These decreases largely reflect lower realized commodity pricing.

Cash costs⁽¹⁾ during Q2-2023, as measured on boe basis, were down 14% due to a lower annual cash payout on share-based compensation whereas for the first six months of 2023, they were up 8% due to higher interest and G&A costs, compared to the same periods in 2022.

(\$/boe)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Royalty and other revenue	\$ 55.21	\$ 88.64	-38%	\$ 56.50	\$ 79.88	-29%
Production and ad valorem taxes	(1.95)	(1.46)	34%	(1.57)	(1.38)	14%
Net revenue ⁽¹⁾	\$ 53.26	\$ 87.18	-39%	\$ 54.93	\$ 78.50	-30%
Less:						
General and administrative	(2.61)	(2.69)	-3%	(3.26)	(2.80)	16%
Operating expense	(0.26)	(0.28)	-7%	(0.20)	(0.21)	-5%
Interest and financing cash expense	(1.94)	(0.64)	203%	(1.85)	(0.65)	185%
Cash payout on share based compensation	(2.38)	(4.77)	-50%	(1.20)	(2.38)	-50%
Cash costs ⁽¹⁾	\$ (7.19)	\$ (8.38)	-14%	\$ (6.51)	\$ (6.04)	8%
Netback ⁽¹⁾	\$ 46.07	\$ 78.80	-42%	\$ 48.42	\$ 72.46	-33%

(1) See Non-GAAP Financial Ratios and Other Financial Measures

Depletion, Depreciation and Other

Petroleum and natural gas interests, including acquisitions costs, future development costs (if any) 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.

The depletion rates per boe of \$19.36/boe and \$19.40/boe in the current reporting periods were relatively unchanged from the same periods in 2022. Depletion expense increased approximately 10% in the current reporting periods compared to the same periods in 2022 as a result of higher production.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Depletion, depreciation and other	\$ 25,884	\$ 23,527	10%	\$ 51,679	\$ 47,490	9%
Depletion per boe (\$)	\$ 19.36	\$ 19.22	1%	\$ 19.40	\$ 19.34	0%

Foreign Exchange

Foreign exchange results from intercompany balances between Freehold's Canadian parent and its U.S. subsidiary partially offset by changes in the Canadian dollar reported amount of a portion of Freehold's long-term debt denominated in U.S. dollars. Freehold first drew U.S. dollar denominated long term debt in the latter half of 2022 to finance two U.S. transactions.

Intercompany balances reflect prior years' U.S. royalty property acquisitions. Although these balances eliminate on consolidation, the intercompany balance held by the Canadian parent was recognized as foreign exchange whereas revaluation by the U.S. subsidiary was 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.

Exiting Q2-2023, and as compared to rates at March 31, 2023 and December 31, 2022, the Canadian dollar strengthened relative to the U.S. dollar to US\$0.76/CDN, resulting in net foreign exchange losses during the current reporting periods.

(\$000s)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Unrealized foreign exchange (gain) loss on:						
Intercompany note	\$ 7,019	\$ (8,349)	184%	\$ 7,374	\$ (4,429)	-266%
Long term debt	(772)	-	nm	(892)	-	nm
	\$ 6,247	\$ (8,349)	175%	\$ 6,482	\$ (4,429)	-246%

(nm) not meaningful

Management Fee

The Manager (as defined below) receives a quarterly management fee paid with Freehold common shares. In Q2-2023, the management fee is capped at the equivalent of 5,500 Freehold common shares per quarter in 2023 and thereafter.

The ascribed value attributable to management fees during the current reporting periods of \$0.1 million and \$0.2 million decreased by 58% and 59% compared to the same periods of 2022. These decreases reflect the lower number of shares issued for management fees, despite Freehold's higher share price.

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Shares issued for management fees	5,500	13,750	-60%	11,000	27,500	-60%
Ascribed value (\$000s) ⁽¹⁾	\$ 74	\$ 175	-58%	\$ 153	\$ 371	-59%
Closing share price (\$/share)	\$ 13.44	\$ 12.74	5%	\$ 13.44	\$ 12.74	5%

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

Impairment

At June 30, 2023, 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, current income tax expenses of \$8.4 million and \$17.2 million are both decreases from the same periods in 2022, driven by lower commodity prices.

(\$000s)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Current income tax expense	\$ 8,425	\$ 12,388	-32%	\$ 17,157	\$ 21,364	-20%
Deferred income tax expense (recovery)	(117)	5,542	-102%	616	9,427	-93%
Income taxes	\$ 8,308	\$ 17,930	-54%	\$ 17,773	\$ 30,791	-42%

CRA Assessments

The Canada Revenue Agency ("CRA") has assessed Freehold's prior years' tax returns, denying \$222 million of non-capital losses ("NCL's") (the "Assessments"). Pursuant to the Assessments, denied NCL claims resulted in taxes, interest, and penalties totaling an estimated \$62.7 million. Freehold has objected to all Assessments other than for the 2022 year, which was just recently received, and has provided deposits totaling \$24.4 million as at June 30, 2023 (December 31, 2022 - \$21.9 million). Freehold intends to object to the 2022 Assessments in the prescribed period requiring it to pay additional deposits of \$7.0 million prior to December 31, 2023.

Given the anticipated timeline for resolving the Assessments with CRA is longer than originally expected, Freehold reclassified \$24.4 million of income tax deposits from current to non-current assets on the June 30, 2023 Condensed Consolidated Balance Sheet. Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful in challenging the Assessments.

Net Income and Comprehensive Income

In the current reporting periods, Freehold had net income of \$24.3 million and \$55.3 million, decreases compared to \$66.9 million and \$105.3 million in the same periods in 2022. These decreases were largely due to lower realized average commodity prices caused by declines in crude oil and natural gas benchmarks but also reflect both higher interest and depletion expenses in addition to foreign exchange losses. For these same periods and for the same reasons, comprehensive income also decreased and was further impacted by the weaker U.S. dollar on translation of Freehold's wholly-owned U.S. subsidiary to Canadian dollars.

(\$000s, except per share)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Net income	\$ 24,261	\$ 66,875	-64%	\$ 55,312	\$ 105,270	-47%
Per share, basic and diluted (\$)	\$ 0.16	\$ 0.44	-64%	\$ 0.37	\$ 0.70	-48%
Comprehensive income	\$ 19,352	\$ 70,520	-73%	\$ 50,331	\$ 107,266	-53%

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 capital expenditures or acquisitions, pay dividends and reduce bank indebtedness. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels, 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 Operating Activities and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to pay dividends, fund acquisitions 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.

Funds from operations for the current reporting periods decreased to \$53.0 million (\$0.35/share) and \$111.6 million (\$0.74/share) from \$83.8 million (\$0.56/share) and \$155.7 million (\$1.03/share) in the same periods of 2022. These decreases were largely due to lower realized average commodity prices caused by crude oil and natural gas benchmarks but also reflect higher interest costs.

Cash flow from operations of \$49.9 million and \$92.5 million during the current reporting periods were approximately 34% and 36% lower than the same periods of 2022, directionally consistent with the decrease in funds from operations, with the first six months of 2023 impacted by paying 2022 current income taxes payable of \$29.3 million.

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Cash flow from operations	\$ 49,945	\$ 75,443	-34%	\$ 92,527	\$ 144,742	-36%
Funds from operations	\$ 53,039	\$ 83,846	-37%	\$ 111,607	\$ 155,739	-28%
Per share - basic (\$) ^{(1) (2)}	\$ 0.35	\$ 0.56	-38%	\$ 0.74	\$ 1.03	-28%

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

(2) Funds from operations per share is a supplemental measure

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund dividends, acquisitions, expenditures and/or 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 longer. Also, working capital can fluctuate significantly due to volume 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 installment payment can also effect working capital.

Working capital on June 30, 2023, was \$21.2 million, 26% lower when compared to December 31, 2022. This decrease reflects \$24.4 million of income tax deposits being reclassified from current to non-current assets (see

CRA Assessments) combined with a decrease in accounts receivable caused by lower average realized commodity pricing. These effects were partially offset by a \$32.4 million payment for Canadian income taxes, decreasing current income taxes payable.

(\$000s)	At June 30		At December 31		
	2023		2022	Change	
Working capital ⁽¹⁾	\$	21,242	\$	28,656	-26%

(1) Working capital is a capital management measures

Financing Activities

Long-Term Debt

Freehold's credit facilities with a syndicate of four Canadian banks have a committed revolving facility availability of \$285 million and an operating facility availability of \$15 million, where either facility can be drawn in Canadian or U.S. dollars. The credit facilities agreement includes a permitted increase in the committed revolving facility to \$435 million subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At June 30, 2023, \$152.0 million was drawn on the committed revolving facility (December 31, 2022 - \$156.6 million), consisting of Canadian dollar and U.S. dollar denominated borrowings of \$122.1 million and US\$22.6 million (\$29.9 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 certain U.S. royalty income assets with associated proved developed producing reserves.

The credit facilities' agreement contains, among affirmative covenants, two primary financial covenants: (i) 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 0.5 times at June 30, 2023) and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (the actual percentage was 14% at June 30, 2023). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations.

Outstanding borrowings under the credit facilities bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rates (SOFR) 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. BA rates are to cease in the future, with the credit facilities transitioning this rate to 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.

At June 30, 2023 and December 31, 2022, the fair value of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange rates.

Net Debt

During the first six months of 2023, net debt increased by \$2.9 million, or 2%, to \$130.8 million from \$127.9 million at December 31, 2022. The working capital component of net debt decreased \$7.4 million during the first six months of 2023 due to the reclassification of income tax deposits from current to non-current assets (see CRA Assessments) and lower accounts receivable. These effects were partially offset by paying the 2022 year-end current income tax payable of \$29.3 million. Going forward, corporate income taxes are paid through regular installments.

Freehold's net debt to trailing funds from operations ratio of 0.5 times at June 30, 2023 was higher than 0.4 times at December 31, 2022, but well within our 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 low net debt to capitalization ratio of 12% at June 30, 2023 was unchanged from December 31, 2022.

Debt Analysis

(\$000s)	At June 30		At December 31	
	2023	2022	2022	Change
Long-term debt	\$ 152,027	\$ 156,560		-3%
Working capital ⁽¹⁾	(21,242)	(28,656)		-26%
Net debt ⁽¹⁾	\$ 130,785	\$ 127,904		2%

(1) Working capital and net debt are capital management measures

Financial Leverage Ratios ⁽¹⁾

	At June 30		At December 31	
	2023	2022	2022	Change
Net debt to funds from operations for the last 12 months (times)	0.5	0.4		25%
Net debt to capitalization (%)	12%	12%		0%

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

Shareholders' Capital

In the six months of 2023, Freehold issued 11,000 shares for payment of the management fee.

At June 30, 2023 and July 28, 2023, there were 150,678,334 common shares outstanding.

Shareholders' Capital

(\$000s, except as noted)	June 30, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance, beginning of period	150,667,334	\$ 1,500,331	150,612,334	\$ 1,499,544
Issued for payment of management fee	11,000	154	55,000	787
Balance, end of period	150,678,334	\$ 1,500,485	150,667,334	\$ 1,500,331

Weighted Average and Year Ending Shares

	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Weighted average						
Basic	150,672,894	150,626,235	0%	150,670,160	150,619,323	0%
Diluted	151,116,432	151,113,563	0%	151,108,024	151,118,320	0%
At period end	150,678,334	150,639,834	0%	150,678,334	150,639,834	0%

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, 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 our intention to fund capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of acquisition opportunities and withstand potential commodity price declines.

The payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the *Business Corporations Act* (Alberta) (ABCA). Pursuant to the ABCA, after the payment of a dividend, we must be able to pay our liabilities as they become due and the realizable value of our assets must be greater than our liabilities and the legal stated capital of our outstanding securities. At June 30, 2023, our legal stated capital was \$361 million.

2023 Dividends Declared

Record Date	Payment Date	Dividend Amount (\$/share)	
January 31, 2023	February 15, 2023	\$	0.09
February 28, 2023	March 15, 2023	\$	0.09
March 31, 2023	April 17, 2023	\$	0.09
April 28, 2023	May 15, 2023	\$	0.09
May 31, 2023	June 15, 2023	\$	0.09
June 30, 2023	July 17, 2023	\$	0.09
		\$	0.54

Dividends declared and paid in Q2-2023 totaled \$40.7 million (\$0.27/share) was higher than the \$36.2 million (\$0.24/share) declared and paid in the same period of 2022. For the first six months of 2023, dividends declared and paid totaled \$81.4 million (\$0.54/share), higher than the \$66.3 million (\$0.44 per share) and \$63.3 million (\$0.42 per share) declared and paid, respectively, in the same period of 2022.

On July 12, 2023, the Board declared a dividend of \$0.09 per common share to be paid on August 15, 2023, to common shareholders on record on July 31, 2023.

From inception in 1996 through to June 30, 2023, Freehold has distributed in excess of \$2.0 billion (\$34.60 per share) to our shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends ⁽¹⁾

(\$000's, except per share)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Dividends declared	\$ 40,681	\$ 36,151	13%	\$ 81,362	\$ 66,275	23%
Accumulated, beginning of period	1,993,278	1,836,601	9%	1,952,597	1,806,477	8%
Accumulated, end of period	\$ 2,033,959	\$ 1,872,752	9%	\$ 2,033,959	\$ 1,872,752	9%
Dividends per share (\$) ⁽²⁾	\$ 0.27	\$ 0.24	12%	\$ 0.54	\$ 0.44	23%
Accumulated, beginning of period (\$)	34.33	33.29	3%	34.06	33.09	3%
Accumulated, end of period (\$)	\$ 34.60	\$ 33.53	3%	\$ 34.60	\$ 33.53	3%

(1) Accumulated dividends reflect distributions paid on trust units of Freehold Royalty Trust (the predecessor of Freehold) from 1996 through 2010 and dividends on common shares of Freehold from 2011 onwards

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

In the current reporting periods, Freehold's payout⁽²⁾ ratios were 77% and 73% with excess funds from operations largely being used to pay the 2022 year-end Canadian current income tax payable and repay debt.

Dividend Payout Ratio ⁽²⁾

(\$000s, except as noted)	Three months ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Dividends paid ⁽¹⁾	\$ 40,682	\$ 36,150	13%	\$ 81,362	\$ 63,262	29%
Funds from operations	\$ 53,039	\$ 83,846	-37%	\$ 111,607	\$ 155,739	-28%
Dividend payout ratio (%) ⁽²⁾	77%	43%	79%	73%	41%	78%

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

(2) Dividend payout ratio is a supplemental measure

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

With the goal of aligning dividend levels to a stronger and stabilizing business outlook, Freehold increased its monthly dividend from \$0.04/share in May 2021, to \$0.05/share in August 2021, to \$0.06/share in November 2021, to \$0.08/share in March 2022 and to \$0.09/share, or \$1.08/share on an annualized basis, in August 2022.

Investing Activities

Acquisitions and Related Expenditures

Acquisitions

In the first six months of 2023, Freehold invested \$4.2 million largely in exchange for gross overriding royalties in the range of 2% to 4% in the Clearwater play in central Alberta.

Related Expenditures

Freehold capitalized general & administrative costs of \$1.4 million, share-based compensation payouts of \$0.9 million and other royalty income asset and miscellaneous expenditures of \$0.9 million during the first six months of 2023.

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 16.7% ownership in Freehold at June 30, 2023 and December 31, 2022. Canpar Holdings Ltd. 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.

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 5,500 and 13,750 Freehold common shares per quarter for 2023 and 2022. For the current reporting periods, the respective ascribed

values of \$0.1 and \$0.2 million were based on the closing price of Freehold's common shares on the last trading day of each quarter (same periods of 2022 - \$0.2 million and \$0.4 million).

For the current reporting periods, the Manager charged \$3.2 million and \$8.3 million in general and administrative costs (same periods of 2022 - \$2.5 million and \$5.9 million). For both current reporting periods, the Manager charged \$4.1 million for share-based compensation payouts (same periods of 2022 - \$4.7 million). At June 30, 2023 there was \$1.3 million in accounts payable and accrued liabilities relating to these costs (December 31, 2022 - \$nil).

Rife Resources Ltd. and CN Pension Trust Funds

For the current reporting periods, Freehold paid \$6.8 million and \$13.6 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares (same periods in 2022 - \$6.5 million and \$11.6 million). In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the current reporting periods Freehold received royalties of approximately \$0.1 million and \$0.2 million from Rife (same periods in 2022 - \$0.1 million and \$0.3 million). At June 30, 2023 and December 31, 2022 there was \$2.3 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared.

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. Amounts due from Canpar at June 30, 2023 was \$0.2 million (December 31, 2022 - \$0.7 million).

Select Quarterly Information

Financial (\$millions, except as noted)	2023			2022			2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	73.7	76.6	98.5	98.4	108.5	87.6	75.2	51.4
Net income	24.3	31.1	40.7	63.2	66.9	38.4	31.2	22.7
Per share, basic (\$) ⁽¹⁾	0.16	0.21	0.27	0.42	0.44	0.25	0.21	0.17
Cash flows from operations	49.9	42.6	82.7	99.9	75.4	69.3	59.7	43.9
Funds from operations	53.0	58.6	80.0	80.8	83.8	71.9	68.8	48.2
Per share, basic (\$) ⁽¹⁾	0.35	0.39	0.53	0.54	0.56	0.48	0.46	0.36
Acquisitions and related expenditures	3.2	4.3	7.2	161.7	20.7	1.3	67.9	228.4
Dividends paid	40.7	40.7	40.7	37.7	36.2	27.1	24.1	17.1
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.25	0.24	0.18	0.16	0.13
Dividends declared	40.7	40.7	40.7	39.2	36.2	30.1	25.6	19.4
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.26	0.24	0.20	0.17	0.14
Payout ratio (%) ⁽³⁾	77%	69%	51%	47%	43%	38%	35%	35%
Long term debt	152.0	159.1	156.6	196.9	86.0	105.0	146.0	126.0
Net debt ⁽⁴⁾	130.8	115.8	127.9	159.9	33.1	62.6	101.2	75.3
Shares outstanding, period end (millions)	150.7	150.7	150.7	150.7	150.6	150.6	150.6	150.6
Average shares outstanding (millions) ⁽¹⁾	150.7	150.7	150.7	150.6	150.6	150.6	150.6	132.9
Operating								
Light and medium oil (bbls/d)	6,093	6,102	6,418	5,935	5,378	5,234	5,401	4,025
Heavy oil (bbls/d)	1,167	1,253	1,218	1,190	1,239	1,210	1,254	1,249
NGL (bbls/d)	1,845	1,788	1,781	1,708	1,613	1,757	1,564	1,125
Total liquids (bbls/d)	9,105	9,143	9,417	8,833	8,230	8,201	8,219	6,399
Natural gas (Mcf/d)	33,372	33,486	33,744	32,319	31,336	32,845	34,700	29,203
Total production (boe/d) ⁽⁵⁾	14,667	14,724	15,041	14,219	13,453	13,676	14,005	11,265
Oil and NGL (%)	62%	62%	63%	62%	61%	60%	59%	57%
Petroleum and natural gas realized price (\$/boe)	54.05	56.99	69.76	74.31	87.55	69.71	57.44	49.17
Cash costs (\$/boe) ⁽³⁾⁽⁵⁾	7.19	5.82	5.17	3.62	8.38	3.70	3.57	2.49
Netback (\$/boe) ⁽³⁾⁽⁵⁾	46.07	50.79	63.92	69.77	78.80	66.17	53.58	46.60
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	73.78	76.13	82.64	91.56	108.41	94.29	77.19	70.55
Exchange rate (Cdn\$/US\$)	1.34	1.35	1.35	1.30	1.28	1.27	1.27	1.27
Edmonton Light Sweet crude oil (Cdn\$/bbl)	94.97	99.03	109.83	116.85	137.79	115.67	93.28	83.77
Western Canadian Select crude oil (Cdn\$/bbl)	78.76	69.31	77.08	93.49	122.09	101.02	78.71	71.79
Nymex natural gas (US\$/Mcf)	2.17	3.30	6.03	8.20	7.17	4.64	4.75	4.35
AECO 7A Monthly Index (Cdn\$/Mcf)	2.40	4.34	5.58	5.50	6.27	4.58	4.93	3.36

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

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

(3) See Non-GAAP Financial Ratios and Other Financial Measure

(4) Net debt is a capital management measure

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

Internal Control Over Financial Reporting

Freehold is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over

financial reporting during Q2-2023. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

Sustainability Reporting

During 2023, the International Sustainability Standards Board (ISSB) published the following two IFRS sustainability disclosure standards: “General Requirements for Disclosure of Sustainability-related Financial Information” and “Climate-related Disclosures”. These standards “sets out the overall requirements for disclosing sustainability-related financial information in order to provide primary users with a complete set of sustainability-related financial disclosures” and “sets out the requirements for identifying, measuring and disclosing climate-related risks and opportunities as part of an entity’s general purpose financial reporting.” Currently, the ISSB’s sustainability disclosure standard, effective from January 1, 2024, is subject to adoption by the international community, including Canada’s Securities Administration. The recently formed Canadian Sustainability Standards Board’s mandate is to develop and support adopting international sustainability standards in Canada. With the adoption of sustainability standards not yet having an effective date in Canada, accordingly, Freehold, at this time, is in the preliminary stages of understanding the impacts on its future financial statements resulting from the ISSB’s standards. Costs to comply with these sustainability disclosures is not quantifiable at this time.

In January 2023, Freehold published its Sustainability Report, in accordance with the Global Reporting Initiative and Sustainability Accounting Standards Board, focusing on the long-term sustainability of its business, including partnering with investment grade operators across North America who share the same view on the importance of sustainability. The report details the historical trends of Freehold’s sustainability performance metrics, including its commitment to net zero Scope-1 and Scope-2 emissions and discusses future Environment, Social and Governance goals and targets.

Forward-looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or our expectations of future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "forecast", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions (including the negatives thereof). These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and, as such, forward-looking statements included in this MD&A should not be unduly relied upon. These forward-looking statements are provided to allow readers to better understand our business and prospects.

In particular, this MD&A contains forward-looking statements under the headings Freehold’s Strategy, Approved Dividend, Outlook, 2023 Guidance, Q2-2023 Operating and Financial Highlights, CRA Assessments and Liquidity and Capital Resources pertaining to the following:

- our expectations regarding price differentials;
- our expectation of generating lower risk returns to our shareholders by driving oil and gas development on our lands through our lease program, and royalty optimization, acquiring royalty assets with acceptable risk profiles and long economic life and generating gross overriding royalties for revenue growth;

- our expectation that we will maximize Freehold’s royalty interests through a comprehensive audit and compliance program, our intent to maintain balance sheet strength (1.5 times or less net debt to trailing funds from operations) and target a payout ratio of approximately 60%;
- our dividend policy and expectations for future dividends, including that no changes in the dividend rate are expected in 2023 based on forecasted commodity pricing;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, natural gas liquids and natural gas, including the impact of recent OPEC+ announcements thereon;
- light/heavy oil price differentials;
- 2023 guidance including 2023 production profile, average royalty production (including commodity weighting), funds from operations, pricing and exchange rate assumptions;
- Freehold’s expectations regarding the Assessments, its expectation to object to the 2022 Assessment, the expectation to pay future deposits in connection with the 2022 Assessment, the expected timeline for resolving the Assessments, the deductibility of certain losses as well as whether the CRA will deny certain deductions and if Freehold will be successful on its appeal;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next 12 months based on Freehold’s current best estimate of results from operations;
- expectations regarding the issuance of shares to finance acquisitions;
- Freehold's expectation that the transition from BAs to CORRA will not cause a significant difference on the cost of its borrowings under its credit facilities;
- Freehold's intent in establishing its dividend rate; 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 Russian-Ukraine war and associated sanctions as well as OPEC+ curtailments on the global economy and commodity prices;
- 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;
- future capital expenditure levels;
- future production levels;
- future exchange rates;
- future tax rates;
- future legislation;
- the cost of developing and expanding our assets;
- our ability and the ability of our industry partners and royalty payors to obtain equipment in a timely manner to carry out development activities;
- our ability to market our product successfully to current and new customers;

- our expectation for the consumption of crude oil, NGL's and natural gas;
- our expectation for industry drilling levels on our royalty lands;
- the impact of competition;
- our ability to obtain financing on acceptable terms;
- our ability to add production and reserves through our development and acquisitions activities.
- lack of pipeline capacity;
- currency fluctuations;
- our and our counsel's interpretation of tax laws, regulations, royalties, or incentive programs relative to the interpretation and enforcement of 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;
- environmental risks and liabilities inherent in oil and gas operations; and
- other factors discussed in Freehold's annual MD&A and audited financial statements for the year-ended December 31, 2022 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, 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 Financial Ratios 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, netback, dividend payout ratio, funds from operations per share and cash costs are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

Net revenue, which 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.

Netback, which is calculated on a boe basis, as average realized price less production and ad valorem taxes, operating expenses, general and administrative, cash interest charges and share-based payouts, represents the per boe netback amount allowing the Company to benchmark how changes in commodity pricing, net of production and ad valorem taxes, and our cash-based cost structure compare against prior periods.

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.

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.

Cash costs, which 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 and cash-based interest and financing charges and share-based payouts. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods.

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

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 barrel). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for

comparative measures, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.