Management Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of November 10, 2021 and is management's opinion about the consolidated operating and financial results of Freehold Royalties Ltd. and its wholly-owned subsidiaries (collectively, Freehold or the Company) for the three and nine months ended September 30, 2021 and comparative periods, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein was based on information in the condensed consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. All comparative percentages are between the three ("Q3") and nine months ("first nine months") ended September 30, 2021 (combined the "current reporting periods" in that respective order) and the same period(s) in 2020 (also in that respective order), and all dollar amounts are expressed in Canadian currency, unless otherwise noted. References to "US$" are to United States (U.S.) dollars. This MD&A should be read in conjunction with the September 30, 2021 unaudited condensed consolidated financial statements and the December 31, 2020 audited consolidated financial statements and notes.

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

This MD&A contains the following non-GAAP financial measures: **netback, payout ratio** and **cash costs**. These are useful supplemental measures to analyze operating performance, financial leverage, and liquidity, among others. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand our business and prospects. Readers are cautioned that the MD&A should be read in conjunction with our disclosure under "Non-GAAP Financial Measures" and "Forward-Looking Statements" included at the end of this MD&A.

Business Overview

Freehold is incorporated under the laws of the Province of Alberta and trades on the Toronto Stock Exchange under the symbol FRU. We receive revenue from royalties on oil, natural gas and potash properties as reserves are produced over the life of the properties. Freehold's primary focus is acquiring and managing royalties.

The Royalty Advantage

Freehold manages one of the largest non-government portfolios of oil and natural gas royalties in Canada with an expanding land base in the United States, uniquely positioning Freehold as a North American royalty company. Our total land holdings encompass approximately 6.2 million gross acres in Canada and exposure to approximately 765,000 gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands (including royalty assumption lands), which we own in perpetuity, cover approximately 1.1 million acres and we also have gross overriding royalty and other interests in approximately 5.1 million acres. Our U.S. acreage is comprised of more than 90% mineral title lands.

We have royalty interests in more than 15,000 producing wells and 350 units spanning five provinces and eight states and receive royalty income from over 350 industry operators throughout North America. Our revenues also include potash, bonus consideration and lease rental streams that diversify our royalty revenue portfolio. Our diversified North American land base lowers Freehold's risk, and as a royalty owner, Freehold benefits from the drilling activity of others without any capital investments.

As a royalty interest owner, Freehold does not pay any of the capital costs to drill and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, and ultimately restore the land to its original state. All of these costs are paid by others. Freehold receives royalty income from gross production revenue (revenue before any royalty expenses and operating costs are deducted) resulting in strong netbacks.

Freehold's Strategy

As a leading royalty company, Freehold's objective is to deliver growth and lower risk attractive returns to shareholders over the long term. Freehold accomplishes this by:

- **Creating Value**
    - Drive development on our lands through our lease out program and royalty optimization
    - Acquire royalty assets with acceptable risk profiles and long economic life
    - Generate gross overriding royalties for revenue growth
- **Enhancing value**
    - Maximize Freehold's royalty interests through a comprehensive audit and compliance program
    - Manage our debt prudently with a target below 1.5 times net debt to funds from operations
- **Delivering value**
    - Target a dividend with a payout ratio of 60%-80%

Subsequent Events

U.S. Midland Transaction

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

Production volumes from the Midland Assets are forecast to grow by approximately 25% on a compounded annual growth rate basis from 2021 to 2024 with approximately 50% of near-term development underpinned by drilled and uncompleted locations and permits. 2022 production from the Midland Assets is forecast at approximately 575 boe/d (60% light and medium oil, 15% NGL's and 25% natural gas).

Dividend Announcement

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

Projected 2021 payouts are below our stated dividend policy levels, which outlines a 60%-80% payout ratio over the long-term based on forward looking funds from operations. The dividend increase announced today strikes a balance between continuing to enhance our portfolio through acquisitions and returning the value created by this work back to our shareholders at an appropriate pace.

Outlook

Business Environment

The third quarter continued the positive momentum in the broader commodity price environment both for crude oil and natural gas. West Texas Intermediate (“WTI”) prices averaged US$70.55/bbl during the quarter, 72% higher versus the same period in 2020, and a 7% increase compared to the previous quarter. Within Canada, prices have maintained the momentum set by the global benchmarks with Edmonton Sweet light oil prices averaging $83.77/bbl, a 68% improvement versus the same period in 2020 and a 9% gain versus the previous quarter. Western Canadian Select prices averaged $71.79/bbl for Q3-2021, up 69% versus the same period in 2020, and up 7% versus the previous quarter.

A lack of balance within the supply/demand macroenvironment continues to be the primary driver behind the rally in crude oil prices. Globally, we continue to see the recent reopening of economies post COVID-19 as putting upward pressure on oil demand, although we have seen a number of false starts as the impacts of different variants continue to cause volatility in the market.

On the supply side, we have seen a strategic shift by a number of North American large cap E&P companies that have formally adopted business models focused on providing near-term returns to shareholders, without the need for growth. Within OPEC, the group has reiterated a commitment to restrained supply and measured increases moving forward, with the expectation the group will set output in-line with previously guided levels. Iranian volumes are expected to be constrained, averaging between 2.5-2.7 mmbbl/d in 2022. These macro movements infer we should expect continued oil supply constraints over the foreseeable future.

Canadian WCS differentials have been aided recently by turnaround activity in Q2-2021 and Q3-2021 along with weak Mexican and Venezuelan production. A lack of supply from Iran should also put upward pressure on demand within North America, offset by increased supply from the broader OPEC complex as heavier grades are slowly returned to the market.

In Q3-2021, AECO and NYMEX monthly contract prices averaged $3.36/mcf, and US$4.35/mcf, respectively, up 57% and 118% versus the same period in 2020. Compared to the previous quarter, AECO prices were up 20% while NYMEX prices increased 47%, reflecting continued tightness in the supply/demand fundamentals.

U.S. natural gas production has remained relatively flat between 90-95 bcf/d with volumes in traditional growth areas such as the Marcellus and Haynesville not yet showing upward momentum. Similar to crude oil, producer discipline in the face of improving prices will represent the number one driver behind continued high prices. Globally, storage levels remain well below average, specifically Europe (15% below) and the U.S. (5% below) with an early winter potentially driving storage levels down and increasing volatility in the broader market.

In Canada, volatility returned to the AECO market in Q3-2021 driven by production outages and seasonally anomalous storage draws due to severe heat in Western Canada, driving pricing upwards. Looking forward, we expect pricing to remain volatile as observed through Q3-2021 with positive catalysts driven by continued growth in western Canadian demand and export levels, current NGTL connected storage levels sitting below the five-year storage level and colder than forecast winter weather.

Fourth Quarter 2021 Guidance Update

After realizing actual results for the first nine months of 2021 and with Freehold's most recent acquisitions, we are implementing guidance for Q4-2021. The following table summarizes our key operating assumptions for the fourth quarter of 2021 where production is expected to be weighted approximately 60% oil and NGL's and 40% natural gas:

Fourth Quarter 2021 Average	November 10, 2021
Production (boe/d) (1)(2)	13,500 - 13,750
West Texas Intermediate crude oil (US$/bbl)	$ 82.00
Edmonton Light Sweet crude oil (Cdn$/bbl)	$ 95.00
AECO natural gas (Cdn$/mcf)	$ 5.00
Nymex (US$/mcf)	$ 5.00
Exchange rate (US$/Cdn$)	$ 0.80

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

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

2022 Guidance

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

2022 Average	November 10, 2021
Production (boe/d) (1)(2)	13,750 - 14,750
West Texas Intermediate crude oil (US$/bbl)	$ 75.00
Edmonton Light Sweet crude oil (Cdn$/bbl)	$ 88.00
AECO natural gas (Cdn$/mcf)	$ 4.00
Nymex (US$/mcf)	$ 4.00
Exchange rate (US$/Cdn$)	$ 0.80

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

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

2021 U.S. Royalty Acquisitions

On January 5, 2021, Freehold acquired U.S. royalty properties for US$58.3 million ($74.3 million) after customary adjustments. This acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins.

In July 2021, Freehold closed the acquisition of certain U.S royalty properties for US$15.5 million ($19.4 million). This acquisition includes exposure to the Eagle Ford, Delaware and Midland basins in Texas, expanding Freehold's North American royalty footprint. The acquired royalty assets provide exposure to a strong suite of exploration and production companies with multiple year development plans expected on the acreage.

In September 2021, Freehold closed its previously announced transaction to acquire a high-quality U.S. royalty asset located in the Eagle Ford oil basin in Texas (the Acquired Assets) for US$160.6 million after customary adjustments

($203.2 million) (the Eagle Ford Royalty Transaction). The Acquired Assets are expected to significantly enhance the quality of Freehold's North American royalty portfolio, improving both the near-term and long-term sustainability of Freehold's dividend while providing further option value to return capital to our shareholders through multiple years of free cash flow growth. The Eagle Ford Royalty Transaction further advances Freehold's strategy of being positioned in the highest quality development areas across North America, delivering growth and low risk attractive returns to our shareholders.

Freehold also closed three additional U.S. royalty transactions in the first nine months of 2021, further complementing our positions in the Bakken and Permian basins. Total consideration associated with these transactions was approximately US$3.9 million ($4.9 million).

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

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

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

Operating and Financial Results

FINANCIAL ($000s, except as noted)	Three Months Ended September 30 2021	2020	Change	Nine Months Ended September 30 2021	2020	Change
Royalty and other revenue	$ 50,879	$ 23,123	120%	$ 132,549	$ 64,165	107%
Net income (loss)	$ 22,726	$ 139	nm	$ 40,906	$ (14,304)	nm
Per share, basic ($) [1]	$ 0.17	$ -	nm	$ 0.31	$ (0.12)	nm
Cash flows from operations	$ 43,911	$ 1,130	nm	$ 102,321	$ 45,157	127%
Funds from operations	$ 48,247	$ 19,893	143%	$ 120,876	$ 50,763	138%
Per share, basic ($) [1]	$ 0.36	$ 0.17	112%	$ 0.92	$ 0.43	114%
Acquisitions and related expenditures	$ 228,382	$ 415	nm	$ 309,094	$ 6,836	nm
Dividends paid	$ 17,095	$ 5,342	220%	$ 37,875	$ 33,815	12%
Per share ($) [2]	$ 0.13	$ 0.0450	189%	$ 0.29	$ 0.2850	1%
Dividends declared	$ 19,364	$ 5,342	262%	$ 43,029	$ 29,368	47%
Per share ($) [2]	$ 0.14	$ 0.0450	211%	$ 0.32	$ 0.2475	29%
Payout ratio (%) [3]	35%	27%	8%	31%	67%	-36%
Long term debt	$ 126,000	$ 107,000	18%	$ 126,000	$ 107,000	18%
Net debt	$ 75,278	$ 81,678	-8%	$ 75,278	$ 81,678	-8%
Shares outstanding, period end (000s)	150,585	118,746	27%	150,585	118,746	27%
Average shares outstanding (000s) [1]	132,941	118,706	12%	131,767	118,665	11%
OPERATING						
Light and medium oil (bbl/d)	4,038	3,384	19%	3,986	3,522	13%
Heavy oil (bbl/d)	1,236	791	56%	1,160	1,025	13%
NGL (bbl/d)	1,125	859	31%	1,100	848	30%
Total liquids (bbl/d)	6,399	5,034	27%	6,246	5,395	16%
Natural gas (Mcf/d)	29,203	24,656	18%	29,229	26,524	10%
Total production (boe/d) [4]	11,265	9,143	23%	11,118	9,816	13%
Oil and NGL (%)	57%	55%	4%	56%	55%	1%
Average price realizations ($/boe) [4]	$ 49.17	$ 26.93	83%	$ 43.60	$ 23.37	87%
Cash costs ($/boe) [3][4]	$ 2.49	$ 3.70	-33%	$ 3.76	$ 4.80	-22%
Netback ($/boe) [3][4]	$ 46.60	$ 23.79	96%	$ 39.92	$ 19.06	109%

nm – not meaningful

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

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

(3) See Non-GAAP Financial Measures

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

Q3-2021 Operating and Financial Highlights

- Royalty and other revenue totaled $50.9 million in Q3-2021, up 120% from the same period in 2020 given positive momentum in crude oil prices and production growth due in part to recent U.S. acquisitions. Royalty and other revenue was comprised of 83% oil and natural gas liquids (NGL's), an increase from 81% in the same period of 2020, driven by increases in broad crude oil pricing and a modest weighted average shift in Freehold's total production towards liquids as third-party activity and acquisitions was primarily oil focused over the period.
- Funds from operations in Q3-2021 totaled $48.3 million or $0.36 per share (one of Freehold's highest reported measures for funds from operations both in total and on a per share basis), up 143% in total from $19.9 million or $0.17 per share in the same period in 2020. This increase reflects broad gains across commodity prices, higher production volumes and a reduction in cash costs[1].
- Dividends declared for Q3-2021 totaled $19.4 million ($0.14 per share), up 262% in total versus the same period in 2020 when Freehold declared dividends of $5.3 million ($0.045 per share). Our dividend payout ratio[1] for Q3-2021 was 35% versus 27% during the same period in 2020. As commodity prices and production volumes on our royalty lands have improved, so has our funds from operations resulting in a payout ratio[1] below our targeted 60% floor.

- Q3-2021 production averaged 11,265 boe/d, a 23% increase versus the same period in 2020 as volumes added from U.S. acquisitions and third-party royalty drilling activity drove gains on our royalty lands.
- U.S. production averaged 1,748 boe/d for Q3-2021, up materially versus the same period in 2020, which in Q3-2021 only includes seven days of production from our September Eagle Ford Royalty Transaction. This increase also reflects acquisition activity and increased third party drilling on our royalty lands. Canadian volumes averaged 9,517 boe/d for Q3-2021, up 5% versus the same period in 2020.
- Wells drilled on our royalty lands, including acquired lands, totaled 179 (6.0 net) in Q3-2021, compared to 32 (2.1 net) in the same period in 2020. Drilling was comprised of 145 gross wells in Canada and 34 gross wells in the U.S. On a net basis, Freehold had more activity on its royalty lands over the quarter than during the first half of 2021. Activity was focused primarily in the Viking, Mississippian, Cardium, Spirit River, Eagle Ford, Midland and Delaware basins. Development was backstopped by traditional payors in Canada with an uptick in activity from a group of well capitalized payors within Freehold's U.S. portfolio.
- Closed two U.S. royalty property transactions and acquired a Clearwater overriding royalty interest resulting in combined acquisitions and related expenditures of $228.4 million during Q3-2021:
    - Two U.S. royalty property acquisition totaling US$176.1 million ($222.6 million). These acquisitions includes exposure to Eagle Ford, Delaware and Midland basins, expanding Freehold's North American royalty footprint.
    - In July 2021, Freehold closed a Canadian royalty transaction with a commitment to pay up to $7.9 million in accordance with a drilling agreement in exchange for gross overriding royalties in the range from 3 to 5% in the Clearwater play in central Alberta. Freehold has paid $5.4 million towards the committed amount as at September 30, 2021.
- In September Freehold announced that it had completed its previously announced bought deal equity financing, issuing 19,067,000 subscription receipts at a price of $9.05 per subscription receipt for gross proceeds of $172.6 million, which included the full exercise of the over-allotment option granted to the underwriters. The subscription receipts were exchanged for an equivalent number of Freehold common shares upon the September 24, 2021 closing of the Eagle Ford Royalty Transaction.
- Concurrently with the closing of the September Eagle Ford Royalty Transaction, Freehold amended its credit facility agreement with a syndicate of four Canadian banks increasing the committed evolving facility to $285 million and maintaining the operating facility at $15 million. The amended credit facility agreement includes a permitted increase in the committed revolving facility of up to $360 million, subject to lenders' consent. Both the committed revolving and operating facilities mature September 28, 2024.
- Closing long term debt at September 30, 2021 was $126 million, an increase of $48 million versus June 30, 2021 as Freehold partially funded acquisition activity by utilizing our amended credit facility.

(1) See Non-GAAP Financial Measure

Drilling Activity

In total, including acquired lands, 179 gross (6.0 net) wells were drilled on our royalty lands in Q3-2021, a 459% improvement on a gross basis versus the same period in 2020, as activity continued to return to Freehold's lands supported by higher commodity pricing while also reflecting growth within our U.S. portfolio. For the quarter, the most significant plays drilled included 27 gross wells in the Viking, 24 Mississippian, 18 Cardium, 18 Spirit River, 17 Clearwater, 14 Eagle Ford and 11 targeting Midland and Delaware prospects.

For the first nine months of 2021, 375 (11.8 net) wells were drilled on Freehold royalty lands, this compares to 261 (8.7 net) wells drilled during the same period last year.

Increased activity was driven by a broad increase in overall industry spending across North America. With the upward move in crude oil prices, we have seen activity increase on Freehold's royalty lands with approximately 20 rigs (eight in Canada, 12 in the U.S.) running on our royalty lands currently.

In Q3-2021, approximately 68% of all gross locations on Freehold's North American assets targeted gross overriding royalty prospects with 26% focused on prospects on its mineral title lands with the remaining 6% on unitized interests. 44% of all locations drilled targeted prospects in Alberta, 37% in Saskatchewan and 19% in the U.S. on a gross basis. The majority of wells drilled (greater than 88%) focused on oil or liquids prospects.

Canada

Through the first nine months of 2021, Freehold has seen consistent drilling activity in oil plays including the Viking, Mississippian, Clearwater and Cardium. We are also seeing a strong increase in licensing and well spuds in the Deep Basin as natural gas prices remained strong into Q3-2021.

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

U.S.

In the U.S., activity levels on Freehold's mineral title lands have met or exceeded expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Although U.S. net wells are lower than in Canada, U.S. wells are significantly more prolific as they generally produce more than a Canadian well. Overall, 34 gross wells were drilled on our U.S. royalty lands over Q3-2021, this compares to 32 gross wells drilled in Q2-2021.

Royalty Interest Drilling [(2)]

	Three Months Ended September 30				Nine Months Ended September 30			
	2021		2020		2021		2020	
	Gross	**Net** [(1)]	Gross	Net [(1)]	**Gross**	**Net** [(1)]	Gross	Net [(1)]
Canada	**145**	**5.8**	32	2.1	**291**	**11.3**	261	8.7
United States	**34**	**0.2**	-	-	**84**	**0.5**	-	-
Total	**179**	**6.0**	32	2.1	**375**	**11.8**	261	8.7

(1) Net wells are the equivalent aggregate of the numbers obtained by multiplying each gross well by our royalty interest percentage
(2) Drilling includes acquisition activity from the effective date of each transaction

Production

Freehold's total production averaged 11,265 boe/d during Q3-2021, a 23% increase over the same period in 2020. This increase reflects acquisition activity and higher third-party drilling additions on Freehold's U.S. and Canadian lands. Production volumes for the first nine months of 2021 averaged 11,118 boe/d, up 13% versus the same period in 2020 for similar reasons.

Our production mix through the first nine months of 2021 was 36% light and medium oil, 11% heavy oil, 10% NGL and 43% natural gas. Working interest production for Q3-2021 was 107 boe/d, an increase from 47 boe/d during the same period of 2020 as Freehold reactivated natural gas wells to take advantage of a higher AECO benchmark.

Production Summary

	Three Months Ended September 30			Nine Months Ended September 30		
(boe/d)	**2021**	2020	Change	**2021**	2020	Change
Canada	**9,517**	9,035	5%	**9,591**	9,672	-1%
United States	**1,748**	108	nm	**1,527**	144	nm
Total	**11,265**	9,143	23%	**11,118**	9,816	13%

nm – not meaningful

Average Daily Production by Product Type

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	4,038	3,384	19%	3,986	3,522	13%
Heavy oil (bbl/d)	1,236	791	56%	1,160	1,025	13%
NGL (bbl/d)	1,125	859	31%	1,100	848	30%
Natural gas (Mcf/d)	29,203	24,656	18%	29,229	26,524	10%
Total production (boe/d)	11,265	9,143	23%	11,118	9,816	13%
Number of days in period (days)	92	92	-	273	274	-
Total volumes during period (Mboe)	1,035	841	23%	3,035	2,690	13%

Canada

Canadian production averaged 9,517 boe/d during Q3-2021, comprised of 55% oil and NGL's. Volumes in Q3-2021 were up 5% compared to the same period in 2020, driven organically by strong production additions from third party drilling on our royalty lands. Production volumes for the first nine months of 2021 averaged 9,591 boe/d, down 1% versus the same period in 2020 reflecting last year's drop in drilling activities on Freehold's lands in response to third parties preserving capital in a low Canadian oil benchmark environment.

Canadian Average Daily Production by Product Type

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	3,146	3,303	-5%	3,230	3,408	-5%
Heavy oil (bbl/d)	1,236	791	56%	1,160	1,025	13%
NGL (bbl/d)	846	857	-1%	890	846	5%
Natural gas (Mcf/d)	25,737	24,509	5%	25,862	26,359	-2%
Canadian production (boe/d)	9,517	9,035	5%	9,591	9,672	-1%

U.S.

U.S. production, representing 16% of total volumes, averaged 1,748 boe/d during Q3-2021, up materially versus the same period in 2020. Production for the first nine months of 2021 averaged 1,527 boe/d, up from 144 boe/d in the same period in 2020. These increased volumes reflect acquisitions completed in the first nine months of 2021 and strong drilling and production additions within Freehold's U.S. royalty portfolio. The current reporting periods capture 2,194 boe/d over a seven day period reflecting the September Eagle Ford Royalty Transaction.

U.S. Average Daily Production by Product Type

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Light and medium oil (bbl/d)	892	81	nm	756	114	nm
NGL (bbl/d)	279	2	nm	210	2	nm
Natural gas (Mcf/d)	3,466	147	nm	3,367	165	nm
United States production (boe/d)	1,748	108	nm	1,527	144	nm

nm – not meaningful

Product Prices

The price received by Freehold for produced 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. WTI averaged US$70.55/bbl and US$64.81/bbl in the current reporting periods, 72% and 70% higher versus the same periods in 2020. In Canada, Edmonton Light Sweet prices averaged $83.77/bbl and $75.90/bbl during the current reporting periods, 68% and 73% higher versus the same periods in 2020. WCS prices averaged $71.79/bbl and $65.42/bbl during the current reporting periods, 69% and 98% higher versus the same periods in 2020. The increase in these Canadian oil benchmarks versus the same periods in 2020 reflects narrower differentials and improved supply/demand fundamentals.

For natural gas, the AECO daily averaged $3.36/mcf and $3.03/mcf in the current reporting periods, 57% and 48% higher versus the same periods in 2020. For the same periods, NYMEX natural gas prices averaged US$4.35/mcf and US$3.61/mcf, up 118% and 93%. Natural gas prices have remained strong as North American supply/demand fundamentals have remained tighter than we have historically seen over the past five years.

As the Company has increased its U.S. exposure, Freehold's realized price has improved, as U.S. volumes realize prices closer to WTI and NYMEX benchmarks versus discounted pricing for Canadian production.

Average Benchmark Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
West Texas Intermediate crude oil (US$/bbl)	$ 70.55	$ 40.91	72%	$ 64.81	$ 38.15	70%
Exchange rate (US$/Cdn$)	$ 0.79	$ 0.75	5%	$ 0.80	$ 0.74	8%
Edmonton Light Sweet crude oil (Cdn$/bbl)	$ 83.77	$ 49.81	68%	$ 75.90	$ 43.86	73%
Western Canadian Select crude oil (Cdn$/bbl)	$ 71.79	$ 42.55	69%	$ 65.42	$ 33.00	98%
Nymex natural gas (US$/Mcf)	$ 4.35	$ 2.00	118%	$ 3.61	$ 1.87	93%
AECO monthly contract natural gas (Cdn$/Mcf)	$ 3.36	$ 2.14	57%	$ 3.03	$ 2.05	48%

Freehold's average selling prices reflect product quality and transportation differences from benchmark prices. On a boe basis, our average selling price was $49.17/boe and $44.01/boe in the current reporting periods, significantly higher than the same periods in 2020.

Average Realized Prices Summary

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Oil ($/bbl)	$ 77.48	$ 44.24	75%	$ 69.67	$ 37.51	86%
NGL ($/bbl)	$ 43.88	$ 21.23	107%	$ 41.15	$ 21.43	92%
Oil and NGL ($/bbl)	$ 71.57	$ 40.31	78%	$ 64.65	$ 34.98	85%
Natural gas ($/Mcf)	$ 3.28	$ 1.76	86%	$ 2.92	$ 1.53	91%
Oil equivalent ($/boe)	$ 49.17	$ 26.93	83%	$ 44.01	$ 23.37	88%

Canada

Freehold's average selling price realized in Canada was $47.57/boe and $42.35/boe during the current reporting periods, up 78% and 84% versus the same periods in 2020. For these same periods, Oil and NGL's pricing averaged $71.19/bbl and $63.90/bbl, up 77% and 85%. Also, for these same periods, the average realized Canadian natural gas price was $3.20/mcf and $2.66/mcf, up 83% and 74%.

Canadian Average Realized Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Oil ($/bbl)	$ 75.70	$ 44.09	72%	$ 68.22	$ 37.15	84%
NGL ($/bbl)	$ 47.82	$ 21.25	125%	$ 42.61	$ 21.45	99%
Oil and NGL ($/bbl)	$ 71.19	$ 40.14	77%	$ 63.90	$ 34.63	85%
Natural gas ($/Mcf)	$ 3.20	$ 1.75	83%	$ 2.66	$ 1.53	74%
Oil equivalent ($/boe)	$ 47.57	$ 26.75	78%	$ 42.35	$ 23.07	84%

U.S.

Freehold's average selling price realized in the U.S. was $60.90/boe and $54.40/boe during the current reporting periods, up 44% and 28% versus the same periods in 2020. The current reporting periods include realized oil pricing in the U.S. that averaged $87.20/bbl and $79.78/bbl, up 70% and 59% when compared to the same periods in 2020.

Freehold's average realized U.S. natural gas price was $4.68/mcf and $3.86 /mcf, both up significantly when compared to the same periods in 2020.

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

	Three Months Ended September 30						Nine Months Ended September 30					
		2021		2020	Change			2021		2020	Change
Oil ($/bbl)	$	86.20	$	54.16	59%		$	78.60	$	46.05	71%
NGL ($/bbl)	$	31.84	$	11.78	170%		$	30.37	$	10.52	189%
Oil and NGL ($/bbl)	$	73.27	$	53.09	38%		$	68.13	$	45.49	50%
Natural gas ($/Mcf)	$	4.68	$	2.50	87%		$	3.86	$	2.10	84%
Oil equivalent ($/boe)	$	58.34	$	44.44	31%		$	51.61	$	39.19	32%

Credit Risk Management

Freehold's royalty lands consist of a large number of properties with generally small volumes per property. Many of Freehold's leases and royalty agreements allow it to take its share of oil and natural gas in-kind. As part of Freehold's credit risk mitigation program, Freehold's dedicated Compliance Group carefully monitors its royalty receivables and may choose to take its royalty in-kind if there are benefits in doing so. Currently Freehold takes-in-kind and markets approximately 14% of its total royalty production using 30-day contracts. This compares to 14% in the comparative quarter. Historically Freehold has not experienced significant collection issues.

Royalty and Other Revenue

Royalty and other revenue of $50.9 million and $132.5 million in the current reporting periods was 79% and 83% higher when compared to the same periods in 2020. Freehold's royalty and other revenue has benefited from strong upward momentum in crude oil and natural gas prices, while growing production volumes due in part to recent U.S. royalty property acquisitions. Oil and NGL's represented approximately 83% of royalty and other revenue for the current reporting periods.

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

Royalty and Other Revenue Summary

	Three Months Ended September 30						Nine Months Ended September 30				
($000s, except as noted)		2021		2020	Change			2021		2020	Change
Canada	$	42,015	$	22,720	85%		$	112,187	$	62,766	79%
United States		8,864		403	2100%			20,362		1,399	1355%
Royalty and other revenue	$	50,879	$	23,123	120%		$	132,549	$	64,165	107%
Per boe ($)	$	49.09	$	27.49	79%		$	43.68	$	23.86	83%

nm – not meaningful

Royalty and Other Revenue by Category

	Three Months Ended September 30						Nine Months Ended September 30				
($000s)		2021		2020	Change			2021		2020	Change
Royalty revenue	$	51,207	$	22,911	124%		$	133,213	$	63,565	110%
Bonus consideration, lease rentals, and other		216		245	-12%			577		827	-30%
	$	51,423	$	23,156	122%		$	133,790	$	64,392	108%
Production taxes		(544)		(33)	1548%			(1,241)		(227)	447%
Royalty and other revenue	$	50,879	$	23,123	120%		$	132,549	$	64,165	107%

Royalty and Other Revenue by Type

($000s)	Three Months Ended September 30 2021	2020	Change	Nine Months Ended September 30 2021	2020	Change
Oil	$ 37,595	$ 17,013	121%	$ 97,619	$ 46,609	109%
Natural gas	8,815	3,983	121%	22,573	11,146	103%
Natural gas liquids	4,539	1,678	170%	12,116	4,980	143%
Potash	258	237	9%	905	830	9%
Bonus consideration, lease rentals, and other	216	245	-12%	577	827	-30%
	$ 51,423	$ 23,157	122%	$ 133,790	$ 64,392	108%
Production taxes	(544)	(33)	1548%	(1,241)	(227)	447%
Royalty and other revenue	$ 50,879	$ 23,123	120%	$ 132,549	$ 64,165	107%

Operating Expenses

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

Operating expenses decreased 92% and 93% on a total and per boe basis in Q3-2021 when compared to the same period in 2020. For the first nine months of 2021, operating expenses of $0.4 million was down 76% and 78% on a total and per boe basis versus the same period in 2020. Although working interest natural gas production increased compared to the same period in 2020, Freehold's Q3-2021 reported operating expenses benefited from a $0.2 million received equalization. The first nine months of 2021 reduction in operating expenses compared to the same period in 2020 reflects last year's working interest disposition activity.

($000s, except as noted)	Three Months Ended September 30 2021	2020	Change	Nine Months Ended September 30 2021	2020	Change
Operating expenses	$ 20	$ 246	-92%	$ 424	$ 1,748	-76%
Per boe ($)	$ 0.02	$ 0.29	-93%	$ 0.14	$ 0.65	-78%

General and Administrative

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

In the current reporting periods, G&A expenses totaling $1.9 million and $7.4 million were down 17% and 13% versus the same periods in 2020. These decreases were due in part to staffing level reductions throughout 2020 in response to weakening crude oil pricing associated with the COVID-19 pandemic.

On a total production per boe basis, the current reporting periods G&A expenses of $1.83/boe and $2.42/boe represent decreases of 32% and 23% versus the same periods in 2020. These decreases were also aided by growth in production.

($000s, except as noted)	Three Months Ended September 30 2021	2020	Change	Nine Months Ended September 30 2021	2020	Change
General and administrative expenses before capitalized and overhead recoveries	$ 2,276	$ 2,682	-15%	$ 8,709	$ 9,865	-12%
Less: capitalized and overhead recoveries	(380)	(404)	6%	(1,357)	(1,376)	1%
General and administrative expenses	$ 1,896	$ 2,278	-17%	$ 7,352	$ 8,489	-13%
Per boe ($)	$ 1.83	$ 2.71	-32%	$ 2.42	$ 3.16	-23%

Share-Based Compensation

Share-based compensation expenses associated with Freehold's award and deferred share unit plans were $1.6 million and $5.1 million in the current reporting periods versus $0.2 million and $0.5 million during the same periods in 2020. These increases were due to a higher Freehold share price at September 30, 2021 of $10.40/share compared to September 30, 2020 when it was $3.69/share and the comparative periods including a reduction of previously reported share-based compensation associated with Freehold's reduced staffing levels.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($000s, except as noted)	2021	2020	Change	2021	2020	Change
Share-based compensation	$ 1,602	$ 214	649%	$ 5,085	$ 500	917%
Per boe ($)	$ 1.55	$ 0.25	520%	$ 1.68	$ 0.19	784%
Cash payout on share based compensation	$ -	$ -	0%	$ 1,371	$ 389	252%
Per boe ($)	$ -	$ -	0%	$ 0.45	$ 0.14	221%

Award Plan

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

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

For the first nine months there were 429,454 units granted under Freehold's award plan. Net of forfeitures and payouts, this resulted in a total of 929,872 PSUs and RSUs outstanding at September 30 and November 10, 2021 (December 31, 2020 – 686,792).

Deferred Share Unit Plan

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

During the first nine months of 2021, Freehold granted a total of 114,288 DSUs to members of the Board largely as part of their annual compensation resulting in 439,921 outstanding DSUs at September 30, 2021 (December 31, 2020 – 325,633). Since Q3-2021, additional grants compensating for paid share dividends resulted in 441,814 outstanding DSUs at November 10, 2021.

Interest and Financing

Q3-2021 interest and financing expense modestly increased compared to the same period in 2020, due to costs associated with the recent increase in Freehold's debt to partially finance the September Eagle Ford Royalty Transaction combined with a modestly higher effective interest rate. For the first nine months of 2021, the average debt levels were relatively unchanged, despite significant U.S. royalty property acquisitions, to the same period in 2020 resulting in comparable interest and financing charges. The average effective interest rate on advances under our credit facilities for both current reporting periods was 2.4% and 2.3% (2020 – 2.1% and 2.6%).

	Three Months Ended September 30			Nine Months Ended September 30		
($000s, except as noted)	2021	2020	Change	2021	2020	Change
Interest on long term debt and financing fees	$ 665	$ 585	14%	$ 2,281	$ 2,290	0%
Non-cash interest expense [1]	45	28	61%	160	145	10%
Interest and finance expense	$ 710	$ 613	16%	$ 2,441	$ 2,435	0%
Per boe ($)	$ 0.69	$ 0.73	-5%	$ 0.80	$ 0.91	-12%
Per boe - cash expense ($)	$ 0.64	$ 0.70	-9%	$ 0.75	$ 0.85	-12%

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

Netback[1]

The netback[1] allows Freehold to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods. Freehold's netback[1] totaled $46.60/boe and $39.92/boe during the current reporting periods, 96% and 109% increases versus the same periods in 2020. These increases include significantly improved realized commodity prices and reduced cash costs[1]. As part of ongoing efforts to improve Freehold's portfolio with higher netback production, we acquired U.S. properties in 2021 and sold a substantial portion of our remaining working interest production in 2020. For the first nine months of 2021, the higher cash payout on share-based compensation was due to an improved Freehold share price. No further cash payouts for Freehold's award plan is expected until Q2-2022. Combined with lower G&A and cash-based interest charges, cash costs[1] for the current reporting periods were down 33% and 22% on a boe basis compared to the same periods in 2020.

	Three Months Ended September 30			Nine Months Ended September 30		
($/boe)	2021	2020	Change	2021	2020	Change
Royalty and other revenue	$ 49.09	$ 27.49	79%	$ 43.68	$ 23.86	83%
Less:						
Operating expense	(0.02)	(0.29)	-93%	(0.14)	(0.65)	-78%
General and administrative	(1.83)	(2.71)	-32%	(2.42)	(3.16)	-23%
Interest and financing cash expense	(0.64)	(0.70)	-9%	(0.75)	(0.85)	-12%
Cash payout on share based compensation	-	-	0%	(0.45)	(0.14)	221%
Cash costs [1]	(2.49)	(3.70)	-33%	(3.76)	(4.80)	-22%
Netback [1]	$ 46.60	$ 23.79	96%	$ 39.92	$ 19.06	109%

(1) See Non-GAAP Financial Measures

Depletion, Depreciation and Other

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

Depletion rates per boe in the current reporting periods of $21.37/boe and $21.07/boe, were down compared to the same periods in 2020, due largely to Freehold's recent U.S. royalty income asset acquisitions that lowered the overall rate. However, this lower rate was more than offset by higher production resulting in overall increases in depletion, depreciation and other by 14% and 6% million in the current reporting periods compared to the same periods in 2020.

($000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Depletion, depreciation and other	$ 22,144	$ 19,431	14%	$ 63,940	$ 60,199	6%
Per boe ($)	$ 21.37	$ 23.10	-7%	$ 21.07	$ 22.38	-6%

Unrealized Foreign Exchange Gain

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

($000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Unrealized foreign exchange gain	$ (4,342)	$ -	nm	$ (1,018)	$ -	nm

Management Fee

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

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

The management fee was up 87% and 80% in the current reporting periods versus the same periods in 2020, due to increases in Freehold's trading share price, partially offset by lower shares issued for management fees.

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Shares issued for management fees	27,500	41,250	-33%	82,500	123,750	-33%
Ascribed value ($000s) (1)	$ 286	$ 153	87%	$ 754	$ 419	80%
Closing share price ($/share)	$ 10.40	$ 3.69	182%	$ 10.40	$ 3.69	182%

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

Impairment

At September 30, 2021, there were no indicators of impairment on Freehold's United States and Canadian Royalty cash generating units (CGUs) nor on its exploration and evaluation assets or impairment reversal on the Working Interest CGU. As a result, no impairment or impairment reversal testing was conducted. During the year-to-date's comparative period, there was an impairment charged against the Working Interest CGU of $9.6 million as its carrying value exceeded its estimated value in use. The majority of Freehold's Working Interest CGU was sold in 2020 reducing its carrying value to zero.

Income Tax

Freehold's taxable income is based on revenues (which will vary depending on commodity prices and production volumes) less deductible expenses, including tax pool deductions. For both the current reporting periods and the same periods in 2020, Freehold had no current federal income tax expense because it had sufficient tax pool deductions. In the current reporting periods, Freehold had a deferred tax expense of $5.8 million and $12.7 million because its estimated tax deductions exceeded its reported expenses.

CRA Reassessments

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

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, management remains of the opinion that all tax filings to date were filed correctly and that it expects to be successful in its objection of these Reassessments and therefore the payment of these deposits held by the CRA should be refunded, plus interest, and the denied NCLs should be reinstated. Freehold has received no additional information that came to its attention through to the date of this MD&A. Although the assignment of the CRA appeals' officer to these Reassessments has taken longer than initially expected, Freehold continues to expect this assignment should occur within the next several months.

Net Income (Loss) and Comprehensive Income (Loss)

In the current reporting periods, Freehold had net income of $22.7 million and $40.9 million compared with net income of $0.1 million in Q3-2020 and a net loss of $14.3 million for the first nine months of 2020. These increases were due to higher commodity pricing reflecting significant improvement in crude oil and natural gas benchmark pricing combined with a weighted average shift to stronger U.S. based pricing, higher volumes resulting from both a return to drilling on Freehold's Canadian lands and 2021 U.S. property acquisitions combined with a lower cost structure. In addition, for the first nine months of 2021 there was the absence of an impairment charge as reported in the same period of 2020. For the same reasons, comprehensive income of $23.3 million and $41.3 million for the current reporting periods was higher than the comprehensive income and the loss respectively reported in the same periods of 2020.

	Three Months Ended September 30			Nine Months Ended September 30		
($000s, except as noted)	2021	2020	Change	2021	2020	Change
Net income (loss)	$ 22,726	$ 139	nm	$ 40,906	$ (14,304)	nm
Per share, basic and diluted ($)	$ 0.17	$ -	nm	$ 0.31	$ (0.12)	nm
Comprehensive income (loss)	$ 23,288	$ 140	nm	$ 41,346	$ (14,305)	nm

nm – not meaningful

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk characteristics of our assets. We have a depleting asset base, and ongoing acquisitions and third-party development activities are necessary to replace production and extend reserve life. From time to time, we may issue shares to manage current and projected debt levels or finance acquisitions.

Operating Activities

Cash Flow from Operating Activities and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to fund acquisitions, sustain dividends and repay debt. We believe that such a measure provides a useful assessment of Freehold's operations on a continuing basis by eliminating certain non-cash charges. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income (loss) per share.

Funds from operations for the current reporting periods increased 143% and 138% to $48.3 million ($0.36/share) and $120.9 million ($0.92/share) from $19.9 million ($0.17/share) and $50.8 million ($0.43/share) in the same periods in 2020. These increases were due to higher royalty production resulting from Freehold’s recent acquisitions of U.S. royalty properties, higher third-party drilling activities, higher commodity pricing reflecting significant improvement in crude oil and natural gas benchmark pricing combined with both a weighted average shift to stronger U.S. based pricing and a lower cost structure.

Cash flow from operations of $43.9 million and $102.3 million for the current reporting periods was up materially and 127% higher than the same periods of 2020 for the same reasons as explained for funds from operations.

	Three Months Ended September 30			Nine Months Ended September 30		
($000s, except as noted)	2021	2020	Change	2021	2020	Change
Cash flow from operations	$ 43,911	$ 1,130	3786%	$ 102,321	$ 45,157	127%
Funds from operations	$ 48,247	$ 19,893	143%	$ 120,876	$ 50,763	138%
Per share - basic ($)(1)	$ 0.36	$ 0.17	112%	$ 0.92	$ 0.43	114%

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

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund acquisitions and related expenditures and/or reduce bank indebtedness. In the oil and gas industry, accounts receivable from industry partners are typically settled in the following month. However, due to royalty administration, payments to royalty owners are often delayed longer. Also, working capital can fluctuate significantly due to volume and price changes at each period end and asset and liability reclassifications.

Working capital on September 30, 2021 was $50.7 million, higher by $23.5 million from year-end. This increase reflects higher commodity pricing, the acquisitions of U.S. royalty properties (including a $7.5 million increase in accounts receivable from favorable customary adjustments offset against acquisitions and a paid deposit on signing of a definitive acquisition agreement), improved Canadian production and their associated revenues partially offset by the reduction of prepaid costs associated with share issue or acquisition costs combined with an increase in dividends payable.

	At September 30	At December 31	
($000s)	2021	2020	Change
Current assets	$ 65,069	$ 95,086	-32%
Current liabilities	(14,347)	(67,851)	-79%
Working capital	$ 50,722	$ 27,235	86%

Financing Activities

Long-Term Debt

In September 2021, Freehold amended its credit facility agreement with a syndicate of four Canadian banks increasing the committed revolving facility by $120 million to $285 million while the operating facility remained unchanged at $15 million (December 31, 2020 - $165 million and $15 million, respectively). Subsequent to Q3-2021, Freehold partially funded the acquisition of the Midland Assets (see Subsequent Events) with debt. The amended credit facility agreement includes a permitted increase in the revolving facility to $360 million, subject to lenders' consent. Both the committed revolving and operating facilities mature September 28, 2024. At September 30, 2021, $126 million was drawn on the committed revolving facility (December 31, 2020 - $93 million). This debt increase reflects the partial funding of the September Eagle Ford Royalty Transaction. The credit facilities are secured with a $400 million first charge demand debenture over all of Freehold's Canadian royalty income assets and fixed charge mortgage securities on U.S. royalty income assets with associated proved developed producing reserves.

The credit agreement contains two financial covenants: (i) the first financial covenant is that long-term debt to EBITDA on royalty interest properties (calculated as earnings on royalty interest properties before non-cash charges including, but not limited to, interest, taxes, depletion and depreciation and amortization) shall not exceed 3.5 times (the actual ratio was 0.7 times at September 30, 2021) and (ii) the second financial covenant is that the long-term debt to capitalization (the aggregate of long-term debt and shareholders' equity) percentage shall not exceed 55% (the actual percentage was 13% at September 30, 2021). In addition, Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations. As a result of economic uncertainties that exist around the impact of COVID-19, actual operating results may vary from Freehold's current best estimate.

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

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

Net Debt

In the first nine months of 2021, net debt increased by $9.5 million, or 14%, to $75.3 million from $65.8 million at December 31, 2020, mainly as a result of increased acquisition activity.

At September 30, 2021, Freehold's net debt to trailing funds from operations ratio was to 0.5 times (Q4-2020 – 0.9 times) and well within our net debt strategy target of below 1.5 times. This ratio is a financial leverage measure that reflects cash available to pay back our debts. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others. However, the calculation of net debt to funds from operations excludes funds from operations from U.S. assets acquired during the year for the periods prior to closing of such acquisitions that if included would benefit this measure.

Freehold defines capital (and capitalization) as net debt plus shareholders' equity. The net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. Freehold's low financial risk ratio of 8% at September 30, 2021 (December 31, 2020 – 9%) reflects an increase during the first nine months of

2021 in share capital resulting from two conversions of subscription receipts in exchange for an equivalent number of shares offsetting the effect of the aforementioned net debt increase.

Debt Analysis

	At September 30	At December 31	
($000s)	2021	2020	Change
Long-term debt	$ 126,000	$ 93,000	35%
Short-term debt (operating line)	-	-	-
Total debt	$ 126,000	$ 93,000	35%
Working capital	(50,722)	(27,235)	86%
Net debt	$ 75,278	$ 65,765	14%

Financial Leverage Ratios (1)

	At September 30	At December 31	
	2021	2020	Change
Net debt to funds from operations (times)	0.5	0.9	-44%
Net debt to capitalization	8%	9%	-1%

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

Shareholders' Capital

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

On September 22, 2021, Freehold issued 19,067,000 subscription receipts at a price of $9.05 per receipt through a public offering pursuant to Freehold's short form prospectus. The total gross proceeds from these subscription receipts was $172.6 million including proceeds from a related party (see Related Parties). Each subscription receipt entitled the holder to receive, upon occurrence of all outstanding conditions precedent to the closing of Freehold's September Eagle Ford Royalty Transaction, one common share of Freehold. On closing the September Eagle Ford Royalty Transaction, this resulted in the 19,067,000 subscription receipts being exchanged for an equivalent number of Freehold's common shares concurrent with the release from escrow of gross proceeds of $172.6 million.

The combined offerings and private placement resulted in the issuance of 31,714,667 Freehold common shares for gross proceeds of $233.3 million before total costs of $9.5 million ($7.2 million net of deferred income tax).

In the first nine months of 2021, Freehold also issued 82,500 shares for payment of the management fee.

At September 30 and November 10, 2021, there were 150,584,834 shares outstanding.

Shareholders' Capital

($000s, except as noted)	September 30, 2021 Shares	September 30, 2021 Amount	December 31, 2020 Shares	December 31, 2020 Amount
Balance, beginning of period	118,787,667	$ 1,272,397	118,622,667	$ 1,271,763
Share issuances related to subscription receipts	31,714,667	233,265	-	-
Share issue costs, net of tax effect	-	(7,192)	-	-
Issued for payment of management fee	82,500	754	165,000	634
Balance, end of period	150,584,834	$ 1,499,224	118,787,667	$ 1,272,397

Weighted Average and Period Ending Shares

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	2020	Change	2021	2020	Change
Weighted average						
Basic	132,941,383	118,705,615	12%	131,766,921	118,664,519	11%
Diluted	133,373,926	119,026,811	12%	132,193,632	118,664,519	11%
At period end	150,584,834	118,746,417	27%	150,584,834	118,746,417	27%

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering expected commodity prices, foreign exchange rates, economic conditions, production volumes, tax payable, and Freehold's capacity to finance operating and investing obligations. The dividend rate is established with the intent of absorbing short-term market volatility over several months. It also recognizes our intention to fund capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of acquisition opportunities and withstand potential commodity price declines.

The payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the *Business Corporations Act* (Alberta) (ABCA). Pursuant to the ABCA, after the payment of a dividend, we must be able to pay our liabilities as they become due and the realizable value of our assets must be greater than our liabilities and the legal stated capital of our outstanding securities. At September 30, 2021, our legal stated capital was $360 million.

2021 Dividends Declared

Record Date	Payment Date	Dividend Amount ($ per share)
January 31, 2021	February 16, 2021	$ 0.02
February 28, 2021	March 15, 2021	0.02
March 31, 2021	April 15, 2021	0.03
April 30, 2021	May 17, 2021	0.03
May 31, 2021	June 15, 2021	0.04
June 30, 2021	July 15, 2021	0.04
July 31, 2021	August 16, 2021	0.04
August 31, 2021	September 15, 2021	0.05
September 30, 2021	October 15, 2021	0.05
		$ 0.32

Dividends declared in Q3-2021 totaled $19.4 million ($0.14 per share), up from $5.3 million ($0.045 per share) compared to the same period of 2020. Freehold paid dividends in Q3-2021 of $17.1 million ($0.13 per share), up from the $5.3 million ($0.045 per share) compared to the same period of 2020.

In the first nine months of 2021, Freehold's dividends declared totaled $43.0 million ($0.32 per share), an increase from $29.4 million ($0.2475 per share) compared to the same period of 2020. Freehold paid dividends in the first nine months of 2021 of $37.9 million ($0.29 per share), up from $33.8 million ($0.285 per share) compared to the same period of 2020.

On September 17, 2021, the Board declared a dividend of $0.05 per common share which was paid on October 15, 2021, to common shareholders on record on September 30, 2021. On October 14, 2021, the Board declared a dividend of $0.05 per common share to be paid on November 15, 2021, to common shareholders on record on October 31, 2021. On November 10, 2021, the Board declared a dividend of $0.06 per common share to be paid on December 15, 2021, to common shareholders on record on November 30, 2021.

From inception in 1996 through to September 30, 2021, Freehold has distributed $1.8 billion ($32.93 per share) to our shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends (1)

	Three Months Ended September 30			Nine Months Ended September 30		
($000's, except per share)	2021	2020	Change	2021	2020	Change
Dividends declared	$ 19,364	$ 5,342	262%	$ 43,029	$ 29,368	47%
Accumulated, beginning of period	1,761,514	1,726,569	2%	1,737,849	1,702,543	2%
Accumulated, end of period	$ 1,780,878	$ 1,731,911	3%	$ 1,780,878	$ 1,731,911	3%
Dividends per share ($) (2)	$ 0.14	$ 0.0450	211%	$ 0.32	$ 0.2475	29%
Accumulated, beginning of period ($)	32.7825	32.5075	1%	32.6025	32.3050	1%
Accumulated, end of period ($)	$ 32.9225	$ 32.5525	1%	$ 32.9225	$ 32.5525	1%

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

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

The following tables reconciles funds from operations to dividends declared. In the current reporting periods Freehold's payout ratio was 35% and 31% highlighting that dividend payments are being made within our means, with excess funds from operations being used to repay debt and fund acquisitions.

Reconciliation of Funds from Operations and Dividends Declared

	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	2021	2020	Change	2021	2020	Change
Funds from operations	$ 48,247	$ 19,893	143%	$ 120,876	$ 50,763	138%
Debt drawing (repayments)	48,000	5,000	860%	33,000	(2,000)	nm
Share issuances related to subscription receipts	172,556	-	nm	233,265	-	nm
Share issue costs	(7,163)	-	nm	(9,476)	-	nm
Acquisitions and related expenditures	(228,382)	(415)	nm	(309,094)	(6,836)	nm
Working interest dispositions	-	(77)	nm	-	(2,374)	nm
Working capital change	(13,894)	(19,059)	-27%	(25,542)	(10,185)	151%
Dividends declared	$ 19,364	$ 5,342	262%	$ 43,029	$ 29,368	47%

Payout Ratio (2)

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	2021	2020	2021	2020
Dividends paid in cash (1)	$ 17,095	$ 5,342	$ 37,875	$ 33,815
Funds from operations	$ 48,247	$ 19,893	$ 120,876	$ 50,763
Payout ratio (2)	35%	27%	31%	67%

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

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

Payout ratios, which are considered non-GAAP financial measures, are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to the funds a company receives and uses in its capital and operational activities. Freehold's payout ratio is calculated as dividends declared as a percentage of funds from operations.

Freehold's payout ratio for Q3-2021 was 35%, below the lower end of our guided dividend payout range of 60%-80% of annualized funds flow, but an increase compared to the 27% in the same period of 2020. Freehold initially reduced its monthly dividend in the second quarter of 2020, reflecting the COVID-19 pandemic and the significant demand destruction for oil resulting in volatile commodity pricing and uncertainty regarding the timing for recovery. Commodity prices and production volumes on our royalty lands has since recovered with funds from operations outperforming expectations. With improved commodity prices and other macroeconomic factors in North America, Freehold is committed to return to the payout ratio target through a measured strategy. With the goal of aligning dividend levels to a stronger and stabilizing business outlook, Freehold has increased its monthly dividend from $0.015/share in November 2020 to $0.04/share in May 2021, to $0.05/share in August 2021 and most recently has approved increasing its monthly dividend to $0.06/share or $0.72/share on an annualized basis.

Investing Activities

Acquisitions

In the first nine months of 2021, Freehold invested $309.1 million of acquisitions and related expenditures.

United States Acquisitions

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

During July 2021, Freehold acquired U.S royalty properties in Texas within the Eagle Ford, Delaware and Midland basins for US$15.5 million ($19.4 million) after customary adjustments.

In late September 2021, Freehold acquired U.S. royalty properties for US$160.6 million ($203.2 million) after customary adjustments. The acquisition included 92,000 gross drilling unit acres of overriding royalty interest in Texas within the Eagle Ford basin.

For the first nine months of 2021, Freehold also completed another three acquisitions for certain U.S. royalty assets for US$3.9 million ($4.9 million). These additional U.S. royalty acquisitions complemented our positions in the Bakken and Permian basins.

Canadian Acquisition

During July 2021, Freehold closed a Canadian royalty transaction with a commitment to pay up to $7.9 million in accordance with a drilling agreement in exchange for gross overriding royalties in the range of 3 to 5% in the Clearwater play in central Alberta. Freehold has paid $5.4 million towards the committed amount as at September 30, 2021.

Other

For the first nine months of 2021, Freehold recognized capitalized administrative costs and other royalty income asset expenditures of $1.1 million and $0.8 million, respectively.

Related Party Transactions

Freehold does not have any employees. Rather, Freehold is managed by Rife Resources Management Ltd. (the Manager) pursuant to a management agreement (the Management Agreement). The Manager is a wholly-owned subsidiary of Rife Resources Ltd. (Rife). Rife is 100% owned by the 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 19.9% ownership in Freehold at September 30, 2021, a decrease from the 22% ownership at December 31, 2020, caused by the CN Pension Trust Funds not acquiring the combined full pro rata percentage of subscription receipts sold pursuant to Freehold's September 2021 short form prospectus offering. Canpar Holdings Ltd. (Canpar) is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

On May 18, 2021, Freehold entered into an acquisitions opportunities agreement with Rife, Canpar and the Manager (the "Related Parties") that reaffirmed Freehold's priority right to acquire petroleum royalty interest opportunities. In addition, this acquisitions opportunities agreement provides Freehold the right to participate in potential other mineral royalty interest opportunities including those identified on the lands of the Related Parties.

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

Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares on a quarterly basis, pursuant to the Management Agreement that capped the respective management fee at 27,500 and 41,250 Freehold common shares per quarter for 2021 and 2020. For the current reporting periods the ascribed values of $0.3 million and $0.8 million (comparative periods - $0.2 million and $0.4 million) were based on the closing price of Freehold's common shares on the last trading day of each quarter.

In the current reporting periods, the Manager charged $2.0 million and $7.1 million in general and administrative costs (comparative periods - $2.2 million and $7.9 million). At September 30, 2021, there was $0.6 million (December 31, 2020 – $0.7 million) in accounts payable and accrued liabilities relating to these costs.

Rife Resources Ltd. and CN Pension Trust Funds

During 2020, Rife acquired 2,791,667 subscription receipts at $4.80 per receipt through a private placement that closed concurrently with Freehold's public offering of subscription receipts pursuant to its December 2020 short form prospectus. Pursuant to Freehold's September 2021 short form prospectus, the CN Pension Trust Funds acquired 939,200 subscription receipts at $9.05 per share for proceeds of $8.5 million. The price per subscription receipt paid by Rife and the CN Pension Trust Funds was equivalent to the public offering prices. The total proceeds from these offerings was $21.9 million. No commission was paid in respect of the subscription receipts purchased by Rife and the CN Pension Trust Funds pursuant to either the private placement or the September 2021 offering. During 2021 and per the same terms as the December 2020 and September 2021 public offerings, upon Freehold's acquisitions of certain U.S. based royalty properties, the subscription receipts were exchanged for a total of 3,730,867 in Freehold's common shares.

In the current reporting periods, Freehold paid $3.8 million and $8.4 million (comparative periods - $1.2 million and $7.4 million) in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares.

In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. In the current reporting periods, Freehold received royalties of approximately $0.3 million and $0.6 million from Rife (comparative periods - $nil and $0.1 million). At September 30, 2021 and December 31, 2020, there was $nil in accounts receivable relating to these transactions.

Canpar Holdings Ltd.

Freehold and Canpar generally share mineral title ownership in a substantial land base in western Canada. Generally, Canpar owns mineral rights that were below the deepest producing formation at the time that Freehold was created, and Freehold holds the balance of the mineral rights. Where Freehold is not the legal registered owner of such mineral rights, Canpar holds these rights in trust for Freehold and receives the royalty payments in respect of such mineral rights on behalf of Freehold. At September 30, 2021 and December 31, 2020 there was $nil in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

Select Quarterly Information

	2021			2020				2019
Financial ($000s, except as noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Royalty and other revenue	**50,879**	44,925	36,745	25,793	23,123	14,758	26,284	36,827
Net income (loss)	**22,726**	12,545	5,635	373	139	(5,421)	(9,022)	6,113
Per share, basic ($) (1)	**$ 0.17**	$ 0.10	$ 0.04	$ -	$ -	$ (0.05)	$ (0.08)	$ 0.05
Cash flows from operations	**43,911**	33,420	24,990	20,610	1,130	13,144	30,833	27,954
Funds from operations	**48,247**	40,208	32,421	22,129	19,893	10,622	20,248	30,659
Per share, basic ($) (1)	**$ 0.36**	$ 0.31	$ 0.25	$ 0.19	$ 0.17	$ 0.09	$ 0.17	$ 0.26
Acquisitions and related expenditures	**228,382**	930	79,782	222	485	981	5,370	2,727
Dividends paid	**17,095**	13,147	7,633	5,342	5,341	9,790	18,683	18,675
Per share ($) (2)	**0.13**	0.10	0.06	0.045	0.045	0.0825	0.1575	0.1575
Dividends declared	**19,364**	14,464	9,201	5,938	5,342	5,341	18,685	18,683
Per share ($) (2)	**$ 0.14**	$ 0.11	$ 0.07	$ 0.0500	$ 0.0450	$ 0.0450	$ 0.1575	$ 0.1575
Payout ratio (%) (3)	**35%**	33%	24%	24%	27%	92%	92%	61%
Long term debt	**126,000**	78,000	96,000	93,000	107,000	102,000	103,000	109,000
Net debt	**75,278**	40,751	64,797	65,765	81,678	96,071	101,833	94,634
Shares outstanding, period end (000s)	**150,585**	131,490	131,463	118,788	118,746	118,705	118,664	118,623
Average shares outstanding (000s) (1)	**132,941**	131,463	130,874	118,747	118,706	118,664	118,623	118,568
Operating								
Light and medium oil (bbls/d)	**4,038**	4,102	3,811	3,239	3,384	3,314	3,936	4,050
Heavy oil (bbls/d)	**1,236**	1,199	1,045	1,173	791	920	1,300	1,222
NGL (bbls/d)	**1,125**	1,107	1,065	824	859	788	896	827
Total liquids (bbls/d)	**6,399**	6,408	5,921	5,236	5,034	5,022	6,132	6,099
Natural gas (Mcf/d)	**29,203**	28,376	30,132	26,671	24,656	25,576	29,361	27,841
Total production (boe/d) (4)	**11,265**	11,137	10,944	9,681	9,143	9,285	11,026	10,740
Oil and NGL (%)	**57%**	58%	54%	54%	55%	54%	56%	57%
Average price realizations ($/boe)	**49.17**	44.22	37.31	27.99	26.95	17.06	25.69	37.04
Cash costs ($/boe) (3)(4)	**2.49**	4.48	4.37	4.11	3.70	4.79	5.74	5.10
Netback ($/boe) (3)(4)	**46.60**	39.83	32.94	24.85	23.79	12.68	20.46	33.48
Benchmark Prices								
West Texas Intermediate crude oil (US$/bbl)	**70.55**	66.07	57.81	42.47	40.91	27.81	45.65	56.99
Exchange rate (Cdn$/US$)	**0.79**	0.81	0.79	0.77	0.75	0.72	0.74	0.76
Edmonton Light Sweet crude oil (Cdn$/bbl)	**83.77**	77.12	66.76	50.45	49.81	29.79	51.77	68.12
Western Canadian Select crude oil (Cdn$/bbl)	**71.79**	66.90	57.55	43.56	42.55	22.37	34.02	54.16
Nymex natural gas (US$/mcf)	**4.35**	2.95	3.50	2.26	2.00	1.70	1.90	2.39
AECO monthly contract natural gas (Cdn$/Mcf)	**3.36**	2.80	2.92	2.76	2.14	1.85	2.13	2.34

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

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

(3) See Non-GAAP Financial Measures

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

Internal Control Over Financial Reporting

Freehold is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting during Q3-2021. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

Forward-looking Statements

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

In particular, this MD&A contains forward-looking statements under the headings Freehold's Strategy, Subsequent Events, Outlook, Fourth Quarter 2021 Guidance, 2022 Guidance, 2021 U.S. Royalty Acquisitions, Drilling Activity, CRA Reassessments and Liquidity and Capital Resources pertaining to the following:

- our expectation of generating lower risk returns to our shareholders by driving oil and gas development on our lands through our lease program, acquiring royalty assets with acceptable risk profiles and long economic life and generating gross overriding royalties for revenue growth;
- our intent to maintain balance sheet strength (1.5 times or less net debt to funds from operations) and achieve a payout ratio of between 60%-80%;
- the expectation that the Midland Assets, in conjunction with the other recent U.S. focused acquisitions, will play a key role in strengthening the resiliency of Freehold's North American royalty portfolio, enhancing the near and long-term sustainability of Freehold's dividend, through multiple years of production and funds flow growth;
- the expected 2022 production from the Midland Assets (including the commodity weighting) and the expected growth in such production from 2021 through 2024;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, natural gas liquids and natural gas;
- light/heavy oil price differentials;
- Q4-2021 guidance including average royalty production (including commodity weighting) and commodity prices;
- 2022 guidance including average royalty production (including commodity weighting) and commodity prices;
- our expectations as to activity levels to remaining strong in certain other areas where Freehold has interests;
- the expectation that Eagle Ford Royalty Transaction will significantly enhance the quality of Freehold's North American royalty portfolio, improving both the near-term and long-term sustainability of Freehold's dividend while providing further option value to return capital to our shareholders through multiple years of free cash flow growth;

- the expectation that the Eagle Ford Royalty Transaction further advances Freehold's strategy of delivering growth and low risk attractive returns to our shareholders;
- the expectation that drilling activity in Canada will result in incremental volumes being brought on later in 2021 and early 2022;
- our expectation that we will be successful in our objection of the Reassessments and the payment of the deposits held by the CRA will be refunded, plus interest, and the denied NCLs will be reinstated;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations;
- our dividend policy and expectations for future dividends; and
- treatment under governmental regulatory regimes and tax laws.

Our actual results could differ materially from those anticipated in these forward-looking statements because of many factors, the most significant of which are as follows:

- volatility in market prices for crude oil, NGL and natural gas;
- the continuing impact of the COVID-19 pandemic on demand and commodity prices;
- future capital expenditure levels;
- future production levels;
- future exchange rates;
- future tax rates;
- future legislation;
- the cost of developing and expanding our assets;
- our ability and the ability of our industry partners and royalty payors to obtain equipment in a timely manner to carry out development activities;
- our ability to market our product successfully to current and new customers;
- our expectation for the consumption of crude oil, NGL's and natural gas;
- our expectation for industry drilling levels on our royalty lands;
- the impact of competition;
- our ability to obtain financing on acceptable terms;
- our ability to add production and reserves through our development and acquisitions activities.
- lack of pipeline capacity;
- currency fluctuations;
- changes in income tax laws or changes in tax laws, regulations, royalties, or incentive programs relating to the oil and gas industry;
- reliance on royalty payors to drill and produce on our lands and their ability to pay their obligations;
- uncertainties or imprecision associated with estimating oil and gas reserves;
- stock market volatility and our ability to access sufficient capital from internal and external sources;

- a significant or prolonged downturn in general economic conditions or industry activity;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- geological, technical, drilling, and processing problems;
- environmental risks and liabilities inherent in oil and gas operations; and
- other factors discussed in Freehold's annual MD&A and audited financial statements for the year-ended December 31, 2020 and our AIF.

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

To the extent any guidance or forward-looking statements herein constitutes a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. You are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement and speak only as of the date of this MD&A. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

Non-GAAP Financial Measures

Within this MD&A, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that netback, payout ratio and cash costs are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

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

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to funds from operations that are also used to finance debt repayments and/or acquisition opportunities. Payout ratio is calculated as dividends paid as a percentage of funds from operations.

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

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

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