

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) was prepared as of July 31, 2024 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, 2024 and its comparative periods, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein is based on information in the interim condensed consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board, which are the Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises. All comparative percentages are between the three (Q2-2024, or the second quarter) and six months (first six months or year-to-date) ended June 30, 2024 (combined the current reporting periods, in that respective order) and the same period(s) in 2023 (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, 2024 unaudited interim condensed consolidated financial statements (the interim financial statements) and the December 31, 2023 audited consolidated financial statements (the audited financial statements). These documents, as well as additional information about Freehold, including its Annual Information Form for the year ended December 31, 2023 (“AIF”), are available on SEDAR+ at www.sedarplus.ca and on Freehold’s website at www.freeholdroyalties.com.

This MD&A contains the non-GAAP financial measures: **net revenue**, **cash costs** and **netback** and the supplementary financial measures: **dividend payout ratio** and **funds from operations per share**. These are useful supplements to analyze operating performance, financial leverage, and liquidity, among others. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities. This MD&A also contains the capital management measures of working capital, net debt, capitalization and net debt to trailing funds from operations for the last 12 months as defined in Note 13 of the interim financial statements. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand Freehold’s business and prospects. Readers are cautioned that the MD&A should be read in conjunction with the disclosure under “Non-GAAP and Other Financial Measures” and “Forward-Looking Statements” included at the end of this MD&A.

Business Overview

Freehold is incorporated under the laws of the Province of Alberta and trades on the Toronto Stock Exchange 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 6.1 million gross acres in Canada and approximately 1.1 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 (“GORR”) and other interests in approximately 5 million acres. Our U.S. acreage is comprised of greater than 75% mineral title lands.

We have royalty interests in more than 20,000 producing wells and 400 units spanning five provinces and eight states and receive royalty income from over 360 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 wells for production on its properties, nor does it incur costs to operate wells, maintain production, or ultimately abandon wells and restore the land to its original state. All of these costs are paid by our royalty payors. Freehold receives royalty income from gross production revenue (revenue before any royalty expenses and operating costs are deducted) resulting in strong netbacks.

Freehold’s Strategy

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

- **Creating Value**
 - Drive development on our lands through our lease out program and royalty optimization
 - Acquire royalty assets with acceptable risk profiles and long economic life
 - Generate GORRs for revenue growth
- **Enhancing Value**
 - Maximize Freehold’s royalty interests through a comprehensive audit and compliance program
 - Manage our debt prudently with a target below 1.5 times net debt to trailing funds from operations for the last 12 months
- **Delivering Value**
 - Target a dividend payout ratio of approximately 60%

Dividend Announcement

Freehold’s Board of Directors (the “Board”) approved a dividend of \$0.09 per common share to be paid on September 16, 2024, to shareholders of record on August 30, 2024. Freehold’s dividend of \$0.09 per common share is in-line with its payout strategy. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Outlook

Strength in oil pricing and the quality of our payors is expected to drive activity on our North American royalty lands through the remainder of the year. Approximately 84% of Freehold’s revenue in the first half of 2024 was from crude oil and 99% of gross wells drilled in the first half of the year targeted oil. The development of our liquids focused North American portfolio has provided stability to our funds from operations during a period of weak North American natural gas prices.

We expect activity in Canada to continue to rebound following spring break-up. Currently, there are eight rigs on Freehold’s Canadian lands focused on oil targets in southeast Saskatchewan, Mannville stack, Clearwater and Viking (this compares to approximately five to six rigs on average that operated on Freehold’s Canadian lands in during the same period in 2023 (Q3-2023)). Strong leasing activity continued with 35 new leases signed with 17 counterparties during the first half of 2024, building on the record leasing activity on Freehold’s Canadian lands in 2023.

In the U.S., Q2-2024 drilling of 209 gross wells (1.0 net wells), represents the highest level of drilling on Freehold’s U.S. royalty lands. Gross drilling activity was up 24% (89% on net basis) compared to Q1-2024. Exiting the quarter, Freehold had an inventory of 467 gross wells (1.7 net wells) that were drilled and uncompleted and third-party operators permitted (licensed) 361 gross wells (1.9 net wells) on Freehold’s U.S. royalty lands. On average, it takes six to twelve months for a permitted well to be drilled, completed and brought online on Freehold’s U.S. royalty lands providing a tangible outlook for continued activity through the balance of 2024 and into 2025.

2024 Guidance

Freehold has not made any changes to its 2024 production and commodity price assumptions.

The following table summarizes the key operating assumptions for 2024 with production expected to be weighted 64% oil and NGLs and 36% natural gas:

2024 Guidance	
Production (boe/d) ⁽¹⁾	14,700 - 15,700
West Texas Intermediate crude oil (US\$/bbl)	\$75.00
AECO natural gas (Cdn\$/Mcf)	\$2.50
Nymex (US\$/Mcf)	\$2.50
Exchange rate (Cdn\$/US\$)	1.33

1. 2024 production is expected to consist of 9% heavy oil, 43% light and medium oil, 12% NGLs and 36% natural gas

Operating and Financial Results

Financial (\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Royalty and other revenue	\$ 84,471	\$ 73,707	15%	\$ 158,744	\$ 150,279	6%
Net income	\$ 39,302	\$ 24,261	62%	\$ 73,321	\$ 55,312	33%
Per share, basic (\$) ⁽¹⁾	\$ 0.26	\$ 0.16	63%	\$ 0.49	\$ 0.37	32%
Per share, diluted (\$) ⁽¹⁾	\$ 0.26	\$ 0.16	63%	\$ 0.48	\$ 0.37	30%
Cash flows from operations	\$ 47,596	\$ 49,945	-5%	\$ 100,075	\$ 92,527	8%
Funds from operations	\$ 59,569	\$ 53,039	12%	\$ 113,931	\$ 111,607	2%
Per share, basic (\$) ⁽¹⁾⁽³⁾	\$ 0.40	\$ 0.35	14%	\$ 0.76	\$ 0.74	3%
Per share, diluted (\$) ⁽¹⁾⁽³⁾	\$ 0.39	\$ 0.35	11%	\$ 0.75	\$ 0.74	1%
Acquisitions and related expenditures	\$ 11,470	\$ 3,158	263%	\$ 132,951	\$ 7,426	nm
Dividends paid	\$ 40,686	\$ 40,682	0%	\$ 81,372	\$ 81,362	0%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.27	0%	\$ 0.54	\$ 0.54	0%
Dividends declared	\$ 40,686	\$ 40,681	0%	\$ 81,372	\$ 81,362	0%
Per share (\$) ⁽²⁾	\$ 0.27	\$ 0.27	0%	\$ 0.54	\$ 0.54	0%
Dividend payout ratio (%) ⁽³⁾	68%	77%	-12%	71%	73%	-3%
Long-term debt	\$ 228,017	\$ 152,027	50%	\$ 228,017	\$ 152,027	50%
Net debt ⁽⁴⁾⁽⁵⁾	\$ 199,088	\$ 136,894	45%	\$ 199,088	\$ 136,894	45%
Shares outstanding, period end (000s)	150,689	150,678	0%	150,689	150,678	0%
Average shares outstanding (000s) ⁽¹⁾	150,689	150,673	0%	150,689	150,667	0%
Operating						
Light and medium oil (bbl/d)	6,551	6,093	8%	6,323	6,089	4%
Heavy oil (bbl/d)	1,348	1,167	16%	1,324	1,218	9%
NGL (bbl/d)	1,902	1,845	3%	1,893	1,816	4%
Total liquids (bbl/d)	9,801	9,105	8%	9,540	9,123	5%
Natural gas (Mcf/d)	32,524	33,372	-3%	32,571	33,429	-3%
Total production (boe/d) ⁽⁶⁾	15,221	14,667	4%	14,968	14,695	2%
Oil and NGL (%)	64%	62%	3%	64%	62%	3%
Petroleum and natural gas realized price (\$/boe) ⁽³⁾⁽⁶⁾	\$ 59.74	\$ 54.05	11%	\$ 57.31	\$ 55.52	3%
Cash costs (\$/boe) ⁽³⁾⁽⁶⁾	\$ 9.80	\$ 7.19	36%	\$ 8.52	\$ 6.51	31%
Netback (\$/boe) ⁽³⁾⁽⁶⁾	\$ 49.44	\$ 46.07	7%	\$ 48.05	\$ 48.42	-1%

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 and Other Financial Measures

4. Net debt is a capital management measure

5. The June 30, 2023 balance has been restated due to the retrospective adoption of IAS 1 (see Amendments to IAS 1 Presentation of Financial Statements)

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

(nm) not meaningful

Q2-2024 Operating and Financial Highlights

- Q2-2024 production averaged 15,221 boe/d, a 4% increase over the same quarter in 2023, bolstered by growth in our U.S. portfolio reflecting flush production from higher royalty interest Permian wells and drilling on our expanded U.S. land base.
 - Achieved a record level of quarterly U.S. production of 5,599 boe/d in Q2-2024.
 - The two U.S. acquisitions, which totaled \$116.2 million (US\$85.4 million) for mineral title and royalty assets in the Midland and Delaware basins of the Permian are meeting production expectations.

- Q2-2024 drilling activity included 274 gross wells all targeting oil prospects, comprised of 209 wells in the U.S. and 65 wells in Canada, a 53% increase from the same quarter in 2023, reflecting development on our expanded U.S. asset base and continued development of our stable Canadian land base.
- Freehold's realized crude oil price averaged \$102/bbl in Q2-2024, a 13% increase from the same quarter in 2023, driving an 11% increase in our average realized commodity price.
- Royalty and other revenue totaled \$84.5 million, up 15% from the same period in 2023. Total royalty revenue in Q2-2024 was resilient to lower natural gas pricing as Freehold's production was weighted 64% to oil and NGLs, a 2% increase from the same period in 2023.
- Cash costs⁽¹⁾ for the quarter totaled \$9.80/boe, an increase of 36% versus the same period in 2023 reflecting higher interest costs from incremental borrowings in 2024 for acquisitions combined with higher interest rates, along with higher share based compensation payouts to employees (paid annually in the second quarter) and to retired non-management directors.
- Funds from operations totaled \$59.6 million or \$0.40 per share⁽¹⁾, up 14% from the \$53.0 million or \$0.35 per share⁽¹⁾ in the same quarter in 2023.
- Dividends paid for Q2-2024 totaled \$40.7 million (\$0.27 per share), consistent with the same period in 2023.
 - Dividend payout ratio⁽²⁾ of 68% in Q2-2024, lower than the 77% for the same period in 2023.
- Long term debt at June 30, 2024 was \$228.0 million, an increase of \$105.0 million versus December 31, 2023 due to 2024 acquisitions.
 - Net debt at June 30, 2024 was \$199.1 million, an increase of \$98.2 million⁽³⁾ versus December 31, 2023.

1. See Non-GAAP and Other Financial Measures

2. Dividend payout ratio is a supplementary financial measure

3. The December 31, 2023 balance has been restated due to the retrospective adoption of IAS 1 (see Amendments to IAS 1 Presentation of Financial Statements)

Drilling Activity

In total, 574 gross wells were drilled on Freehold's royalty lands during the first six months, a 9% increase versus the same period in 2023, reflecting the expansion of the Company's U.S. asset base and strong oil pricing.

During Q2-2024, 274 gross wells (3.1 net) were drilled, a 53% increase from the 179 gross well (1.8 net) drilled during the same quarter in 2023. The increased activity mainly relates to U.S. lands including development of the expanded asset base and, on a net basis, higher net interest drilling on existing lands. There was a slight decrease from the 300 gross wells (6.4 net) drilled in Q1-2024, reflecting lower activity in Canada due to the seasonal impact of spring break-up.

On a gross basis, 24% of wells drilled in Q2-2024 were in Canada (83% on Freehold's GORR lands and 17% on mineral title prospects); and 74% targeted Freehold's U.S. royalty acreage (83% drilled on mineral title lands). 100% of the total prospects drilled in Q2-2024 targeted oil.

	Three months ended June 30				Six months ended June 30			
	2024		2023		2024		2023	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	65	2.1	55	1.4	197	8.0	230	8.3
United States	209	1.0	124	0.4	377	1.5	298	1.2
Total	274	3.1	179	1.8	574	9.5	528	9.5

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

CANADA

During the current reporting periods, 65 and 197 gross locations were drilled on Freehold's Canadian lands, an 18% increase and 14% decrease compared to the same periods in 2023. Year-to-date, Canadian drilling decreased by 14% on a gross basis, correlating with increased capital discipline within Freehold's payor group of companies, in response to repressed natural gas benchmarks. Top focus areas were oil weighted plays in the Viking, Mississippian, Cardium, Clearwater and Mannville stack.

During the first six months of 2024, Freehold entered into 35 new leases with 17 counterparties. The majority of this new leasing focus was in southeast Saskatchewan, the Mannville stack and the Duverney.

U.S.

For the first six months, 377 gross locations were drilled on Freehold's U.S. land, a 26% increase over the 298 gross locations drilled in the same period in 2023. This increase is associated with the 2024 U.S. acquisitions and strong industry activity.

During Q2-2024, 209 gross wells were drilled on Freehold's U.S. royalty lands, with 71% in the Permian and 26% in the Eagle Ford, compared to 124 gross wells during the same quarter in 2023. This increase primarily reflects extensive drilling on lands Freehold acquired earlier in the year. By geography, substantially all of Q2-2024 gross wells in the U.S. targeted prospects in Texas.

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 the Company's portfolio. However, a U.S. well can take upwards of six to twelve months on average from initial license to first production, compared to three to four months in Canada.

Year-to-date, Freehold entered into 11 leasing agreements on our Permian mineral title lands resulting in U.S. leasing revenue of \$1.0 million.

Production

Freehold's total production averaged 15,221 boe/d and 14,968 boe/d during the current reporting periods, 4% and 2% increases over the same periods in 2023. These increases reflect growth in Freehold's U.S. portfolio from third party drilling and completion activity and an expansion of its U.S. asset base. Liquids production was the primary driver of growth, up 8% and 5% in the current reporting periods from the same periods in 2023, while gas decreased by 3%.

Production Summary

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Canada (boe/d)	9,622	9,800	-2%	9,608	9,811	-2%
United States (boe/d)	5,599	4,867	15%	5,360	4,884	10%
Total production (boe/d)	15,221	14,667	4%	14,968	14,695	2%

Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Light and medium oil (bbl/d)	6,551	6,093	8%	6,322	6,089	4%
Heavy oil (bbl/d)	1,348	1,167	16%	1,324	1,218	9%
NGL (bbl/d)	1,902	1,845	3%	1,893	1,816	4%
Natural gas (Mcf/d)	32,525	33,372	-3%	32,572	33,429	-3%
Total production (boe/d)	15,221	14,667	4%	14,968	14,695	2%
Number of days in period (days)	91	91		182	181	
Total volumes during period (MMboe)	1.385	1.335	4%	2.724	2.660	2%

CANADA

Canadian production averaged 9,622 boe/d and 9,608 boe/d during the current reporting periods, comprised of 56% oil and NGLs and 44% natural gas. These production volumes were 2% lower than the same periods in 2023 due to lower natural gas production reflecting a prolonged period of depressed pricing attributed to excess supply and limited export capacity in western Canada.

Canadian Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Canadian production	9,622	9,608	-2%	9,622	9,608	-2%
Light and medium oil (bbl/d)	3,056	3,242	-6%	3,076	3,234	-5%
Heavy oil (bbl/d)	1,348	1,167	16%	1,324	1,218	9%
NGL (bbl/d)	959	942	2%	933	922	1%
Natural gas (Mcf/d)	25,556	26,696	-4%	25,647	26,618	-4%
Total production (boe/d)	9,622	9,800	-2%	9,608	9,811	-2%

U.S.

U.S. production, which is approximately 79% liquids weighted, averaged 5,599 boe/d and 5,360 boe/d during the current reporting periods, up 15% and 10% versus the same periods in 2023. These increases reflect strong additions from recent third-party drilling and completion activities as well as the impact of the 2024 U.S. acquisitions. Q2-2024 was further positively impacted by flush production from higher interest Permian wells. The Q2-2024 U.S. production of 5,599 boe/d reflects a notable increase from Q1-2024 production of 5,121 boe/d, which was impacted by extreme weather.

Freehold's U.S. production during Q2-2024 represents approximately 37% of corporate volumes, a 4% increase from the same period in 2023, reflecting the recent U.S. expanded asset base and operators' drilling and completion activities. Freehold's U.S. production is weighted 62% to crude oil and 79% to oil and NGLs.

U.S. Average Daily Production by Product Type

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
United States production	5,599	5,360	15%	5,599	5,360	15%
Light and medium oil (bbl/d)	3,495	2,851	23%	3,246	2,855	14%
NGL (bbl/d)	943	903	4%	960	894	7%
Natural gas (Mcf/d)	6,968	6,676	4%	6,925	6,811	2%
Total production (boe/d)	5,599	4,867	15%	5,360	4,884	10%

Product Prices

Benchmark 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 and for quality differentials. For the current reporting periods, WTI averaged US\$80.57/bbl and US\$78.77/bbl, 9% and 5% higher compared to the same periods in 2023. Although WTI prices rose by 5% when compared to Q1-2024, there was more pricing volatility during Q2-2024 reflecting OPEC+'s decision to phase out voluntarily curtailed production then a tempering of the tone on resuming supply.

Within Canada, Edmonton Light Sweet prices averaged \$105.29/bbl and \$98.72/bbl during the current reporting periods, 11% and 2% higher versus the same periods in 2023. Western Canadian Select ("WCS") prices averaged \$91.63/bbl and \$84.70/bbl during the current reporting periods, 16% and 14% higher versus the same periods in 2023. Canadian heavy oil differentials narrowed in Q2-2024 to approximately US\$14/bbl due to a combination of the completed Trans Mountain pipeline expansion, high oil sands maintenance activity and minimal apportionment on Enbridge's mainline.

For Q2-2024, AECO 7A Monthly Index and NYMEX natural gas monthly contract prices averaged \$1.44/Mcf and US\$1.96/Mcf, respectively, down 40% and 10% from the same quarter in 2023 and 30% and 16% from Q1-2024. For the first six months, AECO 7A and NYMEX prices averaged \$1.75/Mcf and \$2.14/Mcf, respectively, down 49% and 25% from the same period in 2023. Natural gas prices retreated again in Q2-2024, as natural gas storage levels continued to be well above average levels in both Canada and the U.S.

Average Benchmark Prices

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 80.57	\$ 73.78	9%	\$ 78.77	\$ 74.95	5%
Exchange rate (Cdn\$/US\$)	1.37	1.34	2%	1.35	1.35	0%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 105.29	\$ 94.97	11%	\$ 98.72	\$ 96.99	2%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 91.63	\$ 78.76	16%	\$ 84.70	\$ 74.03	14%
Nymex natural gas (US\$/Mcf)	\$ 1.96	\$ 2.17	-10%	\$ 2.14	\$ 2.86	-25%
AECO 7A Monthly Index (Cdn\$/Mcf)	\$ 1.44	\$ 2.40	-40%	\$ 1.75	\$ 3.42	-49%

Realized 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 and oil quality differentials. This, coupled with a higher oil weighting in the U.S. relative to Canada, resulted in Freehold receiving an approximately 45% pricing premium for its U.S. production compared to its Canadian volumes during the current reporting periods. Further, as driven by higher North American oil benchmarks, Freehold's average selling prices of \$59.74/boe and \$57.31/boe in the current reporting periods, was 11% and 3% higher from the \$54.05/boe and \$55.52/boe realized during the same periods in 2023.

Average Realized Prices Summary

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Oil (\$/bbl)	\$ 102.34	\$ 90.93	13%	\$ 96.06	\$ 89.26	8%
NGL (\$/bbl)	\$ 39.08	\$ 36.16	8%	\$ 39.68	\$ 40.46	-2%
Oil and NGL (\$/bbl)	\$ 90.06	\$ 79.84	13%	\$ 84.87	\$ 79.54	7%
Natural gas (\$/Mcf)	\$ 0.82	\$ 1.98	-59%	\$ 1.48	\$ 2.70	-45%
Oil equivalent (\$/boe)	\$ 59.74	\$ 54.05	11%	\$ 57.31	\$ 55.52	3%

CANADA

Freehold's average selling price realized in Canada was \$51.50/boe and \$49.31/boe during the current reporting periods, 8% higher and flat compared to the same periods in 2023. The Q2-2024 increase reflects higher Canadian oil benchmarks, with an average realized oil price of \$95.85/bbl, up 13% from the same quarter in 2023. Flat year-to-date realized average pricing reflects a notably lower AECO benchmark, resulting in an average realized natural gas price of \$1.51/Mcf, a decrease of 42% from the same period in 2023 offset by higher Canadian oil pricing.

Canadian Average Realized Prices

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Oil (\$/bbl)	\$ 95.85	\$ 85.13	13%	\$ 88.04	\$ 82.30	7%
NGL (\$/bbl)	\$ 52.52	\$ 44.52	18%	\$ 50.98	\$ 51.31	-1%
Oil and NGL (\$/bbl)	\$ 88.11	\$ 77.97	13%	\$ 81.56	\$ 76.99	6%
Natural gas (\$/Mcf)	\$ 0.90	\$ 1.94	-54%	\$ 1.51	\$ 2.61	-42%
Oil equivalent (\$/boe)	\$ 51.50	\$ 47.86	8%	\$ 49.31	\$ 49.26	0%

U.S.

Freehold's average realized selling price in the U.S. was \$73.90/boe and \$71.65/boe during the current reporting periods, 11% and 5% increases from the same periods in 2023, reflecting a higher WTI benchmark. Freehold's realized oil prices in the U.S. averaged \$110.51/bbl and \$106.94/bbl during the current reporting periods, up 11% and 7% from the same periods in 2023. Freehold's average realized U.S. natural gas price was \$0.52/Mcf and \$1.36/Mcf during the current reporting periods, 75% and 55% decreases compared to the same periods in 2023. These decreases exceed the change in NYMEX largely due to higher differentials reflecting egress constraints at the Waha Hub in the Permian Basin.

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

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Oil (\$/bbl)	\$ 110.51	\$ 99.92	11%	\$ 106.94	\$ 100.10	7%
NGL (\$/bbl)	\$ 25.41	\$ 27.46	-7%	\$ 28.70	\$ 29.28	-2%
Oil and NGL (\$/bbl)	\$ 92.42	\$ 82.48	12%	\$ 89.08	\$ 83.21	7%
Natural gas (\$/Mcf)	\$ 0.52	\$ 2.11	-75%	\$ 1.36	\$ 3.04	-55%
Oil equivalent (\$/boe)	\$ 73.90	\$ 66.52	11%	\$ 71.65	\$ 68.10	5%

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 Freehold to take ownership of the product as it is produced allowing the Company to sell it directly rather than having the royalty payor sell the product on its behalf and pass along proceeds from the sale in subsequent months. For the current reporting periods, Freehold marketed and took-in-kind approximately 2% of its total royalty production. 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 \$84.5 million and \$158.7 million in the current reporting periods was 15% and 6% higher when compared to the same periods in 2023, reflecting higher oil and U.S. revenues. For the current reporting periods, oil represented 87% and 84% of royalty and other revenue, 5% increases from the same periods in 2023. Included in the current reporting periods royalty and other revenue is bonus consideration and lease rental revenue of \$1.3 million and \$1.8 million, which increased 34% and 10% from the same periods in 2023.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Canada	\$ 45,853	\$ 44,202	4%	\$ 87,845	\$ 90,032	-2%
United States	38,618	29,505	31%	70,899	60,247	18%
Royalty and other revenue	\$ 84,471	\$ 73,707	15%	\$ 158,744	\$ 150,279	6%
Per boe (\$)	\$ 60.99	\$ 55.21	10%	\$ 58.28	\$ 56.50	3%

Royalty and Other Revenue by Category

(\$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Royalty interest	\$ 83,137	\$ 72,710	14%	\$ 156,944	\$ 148,643	6%
Bonus consideration and lease rentals	1,334	997	34%	1,800	1,636	10%
Royalty and other revenue	\$ 84,471	\$ 73,707	15%	\$ 158,744	\$ 150,279	6%

Royalty and Other Revenue by Type

(\$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Oil	\$ 73,558	\$ 60,075	22%	\$ 133,680	\$ 118,050	13%
Natural gas	2,425	6,003	-60%	8,779	16,320	-46%
Natural gas liquids	6,762	6,070	11%	13,668	13,303	3%
Potash	392	562	-30%	817	970	-16%
Bonus consideration and lease rentals	1,334	997	34%	1,800	1,636	10%
Royalty and other revenue	\$ 84,471	\$ 73,707	15%	\$ 158,744	\$ 150,279	6%

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, resource-based 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") expenses include directly billed costs in addition to costs incurred by the Manager (as defined below) and billed to Freehold (see Related Party Transactions).

In the current reporting periods, G&A expenses of \$4.0 million and \$8.8 million were up 14% and 1% from the same periods in 2023. Year-to-date G&A costs are generally flat compared to the same period, reflecting inflationary cost pressures offset by timing differences in G&A costs qualifying for capitalization between the periods.

On a per boe basis, the current reporting period G&A expense of \$2.86/boe and \$3.21/boe increased by 10% and decreased by 2% from the same periods in 2023.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
General and administrative expenses before capitalized and overhead recoveries	\$ 4,937	\$ 4,075	21%	\$ 10,842	\$ 10,087	7%
Less: capitalized and overhead recoveries	(970)	(592)	64%	(2,086)	(1,417)	47%
General and administrative expenses	\$ 3,967	\$ 3,483	14%	\$ 8,756	\$ 8,670	1%
Per boe (\$)	\$ 2.86	\$ 2.61	10%	\$ 3.21	\$ 3.26	-2%

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. The expense of \$4.6 million during the six months ended June 30, 2024 was 12% higher than the same period in 2023. This increase reflects Freehold's 2024 U.S. acquisitions, expanding its U.S. portfolio in Texas, which does not charge corporate income taxes but does assess flat tax rates on commodity revenues.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Production and ad valorem taxes	\$ 2,420	\$ 2,605	-7%	\$ 4,647	\$ 4,166	12%
Per boe (\$)	\$ 1.75	\$ 1.95	-10%	\$ 1.71	\$ 1.57	9%

Interest and Financing

Interest on long term debt increased in the current reporting periods as compared to the same periods in 2023 due to increased average debt from borrowings for acquisitions and higher interest rates. The current reporting periods average effective interest rate on advances from Freehold's \$300 million committed credit facilities was 6.5% (same periods in 2023 – 6.2%).

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Interest on long-term debt and financing fees	\$ 3,973	\$ 2,586	54%	\$ 7,707	\$ 4,927	56%
Non-cash interest expense ⁽¹⁾	64	47	36%	130	110	18%
Interest and finance expense	\$ 4,037	\$ 2,633	53%	\$ 7,837	\$ 5,037	56%
Per boe - cash expense (\$)	\$ 2.87	\$ 1.94	48%	\$ 2.83	\$ 1.85	53%

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

Management Fee

The Manager (defined herein) receives a quarterly management fee, which Freehold has the right to settle through cash settlement or the issuance of Freehold common shares. Pursuant to the Management Agreement, the management fee is the equivalent value of 5,500 Freehold common shares per quarter. Starting in 2024, Freehold elected to settle this management fee through cash payments (2023 – settled through issuing common shares).

The management fees incurred in the current reporting periods of \$0.1 million and \$0.2 million were consistent with the ascribed value attributable to management fees during the same periods in 2023.

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Shares issued for management fees	-	5,500	-100%	-	11,000	-100%
Cash or ascribed value (\$000s) ⁽¹⁾	\$ 75	\$ 74	1%	\$ 155	\$ 154	1%
Per boe (\$)	\$ 0.05	\$ 0.06	-17%	\$ 0.06	\$ 0.06	0%
Closing share price (\$/share)	\$ 13.62	\$ 13.44	1%	\$ 13.62	\$ 13.44	1%

1. The ascribed value of the management fee settled in common shares during 2023 was based on Freehold's closing common share price per the Toronto Stock Exchange at the end of each quarter

Share Based Compensation

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

Share based compensation expense fluctuates with the units outstanding under the Award Plans, Freehold's share price at each period end, estimated PSU multipliers at each period end and the timing and quantity of forfeitures. Share based compensation expense was \$0.2 million and \$2.5 million during the current reporting periods, increases of 245% and 416% compared to the same periods of 2023. These increases reflect relatively stable share pricing through the current reporting periods, closing at \$13.62 per share on June 30, 2024, compared to decreases in share pricing during the same periods in 2023.

During the current reporting periods, Freehold paid \$5.2 million and \$6.1 million in share based compensation, as previously charged against net income, to executive officers, employees and non-management directors. These increases reflect payouts on redemption of DSUs from retired non-management directors and a higher award value.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Share based compensation	\$ 187	\$ (129)	245%	\$ 2,487	\$ 482	416%
Cash payout on share based compensation	\$ 5,234	\$ 3,182	64%	\$ 6,054	\$ 3,182	90%
Per boe (\$)	\$ 3.78	\$ 2.38	59%	\$ 2.22	\$ 1.20	85%

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

	RSUs	PSUs	DSUs	DRSUs
Awards granted during the six months ended June 30, 2024	115,421	156,676	77,172	26,954
Balance outstanding as at June 30, 2024	197,419	380,469	526,356	29,125
Balance outstanding as at July 31, 2024	197,509	379,946	529,712	29,311

Netback and Cash Costs

The netback⁽¹⁾ allows Freehold to benchmark how changes⁽¹⁾ in commodity pricing and its cash-based cost structure compare against prior periods. Freehold's netback⁽¹⁾ totaled \$49.44/boe and \$48.05/boe during the current reporting periods, 7% higher and 1% lower than the same periods in 2023. These changes reflect higher average realized commodity pricing, cash-based interest costs and payouts on share based compensation.

Cash costs⁽¹⁾ during the current reporting periods, as measured on boe basis and compared to the same periods in 2023, were up 36% and 31% for reasons as described above.

(\$/boe)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Royalty and other revenue	\$ 60.99	\$ 55.21	10%	\$ 58.28	\$ 56.50	3%
Production and ad valorem taxes	(1.75)	(1.95)	-10%	(1.71)	(1.57)	9%
Net revenue ⁽¹⁾	\$ 59.24	\$ 53.26	11%	\$ 56.57	\$ 54.93	3%
Less:						
General and administrative	\$ (2.86)	\$ (2.61)	10%	\$ (3.21)	\$ (3.26)	-2%
Operating expense ⁽²⁾	(0.24)	(0.26)	-8%	(0.20)	(0.20)	0%
Interest and financing cash expense	(2.87)	(1.94)	48%	(2.83)	(1.85)	53%
Management fee - cash settled	(0.05)	-	nm	(0.06)	-	nm
Cash payout on share based compensation	(3.78)	(2.38)	59%	(2.22)	(1.20)	85%
Cash costs ⁽¹⁾	\$ (9.80)	\$ (7.19)	36%	\$ (8.52)	\$ (6.51)	31%
Netback ⁽¹⁾	\$ 49.44	\$ 46.07	7%	\$ 48.05	\$ 48.42	-1%

1. See Non-GAAP and Other Financial Measures

2. Operating expense relates to working interest assets. Decommissioning liabilities reflected on Freehold's balance sheet and Q2-2024 production of 105 boe/d (Q2-2023 - 134 boe/d) included in volumes presented under the "production" heading above are also related to working interest assets.

(nm) not meaningful

Depletion, Depreciation and Other

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

The depletion rates per boe of \$17.78/boe and \$17.92/boe in the current reporting periods are lower than the same periods in 2023 largely due to revised reserve estimates as at December 31, 2023 reflecting previously unbooked drilling additions.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Depletion	\$ 24,627	\$ 25,844	-5%	\$ 48,805	\$ 51,599	-5%
Depreciation	677	40	1593%	803	80	904%
Depletion and depreciation	\$ 25,304	\$ 25,884	-2%	\$ 49,608	\$ 51,679	-4%
Depletion per boe (\$)	\$ 17.78	\$ 19.36	-8%	\$ 17.92	\$ 19.40	-8%

Foreign Exchange

Freehold has intercompany balances which arose from financing several years of U.S. royalty acquisitions, including most recently in Q1-2024. Although these balances eliminate on consolidation, the foreign exchange change in the intercompany balance held by the Canadian parent is recognized as foreign exchange within net income whereas revaluation by the U.S. subsidiary is recognized within other comprehensive income due to different functional currencies between these entities. These intercompany positions are revalued at the relevant foreign exchange rate at each period end partially offset by changes in the Canadian dollar equivalent of the portion of Freehold's long-term debt denominated in U.S. dollars when outstanding.

At June 30, 2024, as compared to March 31, 2024 and December 31, 2023, the U.S. dollar strengthened relative to the Canadian dollar to CDN\$1.37/US, resulting in foreign exchange gains during the current reporting periods.

(\$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Foreign exchange (gain) loss on:						
Intercompany note	\$ (3,731)	\$ 7,019	153%	\$ (11,303)	\$ 7,375	253%
Long-term debt	795	(772)	-203%	1,576	(893)	-276%
	\$ (2,936)	\$ 6,247	147%	\$ (9,727)	\$ 6,482	250%

Impairment

At June 30, 2024, there were no indicators of impairment on Freehold's U.S. and Canadian royalty cash generating units nor on its exploration and evaluation assets. As a result, no impairment testing was conducted.

Income Taxes

Freehold's taxable income is based on revenues less deductible expenses, including tax pool deductions. For the current reporting periods, income tax expenses of \$11.8 million and \$21.1 million increased from the same periods in 2023, reflecting higher revenues.

In Q2-2024 the Canadian government announced an increase in the capital gains income tax inclusion rate for corporations from one-half to two-thirds. This change is not expected to have a significant effect on Freehold's income taxes.

(\$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Current income tax expense	\$ 8,762	\$ 8,425	4%	\$ 16,763	\$ 17,157	-2%
Deferred income tax expense	3,021	(117)	nm	4,360	616	608%
Income taxes	\$ 11,783	\$ 8,308	42%	\$ 21,123	\$ 17,773	19%

(nm) not meaningful

CRA Assessments

The Canada Revenue Agency ("CRA") has assessed Freehold's prior years' tax returns, denying \$222 million of non-capital losses ("NCLs") (the "Assessments"). Pursuant to the Assessments, denied NCL claims resulted in taxes, interest, and penalties totaling an estimated \$62 million, where on objection to all Assessments, Freehold provided deposits totaling \$30.9 million as at June 30, 2024 (December 31, 2023 – \$29.3 million). In July 2024, Freehold filed a notice of appeal with the Tax Court of Canada.

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful in challenging the Assessments.

Net Income and Comprehensive Income

In the current reporting periods, Freehold had net income of \$39.3 million and \$73.3 million, increases of 62% and 33% compared to net income of \$24.3 million and \$55.3 million in the same periods in 2023, due to higher royalty and other revenue as well as foreign exchange gains. For the same periods and for the same reasons, comprehensive income also increased as further impacted by foreign currency translation gains related to the 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		
	2024	2023	Change	2024	2023	Change
Net income	\$ 39,302	\$ 24,261	62%	\$ 73,321	\$ 55,312	33%
Per share, basic (\$)	\$ 0.26	\$ 0.16	63%	\$ 0.49	\$ 0.37	32%
Per share, diluted (\$)	\$ 0.26	\$ 0.16	63%	\$ 0.48	\$ 0.37	30%
Comprehensive income	\$ 41,802	\$ 19,352	116%	\$ 81,934	\$ 50,331	63%

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 Operations and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to pay dividends, fund acquisitions 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 increased to \$59.6 million (\$0.40/share) and \$113.9 million (\$0.76/share) from \$53.0 million (\$0.35/share) and \$111.6 million (\$0.74/share) in the same periods of 2023. These increases reflect higher royalty and other revenues.

Year-to-date cash flow from operations of \$100.1 million was 8% higher than the same period of 2023 for the same reason as explained above for funds from operations, whereas cash flow from operations for Q2-2024 was 5% lower than the same quarter of 2023, with this variation impacted by increased working capital.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Cash flow from operations	\$ 47,596	\$ 49,945	-5%	\$ 100,075	\$ 92,527	8%
Funds from operations	\$ 59,569	\$ 53,039	12%	\$ 113,931	\$ 111,607	2%
Per share - basic (\$) ^{(1) (2)}	\$ 0.40	\$ 0.35	14%	\$ 0.76	\$ 0.74	3%

1. Weighted average number of shares outstanding during the period, basic
2. Funds from operations per share is a supplementary financial measure

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund dividends, acquisitions, expenditures 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 payments can also affect working capital.

Working capital on June 30, 2024, was \$28.9 million, 31% or \$6.8 million higher than compared to December 31, 2023, reflecting an increase in accounts receivables due to higher revenues, impacted by a stronger U.S. dollar and expansion in the U.S. asset base, and income tax installment payments in excess of the associated expense and a recent share based compensation payout.

(\$000s)	At June 30	At December 31	Change
	2024	2023	
Working capital ⁽¹⁾⁽²⁾	\$ 28,929	\$ 22,081	31%

1. Working capital is a capital management measure
2. The December 31, 2023 balance has been restated due to the retrospective adoption of IAS 1 (see Amendments to IAS 1 Presentation of Financial Statements)

Financing Activities

Long-Term Debt

Freehold's credit facilities with a syndicate of four Canadian banks have a committed revolving facility (the "Revolving Facility") availability of \$285 million and an operating facility (the "Operating Facility", and together with the "Revolving Facility", the "Credit Facilities") availability of \$15 million, where either facility can be drawn in Canadian or U.S. dollars. The credit agreement includes a permitted increase in the committed revolving facility to \$435 million subject to lenders' consent. The Credit Facilities mature October 21, 2025. At June 30, 2024, \$228.0 million was drawn on the Credit Facilities (December 31, 2023 – \$123.0 million), consisting of Canadian dollar and U.S. dollar denominated borrowings of \$171.5 million (December 31, 2023 – \$123.0 million) and US\$41.2 million (\$56.5 million) (December 31, 2023 – \$nil), respectively. 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.

Freehold's credit agreement contains, among affirmative covenants, two 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 (0.8 times at June 30, 2024); and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (20% at June 30, 2024). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on its current best estimate of results from operations.

On June 26, 2024, the credit agreement was amended and restated to reflect Canadian Overnight Repo Rate Average (“CORRA”) based loans while removing references to the Canadian Dollar Offer Rate (“CDOR”), which recently ceased publication. As a result, borrowings pursuant to the amended and restated credit agreement bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rate (“SOFR”) and CORRA, 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. Prior to the amended and restated credit agreement, Canadian denominated borrowings included CDOR based loans.

Net Debt

Year-to-date, net debt increased by \$98.2 million, or 97%, to \$199.1 million from \$100.9 million at December 31, 2023, as a result of higher working capital and debt draws largely to fund the 2024 U.S. acquisitions.

Freehold’s net debt to trailing funds from operations ratio of 0.8 times at June 30, 2024 increased from 0.4 times at December 31, 2023, reflecting the year-to-date debt draw of \$103.5 million, although this ratio excludes the proforma funds from operations from the 2024 U.S. acquisitions. Following these acquisitions, this ratio remained well within the Company’s net debt strategy target of below 1.5 times. This ratio is a financial leverage measure. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others.

Freehold uses the capital management measure capitalization which is defined as net debt plus shareholders’ equity. The associated capital management measure, net debt to capitalization ratio, is a financial leverage measure that shows the portion of capital relating to debt. Freehold’s net debt to capitalization ratio was 18% at June 30, 2024, an increase of 8% from December 31, 2023.

Debt Analysis

(\$000s)	At June 30		At December 31	
		2024	2023	Change
Long-term debt	\$	228,017	\$ 122,973	85%
Working capital ⁽¹⁾⁽²⁾		(28,929)	(22,081)	31%
Net debt ⁽¹⁾⁽²⁾	\$	199,088	\$ 100,892	97%

1. Working capital and net debt are capital management measures

2. The December 31, 2023 balances were restated due to the retrospective adoption of IAS 1 (see Amendments to IAS 1 Presentation of Financial Statements)

Financial Leverage Ratios

	At June 30		At December 31	
		2024	2023	Change
Net debt to funds from operations (times) ⁽¹⁾⁽²⁾⁽³⁾		0.8	0.4	100%
Net debt to capitalization (%) ⁽³⁾		18%	10%	80%

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

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

3. The December 31, 2023 ratios were restated due to the retrospective adoption of IAS 1 (see Amendments to IAS 1 Presentation of Financial Statements)

Shareholders’ Capital

No shares were issued in the first six months of 2024.

At each of June 30, 2024 and July 31, 2024, there were 150,689,334 common shares outstanding.

Shareholders' Capital

(\$000s, except as noted)	June 30, 2024		December 31, 2023	
	Shares	Amount	Shares	Amount
Balance, beginning of period	150,689,334	\$ 1,500,639	150,667,334	\$ 1,500,331
Issued for payment of management fee	-	-	22,000	308
Balance, end of period	150,689,334	\$ 1,500,639	150,689,334	\$ 1,500,639

Weighted Average Shares

	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Weighted average						
Basic	150,689,334	150,672,894	0%	150,689,334	150,670,160	0%
Diluted	151,300,387	151,116,432	0%	151,295,954	151,108,024	0%
At period end	150,689,334	150,678,334	0%	150,689,334	150,678,334	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 Freehold's 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, 2024, Freehold's legal stated capital was \$361 million.

2024 Dividends Declared

Record Date	Payment Date	Dividend Amount (\$/share)	
January 31, 2024	February 15, 2024	\$	0.09
February 29, 2024	March 15, 2024	\$	0.09
March 28, 2024	April 15, 2024	\$	0.09
April 30, 2024	May 15, 2024	\$	0.09
May 31, 2024	June 17, 2024	\$	0.09
June 28, 2024	July 15, 2024	\$	0.09
		\$	0.54

Subsequent to Q2-2024, on July 11, 2024, the Board declared a dividend of \$0.09 per common share to be paid on August 15, 2024, to common shareholders on record on July 31, 2024. On July 31, 2024, the Board declared a dividend of \$0.09 per common share to be paid on September 16, 2024, to common shareholders on record on August 30, 2024.

2024 Dividends Paid

Total dividends paid in the current reporting periods were \$40.7 million (\$0.27/share) and \$81.4 million (\$0.54/share), unchanged from the same periods in 2023.

From inception in 1996 through to June 30, 2024, Freehold has distributed \$2.2 billion (\$35.68/share) to the Company's shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends¹

(\$000's, except per share)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Dividends declared	\$ 40,686	\$ 40,681	0%	\$ 81,372	\$ 81,362	0%
Accumulated, beginning of period	2,156,015	1,993,278	8%	2,115,329	1,952,597	8%
Accumulated, end of period	\$ 2,196,701	\$ 2,033,959	8%	\$ 2,196,701	\$ 2,033,959	8%
Dividends per share (\$) ⁽²⁾	\$ 0.27	\$ 0.27	0%	\$ 0.54	\$ 0.54	0%
Accumulated, beginning of period (\$)	35.41	34.33	3%	35.14	34.06	3%
Accumulated, end of period (\$)	\$ 35.68	\$ 34.60	3%	\$ 35.68	\$ 34.60	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

Dividend Payout Ratio²

In the current reporting periods, Freehold's payout⁽²⁾ ratios were 68% and 71%, both lower than the 77% and 73% reported for the same periods in 2023, with excess funds from operations largely used to partially fund acquisitions.

(\$000s, except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Dividends paid ⁽¹⁾	\$ 40,686	\$ 40,682	0%	\$ 81,372	\$ 81,362	0%
Funds from operations	\$ 59,569	\$ 53,039	12%	\$ 113,931	\$ 111,607	2%
Dividend payout ratio (%) ⁽²⁾	68%	77%	-12%	71%	73%	-3%

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 supplementary financial measure

Dividend payout ratios, a supplementary financial 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

U.S. Acquisitions

In January 2024, Freehold closed two transactions, acquiring U.S. mineral title and royalty assets for aggregate consideration of \$116.2 million (US\$85.4 million), after customary closing adjustments, in the Midland and Delaware basins of the Permian located in Texas and New Mexico. The transactions were largely funded by borrowings from Freehold's credit facility.

Freehold also paid \$4.3 million (US\$3.2 million) in exchange for mineral and royalty interests in the Midland and Delaware basins in Texas in the first six months.

Canadian Acquisitions

For the first six months, Freehold paid \$7.7 million in exchange for gross overriding royalties in the Clearwater and Mannville plays in Alberta and \$0.2 million for two potash royalty interest transactions (see Related Party Transactions).

Related Expenditures

For the first six months, Freehold capitalized G&A costs of \$2.1 million, share based compensation payouts of \$1.4 million and miscellaneous expenditures of \$1.1 million.

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 each of June 30, 2024 and December 31, 2023. Canpar Holdings Ltd. ("Canpar") and Evergreen Royalties Ltd. (together with its wholly owned U.S. subsidiary, "Evergreen", and together with Rife, Canpar and the Manager, the "Related Parties") are managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife, Canpar and Evergreen 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 exchange amount, with 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 is the equivalent value of 5,500 Freehold common shares per quarter. Starting in 2024, Freehold elected to settle this management fee through cash payments (2023 – settled through issuing common shares), resulting in a \$0.1 million and \$0.2 million charge for the current reporting periods (same periods in 2023 – an ascribed value of common shares issued of \$0.1 million and \$0.2 million) as determined from the closing price per the Toronto Stock Exchange of Freehold's common shares on the last trading day of the quarter.

For the current reporting periods, the Manager charged \$3.4 million and \$8.0 million in G&A costs (same periods in 2023 – \$3.2 million and \$8.3 million). For both the current reporting periods, the Manager charged \$6.2 million for share based compensation payouts (same periods in 2023 - \$4.1 million). At June 30, 2024, there was \$1.3 million (December 31, 2023 – \$0.2 million) in accounts payable and accrued liabilities relating to these G&A costs, management fees and share based compensation payouts.

Rife Resources Ltd. and CN Pension Trust Funds

For each of the three and six months ended June 30, 2024 and 2023, Freehold paid \$6.8 million and \$13.6 million, respectively, in cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold's common shares. In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For each of the three and six months ended June 30, 2024 and 2023, Freehold received royalties of approximately \$0.1 million and \$0.2 million from Rife, respectively. At each of June 30, 2024 and December 31, 2023, there was \$2.3 million in dividends payable due to Rife and the CN Pension Trust Funds 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, 2024 and December 31, 2023 were \$0.2 million and a nominal amount, respectively.

Freehold maintains an acquisitions opportunities agreement with the Related Parties, that reaffirms Freehold's priority right to acquire petroleum royalty interest opportunities and provides Freehold the right to participate in potential other mineral royalty interest opportunities including those identified on the lands of the Related Parties.

Pursuant to the acquisitions opportunities agreement, during the first six months, Freehold elected to participate in certain Canpar acquired mineral royalty potash mine interests for \$0.2 million in exchange for an equal share of Canpar's interests, where these proceeds equal one-half of the acquisition price paid by Canpar to a third party.

Select Quarterly Information

Financial (\$millions, except as noted)	2024			2023			2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Royalty and other revenue	84.5	74.3	80.1	84.2	73.7	76.6	98.5	98.4
Net income	39.3	34.0	34.3	42.3	24.3	31.1	40.7	63.2
Per share, basic & diluted (\$) ⁽¹⁾	0.26	0.23	0.23	0.28	0.16	0.21	0.27	0.42
Cash flows from operations	47.6	52.5	70.7	53.7	49.9	42.6	82.7	99.9
Funds from operations	59.6	54.4	62.8	65.3	53.0	58.6	80.0	80.8
Per share, basic (\$) ⁽¹⁾	0.40	0.36	0.42	0.43	0.35	0.39	0.53	0.54
Per share, diluted (\$) ⁽¹⁾	0.39	0.36	0.42	0.43	0.35	0.39	0.53	0.54
Acquisitions and related expenditures	11.5	121.5	2.1	1.2	3.2	4.3	7.2	161.7
Dividends paid	40.7	40.7	40.7	40.7	40.7	40.7	40.7	37.7
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.25
Dividends declared	40.7	40.7	40.7	40.7	40.7	40.7	40.7	39.2
Per share (\$) ⁽²⁾	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.26
Payout ratio (%) ⁽³⁾	68%	75%	65%	62%	77%	69%	51%	47%
Long term debt	228.0	223.6	123.0	141.2	152.0	159.1	156.6	196.9
Net debt ⁽⁴⁾⁽⁵⁾	199.1	210.5	100.9	113.4	136.9	122.3	135.5	166.4
Shares outstanding, period end (millions)	150.7	150.7	150.7	150.7	150.7	150.7	150.7	150.7
Average shares outstanding (millions) ⁽¹⁾	150.7	150.7	150.7	150.7	150.7	150.7	150.7	150.6
Operating								
Light and medium oil (bbls/d)	6,551	6,094	6,308	6,325	6,093	6,102	6,418	5,935
Heavy oil (bbls/d)	1,348	1,300	1,182	1,127	1,167	1,253	1,218	1,190
NGL (bbls/d)	1,902	1,884	1,878	1,678	1,845	1,788	1,781	1,708
Total liquids (bbls/d)	9,801	9,278	9,368	9,130	9,105	9,143	9,417	8,833
Natural gas (Mcf/d)	32,524	32,617	32,968	32,851	33,372	33,486	33,744	32,319
Total production (boe/d) ⁽⁶⁾	15,221	14,714	14,863	14,605	14,667	14,724	15,041	14,219
Oil and NGL (%)	64%	63%	63%	63%	62%	62%	63%	62%
Petroleum and natural gas realized price (\$/boe)	59.74	54.81	57.94	61.55	54.05	56.99	69.76	74.31
Cash costs (\$/boe) ⁽³⁾⁽⁶⁾	9.80	7.19	4.73	5.10	7.19	5.82	5.17	3.62
Netback (\$/boe) ⁽³⁾⁽⁶⁾	49.44	46.62	52.59	55.63	46.07	50.79	63.92	69.77
Benchmark Prices								
West Texas Intermediate crude oil (US\$/bbl)	80.57	76.96	78.32	82.26	73.78	76.13	82.64	91.56
Average Exchange rate (Cdn\$/US\$)	1.37	1.35	1.36	1.34	1.34	1.35	1.35	1.30
Edmonton Light Sweet crude oil (Cdn\$/bbl)	105.29	92.14	99.69	107.89	94.97	99.03	109.83	116.85
Western Canadian Select crude oil (Cdn\$/bbl)	91.63	77.77	76.96	93.05	78.76	69.31	77.08	93.49
Nymex natural gas (US\$/Mcf)	1.96	2.33	2.98	2.64	2.17	3.30	6.03	8.20
AECO 7A Monthly Index (Cdn\$/Mcf)	1.44	2.07	2.70	2.42	2.40	4.34	5.58	5.50

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 and Other Financial Measures
4. Net debt is a capital management measure
5. The previously reported balances have been restated due to the retrospective adoption of IAS 1 (see Amendments to IAS Presentation of Financial Statements)
6. See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

Controls, Accounting and Regulatory Matters

Internal Control Over Financial Reporting

Freehold is required to comply with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certification of interim filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting from April 1, 2024 to June 30, 2024. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, *Certification of Interim Filings*, which can be found on SEDAR+ at www.sedarplus.ca.

Amendments to IAS 1 Presentation of Financial Statements

On January 1, 2024, Freehold adopted amendments to IAS 1 Presentation of Financial Statements that specify the requirements for the classification of debt and other liabilities as either current or non-current. The amendments clarify, what is meant by the right to defer settlement, that the right to defer settlement must exist at the end of the reporting period and that classification is unaffected by the likelihood that an entity will exercise its deferral rights. Additionally, the amendment clarifies the disclosure requirements for loan arrangements that contain covenants and the classification requirements when a covenant is breached.

The requirement to retrospectively adopt the amendments to IAS 1 resulted in the restatement of Freehold's balance sheets as at December 31, 2023 and January 1, 2023, as presented, reclassifying \$7.2 million and \$7.6 million, respectively, of share based compensation payable from long-term to current liabilities. As such, the current share based compensation payable as at December 31, 2023 increased from \$5.6 million to \$12.8 million (as at January 1, 2023 - increased from \$3.9 million to \$11.5 million), with an offsetting decrease to the long-term portion of share based compensation payable from \$9.4 million to \$2.2 million (as at January 1, 2023 - decrease from \$12.2 million to \$4.5 million). Correspondingly, the retrospective adoption resulted in the restatement of the capital management measures of working capital, net debt and capitalization as at December 31, 2023 (see Working Capital and Net Debt sections above). Additionally, net debt has been restated for each period presented in the Select Quarterly Information table. The amounts reclassified in each period presented are immaterial.

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" ("IFRS S1") and "Climate-related Disclosures" ("IFRS S2"). These standards "[set] 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 "[set] out the requirements for identifying, measuring and disclosing climate-related risks and opportunities as part of an entity's general purpose financial reporting." Currently, IFRS S1 and S2 are subject to adoption by the international community, including by the Canadian Securities Administrators ("CSA"). In response, the CSA formed the Canadian Sustainability Standards Board ("CSSB") whose mandate is to develop and support adopting international sustainability standards in Canada. In March 2024, the CSSB released two proposed standards for consultation, deliberation and feedback, with these proposed standards aligned to IFRS S1 and S2, with the exception of a Canadian-specific effective date of adoption on January 1, 2025, a one year deferral from the effective date approved by the ISSB, and incremental transition relief. Although the CSSB's two proposed standards are currently voluntary, Canada's regulators and legislatures will determine whether these proposed standards should be mandated, and if so, who will need to apply them and over what time frame. In parallel, the CSA acknowledges it will seek consultations

on its climate-related disclosure rules following the finalization of the proposed CSSB standards. With the adoption of sustainability standards in Canada, either voluntary or mandated, Freehold, at this time, is in the preliminary stages of understanding the impacts on its future financial statements and other required sustainability reporting. Costs to comply with these sustainability disclosures is not quantifiable at this time.

Forward-looking Statements

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

In particular, this MD&A contains forward-looking statements under the headings Freehold's Strategy, Outlook, 2024 Guidance, Q2-2024 Operating and Financial Highlights, Credit Risk Management, CRA Assessments, Liquidity and Capital Resources, Financing Activities and Dividend Policy and Analysis pertaining to the following:

- our expectation of generating growth and 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 GORRs 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 dividend payout ratio of approximately 60%;
- expectations that strength in oil and liquids pricing and the relative strength of Freehold's royalty payors will drive activity on North American royalty lands through the remainder of the year;
- expectations with respect to drilling activity in Canada and the U.S. for the remainder of the year;
- anticipated 2024 production and the estimated commodity weighting of such production;
- the possibility that we may take our royalty in-kind if there are benefits in doing so;
- Freehold's expectations regarding the Assessments;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations;
- Freehold's intent in establishing its dividend rate and the process;
- expectations with respect to adoption and implementation of sustainability reporting in Canada; and
- treatment under governmental regulatory regimes and tax laws.

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

- volatility in market prices for crude oil, NGL and natural gas;
- the impacts of the ongoing Israeli-Hamas and Russia-Ukraine wars and any 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, NGLs 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.
- pipeline capacity constraints;
- currency fluctuations;
- our and our counsel's interpretation of tax laws, regulations, royalties, or incentive programs relative to the interpretation and enforcement thereof by governmental authorities;
- changes in income tax laws or changes in tax laws, regulations, royalties, or incentive programs relating to the oil and gas industry;
- reliance on royalty payors to drill and produce on our lands and their ability to pay their obligations;
- uncertainties or imprecision associated with estimating oil and gas reserves;
- stock market volatility and our ability to access sufficient capital from internal and external sources;
- a significant or prolonged downturn in general economic conditions or industry activity;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- geological, technical, drilling, and processing problems;
- environmental risks and liabilities inherent in oil and gas operations; and

- other factors discussed in this MD&A, the interim financial statements, the audited financial statements and our AIF.

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

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

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

Non-GAAP and Other Financial Measures

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

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

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

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

Dividend payout ratios are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to funds from operations that are also used to finance debt repayments and/or acquisition opportunities. Dividend payout ratio is calculated as dividends paid as a percentage of funds from operations. Please refer to the table under the heading Dividend Policy and Analysis – Dividend Payout Ratio within this MD&A for discussion on this supplementary financial measure.

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

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

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