

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets

(2019 unaudited) (\$000s)	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash	\$ 83	\$ 1,262
Accounts receivable and accrued revenue	24,314	12,938
	24,397	14,200
Deposit on acquisition (note 2)	660	-
Exploration and evaluation assets (note 3)	88,699	87,453
Petroleum and natural gas interests (note 4)	737,906	770,248
Deferred income tax asset	16,892	16,398
	\$ 868,554	\$ 888,299
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable	\$ 6,221	\$ 6,215
Accounts payable and accrued liabilities	3,670	4,610
Current portion of share based compensation payable (note 5)	299	466
Current portion of decommissioning liability	1,517	2,284
	11,707	13,575
Decommissioning liability	9,958	9,622
Share based compensation payable (note 5)	770	487
Long-term debt (note 7)	111,000	90,000
Shareholders' equity:		
Shareholders' capital (note 8)	1,270,948	1,270,020
Contributed surplus	3,105	2,569
Deficit	(538,934)	(497,974)
	735,119	774,615
	\$ 868,554	\$ 888,299

See accompanying notes to interim condensed consolidated financial statements.

Subsequent event (note 2 and note 6)

Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(unaudited) (\$000s, except per share and weighted average data)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Revenue:				
Royalty and other revenue (note 9)	\$ 35,333	\$ 39,961	\$ 70,942	\$ 79,118
Expenses:				
Operating	1,018	1,630	1,983	3,129
General and administrative	2,592	2,513	6,632	6,400
Share based compensation	385	277	1,108	544
Finance (note 10)	1,015	1,254	1,977	2,144
Depletion and depreciation	24,304	26,226	48,401	52,103
Impairment (note 4)	-	-	14,056	-
Management fee (note 11)	465	682	928	1,361
	29,779	32,582	75,085	65,681
Income (loss) before taxes	5,554	7,379	(4,143)	13,437
Deferred income tax expense (recovery) (note 12)	2,124	1,993	(494)	3,628
Net income (loss) and comprehensive income (loss)	\$ 3,430	\$ 5,386	\$ (3,649)	\$ 9,809
Net income (loss) per share, basic and diluted	\$ 0.03	\$ 0.05	\$ (0.03)	\$ 0.08
Weighted average number of shares:				
Basic	118,458,271	118,238,271	118,430,926	118,210,926
Diluted	118,682,730	118,392,774	118,430,926	118,364,536

See accompanying notes to interim condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited) (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Operating:				
Net income (loss)	\$ 3,430	\$ 5,386	\$ (3,649)	\$ 9,809
Items not involving cash:				
Depletion and depreciation	24,304	26,226	48,401	52,103
Impairment	-	-	14,056	-
Share based compensation	385	277	1,108	544
Deferred income tax expense (recovery)	2,124	1,993	(494)	3,628
Accretion of decommissioning liability	52	85	115	169
Management fee	465	682	928	1,361
Expenditures on share based compensation	(331)	-	(544)	(423)
Decommissioning expenditures	(334)	(109)	(478)	(267)
Funds from operations	30,095	34,540	59,443	66,924
Changes in non-cash working capital	(2,279)	(5,443)	(12,307)	(2,750)
	27,816	29,097	47,136	64,174
Financing:				
Long-term debt	21,000	(7,000)	21,000	1,000
Dividends paid	(18,674)	(18,623)	(37,322)	(36,443)
	2,326	(25,623)	(16,322)	(35,443)
Investing:				
Deposit on acquisition	(660)	-	(660)	-
Acquisitions and related expenditures	(30,313)	(3,516)	(31,242)	(35,912)
Working interest dispositions	(52)	7	(82)	8,137
Changes in non-cash working capital	35	(449)	(9)	(804)
	(30,990)	(3,958)	(31,993)	(28,579)
Increase (decrease) in cash	(848)	(484)	(1,179)	152
Cash, beginning of period	931	920	1,262	284
Cash, end of period	\$ 83	\$ 436	\$ 83	\$ 436

See accompanying notes to interim condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (\$000s)	Six Months Ended June 30	
	2019	2018
Shareholders' capital:		
Balance, beginning of period	\$ 1,270,020	\$ 1,267,591
Shares issued for payment of management fee	928	1,361
Balance, end of period	1,270,948	1,268,952
Contributed surplus:		
Balance, beginning of period	2,569	2,079
Share based compensation	553	531
Other	(17)	(91)
Balance, end of period	3,105	2,519
Deficit:		
Balance, beginning of period	(497,974)	(438,078)
Net income (loss) and comprehensive income (loss)	(3,649)	9,809
Dividends declared	(37,311)	(36,651)
Balance, end of period	(538,934)	(464,920)
Total shareholders' equity	\$ 735,119	\$ 806,551

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

For the three months and six months ended June 30, 2019 and 2018 (unaudited).

1. Basis of Presentation

Freehold Royalties Ltd. (Freehold) is a dividend-paying corporation incorporated under the laws of the Province of Alberta. Freehold's primary focus is acquiring and managing oil and gas royalties.

Freehold's principal place of business is located at 400, 144 – 4 Avenue SW, Calgary, Alberta, Canada, T2P 3N4.

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These financial statements do not include all the disclosures normally provided in annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2018.

With the exception of the adoption IFRS 16 *Leases* (see note 1c) these financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements and notes for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on August 1, 2019.

b) Basis of Measurement and Principles of Consolidation

These financial statements have been prepared on a historical cost basis, with the exception of certain fair value measurements, and include the accounts of Freehold and its wholly-owned subsidiaries: 1872348 Alberta Ltd., Freehold Holdings Trust, Freehold Royalties (USA) Inc. (see note 2) and Freehold Royalties Partnership. All inter-entity transactions have been eliminated.

c) New Accounting Standard

On January 1, 2019, Freehold adopted IFRS 16 *Leases* with no material transitional impact on the financial statements. The standard establishes a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Freehold's mineral leases are not in scope of IFRS 16. In June 2019, Freehold entered into a new office lease sharing agreement with Rife Resources Ltd. (see note 6).

d) Comparative Balances

Balances related to royalty expense, accretion of decommissioning liability and capital expenditures have been reclassified in 2018 comparative periods to align with current 2019 presentation. On the Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), royalty expense has now been included in royalty and other revenue (see note 9) and accretion on decommissioning liability has now

been included in finance expense (see note 10). In addition, on the Condensed Consolidated Statements of Cash Flows, capital expenditures have been included in acquisitions and other related expenditures.

2. Deposit on Acquisition

Subsequent to June 30, 2019, through its newly incorporated subsidiary Freehold Royalties (USA) Inc., Freehold closed a \$9.8 million United States dollars (US\$) acquisition of certain royalty assets located in North Dakota, United States. As part of this transaction, a US\$0.5 million acquisition deposit was paid prior to June 30, 2019.

3. Exploration and Evaluation Assets

(\$000s)	June 30, 2019	December 31, 2018
Balance, beginning of period	\$ 87,453	\$ 75,776
Acquisitions (note 4)	3,995	16,617
Transfers to petroleum and natural gas interests (note 4)	(2,749)	(4,940)
Balance, end of period	\$ 88,699	\$ 87,453

There were no indicators of impairment or impairment reversal for the period ended June 30, 2019 or December 31, 2018. As a result, no impairment or impairment reversal testing was conducted in this period.

4. Petroleum and Natural Gas Interests

(\$000s)	June 30, 2019	December 31, 2018
Cost		
Balance, beginning of period	\$ 1,434,437	\$ 1,387,283
Acquisitions and related expenditures	27,247	50,990
Capitalized portion of long term incentive plan	105	(159)
Transfers from exploration and evaluation assets (note 3)	2,749	4,940
Decommissioning liability additions and revisions	768	(332)
Working interest dispositions	(4,131)	(8,285)
Balance, end of period	1,461,175	1,434,437
Accumulated depletion and depreciation		
Balance, beginning of period	(664,189)	(568,362)
Depletion and depreciation	(48,401)	(102,042)
Impairment	(14,056)	-
Accumulated depletion and depreciation of working interest dispositions	3,377	6,215
Balance, end of period	(723,269)	(664,189)
Net book value, end of period	\$ 737,906	\$ 770,248

a) Acquisitions and other related expenditures

On June 28, 2019, Freehold closed an acquisition of a newly created gross overriding royalty (GORR) with drilling commitments on the part of the vendor on certain light and medium oil reservoirs in central and northern Alberta and southwest Saskatchewan for \$29.3 million (including undeveloped land valued at \$4.0 million). In addition, for the six months ended June 30, 2019, Freehold had minor adjustments and other related expenditure of \$1.9 million.

b) Working interest dispositions

For the three and six months ended June 30, 2019, Freehold disposed of various minor working interest properties for net disposal costs of \$0.1 million.

c) Impairment and impairment reversal

There were no indicators of impairment or impairment reversal for the period ended June 30, 2019 or December 31, 2018. As a result, no impairment or impairment reversal testing was conducted in this period.

In April 2019, Freehold closed a royalty asset exchange, terminating a production volume royalty (PVR) agreement in exchange for a new gross overriding royalty on certain related properties. The PVR asset was considered an asset held for sale at March 31, 2019 and was recorded at the lower of carrying value and management's best estimate of its fair value less costs to sell, resulting in Freehold recording an impairment of \$14.1 million. This royalty asset exchange transaction was not an indicator of impairment within Freehold's Royalty Interest cash generating unit (CGU). The assessment of indicators of impairment is subjective in nature and requires management to make judgments based on the best available information at the time of issuance of these financial statements.

5. Share Based Compensation

a) Long-term Incentive Plans

In 2017, Freehold adopted a long-term incentive plan (LTIP) replacing the old LTIP for the employees of Rife Resources Ltd. (see Related Party Transactions). Both the new and old LTIP are share based and cash settled. The last grants under the old LTIP were made in 2016 and such grants vested and paid out in early 2019.

Freehold's new LTIP consists of grants of performance share units (PSUs) and restricted share units (RSUs). Underlying each PSU and RSU is one notional Freehold common share. The notional Freehold common shares are adjusted whenever a dividend is paid by Freehold. For each year from 2017 to 2019 for the PSU grants the performance multiplier target is based 50% on absolute total shareholder return and 50% on relative total shareholder return over a three year performance period.

Under both the new and old LTIP, compensation expense is based on Freehold's share price, the number of share based awards outstanding at each period end, an estimated performance multiplier, if applicable, and an estimated forfeiture rate. Compensation expense is recognized over the vesting period.

The 2015 grants under the old LTIP valued at \$0.2 million were paid out in 2018. The 2016 grants under the old LTIP valued at \$0.2 million were paid out in 2019.

One-third of the granted 2017 RSUs vested in March 2018 and LTIP valued at \$0.2 million was paid out in March 2018. The second one-third of the granted 2017 RSUs vested in March 2019 and the first one-third of the granted 2018 RSUs vested in March 2019 with the total LTIP valued at \$0.3 million was paid out in April 2019. During 2019, there were 189,820 RSUs and PSUs granted under the new LTIP (after estimated forfeitures).

The following table reconciles the change in total accrued share based incentive compensation:

SHARE BASED COMPENSATION (\$000s)	June 30, 2019	December 31, 2018
Balance, beginning of period	\$ 953	\$ 2,373
Increase (decrease) in liability	660	(997)
Cash payout	(544)	(423)
Balance, end of period	\$ 1,069	\$ 953
Current portion of liability	\$ 299	\$ 466
Long-term portion of liability	\$ 770	\$ 487

The following table reconciles the incentive plan activity for the period:

SHARE BASED AWARDS	June 30, 2019	December 31, 2018
Balance, beginning of period	305,920	253,886
Issued	189,820	114,100
Dividends reinvested	7,999	14,777
Cash payout	(106,598)	(76,843)
Balance, end of period	397,141	305,920

b) Deferred Share Unit Plan

Pursuant to Freehold's deferred share unit plan, fully-vested deferred share units (DSUs) are granted annually in the first quarter to non-management directors and are redeemable for an equal number of Freehold common shares (less tax withholdings if necessary) after the director's retirement. Dividends declared prior to redemption are assumed to be reinvested in notional share units on the dividend payment date.

On January 1, 2019, Freehold's Board of Directors granted a total of 58,646 DSUs to eligible directors as part of their annual compensation. Each eligible director received 9,069 DSUs and the Chair of the Board received 13,301 DSUs. As at June 30, 2019, there were 226,494 DSUs outstanding.

DEFERRED SHARE UNITS	June 30, 2019	December 31, 2018
Balance, beginning of period	160,192	117,429
Annual grants	58,646	34,519
Additional resulting from dividends	7,656	8,244
Balance, end of period	226,494	160,192

6. Lease Obligation

In June 2019, Freehold entered into a new office lease sharing agreement with Rife Resources Ltd. (related party - see note 11). Effective July 1, 2019, under this agreement Freehold will be responsible for its proportional share of the new office lease with an allocation between 40% and 60% which is governed by the Management Agreement (see note 11). The first payment on the new lease will be October 1, 2020 and subsequent to June 30, 2019, Freehold is expecting to recognize an estimated right-of-use asset of \$1.9 million with a corresponding increase to lease obligation.

7. Long-term Debt

At June 30, 2019, Freehold had a committed \$165 million secured revolving credit facility with a syndicate of four Canadian chartered banks. In addition, Freehold had available a \$15 million senior secured operating facility. At June 30, 2019, \$111 million was drawn on these facilities.

In May 2019, Freehold amended its credit agreement. The current maturity date of the credit facilities is May 31, 2022 and Freehold may annually request an extension to the maturity date. The credit facilities are not reserve-based but are secured with \$400 million first charge demand debentures over all of Freehold's assets.

The credit agreement contains non-financial covenants and two financial covenants. 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, for which our calculation was 0.9 times at June 30, 2019. The second financial covenant is that the long-term debt to capitalization (the aggregate of long-term debt and shareholders' equity) ratio shall not exceed 55%, for which our calculation was 13% at June 30, 2019. In addition, Freehold has an affirmative covenant that the Company must maintain a minimum of 90% of total EBITDA from royalty interest properties over the previous twelve month period, for which our calculation was 100%. Freehold was in compliance with all covenants as at June 30, 2019.

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 Freehold's long-term debt to EBITDA on royalty interest properties. At June 30, 2019 and December 31, 2018, the fair values of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market rates.

8. Shareholders' Capital

SHARES ISSUED AND OUTSTANDING	June 30, 2019		December 31, 2018	
	Shares	Amount (\$000s)	Shares	Amount (\$000s)
Balance, beginning of period	118,402,667	\$ 1,270,020	118,182,667	\$ 1,267,591
Issued for payment of management fee (note 11)	110,000	928	220,000	2,429
Balance, end of period	118,512,667	\$ 1,270,948	118,402,667	\$ 1,270,020

For the six months ended June 30, 2019, deferred share units were excluded from the calculation of diluted net loss per share as their effect was anti-dilutive.

9. Revenue

Royalty and other revenue is measured at fair value of the consideration received or receivable, per the terms of various agreements. The transaction price used for crude oil, natural gas, natural gas liquids and other products is based on the commodity price in the month of production specific to the property or interest. The commodity price received or receivable is based on market benchmarks adjusted for quality, location, allowable deductions, if any, and other factors.

Freehold takes its product in kind (TIK) on certain royalty and working interest properties when deemed beneficial to do so. In this case, Freehold would receive its cash payment on or about the 25th day of the month following production. Typically, if a property is non-TIK then Freehold would receive the cash payment approximately two months following production. Bonus consideration received or

receivable can vary significantly period over period as it is dependent on the specific details of each lease and the number of leases issued.

ROYALTY AND OTHER REVENUE (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Royalty interest revenue from oil, NGL and natural gas ⁽¹⁾	34,047	37,796	\$ 67,832	\$ 73,391
Bonus consideration and lease rentals	274	438	779	1,965
Royalty expense (mineral tax)	(15)	(63)	(16)	(64)
Total royalty interest revenue	34,306	38,171	\$ 68,595	\$ 75,292
Working interest revenue from oil, NGL and natural gas ⁽²⁾	1,118	1,919	2,524	4,163
Royalty expense	(91)	(129)	(177)	(337)
Total working interest revenue	1,027	1,790	\$ 2,347	\$ 3,826
Total royalty and other revenue	35,333	39,961	\$ 70,942	\$ 79,118

(1) Includes potash royalties and other.

(2) Includes processing and other.

ROYALTY AND OTHER REVENUE BY TYPE (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Oil	30,271	32,792	\$ 56,177	\$ 61,449
NGL	2,679	4,162	5,811	7,945
Natural gas	1,864	2,459	7,537	7,309
Potash	338	257	747	780
Bonus consideration and lease rentals	274	438	779	1,965
Other	13	45	84	71
Total royalty and other revenue by type	35,439	40,153	\$ 71,135	\$ 79,519
Total royalty expense	(106)	(192)	(193)	(401)
Total royalty and other revenue	35,333	39,961	\$ 70,942	\$ 79,118

As at June 30, 2019, there was outstanding accounts receivable and accrued revenue of \$22.6 million (December 31, 2018 - \$12.0 million) of accrued royalty and other revenue. For the six months ended June 30, 2019, Freehold had \$1.8 million (2018 - \$2.5 million) positive royalty and other revenue adjustments relating to prior periods. The performance obligations for these adjustments were satisfied in production periods prior to the current year.

10. Finance Expense

(\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Interest and financing expense	963	1,169	\$ 1,862	\$ 1,975
Accretion of decommissioning liability	52	85	115	169
Total finance expense	1,015	1,254	\$ 1,977	\$ 2,144

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 Freehold's long-term debt to EBITDA on royalty interest properties.

For the six months ended June 30, 2019, the average effective interest rate on advances under Freehold's credit facilities was 3.6% (2018 - 3.3%).

11. Related Party Transactions

Freehold does not have any employees. Pursuant to an amended and restated management agreement dated November 9, 2015 (the Management Agreement), Freehold is managed by Rife Resources Management Ltd. (Manager), a wholly-owned subsidiary of Rife Resources Ltd. (Rife). In addition, Rife is 100% owned by the CN Pension Trust Funds (the pension funds for the employees of the Canadian National Railway Company), which in turn is a shareholder of Freehold. Canpar Holdings Ltd. (Canpar) is also managed by Rife and owned 100% by the CN Pension Trust Funds, and two of the directors of each of Rife and Canpar are also directors of Freehold.

The Manager recovers its general and administrative costs and a portion of its long-term incentive plan costs (provided that under Freehold's new LTIP, Freehold's portion of long-term incentive compensation is issued directly by Freehold instead of the Manager receiving reimbursement for such compensation) and receives a quarterly management fee paid in shares.

a) Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares per quarter, pursuant to the amended and restated management agreement. The amended and restated management agreement capped the management fee at 55,000 Freehold common shares per quarter for 2019.

For the three months ended June 30, 2019, Freehold issued 55,000 common shares (2018 – 55,000) as payment of the management fee. The ascribed value of \$0.5 million (2018 – \$0.7 million) was based on the closing price of Freehold's common shares on the last trading day of each quarter. For the six months ended June 30, 2019, Freehold issued 110,000 common shares (2018 – 110,000) as payment of the management fee with an ascribed value of \$0.9 million (2018 – \$1.4 million).

For the three months ended June 30, 2019, the Manager charged \$2.3 million in general and administrative costs (2018 – \$2.5 million). For the six months ended June 30, 2019, the Manager charged \$5.9 million in general and administrative costs (2018 – \$5.8 million). At June 30, 2019, there was \$0.7 million (December 31, 2018 – \$0.7 million) in accounts payable and accrued liabilities relating to these costs.

b) Rife Resources Ltd.

Freehold maintains ownership interests in certain oil and gas properties operated by Rife. A portion of net operating revenues and capital expenditures represent joint operations amounts from Rife. At June 30, 2019, there was \$0.1 million (December 31, 2018 - \$nil) in accounts receivable relating to these transactions. At June 30, 2019, there was \$nil (December 31, 2018 - \$0.1 million) in accounts payable and accrued liabilities relating to these transactions.

In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the three months ended June 30, 2019, Freehold received royalties of approximately \$0.2 million (2018 – \$0.2 million). For the six months ended June 30, 2019, Freehold received royalties of approximately \$0.4 million (2018 – \$0.3 million). At June 30, 2019, there was \$0.1 million (December 31, 2018 - \$nil) in accounts receivable relating to these transactions.

c) Canpar Holdings Ltd.

Freehold and Canpar share mineral title ownership rights 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. Given the nature of the mineral rights, which are dependent upon hydrocarbon pool formation classification as well as third party drilling data which is subject to change and revision, uncertainty can exist with respect to the royalty ownership of wells drilled and completed on lands where both Freehold and Canpar hold the mineral rights. At June 30, 2019, there was \$nil (December 31, 2018 – \$nil) in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

All amounts owing to/from the Manager, Rife, and Canpar 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 both parties.

12. Income Taxes

During the six months ended June 30, 2019, deferred tax expense included \$0.6 million attributable to the decrease in the Alberta provincial tax rate from 12% to 8%. Alberta's provincial tax rate was reduced to 11% effective July 1, 2019 and will be further reduced by 1% on January 1st of each of the years 2020, 2021 and 2022 reducing the rate down to 8%.

13. Supplemental Disclosure

a) Supplemental cash flow disclosure

CASH EXPENSES (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	2019	2018
Interest	1,012	1,142	1,858	2,019
Taxes	-	-	-	-

b) Net debt

(\$000s)	June 30, 2019	December 31, 2018
Long-term debt	111,000	90,000
Working capital	(12,690)	(625)
Net debt	98,310	89,375

14. Contingency

During the three months ended June 30, 2019, Freehold received a proposal letter (Proposal Letter) from Canada Revenue Agency (CRA) wherein CRA stated that it intends to re-assess and deny Freehold's deduction of certain non-capital losses claimed and carried forward in the tax return filed for the year ended December 31, 2015.

Freehold will vigorously defend its tax filing position, however, it anticipates that proceedings with CRA could take considerable time to resolve. If the CRA issues the notice of reassessment (NOR) described in the Proposal Letter, it may also be reassessed with respect to the deduction of its non-capital losses in all of its tax filings subsequent to December 31, 2015. In such event, Freehold would utilize alternate claims available that would partially offset any tax liability for tax returns filed in periods subsequent to December 31, 2015. Freehold's assessed tax liability for the taxation years 2015 to 2018 would be approximately \$18 million (plus interest). In this event, Freehold will be required to pay a deposit of 50% of the assessed tax liability, and it will have 90 days from the date of the NOR to prepare a file a notice of objection. Freehold firmly believes it will be successful defending its position and therefore any amounts paid to CRA should be refunded plus interest. No provisions have been made in the financial statements relating to the Proposal Letter.

Board of Directors

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Chair of the Board

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Corporate Director

Peter T. Harrison
Manager, Oil and Gas Investments
CN Investment Division

J. Douglas Kay ^{(2) (3)}
Corporate Director

Arthur N. Korpach ^{(1) (2)}
Corporate Director

Susan M. MacKenzie ^{(2) (3)}
Corporate Director

Thomas J. Mullane
President and Chief Executive Officer
Rife Resources Ltd.

Aidan M. Walsh ^{(1) (3)}
Chief Executive Officer
Baccalieu Energy Inc.

(1) Audit Committee

(2) Governance, Nominating and Compensation Committee

(3) Reserves Committee

Officers

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Chair of the Board

Thomas J. Mullane
President and Chief Executive Officer

Alan G. Withey
Interim Vice-President, Finance and Chief Financial Officer

David M. Spyker
Chief Operating Officer

Robert E. Lamond
Vice-President, Asset Development

Michael J. Stone
Vice-President, Land

Karen C. Taylor
Corporate Secretary

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Auditors

KPMG LLP

Bankers

Canadian Imperial Bank of Commerce
Bank of Montreal
Royal Bank of Canada
The Toronto-Dominion Bank

Legal Counsel

Burnet, Duckworth & Palmer LLP

Reserve Evaluators

Trimble Engineering Associates Ltd.

Stock Exchange and Trading

Symbol

Toronto Stock Exchange (TSX)
Common Shares: FRU

Transfer Agent and Registrar

Computershare Trust Company of Canada
600, 530 – 8 Avenue SW
Calgary, AB T2P 3S8
t. 514.982.7555
tf. 800.564.6253
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