FREEHOLD ROYALTIES LTD.

FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Freehold Royalties Ltd. ("**Freehold**" or the "**Corporation**")
400, 144 – 4 Avenue SW
Calgary, Alberta T2P 3N4

1.2 Executive Officer

The name of the executive officer of Freehold, who is knowledgeable about the significant acquisitions and this report is Darren Gunderson, Vice President, Finance and Chief Financial Officer of Freehold and his business telephone number is (403) 221-0811.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On May 6, 2015 Freehold closed the acquisitions (the "**Acquisitions**") of certain royalty interests and mineral title lands (the "**Acquired Assets**") from Penn West Petroleum Ltd. and Penn West Petroleum (collectively, the "**Vendor**"). Total aggregate consideration associated with the transactions was $318 million (before post-closing adjustments).

As a result of the Acquisitions, Freehold acquired two royalty packages. The first package is existing royalties and mineral title lands across a variety of plays within the Western Canadian Sedimentary Basin (the "**Mineral Title and Royalty Assets**"). The second package is an 8.5% gross overriding royalty covering 45,000 acres in the Dodsland area of Saskatchewan prospective for the Viking formation (the "**Viking Royalty**"). A further description of the Acquired Assets is set out below.

The Mineral Title and Royalty Acquisition

Freehold acquired the Vendor's entire interest as a mineral title owner, lessor and gross overriding royalty owner (the "**Mineral Title and Royalty Assets**") in a variety of resource plays located in the Western Canadian Sedimentary Basin (the "**Mineral Title and Royalty Acquisition**"). The Mineral Title and Royalty Assets are comprised of approximately 280,000 acres which span five established oil and gas production royalty areas within the Western Canadian Sedimentary Basin with net proved plus probable reserves of 3.9 MMBOE (2.3 MMBOE net proved reserves), as estimated by Trimble Engineering Associates Ltd. ("**Trimble**") in the Mineral Title and Royalty Report (as defined in **Schedule "A"** to this Business Acquisition Report).

The five production royalty areas are as follows:

Geographic Area	Producing Formation	Oil Weighting of Current Production
Southeast Saskatchewan/Manitoba	Mississippian and Bakken	92%
Southwest Saskatchewan	Shaunavon and Cantuar	93%
Viking/Greater Coleville	Viking, Mannville and Bakken	78%
Central Alberta	Cardium, Ellerslie and Glauconitic	17%
Southern Alberta	Barons, Livingstone and Glauconitic	21%

During the year ended December 31, 2014, the average production from the Mineral Title and Royalty Assets was 823 BOE/d, of which 589 Bbls/d was crude oil and natural gas liquids and 1,406 MMcf/d was natural gas. Income is derived 57% from gross overriding royalties and 43% from mineral title, of which greater than 70% of the existing production is produced from resources plays located in southeast Saskatchewan and central Alberta.

The Mineral Title and Royalty Assets are comprised of three categories of interests, as follows:

1. ***Unleased Mineral Title*** – Freehold acquired the Vendor's mineral title ownership of certain fee titles. Some of these titles are not currently leased to other parties and accordingly, at Freehold's option, may be leased to other parties or developed by Freehold with its own capital in the future. If Freehold elects to develop such properties with its own capital, the result would be Freehold having a working interest in the properties.

2. ***Leased Mineral Titles*** – Freehold acquired the Vendor's ownership of certain fee titles that are currently leased to other parties. Accordingly, Freehold, as lessor, will receive the lessor royalty provided for in such leases with no responsibility for future capital or operating costs.

3. ***Contractual Royalties*** – Freehold acquired the Vendor's ownership of certain existing contractual gross overriding royalties. The underlying properties are comprised of a combination of Crown and freehold leases. Generally, such contracts provide for the royalty payor to be responsible for all capital and operating costs and accordingly because Freehold will be the royalty payee, it is not anticipated that it will have any ongoing responsibility for such costs.

In total, there are over 1,000 contracts and approximately 3,500 mineral files, each with a unique operator and associated third parties, with respect to leased mineral titles and contractual royalties. Generally, such contracts provide for the royalty payor to be responsible for all capital and operating costs. As is the case with Freehold's existing royalty holdings, the royalty payors associated with these contractual royalties include a wide variety of oil and gas companies including many of the major industry operators.

The reserves data and certain other oil and gas information in respect of the Mineral Title and Royalty Assets is set forth under the heading "*Mineral Title and Royalty* Report" in **Schedule** "**A**" to this Business Acquisition Report.

The Viking Royalty Acquisition

The Viking Royalty was created in favour of Freehold on the Vendor's lands in the Dodsland area of Saskatchewan (the "**Viking Royalty Assets**") which is an established oil producing area from the Viking formation (the "**Viking Royalty Acquisition**"). The gross overriding royalty was created at closing of the Viking Royalty Acquisition pursuant to the terms of a royalty agreement (the "**Viking Royalty Agreement**") entered into by Freehold and the Vendor at closing.

The Viking Royalty Assets are a contiguous land base of approximately 45,000 acres. The Viking Royalty Asset are an established oil producing reservoir at Dodsland with low operating costs making it a highly economic oil development. The property is well delineated through historical vertical drilling. New development on the asset is utilizing horizontal drilling and water flooding to recover additional oil from this areally extensive Viking sandstone reservoir. Giving effect to the creation of the Viking Royalty as at January 1, 2014, the average production from the Viking Royalty for the year ended December 31, 2014 would have been 494 BOE/d, of which 457 Bbls/d was crude oil and natural gas liquids and 222 MMcf/d was natural gas.

Supplemental Financial Information for the Viking Royalty

The following table sets forth supplemental financial information in respect of the Viking Royalty for the years ended December 31, 2014 and 2013 prepared giving effect to the Viking Royalty Agreement as if such agreement was in place during the time periods indicated below. The supplemental financial information on the Viking Royalty is derived from the operating statement containing revenue, royalties, operating expenses, and operating income of the Viking Royalty Assets, included in Schedule "D" to this Business Acquisition Report.

($ millions)	**For the Twelve Months Ended**	
	December 31, 2014	December 31, 2013
Revenues		
Royalties	15.0	11.5

As the Viking Royalty is a royalty interest, there is no associated operating or transportation expenses.

The reserves data and certain other oil and gas information in respect of the Viking Royalty Assets is set forth under the heading "*Viking Royalty* Report" in **Schedule** "**A**" to this Business Acquisition Report.

2.2 Date of Acquisition

The Acquisition was completed on May 6, 2015. The effective date of the Acquisition is March 1, 2015.

2.3 Consideration

Pursuant to the terms of the Acquisition Agreement, the Acquired Assets were purchased for total cash consideration of approximately $318 million (before post-closing adjustments).

2.4 Effect on Financial Position

The Corporation funded the consideration for the Acquired Assets with a portion of the net proceeds from a bought deal offering of 20,700,000 common shares of the Corporation (the "**Common Shares**") at a price of $18.00 per Common Share, which included 2,700,000 Common Shares issued pursuant to an over-allotment option granted to the underwriters to the offering, and the sale of 1,833,334 common shares at a price of $18.00 per Common Share to the pension trust funds for employees of Canadian National Railway Company pursuant to a concurrent non-brokered private placement. The aggregate gross proceeds raised by Freehold pursuant to the bought deal financing and the concurrent private placement totaled approximately $406 million.

Except as otherwise publicly disclosed and in the ordinary course conduct of business by Freehold, Freehold does not presently have any plans or proposals for material changes in the business affairs of Freehold or with respect of the Acquired Assets that may have a significant effect on the results of operations and financial position of Freehold, including any proposal to sell, lease or exchange all or a substantial part of Freehold's interest in the Acquired Assets or to make any material changes to Freehold's business.

Please see the operating statements appended to this Business Acquisition Report as Schedules "B", "C" and "D".

The pro forma operating statements of Freehold for the year ended December 31, 2014 included in **Schedule "B"** to this Business Acquisition Report, give effect to the Mineral Title and Royalty Acquisition and the Viking Royalty Acquisition as if such acquisitions had all taken effect at the beginning of that year.

The operating statements containing gross overriding royalty revenue of the Mineral Title and Royalty Assets, included in **Schedule "C"** to this Business Acquisition Report, have been prepared in accordance with the financial reporting framework for an operating statement of an acquired oil and gas property specified in subsection 3.11(5) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**"). The gross overriding royalty revenue reported in the operating statements are stated in accordance with International Financial Reporting Standards for all periods presented.

The operating statements containing revenue, royalties, operating expenses, and operating income of the Viking Royalty Assets, included in **Schedule "D"** to this Business Acquisition Report, have been prepared in accordance with the financial reporting framework for an operating statement of an acquired oil and gas property specified in subsection 3.11(5) of NI 52-107. The revenue, royalties, operating expenses, and operating income reported in the operating statements are stated in accordance with International Financial Reporting Standards for all periods presented.

Readers are cautioned that the operating statements contained in Schedule "D" may be misleading as such statements reflect the revenues, royalties, operating expenses, and operating income of the Viking Royalty Assets as a whole (which Freehold did not acquire) and not the Viking Royalty (an 8.5% gross overriding royalty on such assets) which was created at closing of the Viking Royalty Acquisition pursuant to the Viking Royalty Agreement. Accordingly, readers are directed to review and rely on only the supplemental financial information in respect of the Viking Royalty under the heading "*Details of Acquisition - Nature of Business Acquired – The Viking Royalty Acquisition – Supplemental Financial Information for the Viking Royalty*", prepared based on the assumption that the Viking Royalty Agreement entered into between the Corporation and the Vendor was in place during the relevant time periods.

2.5 Prior Valuations

No valuation opinion was obtained within the last 12 months by Freehold or the Vendor of the Acquired Assets required by securities legislation or a Canadian exchange or market to support the consideration paid by Freehold for the Acquired Assets.

2.6 Parties to Transaction

The Acquisition did not involve "informed persons", "associates" or "affiliates" as such terms are defined in securities legislation.

2.7 Date of Report

May 28, 2015.

Item 3 Financial Statements

The following financial statements and other information required by Part 8 of National Instrument 51-102 are attached hereto and form part of this Business Acquisition Report:

Schedule "**B**" *Pro forma operating statement of Freehold Royalties Ltd. for the year ended December 31, 2014 giving effect to the Mineral Title and Royalty Acquisition as if it has taken effect at the beginning of that year and containing adjustments for the Viking Royalty Acquisition;*

Schedule "C" *Operating statement for the Mineral Title and Royalty Assets for the years ended December 31, 2014 (audited) and 2013 (unaudited), together with the notes thereto and the auditors' reports on the operating statement for the year ended December 31, 2014*; and

Schedule "D" *Operating statement for the Viking Royalty Assets for the years ended December 31, 2014 (audited) and 2013 (unaudited), together with the notes thereto and the auditors' report on the operating statement for the year ended December 31, 2014.*

FORWARD LOOKING STATEMENT ADVISORY: *This Business Acquisition Report contains forward-looking statements. More particularly, this Business Acquisition Report contains forward looking statements regarding commodity prices and the Acquired Assets' associated reserves, future net revenues and future production estimates. Statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves can be profitably produced in the future. It should not be assumed that the estimated future net revenue is representative of the fair market value of the Acquired Assets. The volumes of oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein. In addition, the use of any of the words "guidance", "initial, "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements. The actual results could differ materially from those anticipated in these forward-looking statements as a result of various risks as set out herein and under the heading "Risk Factors" in the Corporation's annual information form for the year ended December 31, 2014 which is available under Freehold's profile on SEDAR at www.sedar.com. Except as required by law, Freehold does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.*

The term BOE may be misleading, particularly if used in isolation. For further information on the use of the term BOE see the information under the heading "Barrels of Oil Equivalency" in Schedule "A". In addition, for information with respect to certain abbreviations and other terms used herein see the information under the headings "Conventions" and "Abbreviations" in Schedule "A".

SCHEDULE "A"
RESERVES DATA AND OTHER OIL AND GAS INFORMATION IN RESPECT OF THE ACQUIRED ASSETS

CONVENTIONS

Certain terms incorporated by reference herein but not defined herein are defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

ABBREVIATIONS

Oil and Natural Gas Liquids		**Natural Gas**	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Bbls/d	barrels per day	Bcf	billion cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	thousand stock tank barrels of oil	MMbtu	million British Thermal Units
NGLs	natural gas liquids	GJ	Gigajoule

Other

AECO	the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE	barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil
BOE/d	barrels of oil equivalent per day
m^3	cubic metres
MBOE	thousand barrels of oil equivalent
MMBOE	million barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

BARREL OF OIL EQUIVALENCY

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"). The Corporation uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). 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 and observing trends, 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 conversion ratio on a 6:1 basis may be misleading as an indication of value.

INFORMATION CONCERNING THE ACQUIRED ASSETS

The reserves data for the Acquired Assets set forth below is based upon: (i) the report of Trimble evaluating the crude oil, natural gas liquids and natural gas reserves attributable to Corporation's interest in the Mineral Title and Royalty Assets effective December 31, 2014 (the "**Mineral Title and Royalty Report**"); and (ii) the report of Trimble evaluating the crude oil, natural gas liquids and natural gas reserves attributable to the Viking Royalty effective December 31, 2014 (the " **Viking Royalty Report**" and, together with the "**Mineral Title and Royalty Report**", the "**Acquired Assets Reserves Reports**"). The reserves data summarizes the crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Acquired Assets Reserves Reports have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook and the reserve definitions contained in NI 51-101.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by Trimble. **It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by Trimble represents the fair market value of those reserves. Other assumptions and qualifications relating to prices for future production and other matters are summarized herein. The recovery and reserve estimates of oil, natural gas liquids and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.**

Mineral Title and Royalty Report

The reserves data for the Mineral Title and Royalty Assets set forth below is based upon the Mineral Title and Royalty Report with an effective date as of December 31, 2014. The reserves data summarizes the crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Mineral Title and Royalty Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101.

The Mineral Title and Royalty Report is based on certain factual data supplied to Freehold by the Vendor and the opinion of Trimble of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Vendor to Trimble through Freehold. Trimble accepted this data as presented and neither title searches nor field inspections were conducted. The Mineral Title and Royalty Report was prepared by Trimble for Freehold. As a result, Freehold participated in the preparation of the Mineral Title and Royalty Report and reviewed the reserves data with Trimble in conjunction with the preparation thereof.

The tables below are a summary of the oil, natural gas liquids and natural gas reserves attributable to the Mineral Title and Royalty Assets and the net present value of future net revenue attributable to such reserves as evaluated in the Mineral Title and Royalty Report, based on forecast price and cost assumptions. The tables summarize the data contained in the Mineral Title and Royalty Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly.

The reserves associated with the Mineral Title and Royalty Assets are located in the Provinces of Alberta, Saskatchewan and Manitoba.

SUMMARY OF OIL AND NATURAL GAS RESERVES
AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL		**HEAVY OIL**		**NATURAL GAS**		**NATURAL GAS LIQUIDS[1]**		**TOTAL OIL EQUIVALENT**	
RESERVES CATEGORY	**Gross[2] (Mbbls)**	**Net (Mbbls)**	**Gross[2] (Mbbls)**	**Net (Mbbls)**	**Gross[2] (MMcf)**	**Net (MMcf)**	**Gross[2] (Mbbls)**	**Net (Mbbls)**	**Gross[2] (MBOE)**	**Net (MBOE)**
PROVED										
Developed Producing	-	710	-	2	-	1,946	-	76	-	1,113
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	20	745	-	-	-	1,974	-	97	20	1,171
TOTAL PROVED	20	1,456	-	2	-	3,920	-	173	20	2,284
PROBABLE	155	940	-	1	120	3,201	1	157	176	1,631
TOTAL PROVED PLUS PROBABLE	175	2,396	-	3	120	7,121	1	330	196	3,915

Notes:

(1) Includes condensate.

(2) Under NI 51-101 gross reserves include only working interests before the deduction of royalties payable and do not include the royalties receivable. Net reserves are comprised of working interests minus royalties payable plus royalties receivable. As the majority of the Mineral Title and Royalty Assets are royalty interests, this causes the gross reserves to be lower than the net reserves and may hinder an investor's ability to compare the reserves with others in the industry.

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED AT (%/year) 0 ($000s)	5 ($000s)	10 ($000s)	15 ($000s)	20 ($000s)
PROVED					
Developed Producing	85,009	62,423	49,734	41,672	36,104
Developed Non-Producing	-	-	-	-	-
Undeveloped	95,764	64,076	46,489	35,620	28,363
TOTAL PROVED	180,773	126,499	96,223	77,291	64,467
PROBABLE	134,477	69,679	43,449	30,171	22,421
TOTAL PROVED PLUS PROBABLE	315,250	196,178	139,672	107,462	86,888

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES[(1)] DISCOUNTED AT (%/year) 0 ($000s)	5 ($000s)	10 ($000s)	15 ($000s)	20 ($000s)
PROVED					
Developed Producing	85,009	62,423	49,734	41,672	36,104
Developed Non-Producing	-	-	-	-	-
Undeveloped	91,374	61,066	44,363	34,079	27,221
TOTAL PROVED	176,383	123,489	94,097	75,751	63,325
PROBABLE	101,339	52,004	32,388	22,556	16,851
TOTAL PROVED PLUS PROBABLE	277,722	175,493	126,485	98,307	80,176

Note:

(1) The after-tax net present value calculation of the reserves associated with the Mineral Title and Royalty Assets reflects the tax burden on the properties on a standalone basis, utilizing the tax pools to the maximum depreciation rate as currently permitted. It does not consider the corporate-level tax situation, or tax planning. It does not provide an estimate of the value at the corporate level, which may be significantly different.

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED) AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE ($000s)	ROYALTY INCOME ($000)	ROYALTY EXPENSE ($000s)	OPERATING COSTS ($000s)	DEVELOPMENT COSTS ($000s)	WELL ABANDONMENT COSTS ($000s)	FUTURE NET REVENUE BEFORE INCOME TAXES ($000s)	FUTURE NET REVENUE AFTER INCOME TAXES ($000)
Proved Reserves	2,139	180,056	(311)	(317)	(776)	(18)	180,774	176,383
Proved Plus Probable Reserves	18,810	305,308	(2,866)	(2,632)	(3,298)	(73)	315,250	277,722

FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) ($000s)	UNIT VALUE BEFORE INCOME TAX (1) ($/Bbl)	UNIT VALUE BEFORE INCOME TAX (1) ($/Mcf)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	84,782	58.25	
	Heavy Oil (including solution gas and other by-products)	128	56.08	
	Associated and Non-Associated Gas (including by-products)	11,314	-	5.16
	Other Revenue	-	-	
	Total	96,223	$42.13/BOE	
Proved plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	120,535	50.32	
	Heavy Oil (including solution gas and other by-products)	186	55.04	
	Associated and Non-Associated Gas (including by-products)	18,952	-	4.69
	Other Revenue	-	-	-
	Total	139,672	$35.67/BOE	

Note:

(1) The unit value is calculated by dividing the discounted future net revenue by the net reserves for the principal product of the production group.

Production Estimates

The following table sets out the volumes of royalty interest production from the Mineral Title and Royalty Assets before royalties, using forecast prices and costs, estimated for the period of January 1, 2015 to December 31, 2015 in the Mineral Title and Royalty Report which is reflected in the estimate of future net revenue disclosed in the tables above.

	Light and Medium Crude Oil (Bbls/d)	Heavy Oil (Bbls/d)	Gas (Mcf/d)	NGLs (Bbls/d)	Total (BOE/d)
Total Proved	359	2	1,121	48	597
Total Proved plus Probable	384	3	1,177	51	634

Viking Royalty Report

The reserves data for the Viking Royalty set forth below is based upon the Viking Royalty Report with an effective date as of December 31, 2014. The reserves data summarizes the crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Viking Royalty Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101.

The Viking Royalty Report is based on certain factual data supplied to Freehold by the Vendor and the opinion of Trimble of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Vendor to Trimble through Freehold. Trimble accepted this data as presented and neither title searches nor field inspections were conducted. The Viking Royalty Report was prepared by Trimble for Freehold. As a result, Freehold participated in the preparation of the Viking Royalty Report and reviewed the reserves data with Trimble in conjunction with the preparation thereof.

The tables below are a summary of the oil, natural gas liquids and natural gas reserves attributable to the Viking Royalty and the net present value of future net revenue attributable to such reserves as evaluated in the Viking Royalty Report, based on forecast price and cost assumptions and giving effect to the Viking Royalty Agreement as if such agreement had been entered into as of the effective date of the Viking Royalty Report. The tables summarize the data contained in the Viking Royalty Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly.

The reserves associated with the Viking Royalty will be located in the Province of Saskatchewan.

SUMMARY OF OIL AND NATURAL GAS RESERVES
AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS(1)		TOTAL OIL EQUIVALENT	
RESERVES CATEGORY	**Gross(2) (Mbbls)**	**Net (Mbbls)**	**Gross(2) (Mbbls)**	**Net (Mbbls)**	**Gross(2) (MMcf)**	**Net (MMcf)**	**Gross(2) (Mbbls)**	**Net (Mbbls)**	**Gross(2) (MBOE)**	**Net (MBOE)**
PROVED										
Developed Producing	-	466	-	-	-	318	-	15	-	534
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	1,660	-	-	-	1,158	-	53	-	1,907
TOTAL PROVED	-	2,126	-	-	-	1,476	-	68	-	2,440
PROBABLE	-	857	-	-	-	597	-	27	-	984
TOTAL PROVED PLUS PROBABLE	-	2,983	-	-	-	2,073	-	95	-	3,424

Notes:

(1) Includes condensate.

(2) Under NI 51-101 gross reserves include only working interests before the deduction of royalties payable and do not include the royalties receivable. Net reserves are comprised of working interests minus royalties payable plus royalties receivable. Since the Viking Royalty is a royalty interest and includes no working interest, there are no gross reserves. This may hinder an investor's ability to compare the reserves with others in the industry.

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED (%/year) 0 ($000s)	5 ($000s)	10 ($000s)	15 ($000s)	20 ($000s)
PROVED					
Developed Producing	43,270	37,245	33,046	29,931	27,510
Developed Non-Producing	-	-	-	-	-
Undeveloped	180,164	126,332	93,282	71,836	57,251
TOTAL PROVED	223,433	163,577	126,328	101,767	84,761
PROBABLE	97,719	60,751	41,498	30,206	23,020
TOTAL PROVED PLUS PROBABLE	321,152	224,328	167,826	131,973	107,781

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED (%/year) [(1)] 0 ($000s)	5 ($000s)	10 ($000s)	15 ($000s)	20 ($000s)
PROVED					
Developed Producing	43,270	37,245	33,046	29,931	27,510
Developed Non-Producing	-	-	-	-	-
Undeveloped	154,784	108,262	79,860	61,496	49,032
TOTAL PROVED	198,053	145,507	112,906	91,427	76,542
PROBABLE	74,371	45,280	30,609	22,163	16,844
TOTAL PROVED PLUS PROBABLE	272,424	190,787	143,515	113,590	93,386

Note:

(1) The after-tax net present value calculation of the reserves associated with the Viking Royalty reflects the tax burden on the properties on a standalone basis, utilizing the tax pools to the maximum depreciation rate as currently permitted. It does not consider the corporate-level tax situation, or tax planning. It does not provide an estimate of the value at the corporate level, which may be significantly different.

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED) AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE ($000s)	ROYALTY INCOME ($000s)	ROYALTY EXPENSES ($000s)	OPERATING COSTS ($000s)	DEVELOPMENT COSTS ($000s)	WELL ABANDONMENT COSTS ($000s)	FUTURE NET REVENUE BEFORE INCOME TAXES ($000s)	FUTURE NET REVENUE AFTER INCOME TAXES ($000)
Proved Reserves	-	223,433	-	-	-	-	223,433	198,053
Proved Plus Probable Reserves	-	321,152	-	-	-	-	321,152	272,424

FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2014
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) ($000s)	UNIT VALUE BEFORE INCOME TAX (1)	
			($/Bbl)	($/Mcf)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	126,328	59.41	-
	Heavy Oil (including solution gas and other by-products)	-	-	-
	Associated and Non-Associated Gas (including by-products)	-	-	-
	Other Revenue	-	-	-
	Total	126,328	$51.77/BOE	
Proved plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	167,826	56.26	-
	Heavy Oil (including solution gas and other by-products)	-	-	-
	Associated and Non-Associated Gas (including by-products)	-	-	-
	Other Revenue	-	-	-
	Total	167,826	$49.02/BOE	

Note:

(1) The unit value is calculated by dividing the discounted future net revenue by the net reserves for the principal product of the production group.

Production Estimates

The following table sets out the volumes of royalty interest production in respect of the Viking Royalty before royalties, using forecast prices and costs, estimated for the period of January 1, 2015 to December 31, 2015 in the Viking Royalty Report which is reflected in the estimate of future net revenue disclosed in the tables above.

	Light and Medium Crude Oil (Bbls/d)	Heavy Oil (Bbls/d)	Gas (Mcf/d)	NGLs (Bbls/d)	Total (Boe/d)
Total Proved	624	-	414	19	712
Total Proved plus Probable	645	-	428	20	736

Pricing Assumptions

The forecast cost and price assumptions utilized above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark reference pricing, inflation and exchange rates were utilized in both the Mineral Title and Royalty Report and the Viking Royalty Report.

FORECAST PRICES USED IN ESTIMATES
AS OF DECEMBER 31, 2014

	Oil					Natural Gas	Natural Gas Liquids FOB Field Gate				
Year	WTI Cushing Oklahoma $US/ bbl	Canadian Light Sweet 40° API $Cdn/ bbl	Hardisty Heavy 12° API $Cdn/ bbl	Hardisty Bow River 24.9° API $Cdn/ bbl	Western Canada Select 20.5° API $Cdn/ bbl	AECO 30 Day Spot $Cdn/ MMBtu	Propane $Cdn/ bbl	Butane $Cdn/ bbl	Pentane $Cdn/ bbl	Inflation Rate %/ Year	Exchange Rate $US/$ Cdn
2015	65.00	70.35	55.58	61.21	60.50	3.32	34.77	50.34	78.60	1.50	0.85
2016	80.00	87.36	69.01	76.00	75.13	3.71	43.17	62.51	97.60	1.50	0.87
2017	90.00	98.28	77.64	85.50	84.52	3.90	48.57	70.32	109.80	1.50	0.87
2018	91.35	99.75	78.80	86.78	85.79	4.47	49.30	71.37	111.44	1.50	0.87
2019	92.72	101.25	79.98	88.08	87.07	5.05	50.04	72.44	113.12	1.50	0.87
2020	94.11	103.85	82.04	90.35	89.31	5.13	51.32	74.31	116.02	1.50	0.87
2021	95.52	105.40	83.27	91.70	90.65	5.22	52.09	75.42	117.76	1.50	0.87
2022	96.96	106.99	84.52	93.08	92.01	5.31	52.87	76.55	119.53	1.50	0.87
2023	98.41	108.59	85.79	94.47	93.39	5.40	53.67	77.70	121.32	1.50	0.87
2024	99.89	110.22	87.07	95.89	94.79	5.49	54.47	78.87	123.14	1.50	0.87
2025	101.38	111.87	88.38	97.33	96.21	5.58	55.29	80.05	124.99	1.50	0.87
Thereafter, per year:	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	1.50	0.87

SCHEDULE "B"

THE PRO FORMA OPERATING STATEMENTS OF FREEHOLD ROYALTIES LTD. FOR THE YEAR ENDED DECEMBER 31, 2014

Pro Forma Operating Statement

For the Year ended December 31, 2014

(Unaudited, $000s)	Freehold Royalties Ltd.	Royalty Revenue from the Mineral Title and Royalty Assets	Operating Income from the Viking Royalty Assets	Adjustment on the Viking Royalty Assets	Pro Forma
Revenue:					
Royalty income and working interest sales	199,850	20,000	176,000	(161,040)	234,810
Royalty expense	(5,666)	-	(9,000)	9,000	(5,666)
	194,184	20,000	167,000	(152,040)	229,144
Operating expense	18,992	-	20,000	(20,000)	18,992
Operating income	175,192	20,000	147,000	(132,040)	210,152

Notes to Pro Forma Operating Statement

1. Basis of Presentation

On April 14, 2015 Freehold Royalties Ltd. ("**Freehold**") entered into a purchase and sale agreement to acquire mineral title and royalty assets on certain producing and non-producing lands in Saskatchewan, Alberta and Manitoba ("**Mineral Title and Royalty Assets**"). In addition, on the same date, Freehold entered into a purchase and sale agreement to acquire a gross overriding royalty ("**Viking Royalty**") on certain lands in the Dodsland area of Saskatchewan in the Viking formation ("**Viking Royalty Assets**").

The accompanying unaudited pro forma operating statement has been prepared by the management of Freehold in accordance with accounting policies that are permitted by the International Financial Reporting Standards ("**IFRS**") and the financial reporting framework specified in subsection 3.14 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for acceptable accounting policies for pro forma financial statements. However, this operating statement is not in compliance with IFRS as certain notes and information have been omitted or condensed for the purpose of the pro forma operating statement.

The unaudited pro forma operating statement gives effect to the transactions as if they occurred on January 1, 2014. They may not be indicative of the results that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the results which may be obtained in the future.

The unaudited pro forma operating statement was derived based on:

- the audited consolidated financial statements of Freehold for the year ended December 31, 2014,
- the audited statement of royalty revenue for the Mineral Title and Royalty Assets for the year ended December 31, 2014,
- the audited operating statement for the Viking Royalty Assets for the year ended December 31, 2014,
- adjustment to the audited operating statement for the Viking Royalty Assets for the year ended December 31, 2014, which when combined with the operating statement will reflect the 8.5% gross overriding royalty to be created with the Viking Royalty,

The unaudited pro forma operating statement does not include any provision for depletion and depreciation, accretion of decommissioning liabilities, future capital costs, impairment of unevaluated properties, general and administrative costs, interest and financing costs or income taxes. Nor do they include the pro forma operating income prior to the closing date of July 16, 2014 of an agreement which created a gross overriding royalty on certain assets in the East Edson area of Alberta or the pro forma operating income from Freehold's May 2014 acquisition for the period from January 1 to May 1, 2014.

The unaudited pro forma operating statement has been prepared in accordance with applicable Canadian securities legislation.

2. Significant Accounting Policies

Revenue Recognition

Revenue is made up of royalty income, working interest sales and other income earned during the period. Royalty income and working interest sales represent the sale of crude oil, natural gas, natural gas liquids and other products. Revenue is recognized when title passes from Freehold, or the operator of Freehold's properties, to its customers. Royalty income and working interest sales are measured at the fair value, using estimates, per the terms of various royalty interest and working interest agreements. Actual results could differ as a result of using estimates and any differences are recorded in the period which actuals are received.

SCHEDULE "C"
OPERATING STATEMENT FOR THE MINERAL TITLE AND ROYALTY ASSETS FOR THE YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED), TOGETHER WITH THE NOTES THERETO AND THE AUDITORS' REPORTS ON THE OPERATING STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2014

Statement of

ROYALTY REVENUE

(the "Mineral Title and Royalty Assets")

For the year ended December 31, 2014 with unaudited comparative figures for the year ended December 31, 2013

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Penn West Petroleum Ltd.

We have audited the accompanying statement of royalty revenue for certain petroleum and natural gas properties (the "Mineral Title and Royalty Assets") for the year ended December 31, 2014, and notes, comprising of a summary of significant accounting policies and other explanatory information (together "the Statement").

Management's Responsibility for the Statement

Management of Penn West Petroleum Ltd. is responsible for the preparation of this Statement in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, for operating statements of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement for the year ended December 31, 2014 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

KPMG

Other Matter

The Statement for the year ended December 31, 2013, is unaudited.

KPMG LLP

Chartered Accountants

April 13, 2015
Calgary, Canada

MINERAL TITLE AND ROYALTY ASSETS

Statement of Royalty Revenue

		Year ended December 31		
				(unaudited)
(CAD millions)		2014		2013
Royalty revenue	$	20	$	18

See accompanying notes to the statement of royalty revenue.

MINERAL TITLE AND ROYALTY ASSETS

Notes to the Statement of Royalty Revenue

For the year ended December 31, 2014 with unaudited comparative figures for the year ended December 31, 2013

1. Basis of presentation:

The statement of royalty revenue reflects the lessor royalty revenue (on mineral titles) and gross overriding royalty revenue earned by the vendor on certain petroleum and natural gas properties for the years end December 31, 2014 and 2013 and accordingly, does not present the complete revenue and expenses related to these properties.

The statement of royalty revenue has been prepared from the records of the vendor and includes only the royalty revenue associated with the respective properties. The statement does not include any provision for depletion and depreciation, accretion of decommissioning obligations, future capital costs, impairment of the properties, general and administrative costs, and income taxes for the respective properties as these amounts are based on the consolidated operations of the vendor of which the royalty revenue forms only a part.

The statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52- 107 – *Acceptable Accounting Principles and Auditing Standards* for an operating statement of an acquired oil and gas property. The royalty revenue reported in the statement is stated in accordance with International Financial Reporting Standards (“IFRS”).

2. Significant accounting policies:

a) Revenue recognition:

Royalty revenue is recognized based on the terms of the respective royalty agreements and is recorded when earned and if collection is reasonably certain. Royalty revenue is generally recognized as the related commodities are produced and delivered to third parties and is based on the spot prices received by the operator of the property.

b) Joint interest operations:

The statement reflects only the royalty interest in the respective properties proposed to be acquired by the purchaser.

SCHEDULE "D"

OPERATING STATEMENT FOR THE VIKING ROYALTY ASSETS FOR THE YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED), TOGETHER WITH THE NOTES THERETO AND THE AUDITORS' REPORT ON THE OPERATING STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2014.

Operating Statement of the

DODSLAND PROPERTIES

(the "Viking Royalty Assets")

For the year ended December 31, 2014 with unaudited comparative figures for the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Penn West Petroleum Ltd.

We have audited the accompanying operating statement containing revenue, royalties, operating expenses and operating income of certain petroleum and natural gas properties in Dodsland (the "Viking Royalty Assets") for the year ended December 31, 2014, and notes, comprising of a summary of significant accounting policies and other explanatory information (together "the operating statement").

Management's Responsibility for the Operating Statement

Management of Penn West Petroleum Ltd. is responsible for the preparation of this operating statement of the Viking Royalty Assets in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 A*cceptable Accounting Principles and Auditing Standards,* for operating statements of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the operating statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the operating statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the operating statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the operating statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the operating statement of the Viking Royalty Assets for the year ended December 31, 2014 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

Other Matter

The operating statement of the Viking Royalty Assets for the year ended December 31, 2013, is unaudited.

KPMG LLP

Chartered Accountants

April 13, 2015
Calgary, Canada

VIKING ROYALTY ASSETS

Operating Statement for the Viking Royalty Assets

(CAD millions)	Year ended December 31 (unaudited) 2014	2013
Revenue		
Petroleum and natural gas	$ 176	$ 135
Royalty expense	(9)	(4)
	167	131
Expenses		
Operating	20	19
Operating income	$ 147	$ 112

See accompanying notes to the operating statement for the Viking Royalty Assets.

VIKING ROYALTY ASSETS

Notes to the Operating Statement for the Viking Royalty Assets

For the year ended December 31, 2014 with unaudited comparative figures for the year ended December 31, 2013

1. Basis of presentation:

The operating statement reflects the revenue, royalties, operating expenses and operating income of certain petroleum and natural gas properties in Dodsland (the "Viking Royalty Assets") for the year end December 31, 2014 and accordingly, does not present the complete revenue and expenses related to these properties.

The operating statement has been prepared from the records of the vendor of the Viking Royalty Assets and includes only working interest revenue, royalties and operating expenses of the Viking Royalty Assets. The statement does not include any provision for depletion and depreciation, accretion of decommissioning obligations, future capital costs, impairment of the properties, general and administrative costs, and income taxes for the Viking Royalty Assets as these amounts are based on the consolidated operations of the vendor of which the Viking Royalty Assets form only a part.

The operating statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52- 107 – *Acceptable Accounting Principles and Auditing Standards* for an operating statement of an acquired oil and gas property. The revenue, royalties, operating expenses and operating income reported in the operating statement are stated in accordance with International Financial Reporting Standards ("IFRS").

2. Significant accounting policies:

(a) Revenue recognition:

Petroleum and natural gas revenues are recognized when the commodities are delivered and title passes to the external third-party purchaser. Petroleum and natural gas revenues are based on spot prices. Revenues do not include any amounts from financial derivative contracts or hedging.

(b) Royalties:

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of the individual royalty agreements.

(c) Operating expenses:

Operating and transportation expenses include only those costs incurred at the wellhead together with the costs associated with the gathering, processing and delivery of the petroleum and natural gas to the point of sale.

(d) Joint interest operations:

The operating statement reflects only the proportionate interest in the properties proposed to be acquired by the purchaser.