

A preliminary short form prospectus containing important information relating to the common shares of Freehold has not yet been filed with the applicable Canadian securities regulatory authorities in each of the provinces of Canada, other than Québec. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this press release and expressed an interest in acquiring common shares. There will not be any sale or any acceptance of an offer to buy the common shares until a receipt for the final short form prospectus has been issued. This press release does not provide full disclosure of all material facts relating to the common shares. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the common shares, before making an investment decision.

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NEWS RELEASE

TSX: FRU

Freehold Royalties Ltd. Enters Into Agreement to Acquire Royalty Production and Mineral Title Lands for \$165 Million, Provides Increased 2016 Production Guidance and Announces Equity Financing

CALGARY, ALBERTA, (Marketwire – May 2, 2016) – Freehold Royalties Ltd. ("Freehold" or the "Company") (TSX:FRU) announced today that it has entered into a definitive agreement with Husky Energy Inc. ("Husky") to acquire an extensive suite of royalty production and lands (the "Husky Assets") for an aggregate purchase price of \$165 million, prior to normal closing adjustments (the "Transaction"). The effective date of the Transaction will be January 1, 2016 with closing expected to occur on or about May 25, 2016, subject to regulatory approval and certain other closing conditions.

The Transaction will be funded by a \$165 million bought deal equity financing (the "Public Offering") led by RBC Capital Markets, CIBC and TD Securities Inc. on behalf of a syndicate of underwriters plus a \$20 million concurrent private placement to CN Pension Trust Funds (as defined below) (the "Private Placement" and collectively, with the Public Offering, the "Financing").

Acquisition Highlights

- The acquisition of the Husky Assets will significantly enhance the Company's existing royalty asset base, adding an expected 1,700 boe/d (70% natural gas) of 2016 annualized royalty production and \$11.4 million of 2016 annualized operating income (62% from oil and natural gas liquids). The Transaction is expected to increase royalties as a percentage of 2016 funds from operations to 94%.
- Freehold's total fee lands will increase by 47% to approximately 1.0 million acres, while total royalty lands will increase by 74% to approximately 5.9 million acres. Freehold sees considerable upside through the addition of southeast Saskatchewan and Deep Basin assets while establishing a new key area in southwest Saskatchewan through the development of the Shaunavon oil trend.
- The Transaction is expected to be approximately 2% accretive to 2016 funds from operations per share (on an annualized basis excluding one-time G&A integration costs and based on 100% equity financing).
- Based on the equity financing details described below and our latest production guidance, Freehold's 2016 expected net debt to funds from operations and basic payout ratio (including DRIP proceeds) improves to an estimated 1.7 times and 82%, respectively.
- The Husky Assets' production base has a low decline of approximately 17% per year.
- Low counterparty risk is driven by a portfolio of well-established producers with a long history of development in Western Canada.

Increased 2016 Production Guidance

Assuming closing of the Transaction, Freehold has increased its 2016 average production guidance to 11,400 boe/d (previously 9,800 boe/d). The increase in production guidance reflects the additional production associated with the Husky Assets (approximately 1,000 boe/d in 2016 from the expected closing date of May 25, 2016 until the end of 2016) plus an increase in expected 2016 production (approximately 600 boe/d) associated with active drilling on our

royalty lands in the first quarter of 2016, lower than expected shut-in heavy oil volumes and positive prior period adjustments.

Freehold expects to release its Q1 2016 results after market on May 11, 2016, where it will provide further disclosure on operating and financial assumptions for 2016.

Acquisition Financing

Freehold has entered into an agreement with RBC Capital Markets, CIBC and TD Securities, on behalf of a syndicate of underwriters, to issue, on a bought deal basis, 14,286,000 common shares at a price of \$11.55 per share (the "Issue Price") for gross proceeds of approximately \$165 million pursuant to the Public Offering. Freehold has also granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 2,142,900 common shares at the Issue Price. The over-allotment option is exercisable by the underwriters, in whole or in part, at any time for a period of 30 days following the closing of the Public Offering.

Concurrent with the closing of the Public Offering, the pension trust funds for employees of Canadian National Railway Company ("CN Pension Trust Funds") intend to purchase approximately 1,732,000 common shares on a non-brokered private placement basis at the Issue Price for gross proceeds of approximately \$20 million pursuant to the Private Placement.

The aggregate gross proceeds to be raised by the Company pursuant to the Financing will be approximately \$185 million before giving effect to any exercise of the over-allotment option by the underwriters. If the underwriters exercise the over-allotment in full, the aggregate gross proceeds to be raised by the Company pursuant to the Financing will be approximately \$210 million.

Freehold expects to use the net proceeds from the Financing to complete the Transaction and the remainder to pay down a portion of its outstanding indebtedness.

Completion of the Financing is subject to certain conditions including customary regulatory and stock exchange approvals. In addition, the Public Offering will require that the Transaction close at or before the closing time of the Public Offering unless otherwise agreed to by the underwriters and Freehold. The common shares to be sold under the Public Offering will be offered in all provinces of Canada (excluding Quebec) by way of a short form prospectus. The closing of the Financing is expected to occur on or about May 25, 2016, but in any event before May 31, 2016.

Conference call

Freehold's management will hold a conference call and webcast on May 2, 2016 at 4:45 p.m. EST (2:45 p.m. MT) to present the Transaction.

Dial-in number:

- Toll-free participants call: **1-800-585-8367** **Conference ID: 5083233**

You may also listen via webcast at <http://www.gowebcasting.com/7540>

A transcript of the broadcast will be posted on the website once it becomes available.

The common shares offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Cautionary Statement Regarding Forward-Looking Information

This news release offers our assessment of Freehold's future plans and operations as at May 2, 2016 and contains forward-looking information including, without limitation, forward-looking information with regards to the expected terms and conditions of the Transaction, the expected timing for closing of the Transaction, the expected attributes and benefits to be derived by Freehold pursuant to the Transaction, expected 2016 average net daily production (including the gas weighting of such production) and expected 2016 annualized net operating income (including the amount of such net operating income expected to come from oil and natural gas liquids) from the Transaction, the expectation that Transaction will be accretive to Freehold's 2016 funds from operations, Freehold's expected 2016 net debt to funds from operations and basic payout ratio, the expectation that the Husky Assets will increase Freehold's total royalty income and production, expected annual declines on current production associated with the Husky Assets, the expectation that there is low counterparty risk associated with the Husky Assets, Freehold's expected

2016 net average production, the expected terms of the Public Offering and Private Placement, the expected use of proceeds from the Public Offering and Private Placement, and the expected timing of closing the Public Offering and Private Placement. This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, taxation, royalties, regulation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, our ability to access sufficient capital from internal and external sources, counterparties to transactions to satisfy their contractual obligations, third parties' ability and willingness to continue development of lands in which Freehold has an interest as expected, and risks inherent in the oil and gas industry. The closing of the Transaction, Public Offering and Private Placement could be delayed if Freehold or the other parties are not able to obtain the necessary regulatory and stock exchange approvals on the timelines anticipated. The Transaction, Public Offering and Private Placement may not be completed if these approvals are not obtained or some other condition to the closing of the Transaction is not satisfied. Accordingly, there is a risk that the Transaction, Public Offering and Private Placement will not be completed within the anticipated time or at all. The intended use of the net proceeds of the Public Offering and Private Placement by Freehold might change if the board of directors of Freehold determines that it would be in the best interests of Freehold to deploy the proceeds for some other purpose. In addition, if the Transaction does not close and Freehold and the underwriters decide to proceed with the Financing the use of the net proceeds from the Financing will be determined by the board of directors of Freehold. Risks are described in more detail in Freehold's annual information form for the year ended December 31, 2015 which is available under Freehold's profile on SEDAR at www.sedar.com.

With respect to forward looking information contained in this news release, we have made assumptions regarding, among other things; future oil and natural gas prices (for the purposes of the estimates in this news release we have assumed a West Texas Intermediate price of US\$40.00/barrel of oil, a Western Canada Select price of \$34.00/barrel of oil and an AECO natural gas price of \$1.80/Mcf); future capital expenditure levels; future production levels; future exchange rates (for the purposes of the estimates in this news release we have assumed an exchange rate of US\$0.77 for every CDN\$1.00); the costs of developing and producing our assets; our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities; our expectation for industry and industry partner drilling levels; our ability to obtain financing on acceptable terms; the performance of the Husky Assets and that the Transaction, the Public Offering and the Private Placement will close on the terms and within the timing expected.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained herein is expressly qualified by this cautionary statement. To the extent any guidance or forward looking statements herein constitute 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. 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.

You are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards 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.

Additional Canadian Generally Accepted Accounting Principles ("GAAP") Measures

This news release contains the term "funds from operations" which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities. Funds from operations, as presented, is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to net income or other measures of financial performance calculated in accordance with GAAP. We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to generate the necessary funds to fund capital expenditures, sustain dividends, and repay debt. We believe that such a measure provides a useful assessment of Freehold's operations on a continuing basis by eliminating certain non-cash charges. It is also used by research analysts to value and compare oil and gas companies, and it is frequently included in their published research when providing investment recommendations. 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. See Freehold's most recent management's discussion and analysis, which is available on SEDAR at www.sedar.com, for more details on Freehold's use of the term funds from operations.

Non-GAAP Financial Measures

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

Operating income, which is calculated as gross revenue less royalties and operating expenses, represents the cash margin for product sold. Net debt obligations is long-term debt less working capital (current assets less current liabilities). Net debt to funds from operations is calculated as net debt as a proportion of funds from operations for the previous twelve months. In addition, we refer to various per boe figures, such as revenues and costs, also considered non-GAAP measures, which provide meaningful information on our operational performance. We derive per boe figures by dividing the relevant revenue or cost figure by the total volume of oil and natural gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify its dividend levels in relation to the funds it receives and uses in its capital and operational activities. Basic payout ratio is calculated as dividends declared as a percentage of funds from operations.

See Freehold's most recent management's discussion and analysis, which available on SEDAR at www.sedar.com, for more details on Freehold's use of the terms operating income, net debt to fund from operations and basic payout ratio.

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

To provide a single unit of production for analytical purposes, natural gas production 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 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 6:1 conversion ratio may be misleading as an indication of value.

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