

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company

Freehold Royalties Ltd. ("**Freehold**" or the "**Corporation**")
400, 144 - 4th Avenue S.W.
Calgary, Alberta T2P 3N4

2. Date of Material Change

May 2, 2016

3. News Release

A news release disclosing in detail the information summarized in this material change report was issued by Freehold on May 2, 2016 and disseminated through the facilities of a recognized news service and would have been received by the securities commissions where Freehold is a reporting issuer in the normal course of its dissemination.

4. Summary of Material Change

On May 2, 2016 Freehold entered into a definitive agreement with certain affiliates of Husky Energy Inc. (collectively, the "**Vendor**") to acquire a suite of royalty production and lands (the "**Husky Assets**") for an aggregate purchase price of \$165 million, prior to normal closing adjustments (the "**Transaction**").

In connection with the Transaction, Freehold announced that it had entered into an agreement with a syndicate of underwriters to sell, on a bought deal basis, 14,286,000 common shares of the Corporation (the "**Common Shares**") at a price of \$11.55 per Common Share for gross proceeds of approximately \$165 million (the "**Offering**"). Freehold also granted the underwriters an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional 2,142,900 Common Shares at the same offering price, exercisable at any time up until the date that is 30 days following closing of the Offering.

Concurrent with the Offering, the pension trust funds for employees of Canadian National Railway Company ("**CN Pension Trust Funds**") intend to purchase 1,732,000 Common Shares at a price of \$11.55 per Common Share for gross proceeds of approximately \$20 million on a non-brokered private placement basis (the "**Concurrent Private Placement**" and, together with the Offering, the "**Financing**").

5. Full Description of Material Change

5.1 Full Description of Material Change

The Transaction

On May 2, 2016 Freehold entered into a definitive agreement with the Vendor to acquire the Husky Assets, which consist of certain royalty interests and fee lands in the Western Canadian Sedimentary Basin, for an aggregate purchase price of \$165 million, prior to customary closing adjustments. The Husky Assets include, amongst other interests, royalty interests and fee lands in

southeast Saskatchewan (with expected upside in the Bakken and Mississippian oil plays) and the Deep Basin of Alberta that are complementary to Freehold's existing assets. In addition, the Transaction establishes a new key area for Freehold in southwest Saskatchewan with over 400,000 acres prospective for the Shaunavon oil trend.

The Husky Assets are expected to increase the Corporation's total fee lands by 47% to approximately 1.0 million acres, while total royalty lands will increase by 74% to approximately 5.9 million acres. In addition, the Transaction is expected to increase royalties as a percentage of 2016 operating income from 93% to 94% and increase royalty weighting as a percentage of production from 78% to 80% in 2016. The Transaction will add an expected 1,700 boe/d (70% natural gas) of 2016 average annualized royalty production and \$11.4 million of 2016 annualized operating income (62% from oil and natural gas liquids).

Freehold believes that the Husky Assets include a diverse portfolio of long life, low decline assets with the potential of over 30 years of development. The Husky Assets are expected to have a low decline rate of approximately 17% per year in 2016. Freehold expects that there is limited counterparty risk associated with the Husky Assets as the top payors are well established producers with a long history of development within Western Canada. If the Transaction had occurred prior to December 31, 2015, Freehold expects that the Husky Assets would have materially increased the volumes of reserves and the related future net revenue of Freehold as at December 31, 2015 as reported in the annual information form of the Corporation dated March 3, 2016, which is available on SEDAR at www.sedar.com.

The purchase price of the Husky Assets will be satisfied by Freehold by paying \$163 million in cash and by transferring to the Vendor certain royalty interests and working interests in certain heavy oil properties in the Lloydminster area with a value of \$2 million. Freehold paid a deposit of \$10 million upon entering into the definitive agreement with the remaining cash consideration to be paid upon completion of the Transaction and subject to certain customary closing adjustments. If the Transaction does not close as a result of a failure by Freehold to fulfill its obligations in the definitive agreement, the deposit previously paid by Freehold may be forfeited to the Vendor.

Bought Deal Offering and Concurrent Private Placement

In connection with the Transaction, Freehold entered into an agreement with a syndicate of underwriters led by RBC Dominion Securities Inc., CIBC World Markets Inc. and TD Securities Inc. on their own behalf and on behalf of BMO Nesbitt Burns Inc., Scotia Capital Inc., AltaCorp Capital Inc., National Bank Financial Inc., Dundee Securities Ltd., Macquarie Capital Markets Canada Ltd., Barclays Capital Canada Inc. and Raymond James Ltd. (collectively, the "**Underwriters**") to sell, on a bought deal basis, 14,286,000 Common Shares at a price of \$11.55 per Common Share for gross proceeds of approximately \$165 million. Freehold also granted the Underwriters the Over-Allotment Option, which is exercisable at any time up until the date that is 30 days following closing of the Offering.

Concurrent with the Offering, CN Pension Trust Funds intend to purchase approximately 1,732,000 Common Shares at a price of \$11.55 per Common Share for gross proceeds of approximately \$20 million on a non-brokered private placement basis. CN Pension Trust Funds currently hold 23,405,528 Common Shares or approximately 24% of the currently issued and outstanding Common Shares. Following completion of the Offering and the Concurrent Private Placement, CN Pension Trust Funds is expected to own 25,137,528 Common Shares or 22%

(21% if the Over-Allotment Option is exercised in full) of the issued and outstanding Common Shares.

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 under its credit facilities.

Completion of the Financing is subject to certain conditions including customary regulatory and stock exchange approvals. In addition, the Offering will require that the Transaction close at or before the closing time of the Offering unless otherwise agreed to by the Underwriters and Freehold. The Common Shares to be sold under the 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.

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 material change 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.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

For further information, contact Darren Gunderson, Vice President, Finance and Chief Financial Officer, by telephone at (403) 221-0811 or Toll Free: 1-888-257-1873.

9. Date of Report

May 6, 2016

Cautionary Statement Regarding Forward-Looking Information

This material change report offers our assessment of Freehold's future plans and operations as at May 5, 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 annualized 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 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, the expected terms of the Offering and Concurrent

Private Placement, the expected use of proceeds from the Offering and Concurrent Private Placement, and the expected timing of closing the Offering and Concurrent 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, Offering and Concurrent 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, Offering and Concurrent 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, Offering and Concurrent Private Placement will not be completed within the anticipated time or at all. The intended use of the net proceeds of the Offering and Concurrent 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 material change report, we have made assumptions regarding, among other things; future oil and natural gas prices (for the purposes of the estimates in this material change report 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 material change report 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 Offering and the Concurrent 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.

Non-GAAP Financial Measures

Within this material change report, references are made to terms commonly used as key performance indicators in the oil and natural gas industry. We believe that "operating income" is a useful supplemental measure for management and investors to analyze operating performance and we use the term to facilitate the understanding and comparability of our results of operations and financial position. However, this term does not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("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. 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.

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 term operating income.

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.