

Management Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of May 11, 2021 and is management's opinion about the consolidated operating and financial results of Freehold Royalties Ltd. and its wholly-owned subsidiaries (collectively, Freehold or the Company) for the three months ended March 31, 2021 and previous period, and the outlook for Freehold based on information available as of the date hereof.

The financial information contained herein was based on information in the condensed consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), which are the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises. All comparative percentages are between the three months ended March 31, 2021 and 2020, and all dollar amounts are expressed in Canadian currency, unless otherwise noted. References to "US\$" are to United States (U.S.) dollars. This MD&A should be read in conjunction with the March 31, 2021 unaudited condensed consolidated financial statements and the December 31, 2020 audited consolidated financial statements and notes.

Additional information about Freehold, including its Annual Information Form for the year ended December 31, 2020 (AIF), can be found on SEDAR at www.sedar.com and on its website at www.freeholdroyalties.com.

This MD&A contains the following non-GAAP financial measures: **netback**, **payout ratio** and **cash costs**. These are useful supplemental measures to analyze operating performance, financial leverage, and liquidity, among others. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities. In addition, this MD&A contains forward-looking statements that are intended to help readers better understand our business and prospects. Readers are cautioned that the MD&A should be read in conjunction with our disclosure under "Non-GAAP Financial Measures" and "Forward-Looking Statements" included at the end of this MD&A.

Business Overview

Freehold is incorporated under the laws of the Province of Alberta and trades on the Toronto Stock Exchange under the symbol FRU. We receive revenue from oil and natural gas properties as reserves are produced over the life of the properties. Freehold's primary focus is acquiring and managing oil and natural gas royalties.

The Royalty Advantage

We manage one of the largest non-government portfolios of oil and natural gas royalties in Canada with an expanding land base in the United States, uniquely positioning Freehold as a North American royalty company. Our total land holdings encompass approximately 6.3 million gross acres in Canada and exposure to over 400,000 gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands (including royalty assumption lands), which we own in perpetuity, cover approximately 1.1 million acres (over 550,000 acres are undeveloped) and we have gross overriding royalty and other interests in approximately 5.2 million acres. Our U.S. acreage is comprised of more than 90% mineral title lands.

We have royalty interests in more than 12,000 producing wells and 350 units spanning five provinces and eight states and receive royalty income from over 350 industry operators throughout North America. Our revenues also include

potash, bonus consideration and lease rental streams that diversify our royalty revenue portfolio. Royalty rates vary from less than 1.0% (for some gross overriding royalties) to 22.5% (for some lessor royalties). Our North American land base lowers Freehold's risk, and as a royalty owner, Freehold benefits from the drilling activity of others without any capital investments.

As a royalty interest owner, Freehold does not pay any of the capital costs to drill and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, and ultimately restore the land to its original state. All of these costs are paid by others. Freehold receives royalty income from gross production revenue (revenue before any royalty expenses and operating costs are deducted) resulting in strong netbacks.

Freehold's Strategy

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

- **Creating Value**
 - Drive oil and gas development on our lands through our lease out program and royalty optimization
 - Acquire royalty assets with acceptable risk profiles and long economic life
 - Generate gross overriding royalties for revenue growth
- **Enhancing value**
 - Maximize Freehold's royalty interests through a comprehensive audit and compliance program
 - Manage our debt prudently with a target below 1.5 times net debt to funds from operations
- **Delivering value**
 - Target a dividend with a payout ratio of 60%-80%

Outlook

Business Environment

After enduring the most challenging year in recent memory, a period in which oil prices realized multi-decade lows, we saw a continued steady trending-up in crude oil prices during the first quarter of 2021. Key drivers behind the price improvement included voluntary cuts by Saudi Arabia through OPEC's supply management, improved economic sentiment associated with the roll-out of vaccines worldwide and lower U.S. oil and gas production.

Overall, West Texas Intermediate ("WTI") price averaged US\$57.81/bbl for Q1-2021, up 27% versus the same period in 2020. Within Canada, prices mirrored global benchmarks as Edmonton Light Sweet oil price averaged \$66.76/bbl, up 29% versus the same period in 2020. Western Canadian Select (WCS) prices averaged \$57.55/bbl, which marked a 69% increase when compared to the same period in 2020.

Looking forward, COVID-19 variants continue to pose a threat to short-term demand as many of the world's economies grapple with the ongoing impacts of the virus and subsequent lockdowns, even as vaccine deployment in developed countries accelerates. We expect the ongoing issues associated with the challenges of variants to represent a key headwind on demand in the near-term. On the supply front, OPEC is set to gradually restore production cuts at a pace of approximately 0.4 mmbbl/d in May through June, followed by an additional 0.5 mmbbl/d in July while also phasing out Saudi Arabia's voluntary production cut of 1.0 mmbbl/d, with no further detail

surrounding how quickly barrels will be brought online after this period. With oil prices rangebound between US\$55/bbl-US\$65/bbl, it is expected OPEC will remain committed to maintaining balance in the market.

On the natural gas front, fundamentals continue to remain constructive underpinned by underinvestment and a relatively well supported demand complex. Currently, the Energy Information Administration forecasts approximately 1.0 Bcf/d of undersupply through its North American outlook, which should see positive price support. Driven by a number of initiatives on the infrastructure side, we have also seen reduced volatility associated with the seasonality of natural gas prices which has improved the investment outlook. Over the quarter, AECO and NYMEX monthly contract prices averaged \$2.92/mcf and US\$3.50/mcf, respectively, up 37% and 84% versus the same period in 2020.

2021 Guidance Update

Our key assumptions for 2021 are as follows:

- We are maintaining our 2021 production guidance that has an average royalty production range of 10,500 boe/d to 11,000 boe/d. Royalty volumes are expected to be weighted approximately 55% oil and NGL's and 45% natural gas.
- We are increasing our WTI price assumption from US\$50.00/bbl to US\$55.00/bbl to reflect improved supply demand fundamentals and the continued roll-out of COVID-19 vaccinations throughout North America.
- We have increased our WCS price assumption from \$58.00/bbl to \$63.00/bbl.

2021 Annual Average		May 11, 2021	Mar. 4, 2021
Production	boe/d	10,500 - 11,000	10,500 - 11,000
West Texas Intermediate crude oil	US\$/bbl	55.00	50.00
Edmonton Light Sweet crude oil	Cdn\$/bbl	63.00	58.00
AECO natural gas	Cdn\$/Mcf	2.50	2.75
Exchange rate	US\$/Cdn\$	0.79	0.79

U.S. Royalty Acquisitions

On January 5, 2021, Freehold acquired U.S. royalty properties for US\$58.3 million (\$74.3 million) after customary adjustments. This acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins. 2021 production associated with these acquired assets is forecast at 1,250 boe/d.

Freehold also closed three additional U.S. royalty transactions in Q1-2021, complementing our positions in the Bakken and Permian basins. Total consideration associated with these transactions was approximately US\$3.9 million (\$4.9 million) and the assets are estimated to add 85 boe/d to 2021 average production.

As a result of these Q1-2021 U.S. acquisitions and the significant reduction in working interest production, Freehold evaluated its reportable segments and determined them based on the underlying operations' geographic locations:

- **Canada** includes exploration and evaluation assets and the petroleum and natural gas interests in Western Canada

- **U.S.** includes petroleum and natural gas interest held in the Permian, Eagle Ford, Haynesville and Bakken basins primarily located in the states of Texas, Louisiana, and North Dakota.

As a result, segmented disclosure by geographical location is presented throughout this MD&A.

Operating and Financial Results

FINANCIAL (\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Royalty and other revenue	\$ 36,745	\$ 26,284	40%
Net income (loss)	\$ 5,635	\$ (9,022)	nm
Per share, basic (\$) ⁽¹⁾	\$ 0.04	\$ (0.08)	nm
Cash flows from operations	\$ 24,990	\$ 30,883	-19%
Funds from operations	\$ 32,421	\$ 20,248	60%
Per share, basic (\$) ⁽¹⁾	\$ 0.25	\$ 0.17	47%
Acquisitions and related expenditures	\$ 79,782	\$ 5,370	nm
Dividends paid	\$ 7,633	\$ 18,683	-59%
Per share (\$) ⁽²⁾	\$ 0.06	\$ 0.1575	-63%
Dividends declared	\$ 9,201	\$ 18,685	-51%
Per share (\$) ⁽²⁾	\$ 0.07	\$ 0.1575	-56%
Payout ratio (%) ⁽³⁾	24%	92%	-68%
Long term debt	\$ 96,000	\$ 103,000	-7%
Net debt	\$ 64,797	\$ 101,833	-36%
Shares outstanding, period end (000s)	131,463	118,664	11%
Average shares outstanding (000s) ⁽¹⁾	130,874	118,623	10%
OPERATING			
Light and medium oil (bbl/d)	3,811	3,936	-3%
Heavy oil (bbl/d)	1,045	1,300	-20%
NGL (bbl/d)	1,065	896	19%
Total liquids (bbl/d)	5,921	6,132	-3%
Natural gas (Mcf/d)	30,132	29,361	3%
Total production (boe/d) ⁽⁴⁾	10,944	11,026	-1%
Oil and NGL (%)	54	56	-2%
Average price realizations (\$/boe) ⁽⁴⁾	\$ 37.31	\$ 26.20	42%
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	\$ 4.37	\$ 5.74	-24%
Netback (\$/boe) ⁽³⁾⁽⁴⁾	\$ 32.94	\$ 20.46	61%

nm – not meaningful

(1) Weighted average number of shares outstanding during the period, basic

(2) Based on the number of shares issued and outstanding at each record date

(3) See Non-GAAP Financial Measures

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

Operating and Financial Highlights:

- Royalty and other revenue totaled \$36.7 million in Q1-2021, up 40% from the same period in 2020 as positive momentum in crude oil prices improved revenue. Royalty and other revenue was comprised of 80% oil and natural gas liquids (NGL's), a decrease from the 83% in Q1-2020, driven by significant increases in natural gas benchmark pricing.
- Funds from operations in Q1-2021 totaled \$32.4 million or \$0.25 per share, up 60% in total from \$20.2 million or \$0.17 per share in Q1-2020. These increases versus the same period last year reflected improved commodity pricing and lower cash costs.
- Q1-2021 production averaged 10,944 boe/d, a 1% decrease versus the same period in 2020 as added volumes from the recent U.S. acquisitions largely offset reduced full year 2020 Canadian third-party royalty drilling activity.
- Oil and NGL's volumes represented 54% of Q1-2021 production, down slightly from 56% during the same period in 2020 as last year's reduced drilling activity, which is generally oil focused, did not offset declines.
- Wells drilled on our royalty lands totaled 111 (3.9 net) in the quarter, compared to 175 (6.2 net) in Q1-2020. Activity was focused primarily in the Viking, Clearwater, Cardium and Sparky formations in Canada, targeting liquids prospects. In the U.S., activity levels met expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins.
- Dividends declared for Q1-2021 totaled \$9.2 million (\$0.07 per share), down 51% in total versus the same period in 2020 when Freehold declared dividends of \$18.7 million (\$0.1575 per share). Our dividend payout ratio⁽¹⁾ for Q1-2021 was 24%. As commodity prices and production volumes on our royalty lands have improved, our funds from operations have recovered strongly resulting in a payout ratio⁽¹⁾ of less than our targeted 60% floor.
- Freehold completed four U.S. royalty acquisitions totaling US\$62.2 million (\$79.2 million) after customary adjustments, with these assets estimated to add 1,335 boe/d to 2021 average production.
- Exchanged 12.6 million subscription receipts for an equivalent number of Freehold's common shares for gross proceeds of \$60.7 million upon closing of a U.S. royalty acquisition.
- Freehold extended its revolving credit facility with an unchanged committed revolving facility at \$165 million and the operating facility at \$15 million maturing March 31, 2024.

(1) See Non-GAAP Financial Measure

Financial and Operating Results

Drilling Activity

In total, 111 (3.9 net) wells were drilled on our royalty lands in Q1-2021, a 37% decline on a gross measure versus the same period in 2020 but flat when compared to Q4-2020. Reduced activity was driven by a broad reduction in overall industry spending across both Canada and the U.S. With the upward move in crude oil prices, we have seen activity increase on Freehold's royalty lands with approximately 10 rigs (six in Canada, four in the U.S.) running on our royalty lands currently.

In Q1-2021, approximately 75% of all locations on Freehold's Canadian assets targeted gross overriding royalty prospects with 25% focused on prospects on Freehold's mineral title lands. 50% of all locations drilled targeted prospects in Saskatchewan, with the remainder focused in Alberta. The vast majority of wells drilled (>90%) focused on oil or liquids prospects.

The Clearwater oil play in central Alberta, where Freehold holds an interest in approximately 200 sections of land at an average 4.0% royalty interest, represented Freehold's most active area over the quarter. The increase in activity reflected a change in operator late last year and subsequent ramp-up in that operator's spending on the lands. We expect this area to represent a key growth area for Freehold in the near to medium term with the play offering strong economics at current commodity price levels.

In addition, we saw consistent drilling activity in the Viking in southwest Saskatchewan, the Cardium in northwest Alberta and the Sparky in central Alberta over the quarter. These areas remain core in terms of growth and execution of strategy for the producers developing them and we expect activity levels to remain strong.

In the U.S., activity levels on Freehold's mineral title lands have met expectations with the majority of the focus on light oil prospects targeting the Permian and Eagle Ford basins. Overall, 18 gross wells were drilled on our U.S. royalty lands over the quarter with between 4-5 rigs continuing to drill on our lands. The acquisition of additional U.S. royalty production and royalty lands in Q1-2021 has further diversified and enhanced Freehold's asset base, bringing added sustainability to its portfolio and dividend.

Royalty Interest Drilling

	Three Months Ended March 31			
	2021		2020	
	Gross	Net ⁽¹⁾	Gross	Net ⁽¹⁾
Canada	93	3.8	175	6.2
United States	18	0.1	-	-
Total	111	3.9	175	6.2

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

Production

Freehold's total production averaged 10,944 boe/d during Q1-2021, a 1% decrease over Q1-2020. Modestly reduced volumes versus the same period in 2020 reflected natural declines and reduced 2020 third-party drilling additions but mostly offset by recent acquisition activity.

Our production mix through the first three months of 2021 was 35% light and medium oil, 9% heavy oil, 10% NGL and 46% natural gas. Working interest production for Q1-2021 was 92 boe/d versus 408 boe/d during Q1-2020.

Production Summary

(boe/d)	Three Months Ended March 31		
	2021	2020	Change
Canada	9,659	10,776	-10%
United States	1,285	250	414%
Total	10,944	11,026	-1%

Average Daily Production by Product Type

	Three Months Ended March 31		
	2021	2020	Change
Light and medium oil (bbl/d)	3,811	3,936	-3%
Heavy oil (bbl/d)	1,045	1,300	-20%
NGL (bbl/d)	1,065	896	19%
Natural gas (Mcf/d)	30,132	29,361	3%
Total production (boe/d)	10,944	11,026	-1%
Number of days in period (days)	90	91	
Total volumes during period (Mboe)	985	1,003	-2%

Canada

Canadian production averaged 9,659 boe/d during Q1-2021, comprised of 53% oil and NGL's. Volumes were down 10% versus the same period in 2020 reflecting natural declines not fully offset by reduced drilling activity during 2020 in Canada.

Canadian Average Daily Production by Product Type

	Three Months Ended March 31		
	2021	2020	Change
Light and medium oil (bbl/d)	3,210	3,733	-14%
Heavy oil (bbl/d)	1,045	1,300	-20%
NGL (bbl/d)	894	895	0%
Natural gas (Mcf/d)	27,054	29,087	-7%
Canadian production (boe/d)	9,659	10,776	-10%

U.S.

U.S. production, representing 12% of total volumes, averaged 1,285 boe/d during Q1-2021, up 414% versus the same period in 2020. Increased volumes reflect acquisitions completed in 2021. This increase was partially offset by an estimated reduction of 47 boe/d in Q1-2021 due to cold weather related shut-in's in the southern U.S. that had fully recovered by early March.

U.S. Average Daily Production by Product Type

	Three Months Ended March 31		
	2021	2020	Change
Light and medium oil (bbl/d)	601	203	196%
NGL (bbl/d)	171	1	nm
Natural gas (Mcf/d)	3,078	274	1023%
United States production (boe/d)	1,285	250	414%

Product Prices

The price we receive for Canadian produced oil is primarily driven by the U.S. dollar price of WTI, adjusted for the value of the Canadian dollar relative to the U.S. dollar. WTI averaged US\$57.81/bbl in Q1-2021, 27% higher versus the same period in 2020. With the material Q1-2021 U.S. royalty acquisitions, Freehold's realized price has improved, as U.S. production sells closer to WTI and NYMEX benchmarks compared to the discounted pricing received from Canadian production.

In Canada, Edmonton Light Sweet prices averaged \$66.76/bbl, 29% higher versus the same period in 2020. WCS prices averaged \$57.55/bbl during Q1-2021, 69% higher versus the same period in 2020. AECO daily average natural gas prices averaged \$2.92/mcf, 37% higher versus the same period in 2020.

Average Benchmark Prices

	Three Months Ended March 31		
	2021	2020	Change
West Texas Intermediate crude oil (US\$/bbl)	\$ 57.81	\$ 45.65	27%
Exchange rate (US\$/Cdn\$)	\$ 0.79	\$ 0.74	7%
Edmonton Light Sweet crude oil (Cdn\$/bbl)	\$ 66.76	\$ 51.77	29%
Western Canadian Select crude oil (Cdn\$/bbl)	\$ 57.55	\$ 34.02	69%
Nymex natural gas (US\$/Mcf)	\$ 3.50	\$ 1.90	84%
AECO monthly contract natural gas (Cdn\$/Mcf)	\$ 2.92	\$ 2.13	37%

Our average selling prices reflect product quality and transportation differences from benchmark prices. On a boe basis, our average selling price was \$37.31/boe in Q1-2021, 42% higher than the same period in 2020.

Average Realized Prices Summary

	Three Months Ended March 31		
	2021	2020	Change
Oil (\$/bbl)	\$ 59.16	\$ 41.39	43%
NGL (\$/bbl)	\$ 37.56	\$ 27.07	39%
Oil and NGL (\$/bbl)	\$ 55.28	\$ 39.30	41%
Natural gas (\$/Mcf)	\$ 2.61	\$ 1.44	81%
Oil equivalent (\$/boe)	\$ 37.31	\$ 26.20	42%

Canada

Freehold's average selling price realized in Canada was \$37.08/boe during Q1-2021, up 48% versus the same period in 2020. Oil and NGL's in Canada averaged \$55.20/bbl, up 43% when compared to Q1-2020. The average realized Canadian natural gas price was \$2.55/mcf, up 80% when compared the same period in 2020.

Canadian Average Realized Prices

	Three Months Ended March 31		
	2021	2020	Change
Oil (\$/bbl)	\$ 58.20	\$ 40.70	43%
NGL (\$/bbl)	\$ 40.90	\$ 27.07	51%
Oil and NGL (\$/bbl)	\$ 55.20	\$ 38.64	43%
Natural gas (\$/Mcf)	\$ 2.55	\$ 1.42	80%
Oil equivalent (\$/boe)	\$ 37.08	\$ 25.05	48%

U.S.

Freehold's average selling price realized in the U.S. was \$39.01/boe during Q1-2021, down 16% versus the same period in 2020 as the recent U.S. acquisitions had a higher natural gas component which has a relatively lower price in comparison to liquids. Oil and NGL's in the U.S. averaged \$55.81/bbl, up 9% when compared to Q1-2020. The average realized U.S. natural gas price was \$3.17/mcf, down 20% when compared the same period in 2020.

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

	Three Months Ended March 31		
	2021	2020	Change
Oil (\$/bbl)	\$ 65.95	\$ 51.34	28%
NGL (\$/bbl)	\$ 20.15	\$ 25.28	-20%
Oil and NGL (\$/bbl)	\$ 55.81	\$ 51.25	9%
Natural gas (\$/Mcf)	\$ 3.17	\$ 3.97	-20%
Oil equivalent (\$/boe)	\$ 39.01	\$ 46.23	-16%

Credit Risk Management

Freehold's royalty lands consist of a large number of properties with generally small volumes per property. Many of Freehold's leases and royalty agreements allow it to take its share of oil and natural gas in-kind. As part of Freehold's credit risk mitigation program, Freehold's dedicated Compliance group carefully monitors its royalty receivables and may choose to take its royalty in-kind if there are benefits in doing so. Currently Freehold takes-in-kind and markets approximately 14% of its total royalty production using 30-day contracts. This compares to 13% in Q1-2020, as with the retreat in commodity prices during 2020, Freehold has taken a more active approach to mitigating risk within its Canadian portfolio while it continues to evaluate credit risk associated with its recently expanded U.S. operations.

As the business environment has become more challenged with COVID-19, Freehold's dedicated Compliance group has further increased its scrutiny in its review of potential counterparty risk amongst its payors. Historically Freehold has not experienced significant collection issues.

Royalty and Other Revenue

Royalty and other revenue of \$36.7 million in Q1-2021 was 40% higher when compared to Q1-2020, mostly attributed to higher realized prices including improved U.S. based commodity pricing following the recent U.S. acquisitions. Oil and NGL's represented approximately 80% of royalty and other revenue.

Royalty and Other Revenue Summary

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Canada	\$ 32,232	\$ 25,332	27%
United States	4,513	952	374%
Royalty and other revenue	\$ 36,745	\$ 26,284	40%
Per boe (\$)	\$ 37.31	\$ 26.20	42%

Royalty and Other Revenue by Category

(\$000s)	Three Months Ended March 31		
	2021	2020	Change
Royalty revenue	\$ 36,862	\$ 26,038	42%
Bonus consideration, lease rentals, and other	152	351	-57%
	\$ 37,014	\$ 26,389	
Production taxes	(269)	(105)	156%
Royalty and other revenue	\$ 36,745	\$ 26,284	40%

Royalty and Other Revenue by Type

(\$000s)	Three Months Ended March 31		
	2021	2020	Change
Oil	\$ 25,859	\$ 19,723	31%
Natural gas	7,088	3,848	84%
Natural gas liquids	3,599	2,208	63%
Potash	316	259	22%
Bonus consideration, lease rentals, and other	152	351	-57%
	\$ 37,014	\$ 26,389	
Production taxes	(269)	(105)	156%
Royalty and other revenue	\$ 36,745	\$ 26,284	40%

Operating Expenses

Operating expenses consists of expenses associated with Freehold's Canadian working interest production activities. Freehold does not incur operating expenses on production from its royalty lands.

Operating expenses were down 84% Q1-2021 versus the same period in 2020 on both a total and per boe basis. These decreases versus the same period in 2020 were the result of working-interest disposition activity.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Operating expenses	\$ 155	\$ 988	-84%
Per boe (\$)	0.16	0.98	-84%

General and Administrative

Freehold has land administration, accounting, and auditing requirements to administer and collect royalty payments, including systems to track development activity on its royalty lands. General and administrative (G&A) expense include directly billed costs in addition to costs incurred by Rife Resources Management Ltd. (the Manager) and allocated to Freehold (see Related Party Transactions).

In Q1-2021, G&A expenses totaling \$3.2 million were down 14% versus same period in 2020. On a total production per boe basis, Q1-2021 G&A expense of \$3.27/boe was a decrease of 12% versus the same period in 2020. G&A expense in Q1-2021 was lower than the same period in 2020 due to staffing level reductions throughout 2020 in response to weakening crude oil pricing associated with the COVID-19 pandemic.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
General and administrative expenses before capitalized and overhead recoveries	\$ 3,734	\$ 4,273	-13%
Less: capitalized and overhead recoveries	(509)	(526)	-3%
General and administrative expenses	\$ 3,225	\$ 3,747	-14%
Per boe (\$)	3.27	3.73	-12%

Interest and Financing

Q1-2021 interest and financing expense decreased compared to the same period in 2020, due to both lower average debt levels and interest rates, partially offset by fees from amending Freehold's credit facility agreement. The average effective interest rate on advances under our credit facilities in the current quarter was 2.1% (Q1-2020 – 3.6%).

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Interest on long term debt and financing fees	\$ 923	\$ 1,029	-10%
Non-cash interest expense ⁽¹⁾	57	65	-12%
Interest and finance expense	\$ 980	\$ 1,094	-10%
Per boe (\$)	0.99	1.09	-9%
Per boe - cash expense (\$)	0.94	1.03	-9%

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

Netback⁽¹⁾

Freehold's netback⁽¹⁾ totaled \$32.94/boe during Q1-2021, a 61% increase versus the same period in 2020. The increased netback includes improved crude oil prices and reduced cash costs⁽¹⁾ that in total decreased from \$5.7 million to \$4.3 million. As part of ongoing efforts to rationalize our portfolio with higher netback production, Freehold sold most of its remaining working interest production in 2020. Combined with lower G&A and cash-based interest charges, cash costs⁽¹⁾ were down 25% and 24%, respectively, on a total and on a boe basis. The netback⁽¹⁾ allows Freehold to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods.

(\$/boe)	Three Months Ended March 31		
	2021	2020	Change
Royalty and other revenue	\$ 37.31	\$ 26.20	42%
Operating expense	(0.16)	(0.98)	-84%
General and administrative	(3.27)	(3.73)	-12%
Interest and financing cash expense	(0.94)	(1.03)	-9%
Cash costs ⁽¹⁾	(4.37)	(5.74)	-24%
Netback ⁽¹⁾	\$ 32.94	\$ 20.46	61%

(1) See Non-GAAP Financial Measures

Share-Based Compensation

Share-based compensation expenses associated with Freehold's award and deferred share unit plans was \$1.7 million in Q1-2021 versus \$39 thousand during the same period in 2020. This increase was due to a higher Freehold share price at March 31, 2021 compared to at March 31, 2020, at which time the comparative period's share price was significantly affected by lower commodity pricing associated with the initial market reaction to the COVID-19 pandemic. This also resulted in recoveries in the comparative period of previously expensed share-based compensation.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Share-based compensation	\$ 1,668	\$ 39	nm
Per boe (\$)	1.69	0.04	nm

Award Plan

Freehold's award plan is share based and cash settled and consists of grants of performance share units (PSUs) and restricted share units (RSUs).

Share-based compensation expense is based on Freehold's share price, the number of share-based awards outstanding at each period end, a notional adjustment for paid dividends and an estimated forfeiture rate. Compensation expense is recognized over the vesting period. For the PSU's there is also a performance multiplier of 0 to 2 times based upon 50% of an absolute total shareholder return and 50% on a relative total shareholder return over a three-year period.

There were no grants pursuant to the award plan during Q1-2021 and as a result 686,792 PSUs and RSUs were outstanding at both March 31, 2021 and December 31, 2020. Subsequent to March 31, 2021, PSUs and RSUs vested and were granted resulting in 959,239 outstanding PSUs and RSUs at May 11, 2021.

Deferred Share Unit Plan

Pursuant to our deferred share unit plan, fully-vested deferred share units (DSUs) are granted annually in the first quarter to non-management members of Freehold's Board of Directors (the Board). At the Board's discretion, outstanding DSUs are redeemable for either an equal number of Freehold common shares or cash in lieu of the equivalent fair value of such shares upon the member's retirement. Dividends paid on Freehold's common shares prior to redemption of DSUs are equated to a fair value which is then reinvested on behalf of the member in additional DSU's. The Board does not currently have a stated intent whether such future settlements of DSUs will be cash or equity-settled but because they have the ability to settle such transactions at their discretion through issuing common shares, this plan continues to be classified as equity-settled.

During Q1-2021, Freehold granted a total of 95,874 DSUs to members of the Board as part of their annual compensation resulting in 425,001 outstanding DSUs at March 31, 2021 (May 11, 2021 – 426,636 outstanding DSUs).

Depletion, Depreciation and Other

Petroleum and natural gas interests, including acquisitions costs, future development costs (if any) and directly attributable general and administrative costs, are depleted on the unit-of-production method based on estimated proved and probable petroleum and natural gas reserves. The improved depletion rate per boe in Q1-2021 of \$20.89 per boe, compared to the same quarter in 2020, is due largely to Freehold's recent U.S. royalty income asset acquisitions that lowered the overall rate. This lower rate resulted in an overall decrease in depletion, depreciation and other of \$20.6 million in Q1-2021 compared to the same quarter in 2020.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Depletion, depreciation and other	\$ 20,576	\$ 22,826	-10%
Per boe (\$)	20.89	22.75	-8%

Unrealized Foreign Exchange Loss

During Q1-2021, intercompany balances from Freehold's Canadian parent to its U.S. subsidiary increased largely associated with the Q1-2021 acquisitions of U.S. royalty properties. These balances eliminate on consolidation and are revalued at the relevant foreign exchange rate at each period end. Revaluation of the intercompany balances by the Canadian parent is recognized as unrealized foreign exchange whereas revaluation by the U.S. subsidiary is recognized within other comprehensive income due to different functional currencies between the parent and the U.S. subsidiary.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Unrealized foreign exchange loss	\$ 1,912	\$ -	nm
Per boe (\$)	1.94	-	nm

Impairment

At March 31, 2021, there were no indicators of impairment on Freehold's United States and Canadian Royalty cash generating units (CGUs) or impairment reversal on the Working Interest CGU. As a result, no impairment or impairment reversal testing was conducted. During the comparative period, there was an impairment charged against the Working Interest CGU of \$9.6 million as its carrying value exceeded its estimated value in use.

Management Fee

The Manager receives a quarterly management fee paid with Freehold common shares. In 2021, the management fee is capped at the equivalent of 27,500 Freehold common shares per quarter, with the fee gradually decreasing to the equivalent of 5,500 common shares per quarter by 2023 as per the table below:

	2021	2022	2023 and thereafter
Quarterly share payment	27,500	13,750	5,500

The management fee was up 64% in Q1-2021 versus Q1-2020, due to an increase in Freehold's share price trading higher.

	Three Months Ended March 31		
	2021	2020	Change
Shares issued for management fees	27,500	41,250	-33%
Ascribed value (\$000s) ⁽¹⁾	\$ 199	\$ 121	64%
Closing share price (\$/share)	7.25	2.94	147%
Per boe (\$)	0.20	0.12	67%

(1) The ascribed value of the management fees is based on Freehold's closing common share price at the end of each quarter

Income Tax

Freehold's taxable income is based on revenues (which will vary depending on commodity prices and production volumes) less deductible expenses, including tax pool deductions. For both Q1-2021 and the same period in 2020, Freehold had no current federal income tax expense because it had sufficient tax pool deductions. In Q1-2021, Freehold had a deferred tax expense of \$2.4 million because its estimated tax deductions exceeded its reported expenses. It was the inverse situation in Q1-2020 resulting in a \$3.1 million recovery.

CRA Reassessments

As previously reported, Freehold's corporate income tax filings for 2015, 2018, and 2019 were reassessed by the Canada Revenue Agency (CRA) in 2020 (the Reassessments). Pursuant to the Reassessments, deductions of \$92.6 million of non-capital losses (NCLs) by Freehold were denied, resulting in reassessed taxes, interest, and penalties totaling \$29.3 million, in addition to a denial of \$129.9 million of carried forward NCLs. Freehold previously filed its objection of the Reassessments which required deposits totaling \$14.7 million that have been provided to the CRA.

Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, management remains of the opinion that all tax filings to date were filed correctly and that it expects to be successful in its objection of these Reassessments and therefore the payment of these deposits held by the CRA should be refunded, plus interest, and the denied NCLs should be reinstated. The CRA has yet to assign an appeal officer to these Reassessments and there was no additional information that came to the Company's attention through to the date of this MD&A.

Net Income (Loss) and Comprehensive Income (Loss)

In Q1-2021 Freehold had net and comprehensive income of \$5.6 million compared with net and comprehensive losses of \$9.0 million in Q1-2020. These increases were due to higher commodity pricing reflecting significant improvement in crude oil benchmark pricing combined with a weighted average shift to stronger U.S. based pricing, a lower cost structure and the absence of an impairment charge as reported in the comparative quarter.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Net income (loss)	\$ 5,635	\$ (9,022)	nm
Per share, basic and diluted (\$)	0.04	(0.08)	nm
Comprehensive income (loss)	\$ 5,610	\$ (8,962)	nm

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk

characteristics of our assets. We have a depleting asset base, and ongoing acquisitions and third party development activities are necessary to replace production and extend reserve life. From time to time, we may issue shares to manage current and projected debt levels or finance acquisitions.

Operating Activities

Cash Flow from Operating Activities and Funds from Operations

Funds from operations for Q1-2021 increased 60% to \$32.4 million and \$0.25/share from \$20.2 million and \$0.17/share in the same quarter in 2020. This increase was due to higher royalty production resulting from Freehold's recent acquisitions of U.S. royalty properties, higher commodity pricing reflecting significant improvement in crude oil benchmark pricing combined with both a weighted average shift to stronger U.S. based pricing and a lower cost structure. Similarly, on a per share basis, Q1-2021 funds from operations increased 47% compared to the same period in 2020.

With improved revenues in Q1-2021 reflecting higher pricing and royalty production, correspondingly Freehold has a higher accounts receivable balance that resulted in lower reported cash flow from operations as it includes changes in working capital.

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to fund acquisitions, 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. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income (loss) per share.

(\$000s, except as noted)	Three Months Ended March 31		
	2021	2020	Change
Cash flow from operations	\$ 24,990	\$ 30,883	-19%
Funds from operations	\$ 32,421	\$ 20,248	60%
Per share (\$)	\$ 0.25	\$ 0.17	47%

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund acquisitions and related expenditures and/or reduce bank indebtedness. In the oil and gas industry, accounts receivable from industry partners are typically settled in the following month. However, due to royalty administration, payments to royalty owners are often delayed longer. Also, working capital can fluctuate significantly due to volume and price changes at each period end and asset and liability reclassifications.

Working capital at March 31, 2021 was \$31.2 million, higher by \$4.0 million from year-end 2020. This increase reflects the Q1-2021 acquisitions of U.S. royalty properties and their associated revenues and higher commodity pricing partially offset by the reduction of prepaid costs associated with share issue or acquisition costs.

(\$000s)	At March 31	At December 31	Change
	2021	2020	
Current assets	\$ 41,020	\$ 95,086	-57%
Current liabilities	(9,817)	(67,851)	-86%
Working capital	\$ 31,203	\$ 27,235	15%

Investing Activities

Acquisitions

In Q1-2021 Freehold incurred \$79.8 million of acquisition and related expenditures.

During January 2021, Freehold acquired U.S. royalty properties for US\$58.3 million (\$74.3 million) after customary adjustments. The acquisition included exposure to approximately 400,000 gross drilling unit acres of mineral title and overriding royalty interests across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins.

Freehold also completed another three acquisitions in Q1-2021 for certain U.S. royalty assets for US\$3.9 million (\$4.9 million) estimated to add 85 boe/d to 2021 average production. These additional U.S. royalty acquisitions complemented our positions in the Bakken and Permian basins.

These U.S. royalty transactions were included in the U.S. royalty cash generating unit and treated as asset acquisitions resulting in the purchase prices being reported as petroleum and natural gas interests as supported by estimated cash flows.

Financing Activities

Long-Term Debt

In March 2021, Freehold amended its credit facility agreement with a syndicate of four Canadian chartered banks maintaining the committed revolving facility at \$165 million and the operating facility at \$15 million. The amended credit facility agreement includes a permitted increase in the revolving facility to \$215 million, subject to lenders' consent. Both the committed revolving and operating facilities mature March 31, 2024. At March 31, 2021, \$96 million was drawn on these facilities (December 31, 2020 - \$93 million). This increase is due to the recent acquisitions of U.S. royalty properties. The credit facilities are secured with a \$400 million first charge demand debentures over all of Freehold's Canadian royalty income assets and fixed charge mortgage securities on U.S. royalty income assets with associated proved developed producing reserves.

The credit agreement contains two financial covenants: (i) 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 (the actual ratio was 1.1 times at March 31, 2021) and (ii) the second financial covenant is that the long-term debt to capitalization (the aggregate of long-term debt and shareholders' equity) percentage shall not exceed 55% (the actual percentage was 12% at March 31, 2021). In addition, Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations. As a result of significant economic uncertainties that exist around the impact of COVID-19, actual operating results may vary from Freehold's current best estimate.

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 ratios of Freehold's long-term debt to EBITDA on royalty interest properties (see Financing and Interest).

At March 31, 2021 and December 31, 2020, the fair values of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market rates.

Net Debt

In Q1-2021, net debt decreased by \$1.0 million to \$64.8 million from \$65.8 million at year-end mainly as a result of funds flow from operations exceeding the debt financed portion of our recent U.S. royalty acquisitions and declared dividends.

At March 31, 2021, Freehold's net debt to trailing funds from operations ratio improved to 0.8 times (Q4-2020 – 0.9 times) and well within our net debt strategy target of below 1.5 times. This ratio is a financial leverage measure that reflects cash available to pay back our debts. It represents the number of years it would take Freehold to reduce its net debt to zero if funds from operations was held constant and there were no other cash outflow obligations required such as dividends and acquisitions, among others.

Freehold defines capital (and capitalization) as net debt plus shareholders' equity. The net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. Freehold's low financial risk ratio of 8% at March 31, 2021 (December 31, 2020 – 9%) reflects the Q1-2021 increase in share capital resulting from the conversion of subscription receipts in exchange for an equivalent number of shares.

Debt Analysis

(\$000s)	At March 31 At December 31		
	2021	2020	Change
Long-term debt	\$ 96,000	\$ 93,000	3%
Short-term debt (operating line)	-	-	-
Total debt	\$ 96,000	\$ 93,000	3%
Working capital	(31,203)	(27,235)	15%
Net debt	\$ 64,797	\$ 65,765	-1%

Financial Leverage Ratios ⁽¹⁾

	At March 31 At December 31		
	2021	2020	Change
Net debt to funds from operations (times)	0.8	0.9	-11%
Net debt to capitalization (%)	8	9	-11%

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

Shareholders' Capital

On December 5, 2020, Freehold issued 12,647,667 subscription receipts at a price of \$4.80 per receipt through a public offering pursuant to Freehold's short form prospectus and a concurrent private placement. The total gross proceeds from these subscription receipts was \$60.7 million. Each subscription receipt entitled the holder to receive, upon occurrence of all outstanding conditions precedent to the closing of Freehold's acquisition of certain U.S. based royalty properties, one common share of Freehold. This U.S. based royalty properties acquisition closed during January 2021 resulting in the 12,647,667 subscription receipts being exchanged for an equivalent number of Freehold's common shares concurrent with the release from escrow of gross proceeds of \$60.7 million (December 31, 2020 - \$63.3 million including \$2.6 million of prepaids). Costs associated with the subscription receipts' prospectus totaled \$2.3 million (\$1.7 million net of deferred income tax).

In Q1-2021, Freehold also issued 27,500 shares for payment of the management fee.

As at March 31 and May 11, 2021, there were 131,462,834 shares outstanding.

Shareholders' Capital

(\$000s, except as noted)	March 31, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	118,787,667	\$ 1,272,397	118,622,667	\$ 1,271,763
Share issuance	12,647,667	60,709	-	-
Share issue costs, net of tax effect	-	(1,755)	-	-
Issued for payment of management fee	27,500	199	165,000	634
Balance, end of period	131,462,834	\$ 1,331,550	118,787,667	\$ 1,272,397

Shares Outstanding

	At March 31	At December 31	Change
	2021	2020	
Weighted average			
Basic	130,873,521	118,685,218	-10%
Diluted	131,293,861	118,685,218	-11%
At period end	131,462,834	118,787,667	-11%

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering expected commodity prices, foreign exchange rates, economic conditions, production volumes, tax payable, and Freehold's capacity to finance operating and investing obligations. The dividend rate is established with the intent of absorbing short-term market volatility over several months. It also recognizes our intention to fund capital expenditures primarily through funds from operations and to maintain a strong balance sheet to take advantage of acquisition opportunities and withstand potential commodity price declines.

The payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the Business Corporations Act (Alberta) (ABCA). Pursuant to the ABCA, after the payment of a dividend, we must be able to pay our liabilities as they become due and the realizable value of our assets must be greater than our liabilities and the legal stated capital of our outstanding securities. As at March 31, 2021, our legal stated capital was \$187 million.

2021 Dividends Declared

Record Date	Payment Date	Dividend Amount (\$ per share)
January 31, 2021	February 16, 2021	\$ 0.02
February 28, 2021	March 15, 2021	0.02
March 31, 2021	April 15, 2021	0.03
		\$ 0.07

Dividends declared in Q1-2021 totaled \$9.2 million (\$0.07 per share), down from \$18.7 million (\$0.1575 per share) compared to the same period of 2020. Freehold paid dividends in Q1-2021 of \$7.6 million (\$0.06 per share), also down from the \$18.7 million (\$0.1575 per share) compared to the same period of 2020.

On April 14, 2021, the Board declared a dividend of \$0.03 per common share or \$3.9 million to be paid on May 17, 2021 to common shareholders on record on April 30, 2021.

With a continued improved outlook for commodity prices resulting in a strengthening business model, on May 11, 2021 the Board declared a dividend increase to \$0.04 per share, or \$0.48 per share annualized, to be paid on June 15, 2021 to shareholders of record on May 31, 2021. The dividend is designated as an eligible dividend for Canadian income tax purposes.

From inception in 1996 through to March 31, 2021, Freehold has distributed \$1.7 billion (\$32.67 per share) to our shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends ⁽¹⁾

	At March 31		
	2021	2020	Change
Dividends declared (\$000s)	\$ 9,201	\$ 18,685	-51%
Accumulated, beginning of period	1,737,849	1,702,543	2%
Accumulated, end of period	\$ 1,747,050	\$ 1,721,228	2%
Dividends per share (\$) ⁽²⁾	\$ 0.0700	\$ 0.1575	-56%
Accumulated, beginning of period	32.6025	32.3050	1%
Accumulated, end of period	\$ 32.6725	\$ 32.4625	1%

(1) Accumulated dividends reflect distributions paid on trust units of Freehold Royalty Trust (the predecessor of Freehold) from 1996 through 2010 and dividends on common shares of Freehold from 2011 onwards

(2) Based on the number of shares issued and outstanding at each record date

The following tables reconciles funds from operations to dividends declared. In Q1-2021 Freehold's payout ratio was 24% exhibiting that dividend payments are being made within our means, with excess funds from operations being used to repay debt and fund acquisitions.

Reconciliation of Funds from Operations and Dividends Declared

(\$000s)	At March 31		
	2021	2020	Change
Funds from operations	\$ 32,421	\$ 20,248	60%
Debt additions (repayments)	3,000	(6,000)	-150%
Release of restricted cash related to subscription receipts net of costs	58,396	-	nm
Acquisitions and related expenditures	(79,782)	(5,443)	1366%
Working capital change	(4,834)	9,880	-149%
Dividends declared	\$ 9,201	\$ 18,685	-51%

Payout Ratio ⁽²⁾

(\$000s)	At March 31		
	2021	2020	Change
Dividends paid in cash ⁽¹⁾	\$ 7,633	\$ 18,683	-59%
Funds from operations	\$ 32,421	\$ 20,248	60%
Payout ratio ⁽²⁾	24%	92%	-68%

(1) Based on the dividend payment date which is generally on the 15th day of the month following the month it was declared

(2) Dividends paid as a percentage of funds from operations (see Non-GAAP Financial Measures)

Payout ratios, which are considered non-GAAP financial measures, are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to the funds a company receives and uses in its capital and operational activities. Freehold's payout ratio is calculated as dividends declared as a percentage of funds from operations.

Freehold's payout ratio for Q1-2021 was 24%, below the lower end of our guided dividend payout range of 60%-80% of annualized funds flow, and a decrease versus 92% in the same period of 2020. Freehold initially reduced its monthly dividend in Q2-2020, reflecting the COVID-19 pandemic and the significant demand destruction for oil resulting in volatile commodity pricing and uncertainty regarding the timing for recovery. Commodity prices and production volumes on our royalty lands has since improved with funds from operations outperforming expectations. With improved momentum in commodity prices and other macroeconomic factors in North America, Freehold is committed to return to the payout ratio target through a measured strategy, and has increased its

monthly dividend in January and April to \$0.02 and \$0.03 per share, respectively, and mostly recently has approved increasing its monthly dividend from \$0.03 to \$0.04 per share or \$0.48 per share on an annualized basis.

Related Party Transactions

Freehold does not have any employees. Rather, Freehold is managed by Rife Resources Management Ltd. (the Manager) pursuant to a management agreement (the Management Agreement). The Manager is a wholly-owned subsidiary of Rife Resources Ltd. (Rife). Rife is 100% owned by the CN Pension Trust Funds (the pension funds for the employees of the Canadian National Railway Company), whereby both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 22% ownership in Freehold at March 31, 2021 (December 31, 2020 – 22%). Canpar Holdings Ltd. (Canpar) is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of Rife and Canpar's directors are also directors of Freehold.

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 the parties.

Rife Resources Management Ltd.

The Manager provides certain services for a fee based on a specified number of Freehold common shares on a quarterly basis, pursuant to the Management Agreement that capped the respective management fee at 27,500 and 41,250 Freehold common shares per quarter for 2021 and 2020. The respective ascribed values of \$0.2 million and \$0.1 million were based on the closing price of Freehold's common shares on the last trading day of each quarter.

In Q1-2021 and the same period in 2020, the Manager charged \$2.9 million and \$3.5 million in general and administrative costs, respectively. At March 31, 2021, there was \$1.7 million (December 31, 2020 – \$0.7 million) in accounts payable and accrued liabilities relating to these costs.

Rife Resources Ltd. and CN Pension Trust

During 2020, Rife acquired 2,791,667 subscription receipts at \$4.80 per receipt through a private placement that closed concurrently with Freehold's public offering of subscription receipts pursuant to its December 2020 short form prospectus. No commission was paid in respect of the subscription receipts purchased by Rife pursuant to the private placement. This price per subscription receipt paid by Rife was equivalent to the public offering price. The total proceeds from this private placement were \$13.4 million. During January 2021 and per the same terms as the public offering, upon Freehold's acquisition of U.S. based royalty properties, the private placement subscription receipts were exchanged for an equivalent number of Freehold's common shares.

In Q1-2021 and Q1-2020, Freehold respectively paid \$1.7 million and \$4.1 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined 22% ownership in Freehold's common shares.

In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. In Q1-2021 and the same period in 2020, Freehold received royalties of approximately \$0.1 million per quarter from Rife. At March 31, 2021 and December 31, 2020, there was \$nil in accounts receivable relating to these transactions.

Canpar Holdings Ltd.

Freehold and Canpar generally share mineral title ownership in a substantial land base in western Canada. Generally, Canpar owns mineral rights that were below the deepest producing formation at the time that Freehold was created, and Freehold holds the balance of the mineral rights. Where Freehold is not the legal registered owner of such mineral rights, Canpar holds these rights in trust for Freehold and receives the royalty payments in respect of such mineral rights on behalf of Freehold. At March 31, 2021 and December 31, 2020 there was \$nil in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

Select Quarterly Information

Financial (\$000s, except as noted)	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Royalty and other revenue	36,745	25,793	23,123	14,758	26,284	36,827	33,068	35,333
Net income (loss)	5,635	373	139	(5,421)	(9,022)	6,113	2,729	3,430
Per share, basic (\$) ⁽¹⁾	0.04	-	-	(0.05)	(0.08)	0.05	0.02	0.03
Cash flows from operations	24,990	20,610	1,130	13,144	30,883	27,954	30,711	27,816
Funds from operations	32,421	22,129	19,893	10,622	20,248	30,659	27,996	30,095
Per share, basic (\$) ⁽¹⁾	0.25	0.19	0.17	0.09	0.17	0.26	0.24	0.25
Acquisitions and related expenditures	79,782	222	485	981	5,370	2,727	15,060	30,313
Dividends paid	7,633	5,342	5,341	9,790	18,683	18,675	18,666	18,674
Per share (\$) ⁽²⁾	0.06	0.045	0.045	0.0825	0.1575	0.1575	0.1575	0.1575
Dividends declared	9,201	5,938	5,342	5,341	18,685	18,683	18,669	18,660
Per share (\$) ⁽²⁾	0.07	0.0500	0.0450	0.0450	0.1575	0.1575	0.1575	0.1575
Payout ratio (%) ⁽³⁾	24	24	27	92	92	61	67	62
Long term debt	96,000	93,000	107,000	102,000	103,000	109,000	116,000	111,000
Net debt	64,797	65,765	81,678	96,071	101,833	94,634	105,524	98,310
Shares outstanding, period end (000s)	131,463	118,788	118,746	118,705	118,664	118,623	118,568	118,513
Average shares outstanding (000s) ⁽¹⁾	130,874	118,747	118,706	118,664	118,623	118,568	118,513	118,458
Operating								
Light and medium oil (bbls/d)	3,811	3,239	3,384	3,314	3,936	4,050	3,810	3,748
Heavy oil (bbls/d)	1,045	1,173	791	920	1,300	1,222	1,264	1,126
NGL (bbls/d)	1,065	824	859	788	896	827	773	995
Total liquids (bbls/d)	5,921	5,236	5,034	5,022	6,132	6,099	5,847	5,869
Natural gas (Mcf/d)	30,132	26,671	24,656	25,576	29,361	27,841	27,806	28,768
Total production (boe/d) ⁽⁴⁾	10,944	9,681	9,143	9,285	11,026	10,740	10,482	10,664
Oil and NGL (%)	54	54	55	54	56	57	56	55
Average price realizations (\$/boe)	37.31	28.96	27.49	17.46	26.20	37.27	34.29	36.41
Cash costs (\$/boe) ⁽³⁾⁽⁴⁾	4.37	4.11	3.70	4.79	5.74	5.10	4.67	5.05
Netback (\$/boe) ⁽³⁾⁽⁴⁾	32.94	24.85	23.79	12.68	20.46	33.48	29.62	31.36

- (1) Weighted average number of shares outstanding during the period, basic
(2) Based on the number of shares issued and outstanding at each record date
(3) See Non-GAAP Financial Measures
(4) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

Internal Control Over Financial Reporting

Freehold is required to comply with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The certification of interim filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting during the three months ended March 31, 2021. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com.

Forward-looking Statements

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

In particular, this MD&A contains forward-looking statements under the headings Freehold's Strategy, Outlook, 2021 Guidance, Financial and Operating Highlights, Drilling Activity, CRA Reassessments and Liquidity and Capital Resources pertaining to the following:

- our expectation of generating lower risk returns to our shareholders by driving oil and gas development on our lands through our lease program, acquiring royalty assets with acceptable risk profiles and long economic life and generating gross overriding royalties for revenue growth;
- our intent to maintain balance sheet strength (1.5 times or less net debt to funds from operations) and achieve a payout ratio of between 60%-80%;
- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, natural gas liquids and natural gas;
- light/heavy oil price differentials;
- 2021 guidance including average royalty production (including commodity weighting) and commodity prices;
- 2021 forecast production associated with our U.S. royalty asset acquisitions that closed in 2021;
- our expectation that the Clearwater play in Alberta will represent a key growth area for Freehold in the near to medium term;
- our expectations as to activity levels to remaining strong in certain other areas where Freehold has interests;
- our expectation that the acquisition of U.S royalty production and royalty lands will further diversify our royalty lands, bringing added sustainability to our portfolio and dividend;

- our expectation that we will be successful in our objection of the Reassessments and the payment of the deposits held by the CRA will be refunded, plus interest, and the denied NCLs will be reinstated;
- our forecast to be in compliance with all covenants under our credit facilities on a quarterly basis for at least the next 12 months based on Freehold's current best estimate of results from operations;
- our dividend policy and expectations for future dividends; and
- treatment under governmental regulatory regimes and tax laws.

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

- volatility in market prices for crude oil, NGL and natural gas;
- the continuing impact of the COVID-19 pandemic on demand and commodity prices;
- future capital expenditure levels;
- future production levels;
- future exchange rates;
- future tax rates;
- future legislation;
- the cost of developing and expanding our assets;
- our ability and the ability of our industry partners and royalty payors to obtain equipment in a timely manner to carry out development activities;
- our ability to market our product successfully to current and new customers;
- our expectation for the consumption of crude oil, NGL's and natural gas;
- our expectation for industry drilling levels on our royalty lands;
- the impact of competition;
- our ability to obtain financing on acceptable terms;
- our ability to add production and reserves through our development and acquisitions activities.
- lack of pipeline capacity;
- currency fluctuations;
- changes in income tax laws or changes in tax laws, regulations, royalties, or incentive programs relating to the oil and gas industry;
- reliance on royalty payors to drill and produce on our lands and their ability to pay their obligations;
- uncertainties or imprecision associated with estimating oil and gas reserves;
- stock market volatility and our ability to access sufficient capital from internal and external sources;
- a significant or prolonged downturn in general economic conditions or industry activity;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- geological, technical, drilling, and processing problems;
- environmental risks and liabilities inherent in oil and gas operations; and

- other factors discussed in Freehold's annual MD&A and audited financial statements for the year-ended December 31, 2020 and our AIF.

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

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

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

Non-GAAP Financial Measures

Within this MD&A, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that netback, payout ratio and cash costs 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.

The netback, which is calculated on a boe basis, as average realized price less operating expenses, general and administrative and cash interest charges, represents the per unit cash flow amount which allows the Company to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods.

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify dividend levels in relation to funds from operations that are also used to finance debt repayments and/or acquisition opportunities. Payout ratio is calculated as dividends paid as a percentage of funds from operations.

Cash costs, which is also calculated on a boe basis, is comprised by the recurring cash based costs in the statement of income deducted in determining funds from operations. For Freehold, cash costs are identified as operating

expense, G&A and cash-based interest, financing and share-based compensation charges. Cash costs allow Freehold to benchmark how changes in its cash-based cost structure compare against prior periods.

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

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