Condensed Consolidated Balance Sheets

(unaudited) ($000s)	June 30 2021	December 31 2020
Assets		
Current assets:		
Cash	**$ 2,823**	$ 1,026
Restricted cash and prepaids (note 7)	**-**	63,332
Accounts receivable	**30,195**	16,017
Income tax deposits (note 2)	**14,711**	14,711
	47,729	95,086
Exploration and evaluation assets (note 3)	**77,303**	80,152
Petroleum and natural gas interests (note 4)	**677,311**	638,397
Deferred income tax asset	**9,935**	16,274
Total Assets	**$ 812,278**	$ 829,909
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable (note 7)	**$ 5,261**	$ 2,376
Accounts payable and accrued liabilities	**2,837**	3,913
Current portion of share based compensation payable (note 5)	**1,437**	658
Current portion of decommissioning liability	**750**	-
Current portion of lease obligation	**195**	195
Subscription receipts obligation (note 7)	**-**	60,709
	10,480	67,851
Share based compensation payable (note 5)	**2,364**	975
Lease obligation	**1,668**	1,718
Decommissioning liability	**5,921**	6,926
Long-term debt (note 6)	**78,000**	93,000
Shareholders' equity:		
Shareholders' capital (note 7)	**1,331,819**	1,272,397
Accumulated other comprehensive loss	**(162)**	(40)
Contributed surplus	**4,354**	3,763
Deficit	**(622,166)**	(616,681)
Total Shareholders' Equity	**713,845**	659,439
Total Liabilities and Shareholders' Equity	**$ 812,278**	$ 829,909

Subsequent events (notes 4 and 7)

See accompanying notes to interim condensed consolidated financial statements

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

(unaudited)	Three Months Ended June 30		Six Months Ended June 30	
($000s, except per share and weighted average shares)	**2021**	2020	**2021**	2020
Revenue:				
Royalty and other revenue (note 8)	**$ 44,925**	$ 14,758	**$ 81,670**	$ 41,042
Expenses:				
Operating	**249**	514	**404**	1,502
General and administrative	**2,231**	2,464	**5,456**	6,211
Share based compensation (note 5)	**1,815**	247	**3,483**	286
Interest and financing (note 9)	**751**	728	**1,731**	1,822
Depletion, depreciation and other	**21,220**	17,942	**41,796**	40,768
Unrealized foreign exchange loss on intercompany note	**1,412**	-	**3,324**	-
Management fee (note 10)	**269**	145	**468**	266
Impairment	**-**	-	**-**	9,600
	27,947	22,040	**56,662**	60,455
Income (loss) before taxes	**16,978**	(7,282)	**25,008**	(19,413)
Deferred income tax expense (recovery)	**4,433**	(1,861)	**6,828**	(4,970)
Net income (loss)	**$ 12,545**	$ (5,421)	**$ 18,180**	$ (14,443)
Other comprehensive income (loss)				
Foreign currency translation adjustment	**$ (97)**	$ (62)	**(122)**	(2)
Comprehensive income (loss)	**$ 12,448**	$ (5,483)	**$ 18,058**	$ (14,445)
Net income (loss) per share, basic and diluted	**$ 0.10**	$ (0.05)	**$ 0.14**	$ (0.12)
Weighted average number of shares:				
Basic	**131,463,136**	118,664,370	**131,169,957**	118,643,745
Diluted	**131,890,251**	118,664,370	**131,593,704**	118,643,745

See accompanying notes to interim condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited)	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Operating:				
Net income (loss)	**$ 12,545**	$ (5,421)	**$ 18,180**	$ (14,443)
Adjustments:				
Share based compensation expense (note 5)	**1,815**	247	**3,483**	286
Accretion of decommissioning liabilities and lease obligation	**58**	52	**115**	117
Depletion, depreciation and other	**21,220**	17,942	**41,796**	40,768
Unrealized foreign exchange loss on intercompany note	**1,412**	-	**3,324**	-
Management fee (note 10)	**269**	145	**468**	266
Impairment	**-**	-	**-**	9,600
Deferred income tax expense (recovery)	**4,433**	(1,861)	**6,828**	(4,970)
Cash payout on share based compensation (note 5)	**(1,371)**	(389)	**(1,371)**	(389)
Decommissioning expenditures	**(173)**	(93)	**(194)**	(365)
Funds from operations	**40,208**	10,622	**72,629**	30,870
Changes in non-cash working capital	**(6,788)**	2,522	**(14,219)**	13,157
	33,420	13,144	**58,410**	44,027
Financing:				
Release of restricted cash related to subscription receipts (note 7)	**-**	-	**60,709**	-
Share issue costs (note 7)	**-**	-	**(2,313)**	-
Dividends paid (note 7)	**(13,147)**	(9,790)	**(20,780)**	(28,473)
Long-term debt repayment	**(18,000)**	(1,000)	**(15,000)**	(7,000)
Lease obligation paid	**(51)**	-	**(98)**	-
Change in non-cash working capital	**-**	-	**1,156**	-
	(31,198)	(10,790)	**23,674**	(35,473)
Investing:				
Acquisitions and related expenditures (note 4)	**(930)**	(981)	**(80,712)**	(6,421)
Working interest dispositions	**-**	(2,294)	**-**	(2,297)
Changes in non-cash working capital	**(219)**	66	**485**	78
	(1,149)	(3,209)	**(80,227)**	(8,640)
Increase (decrease) in cash	**1,073**	(855)	**1,857**	(86)
Impact of foreign currency on cash balance	**(57)**	(59)	**(60)**	(24)
Cash, beginning of period	**1,807**	2,003	**1,026**	1,199
Cash, end of period	**$ 2,823**	**$ 1,089**	**$ 2,823**	$ 1,089

See accompanying notes to interim condensed consolidated financial statements

Supplemental disclosures (note 12)

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)	Six Months Ended June 30	
($000s)	**2021**	2020
Shareholders' capital:		
Balance, beginning of period	**$ 1,272,397**	$ 1,271,763
Share issuance (note 7)	**60,709**	-
Share issue costs, net of tax effect (note 7)	**(1,755)**	-
Shares issued for payment of management fee (note 10)	**468**	266
Balance, end of period	**1,331,819**	1,272,029
Accumulated other comprehensive loss:		
Balance, beginning of period	**(40)**	(17)
Foreign currency translation adjustment	**(122)**	(2)
Balance, end of period	**(162)**	(19)
Contributed surplus:		
Balance, beginning of period	**3,763**	3,175
Share based compensation	**591**	555
Balance, end of period	**4,354**	3,730
Deficit:		
Balance, beginning of period	**(616,681)**	(567,444)
Net income (loss)	**18,180**	(14,443)
Dividends declared	**(23,665)**	(24,026)
Balance, end of period	**(622,166)**	(605,913)
Total shareholders' equity	**$ 713,845**	$ 669,827

See accompanying notes to interim condensed consolidated financial statements

Notes to Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

1. Basis of Presentation

Freehold Royalties Ltd. (Freehold) is incorporated under the laws of the Province of Alberta. Freehold's primary focus is acquiring and managing royalties.

Freehold's principal place of business is located at 1000, 517 – 10 Avenue SW, Calgary, Alberta, Canada, T2R 0A8.

a) Statement of Compliance

These interim condensed consolidated financial statements, the "financial statements", have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard 34 Interim Financial Reporting. These financial statements do not include all the disclosures normally provided in annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2020. Certain comparative period disclosures have been revised to conform to the current periods' presentation.

These financial statements were approved by the Board of Directors on August 10, 2021.

b) Basis of Measurement and Principles of Consolidation

These financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which when recognized, are measured at fair value with the changes in their fair values recorded in net income (loss), and include the accounts of Freehold and its wholly-owned subsidiaries: Freehold Royalties (USA) Inc., 1872348 Alberta Ltd., Freehold Holdings Trust and Freehold Royalties Partnership. All intercompany balances and transactions have been eliminated in preparing these financial statements.

c) Impact of COVID-19 Pandemic

Since the World Health Organization declared the COVID-19 outbreak to be a pandemic, Governments have taken significant steps to contain the spread of the virus, which have led to significant disruption of business operations and economic uncertainty. Although crude oil benchmarks exceed pre-pandemic pricing levels and interest rates are low, world demand still remains uncertain. Much of the recent increase in oil benchmarks reflects the progress of COVID-19 vaccine rollouts and the subsequent demand response, as countries attempt to return to life before the pandemic. However, demand recovery remains uncertain as there has been a surge in COVID-19 variants throughout North America and this continues to harbor economic uncertainty. The result of this economic uncertainty and the resulting direct and indirect impact on Freehold continue to be evaluated by management and could have a prospective material impact on its operations, cash flows and liquidity.

2. Income Tax Deposits

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 these financial statements.

3. Exploration and Evaluation Assets

($000s)	June 30 2021	December 31 2020
Balance, beginning of period	**$ 80,152**	$ 85,850
Transfers to petroleum and natural gas interests (note 4)	**(2,849)**	(5,698)
Balance, end of period	**$ 77,303**	$ 80,152

There was no impairment recorded as a result of the mandatory impairment assessment on the transfer of Exploration and Evaluation assets to Petroleum and Natural Gas Interests during the three and six months ended June 30, 2021.

4. Petroleum and Natural Gas Interests

($000s)	June 30 2021	December 31 2020
Cost		
Balance, beginning of period	**$ 1,496,062**	$ 1,484,600
Acquisitions and related expenditures	**80,712**	7,058
Capitalized share based compensation	**647**	197
Transfers from exploration and evaluation assets (note 3)	**2,849**	5,698
Foreign exchange translation	**(3,574)**	-
Decommissioning liability additions and revisions	**-**	1,332
Working interest dispositions	**(19)**	(2,823)
Balance, end of period	**1,576,677**	1,496,062
Accumulated depletion and depreciation		
Balance, beginning of period	**(857,665)**	(769,780)
Depletion and depreciation	**(41,906)**	(81,108)
Foreign exchange translation	**205**	-
Impairment	**-**	(9,600)
Accumulated depletion, and depreciation of working interest dispositions	**-**	2,823
Balance, end of period	**(899,366)**	(857,665)
Net book value, end of period	**$ 677,311**	$ 638,397

a. Acquisitions 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 400,000 gross acres of mineral title and overriding royalty interest across 12 basins in eight states; predominantly weighted towards the Permian and Eagle Ford basins which continue to see active drilling and development.

For the six months ended June 30, 2021, Freehold also completed another three acquisitions for certain U.S. royalty assets for U.S. $3.9 million ($4.9 million). 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 (CGU) and treated as asset acquisitions resulting in the purchase prices being reported as petroleum and natural gas interests as supported by estimated cash flows.

For the six months ended June 30, 2021, Freehold recognized capitalized administrative costs and other royalty income asset expenditures of $1.0 million and $0.5 million, respectively.

b. Impairment and impairment reversal

At June 30, 2021, there were no indicators of impairment on Freehold's United States and Canadian Royalty CGUs or impairment reversal on the Working Interest CGU. As a result, no impairment or impairment reversal testing was conducted. As previously reported, there was an impairment charged against the Working Interest CGU as at June 30, 2020 of $9.6 million as its carrying value exceeded its estimated value in use.

c. Subsequent events

In July 2021, Freehold closed the acquisition of certain U.S royalty properties in the Eagle Ford and Permian basins for US$15.5 million ($19.3 million) before closing costs. In August 2021, Freehold entered into a definitive agreement to acquire U.S. royalty properties in the Midland basin for US$52.3 million ($67.1 million), before customary and potential adjustments resulting from confirmatory due diligence, scheduled to close in October 2021. Of the total proceeds to acquire the U.S. royalty properties in the Midland basin, Freehold deposited, on signing of the definitive agreement, US$5.3 million ($6.7 million) into escrow. Combined, these acquisitions include 228,000 of gross drilling unit acres.

In July 2021, Freehold closed a Canadian royalty transaction with a commitment to pay up to $7.9 million to be paid in accordance with a drilling agreement in exchange for gross overriding royalties in the range from 3 to 5% in the Clearwater play in central Alberta.

5. Share Based Compensation

For the three and six months ended June 30, 2021, expensed share-based compensation associated with Freehold's Award Plan and deferred share unit plan was $1.8 million and $3.5 million, respectively (three and six months ended June 30, 2020 - $0.2 million and $0.3 million, respectively).

Associated with the award plan, during both the three and six months ended June 30, 2021, Freehold paid to its employees $1.4 million (both three and six months ended June 30, 2020 - $0.4 million).

a. Long-term Incentive Plans

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. Also, for the PSUs there is 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.

The following table reconciles the change in share-based incentive compensation payable:

($000s)	June 30 2021	December 31 2020
Balance, beginning of period	**$ 1,633**	$ 1,342
Increase in liability	**3,539**	680
Cash payout	**(1,371)**	(389)
Balance, end of period	**$ 3,801**	$ 1,633
Current portion of liability	**$ 1,437**	$ 658
Long-term portion of liability	**$ 2,364**	$ 975

The following table reconciles the outstanding number of combined RSUs and PSUs:

(Number of Units)	June 30 2021	December 31 2020
Balance, beginning of period	**686,792**	333,106
Units issued	**429,454**	671,689
Estimated and actual forfeitures	**(45,069)**	(220,273)
Paid out	**(152,080)**	(97,730)
Balance, end of period	**919,097**	686,792

b. 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 DSUs. The Board does not currently have a stated intent whether such future settlements of DSUs will be cash or equity-settled but because the Board has the ability to settle such transactions at its discretion through issuing common shares, this plan continues to be classified as equity-settled. The following table reconciles the outstanding number of DSUs:

(Number of units)	June 30 2021	December 31 2020
Balance, beginning of period	**325,633**	236,311
Annual grants and grants in lieu of fees	**97,931**	66,529
Additional grants resulting from paid dividends	**8,352**	22,793
Balance, end of period	**431,916**	325,633

6. Long-term Debt

In March 2021, Freehold amended its credit facility agreement with a syndicate of four Canadian 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 June 30, 2021, $78 million was drawn on these facilities (December 31, 2020 - $93 million). The credit facilities are secured with a $400 million first charge demand debenture 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 0.6 times at June 30, 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 10% at June 30, 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. The LIBOR benchmark transition begins on December 31, 2021 with certain tenors of this benchmark to be replaced with an alternative. Since Freehold has historically borrowed at banker's acceptance rates, the Company does not anticipate the LIBOR benchmark transition to have any effect on its future borrowing rates. For both the three and six months ended June 30, 2021, the average effective interest rate on advances under Freehold's credit facilities was 2.1% (three and six months ended June 30, 2020 – 2.3% and 3.0%, respectively).

At June 30, 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.

7. Shareholders' Capital

Freehold has authorized an unlimited number of common shares, without stated par value. Freehold has authorized 10,000,000 preferred shares, without stated par value, of which none have been issued.

a. Shares Issued and Outstanding

	June 30, 2021		December 31, 2020	
($000s)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**118,787,667**	**$ 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 (note 10)	**55,000**	**468**	165,000	634
Balance, end of period	**131,490,334**	**$ 1,331,819**	118,787,667	$ 1,272,397

b. Share Issuance

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 (note 10). 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 (see note 4a), 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).

c. Dividends & Dividend Equivalent Payments

During the three and six months ended June 30, 2021, Freehold respectively declared dividends of $14.5 million and $23.7 million (three and six months ended June 30, 2020 - $5.3 million and $24.0 million, respectively) or $0.11 and $0.18 per common share (three and six months ended June 30, 2020 - $0.045 and $0.2025 per common share, respectively). During these same periods, Freehold respectively paid dividends of $13.1 million and $20.8 million (three and six months ended June 30, 2020 - $9.8 million and $28.5 million, respectively) or $0.10 and $0.16 per common share (three and six months ended June 30, 2020 - $0.0825 and $0.24 per common share, respectively). Freehold also paid $0.3 million of dividend equivalent payments for the six months ended June 30, 2021.

On June 14, 2021, the Board declared a dividend of $0.04 per common share or $5.3 million paid on July 15, 2021 to common shareholders on record on June 30, 2021 (December 31, 2020 - $2.4 million). On July 14, 2021, the Board declared a dividend of $0.04 per common share to be paid on August 16, 2021, to common shareholders on record on July 31, 2021. On August 10, 2021, the Board declared a dividend of $0.05 per common share to be paid on September 15, 2021, to common shareholders on record on August 31, 2021.

8. Revenue

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

Freehold takes its product in kind (TIK) on certain royalty properties when deemed beneficial to do so. In this case, Freehold would receive its cash payment on or about the 25th day of the month following production. Typically, if a property is non-TIK then Freehold would receive the cash payment generally within two months following production for both Canadian and U.S. operations. Bonus consideration received or receivable can significantly vary period over period as it is dependent on the specific details of each lease and the number of leases issued.

a. Revenue and other revenue by commodity type

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Oil	**$ 34,165**	$ 10,007	**$ 60,024**	$ 29,594
Natural gas	**6,670**	3,315	**13,758**	7,163
Natural gas liquids	**3,978**	1,093	**7,577**	3,301
Potash	**331**	334	**647**	593
Bonus consideration, lease rentals, and other	**209**	98	**361**	585
	45,353	14,847	**82,367**	41,236
Production taxes	**(428)**	(89)	**(697)**	(194)
Royalty and other revenue	**$ 44,925**	$ 14,758	**$ 81,670**	$ 41,042

b. Revenue and other revenue by category

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Royalty revenue	**$ 45,144**	$ 14,749	**$ 82,006**	$ 40,651
Bonus consideration, lease rentals, and other	**209**	98	**361**	585
	45,353	14,847	**82,367**	41,236
Production taxes	**(428)**	(89)	**(697)**	(194)
Royalty and other revenue	**$ 44,925**	$ 14,758	**$ 81,670**	$ 41,042

As at June 30, 2021, there was outstanding accounts receivable and accrued revenue of $29.5 million (December 31, 2020 - $15.6 million) associated with royalty and other revenues. For the three and six months ended June 30, 2021 and 2020 there were no significant royalty and other revenue adjustments relating to prior periods.

9. Interest and Financing

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Interest on long term debt and financing fees	**$ 693**	$ 676	**$ 1,616**	$ 1,705
Accretion of decommissioning liabilities	**33**	33	**67**	77
Accretion of lease obligation	**25**	19	**48**	40
Interest and financing	**$ 751**	$ 728	**$ 1,731**	$ 1,822

10. 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 June 30, 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’s and Canpar’s directors are also directors of Freehold.

On May 18, 2021, Rife, Canpar and the Manager (the “Related Parties”) entered into an acquisition opportunities agreement with Freehold that sets out the agreed upon process for consideration of how potential petroleum and other mineral royalty interest acquisitions will be shared between the parties. Where the Related Parties have identified such opportunities, generally this agreement prioritizes Freehold’s rights to pursue potential petroleum royalty interest acquisitions in addition to providing a process to share potential other mineral royalty interest acquisitions.

All amounts owing to/from the Related Parties 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.

a. 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. For the three and six months ended June 30, 2021, respective ascribed values of $0.3 million and $0.5 million (three and six months ended 2020 - $0.1 million and $0.3 million, respectively) were based on the closing price of Freehold's common shares on the last trading day of each quarter.

For the three and six months ended June 30, 2021, the Manager charged $2.4 million and $5.3 million in general and administrative costs, respectively (three months ended June 30, 2020 - $2.2 million and $5.7 million, respectively). At June 30, 2021, there was $0.9 million (December 31, 2020 – $0.7 million) in accounts payable and accrued liabilities relating to these costs.

b. Rife Resources Ltd. and CN Pension Trust

During the year ended December 31, 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 (see note 7b). 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.

During the three and six months ended June 30, 2021, Freehold respectively paid $2.9 million and $4.6 million (2020 - $2.1 million and $6.2 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. For the three and six months ended June 30, 2021, Freehold respectively received royalties of approximately $0.2 and $0.3 million from Rife (three and six months ended June 30, 2020 - $nil and $0.1 million, respectively). At June 30, 2021 and December 31, 2020, there was $nil in accounts receivable relating to these transactions.

c. 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 June 30, 2021 and December 31, 2020 there was $nil in accounts receivable and accounts payable and accrued liabilities relating to transactions with Canpar.

11. Segmented Information

Resulting from recent U.S. acquisitions (see note 4a) in the six months ended June 30, 2021, 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.
- United States 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.

Freeholds' royalty and other revenue is reportable by segment whereas all other accounts presented on the condensed consolidated statements of income (loss) are either not significant on a segment basis or associated with both segments with any allocation of such accounts not providing meaningful information. The following table presents royalty and other revenue by geographic region:

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Canada	**$ 37,940**	$ 14,714	**$ 70,172**	$ 40,046
United States	**6,985**	44	**11,498**	996
Royalty and other revenue	**$ 44,925**	$ 14,758	**$ 81,670**	$ 41,042

The following table presents total assets by geographic region:

($000s)	**June 30 2021**	December 31 2020
Canada	**$ 713,401**	$ 809,333
United States	**98,877**	20,576
Total Assets	**$ 812,278**	$ 829,909

12. Supplemental Disclosure

a. Supplemental cash flow disclosure

Changes in Non-Cash Working Capital

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Accounts receivable	**$ (5,596)**	$ 3,925	**$ (14,123)**	$ 13,879
Accounts payable and accrued liabilities	**(1,411)**	(1,337)	**(1,078)**	(644)
Prepaids	**-**	-	**2,623**	-
	$ (7,007)	$ 2,588	**$ (12,578)**	$ 13,235
Operating	**$ (6,788)**	$ 2,522	**$ (14,219)**	$ 13,157
Financing	**-**	-	**1,156**	-
Investing	**(219)**	66	**485**	78
Total	**$ (7,007)**	$ 2,588	**$ (12,578)**	$ 13,235

Cash Expenses

($000s)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	**2021**	2020
Interest on long term debt and financing fees	**$ 693**	$ 628	**$ 1,616**	$ 1,657

b. Net debt

($000s)	**June 30 2021**	December 31 2020
Long-term debt	**78,000**	93,000
Working capital	**(37,249)**	(27,235)
Net debt[1]	**40,751**	65,765

(1) Net debt as presented does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to a similar measure of other entities.