A North American Royalty Company

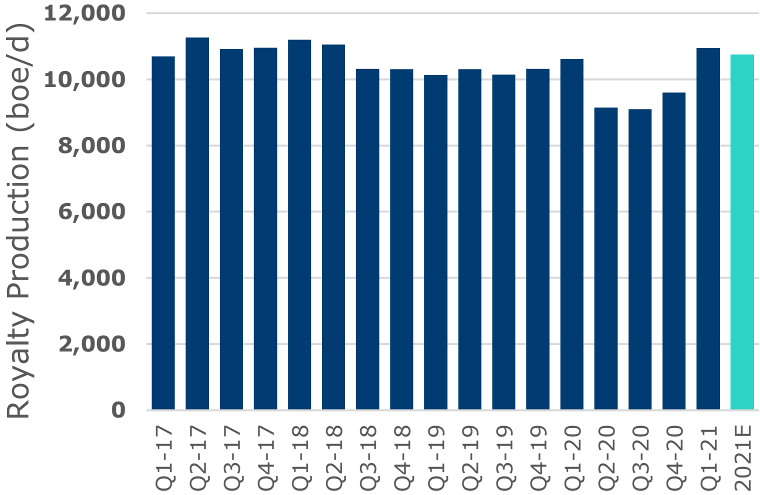
freeholdroyalties.com TSX **FRU**

Freehold
ROYALTIES LTD.

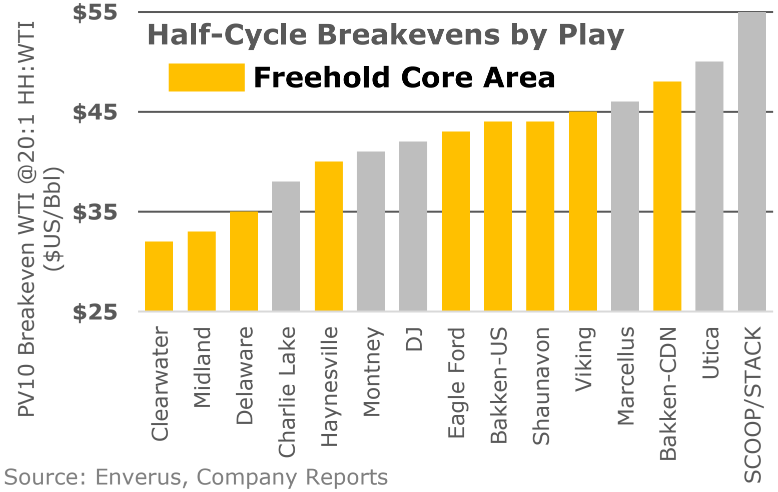
Quality Assets • Sustainable Dividends

Freehold Snapshot

Proven Production Platform

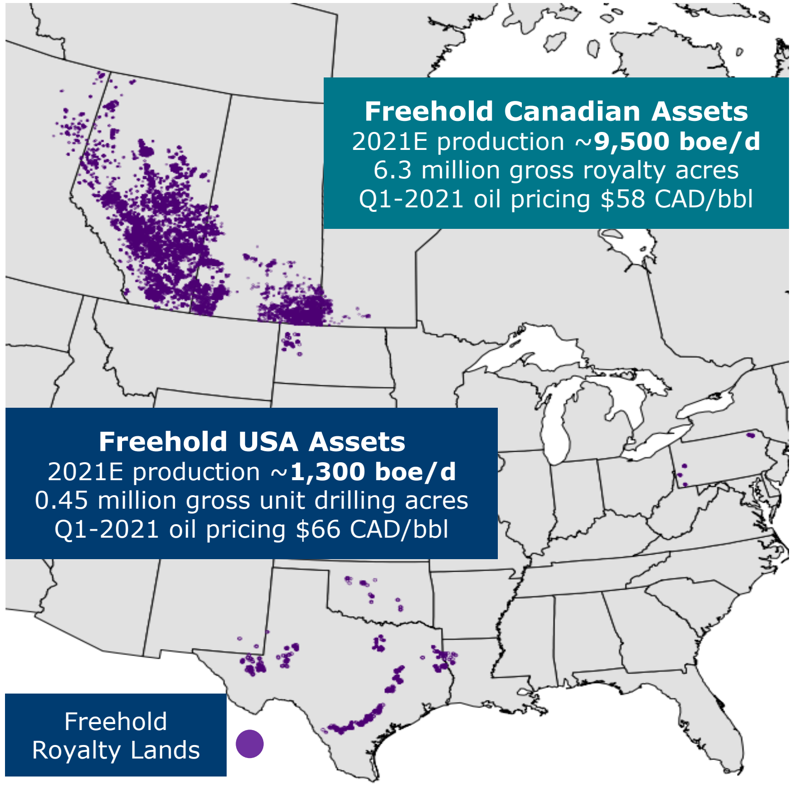


Top Tier North American Portfolio



Source: Enverus, Company Reports

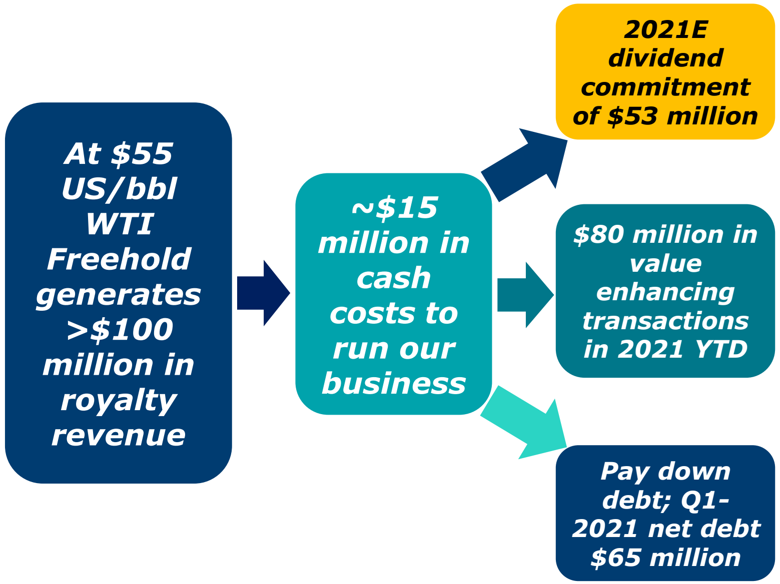
A North American Royalty Company



Strong Financial Position

- ***0.8x net debt to trailing funds from operations***
- ***$180 million recently renewed credit facility***
- ***Leverage strategy <1.5x debt to funds from operations***

Strong Free Funds Flow



Near Term Catalysts

- *Increased dividend three consecutive quarters from **$0.015 to $0.04/share per month***
- *Value enhancing acquisitions through North American portfolio*
- *Further ramp-up of 3rd party drilling on royalty lands*

Corporate Profile

Focused on delivering shareholder value from oil and gas royalties

2021E revenue and production from Oil & NGL (1)	80% revenue / 55% production
2021E production (1)	10,500-11,000 boe/d
Annualized dividend (2) ($0.040 per month)	$0.48/share
Dividend yield (2)(3)	6.5%
Enterprise Value (3)(4)(5)	$1.0 billion
Net Debt to Funds from Operations(5)	0.8x

1. Based on updated guidance as of May 11th, 2021
2. Based on updated monthly dividend of $0.04 per share announced on May 11th, 2021, payable on June 15th, 2021 to shareholders of record on May 31, 2021
3. Based on FRU closing share price of C$7.29/share on March 31st , 2021
4. Based on 131.4 million shares outstanding as of March 31st , 2021
5. Based on net debt as of March 31st and 12-month trailing funds from operations

2021 First Quarter Results

		Q1/2021	Q1/2020	change
Production	boe/d	10,944	11,026	-1%
Funds from operations	$mm	32.4	20.2	60%
Period end net debt	$mm	64.8	101.8	-36%
Corporate netback	$/boe	$32.94	$20.46	61%
Payout ratio	%	24%	92%	-68%
Cash costs	$/boe	4.37	5.74	-24%

Q1-2021 highlights:

- Production averaged 10,944 boe/d, down 1% y/y
  - Q1-2021 production up 13% quarter-over-quarter
- 111 (3.9 net) wells drilled on royalty lands in Q1-2021 with prospects targeting oil in the Clearwater, Viking, Permian and Eagle Ford
- Continue to see ~10 rigs on our royalty lands
- Funds from operations $32.4 million, up 60% versus the same period last year
- 2020 payout of 24%, down from 92% during the same period last year
  - Increased the monthly dividend from $0.03 to $0.04/share, the third consecutive quarterly increase
- Q1-2021 cash costs of $4.37/boe, down 24% during the same period in 2020, reflecting ongoing cost reductions
- Net debt to trailing funds from operations of 0.8x retains balance sheet strength and financial flexibility

The Royalty Advantage

Freehold provides a lower risk/return proposition than traditional E&P's

Financial Strength, Low Risk

- Strong operating margins, enable lower breakeven commodity prices, enhancing the sustainability of payout
- Q1-2021 corporate netback >$32/boe, >95% operating margin
- Ability to grow the dividend, and generate meaningful free funds flow at current commodity price levels
- Financial flexibility with debt to funds from operations <1.0x

Diversified Royalty Portfolio

- Diversified North American portfolio with exposure to Permian, Eagle Ford, Viking, Clearwater, Bakken, Mississippian, and Cardium oil plays plus natural gas plays targeting the Spirit River, Montney and Haynesville via well funded producers
- 6.3 million royalty acres in Canada, 0.4 million in the U.S.
- 400 royalty payors provides diversified group of revenue and minimizes financial risk

Environmental, Social, Governance

- Our approach to ESG is rooted in our collective desire to provide a long-term value proposition to our shareholders
- Royalties offer no exposure to environmental pressures
- Expect to update our ESG strategy through a sustainability report later in 2021
- Freehold has strong leadership, an engaged and idea rich workforce, and a supportive and constructive Board of Directors

The Royalty Advantage: A Simple Return Model

Funds from Operations
2021E funds from operations

2021 payout [1][2] less than 50% provides room for growth of the dividend while balancing portfolio enhancement initiatives

Dividend
2021E dividend commitments $53 million

Free Cash [2] flow provides high quality option value to our shareholders

Acquisitions
~50% of free funds flow available to pursue value enhancing acquisitions

Dividend Increases
Potential to grow the dividend in future quarters

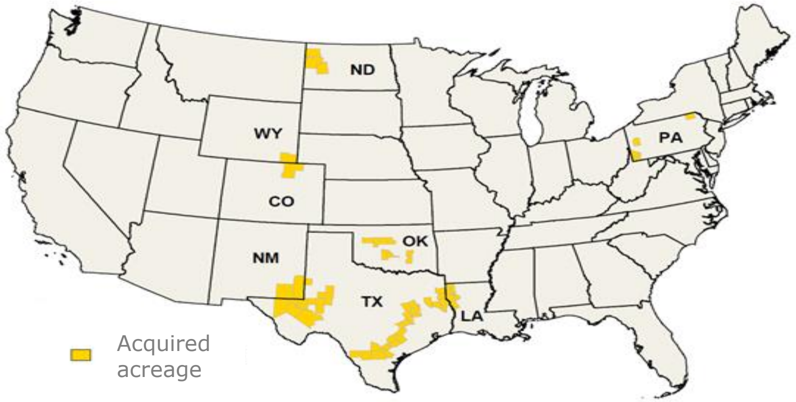
Debt Repayment
Q1-2021 net debt to funds from operations of 0.8x[3]. If no acquisitions, Freehold forecast to be debt free by early 2022 [4]

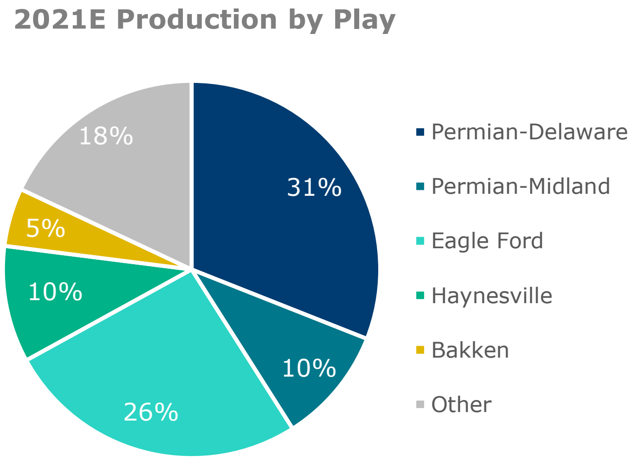
1. Assumes a monthly dividend of $0.04/share
2. See Non-GAAP Financial Measures
3. Based on Q1-2021 results, released May 11th, 2021
4. Based on 2021 Guidance unveiled as part of Freehold's Q1-2021 results

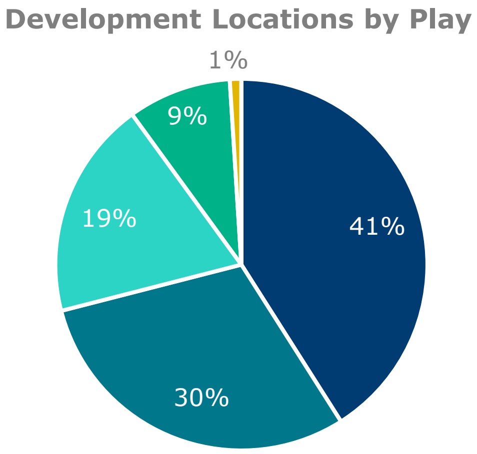
U.S. Asset Overview

~450,000 gross exposure acres (15,155 net) of mineral title and overriding royalty interests, across 12 basins and 8 states

- Freehold has closed four US acquisitions YTD in 2021
- 2021E production of 1,300 boe/d (62% liquids) projected to grow to 1,700 boe/d in 2022E
  - Approximately 70% of the near-term development is underpinned by drilled but uncompleted wells (DUCs)
- Over 2,600 economic development locations identified
  - 70% of development locations expected to be economic at or below US$40 WTI; 90% at US$45 WTI
- Approximately 1,900 producing wells and ~100 royalty payors comprised of well capitalized producers
  - Permian (Delaware/Midland) and Eagle Ford basins represent ~75% of combined transactions value
- 5 rigs active in April 2021 on the acquired US lands







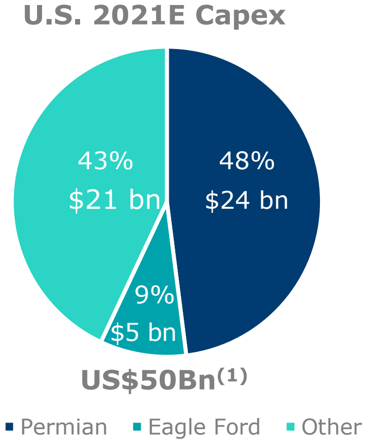
U.S. Entrance – It Makes Freehold a Better Company

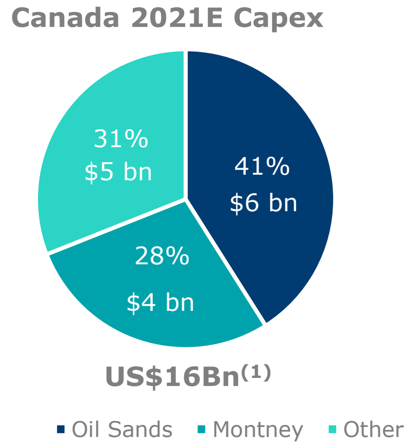
Following the Capital

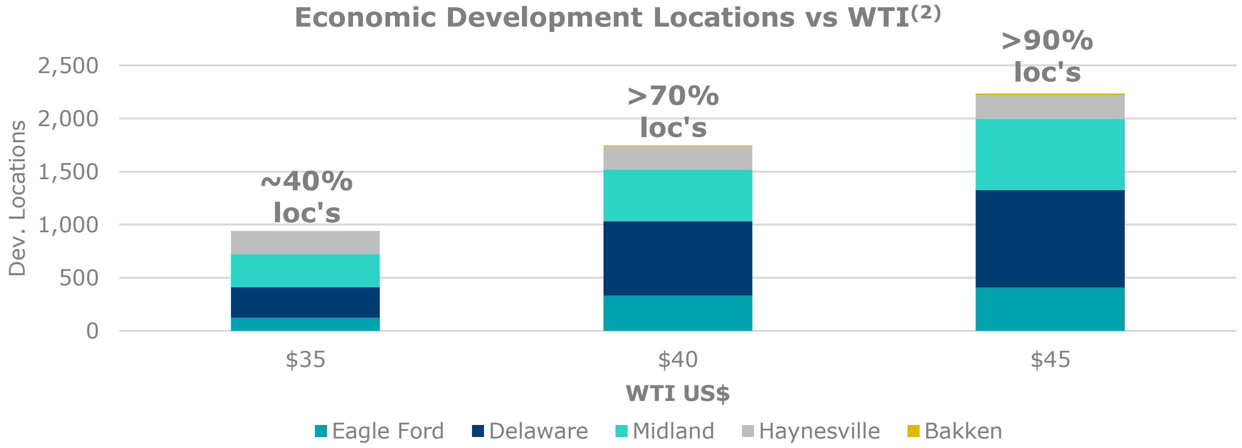
- Investment discipline by E&P companies is focusing capital in the highest return basins
- In a ~US$40/bbl WTI environment, capital is migrating to the highest return basins
- Provides exposure to the basins that have seen the most drilling
- 2021 YTD: 3-5 rigs active on Acquired Assets acreage

Defensive Positioning in Volatile Price Environment

- Diversifies Freehold asset base, accretive to Freehold's netback and enhances the future growth profile
- 70% of development locations economic at/below US$40 WTI
- Enhances the sustainability of FRU dividend for future years



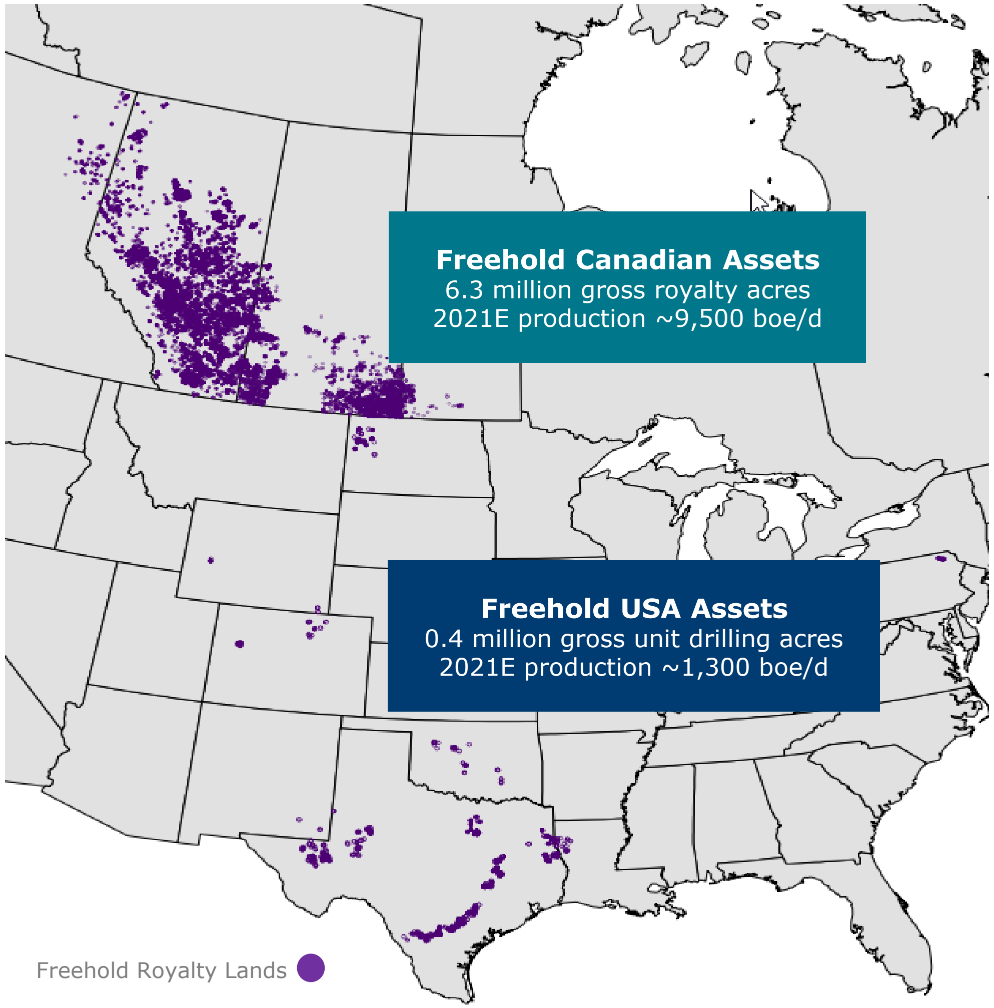




1. Source: Estimates as per Enverus except Canadian Oil Sands (Wood Mackenzie)
2. Based on FRU internal estimates, using U.S.$2.50/mmbtu NYMEX natural gas price

Freehold Royalties: A North American Royalty Company

- Proforma, Freehold Royalties provide investors a diversified portfolio of >6.3 million gross royalty acres in Canada and over 450,000 gross drilling unit acres in U.S.
- Exposure to 5 provinces within Canada and 8 states in the U.S.
- Production balanced between oil and NGL's (55%) and natural gas (45%)
- Subsequent to year-end, added three high quality royalty packages with exposure to Permian and Bakken
- Additional exposure to:
  - Top tier plays including Viking, Canadian/U.S. Bakken, Permian, Eagle Ford, Clearwater
  - Natural gas in the Spirit River, Haynesville and Montney
- As commodity prices trend-up, we see activity ramping-up on both sides of the border into 2021



Source: Company Reports, GeoScout

Why Own Freehold

A low risk vehicle providing income for its shareholders

High Margins	▪ >95% operating margin [1] provides Freehold the ability to pay a meaningful dividend across all commodity cycles ▪ Top tier corporate netback ~$32.00/boe in Q1-2021 ▪ Q1-2021 cash costs[1] $4.37/boe
Sustainable	▪ Target 60%-80% of funds flow returned to shareholders ▪ Increased Freehold's dividend three times in 2021 reflecting improved commodity prices and confidence in our portfolio ▪ ~6.5% dividend yield [2] [3]
Strong balance sheet, low risk business	▪ Q1-2021 net debt to trailing funds from operations 0.8x ▪ Royalties provide top line revenue without exposure to capital, operating and environmental costs
Quality long duration assets, multi-year upside	▪ Positioned in the top tier oil plays – Clearwater, Permian, Eagle Ford, Viking, and Bakken ▪ Spirit River, Montney and Haynesville provide upside associated with natural gas ▪ Activity levels continue to outpace broader WCSB and lower 48 ▪ Diverse operator list reduces single name exposure risks ▪ Greater than 10-year reserve life index with current booked locations (YE-2020 Reserve Report)

1. See Non-GAAP Financial Measures
2. Based on FRU closing share price of $7.29 on March 31st, 2021
3. Based on revised dividend rate for 2021 announced as part of Q1-2021 results

Royalties vs. Exploration and Production Companies

Royalties provide lower costs and higher returns to shareholders

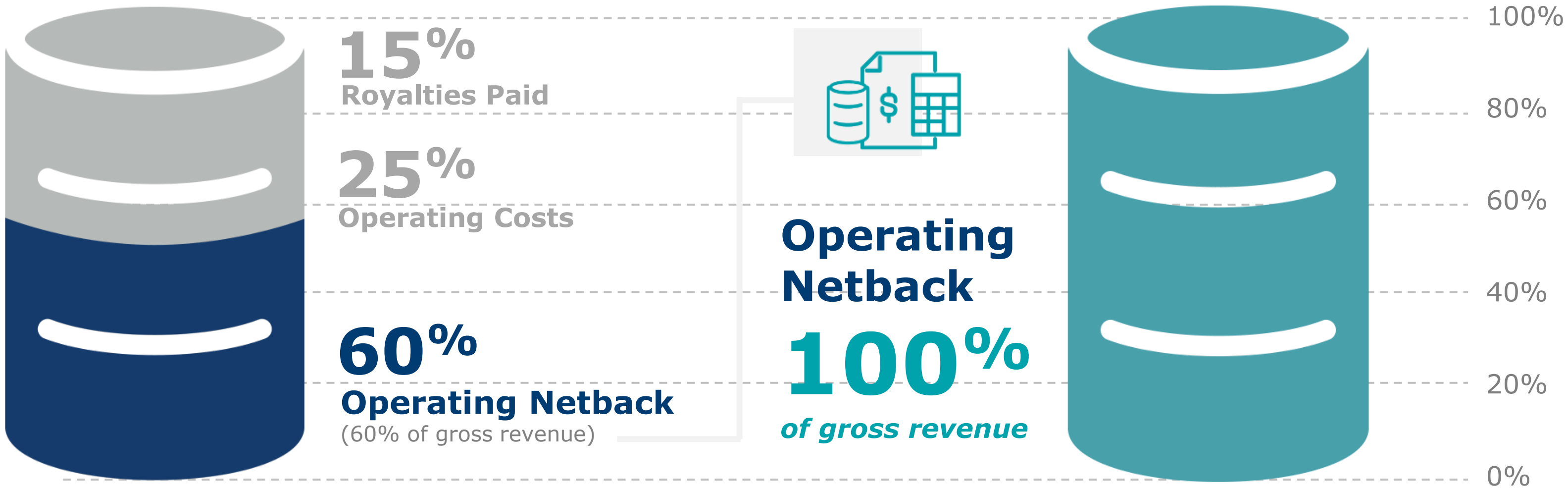
- The royalty model maintains a material operating netback advantage over traditional E&P's
- Able to generate free cash flow at lower commodity prices
- Q1-2021 corporate netback $32.94/boe
- Freehold maintains a >95% operating margin enabling more return to shareholders

A Working Interest Barrel

Operating netback
~ 60% of gross revenue

A Royalty Interest Barrel

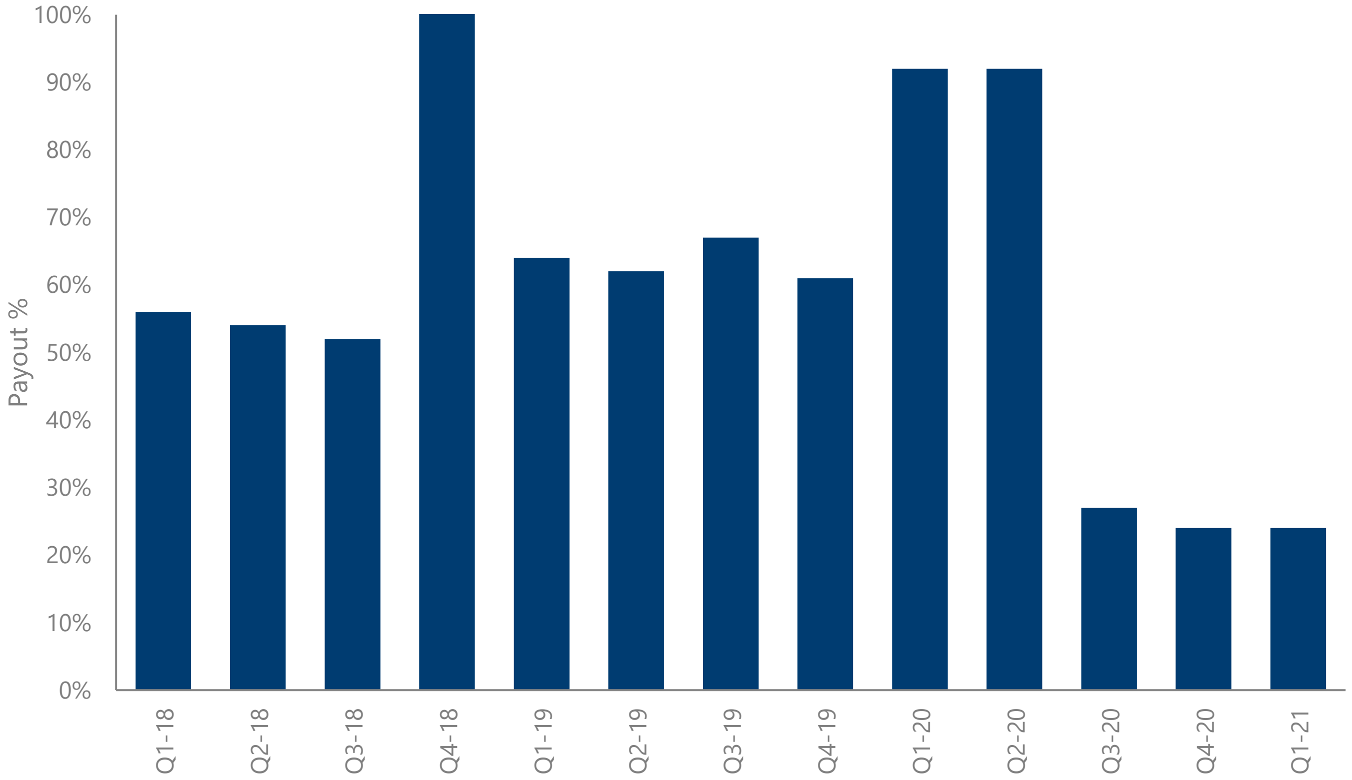
Operating netback
~ 100% of gross revenue



Dividend Sustainability

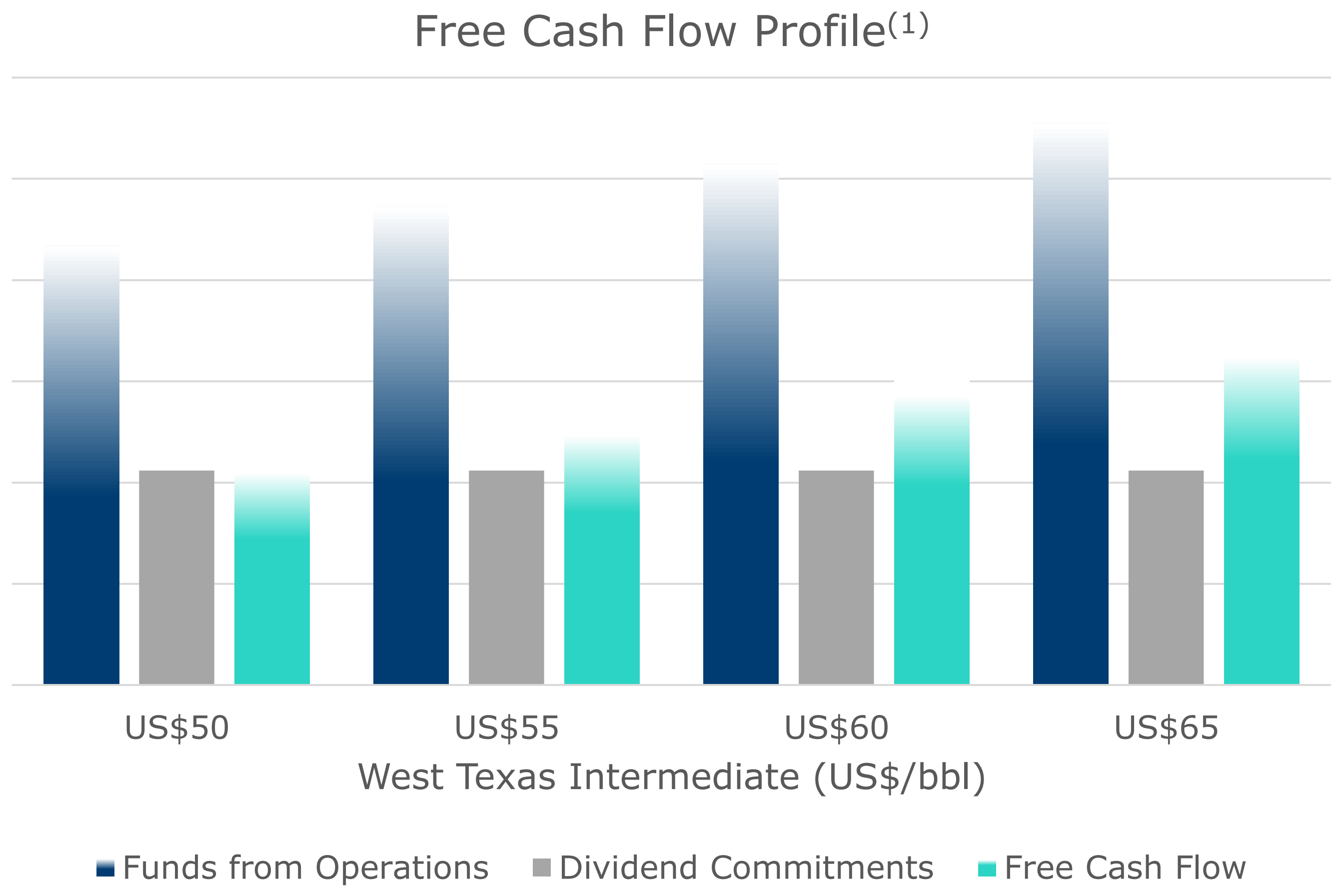
Freehold has paid out $1.7 billion in dividends since initial IPO

- Freehold announced a **dividend increase** from $0.03 to $0.04 per month as part of Q1-2021 results
- Forecast funds from operation in 2021 has our dividend positioned slightly below 60% payout range for H2-2021
- At current commodity price levels, Freehold is still able to pay a meaningful dividend with potential to grow as funds from operations improve



2021 Free Cash Flow Sensitivities

- Freehold maintains considerable torque to higher crude oil pricing
- Freehold has minimal operating expenses, as a result, improving prices directly impact top line revenue
- At revised dividend level of $0.04/share/month, Freehold generates material free cash flow to provide additional returns to shareholders via:
  - Acquisitions-Freehold remains active in adding to its North American portfolio
  - Debt repayment-2021E year-end debt to funds from operations 0.4x at US$55/bbl WTI

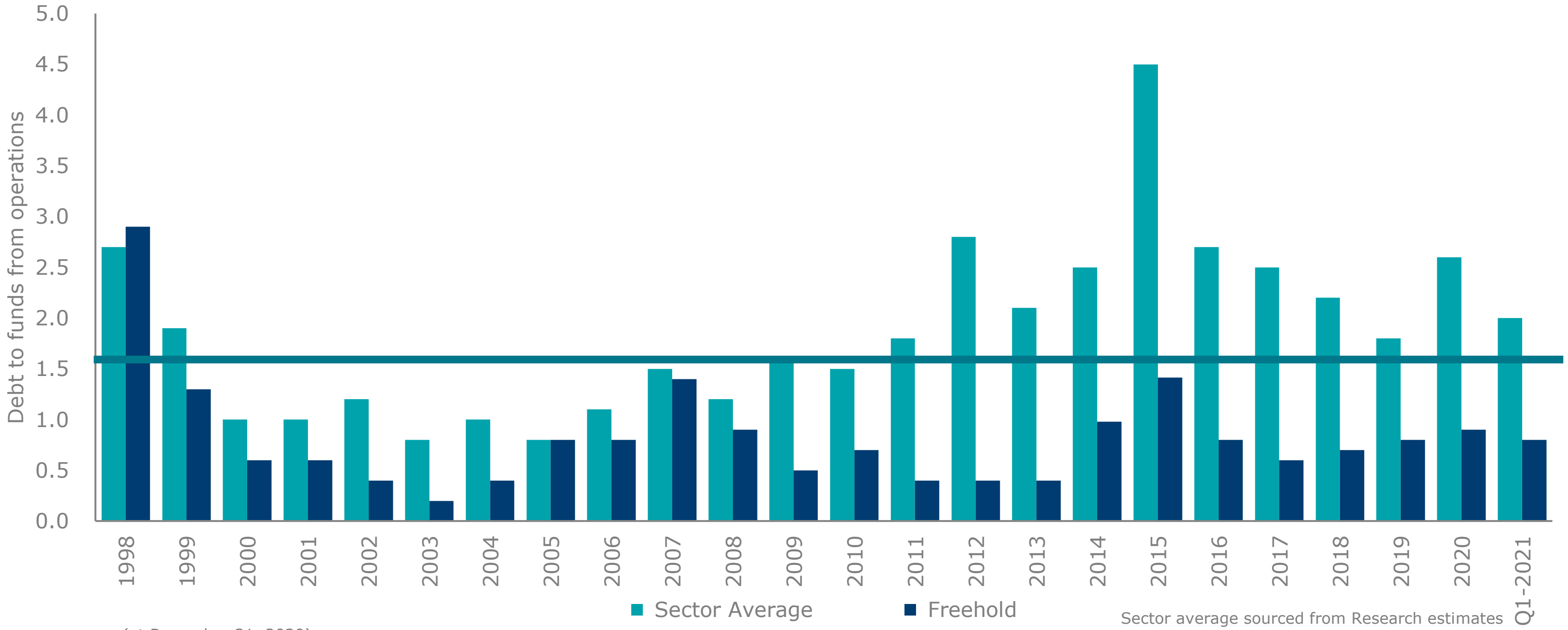


(1) Pricing Assumptions include heavy oil differentials US$12/bbl, light oil differentials US$5/bbl and $2.75/mcf AECO

Strong Balance Sheet

- Freehold exited Q1-2021 with net debt to trailing funds from operations of 0.8x
- At current commodity price levels and the revised dividend level, Freehold still able to pay down debt or pursue acquisitions with free cash flow
- Freehold recently amended its credit facility with an unchanged committed revolving 3-year facility at $180 million

Freehold remains committed to maintaining leverage at levels well below 1.5x debt to funds from operations



(at December 31, 2020)

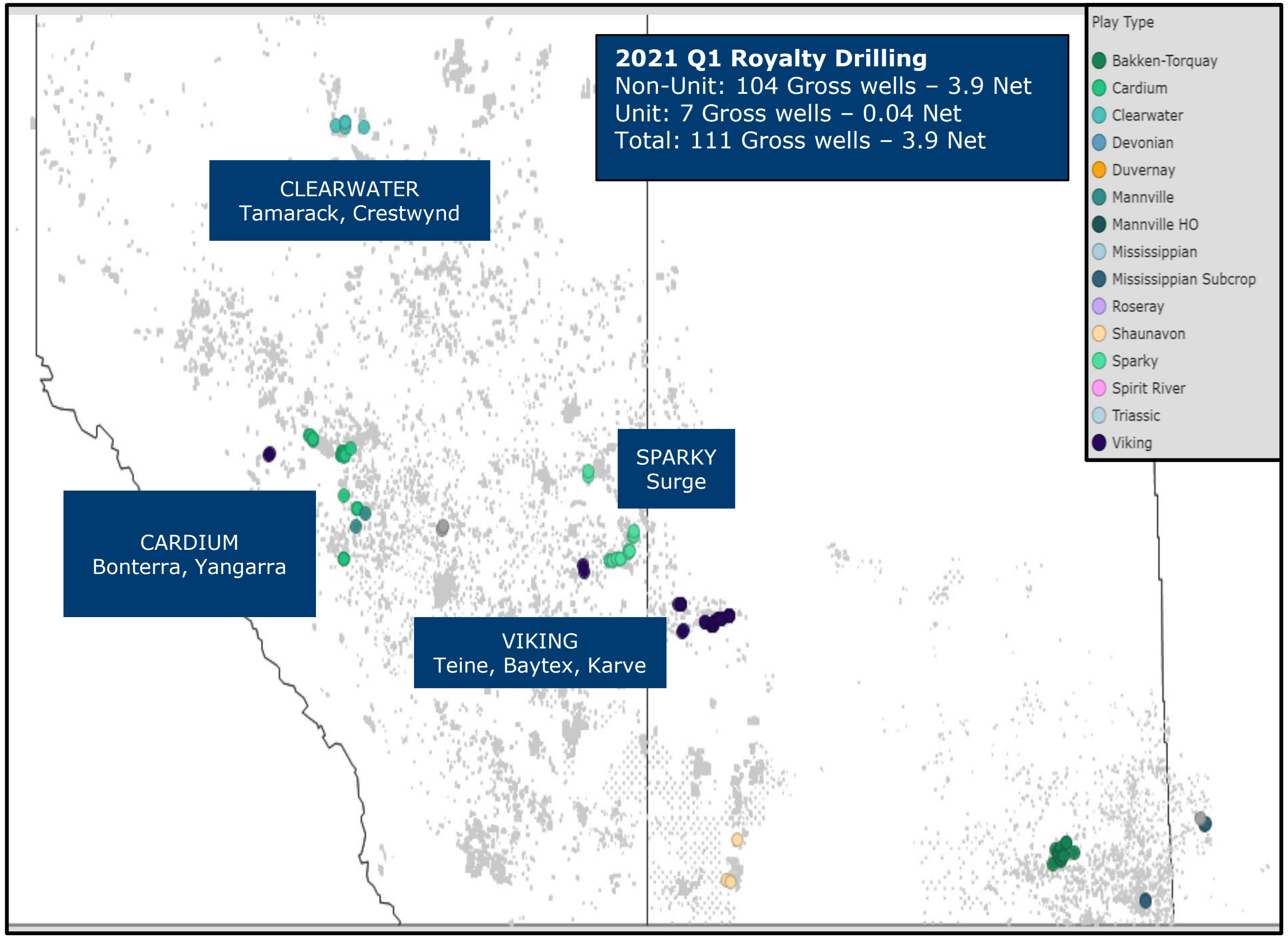
Sector average sourced from Research estimates
Sector average reflects Canadian Upstream Producers

Low Risk Profile

The royalty model provides a number of advantages over typical E&P producers

		Freehold ROYALTIES LTD.	E&P
Revenue Exposure:	Torque to Higher Oil & Natural Gas Prices	✓ Benefit	✓ Benefit
	Dividend Yield	✓ Benefit	✗ / ✓ Some have benefit
Cost Exposure:	Capital Costs	✗ Benefit	✓ Detriment
	Abandonment Liabilities	✗ Benefit	✓ Detriment
	Operating & Other Costs	✗ Benefit	✓ Detriment

2021 Q1 Royalty Drilling Results



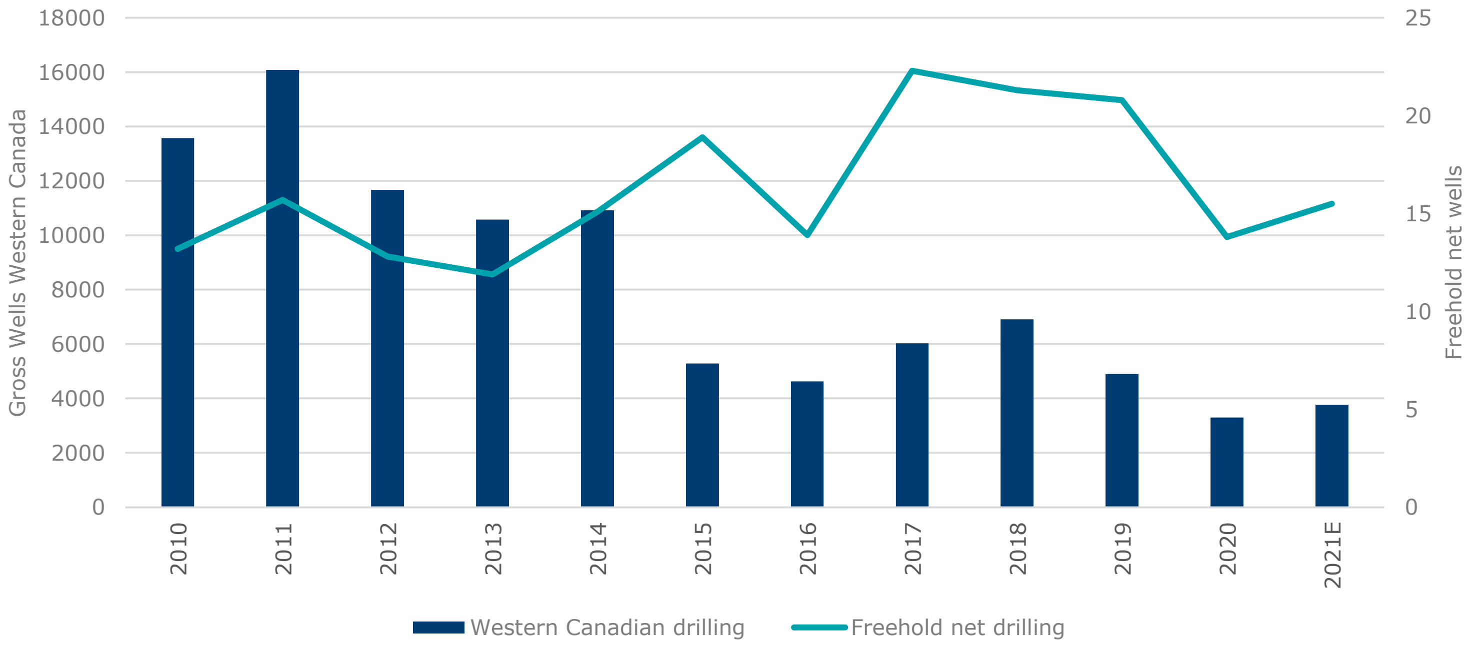
Top Drillers Q1 2020	Gross Wells	Net Wells
Teine Energy	15	1.4
Bonterra Energy	14	0.6
Tamarack Valley	11	0.4
Surge Energy	11	0.2
Crestwynd	6	0.2
Tourmaline Oil	2	0.1
Karve Energy	3	0.1
Whitecap Oil & Gas	3	0.1
Yangarra Energy	4	0.1
Baytex Energy	2	0.1
Other	13	0.6
Non-Unit Total	**86**	**3.9**
Unit Wells	7	0.02
U.S. Wells	18	0.05
TOTAL	**111**	**3.9**

* US drilling results included in Play types above, although not pictured

Industry Drilling vs. Freehold

- Despite a slowdown in activity in western Canada, Freehold has historically achieved growth in net drilling on its royalty lands
- Approximately 6% of all spending in Western Canada has occurred on Freehold lands over the past five years
- Freehold's royalty portfolio has materially outperformed the broader Western Canadian Sedimentary Basin
- Growth in net wells reflects the quality of Freehold's underlying royalty portfolio

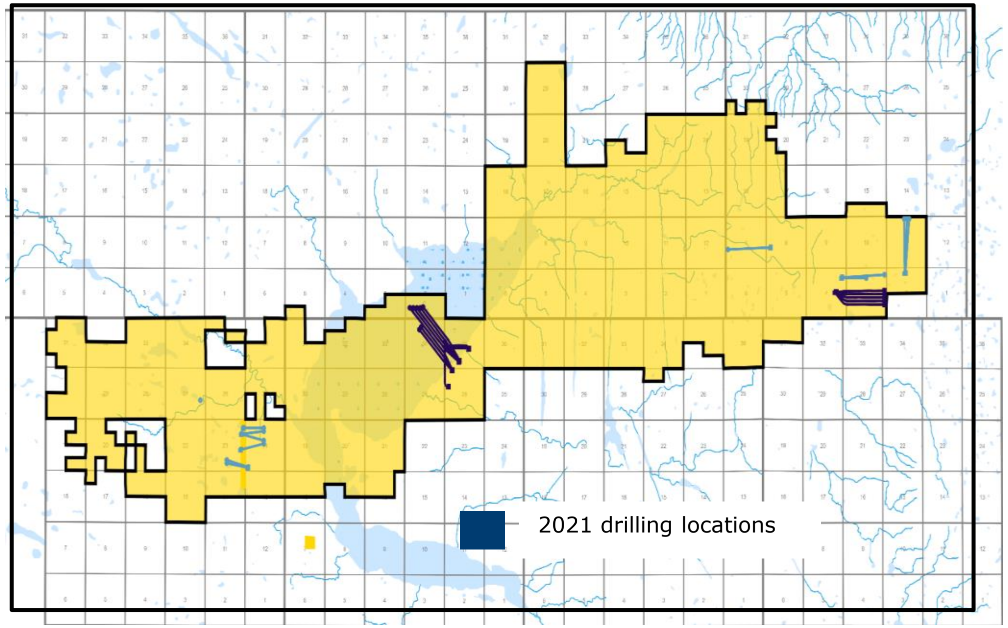
Freehold's royalty portfolio has outperformed the broader Western Canadian Sedimentary Basin as a % of activity



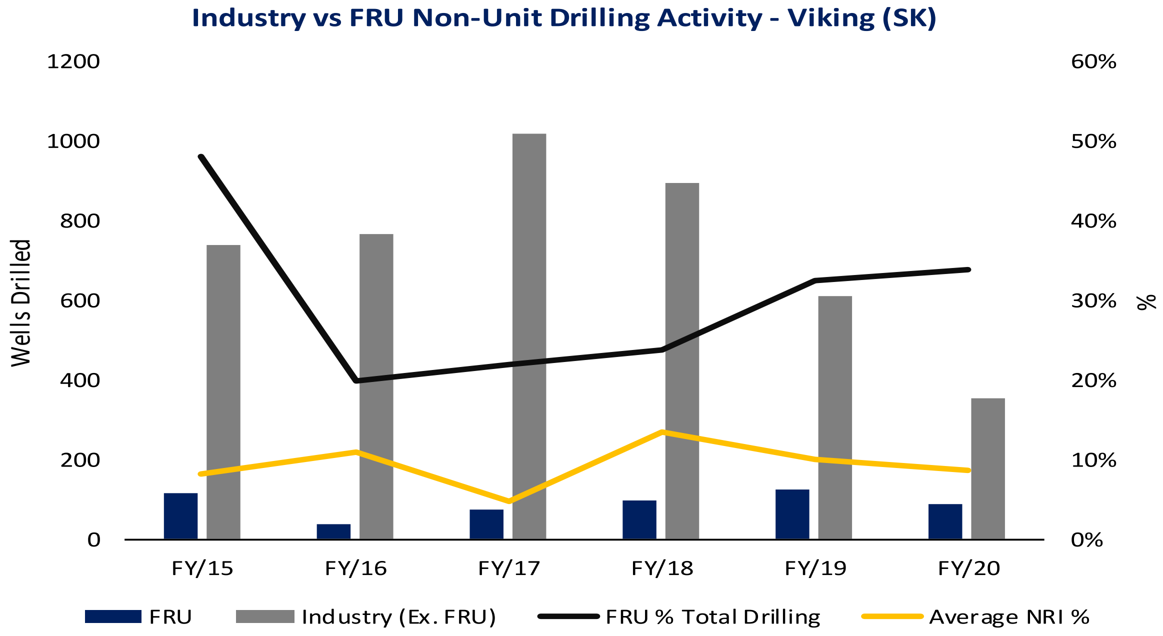
Source: Canadian Association of Oilwell Drilling Contractors
Forecast based on Petroleum Services Association of Canada and Freehold Q1-2021 results

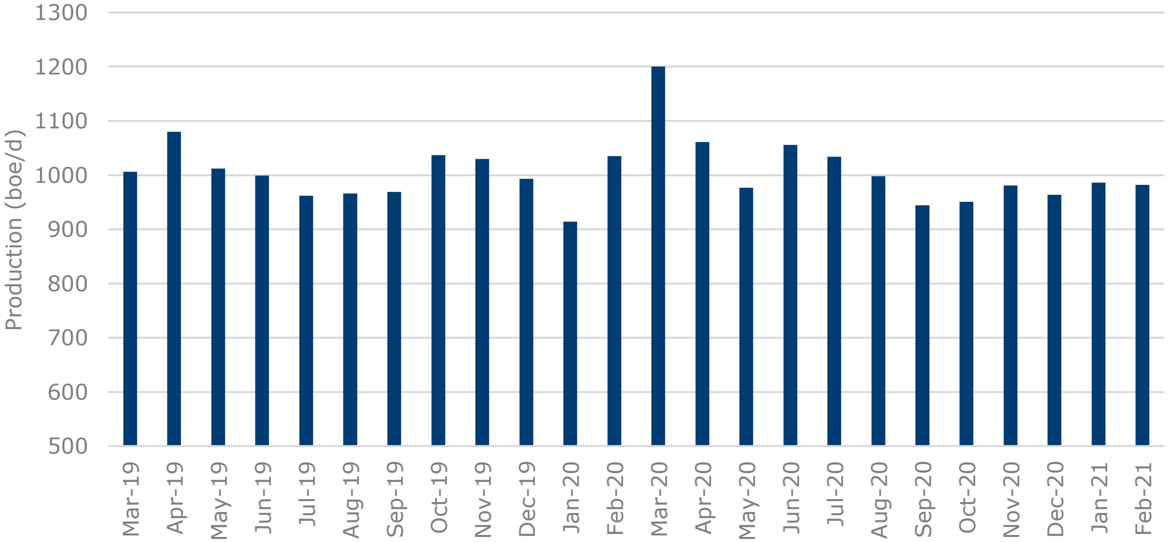
Viking (Dodsland)

- Freehold maintains the majority of its Viking exposure in the Dodsland area
- The area represents our primary source of activity with 30% of free drilling
- The operator has achieved success recently though the application of longer reach horizontals



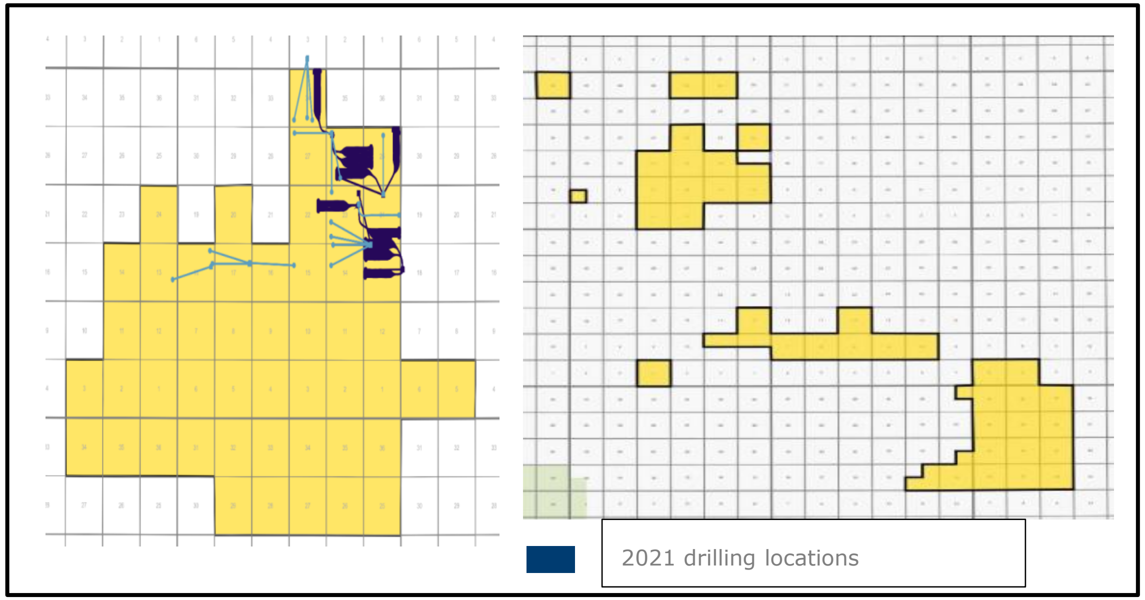
Source: GeoScout



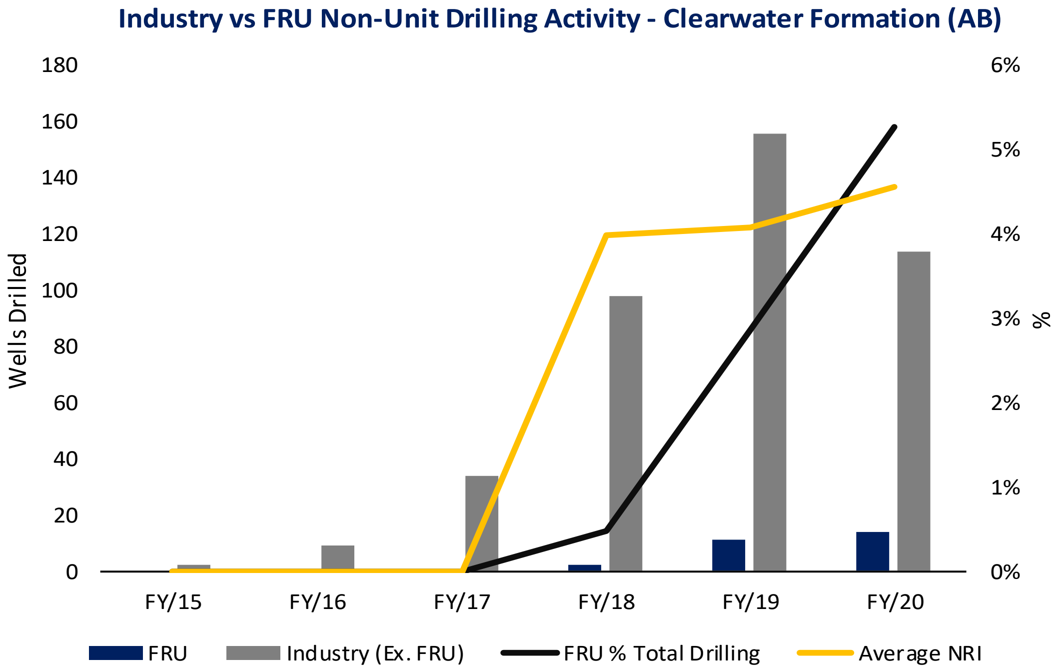


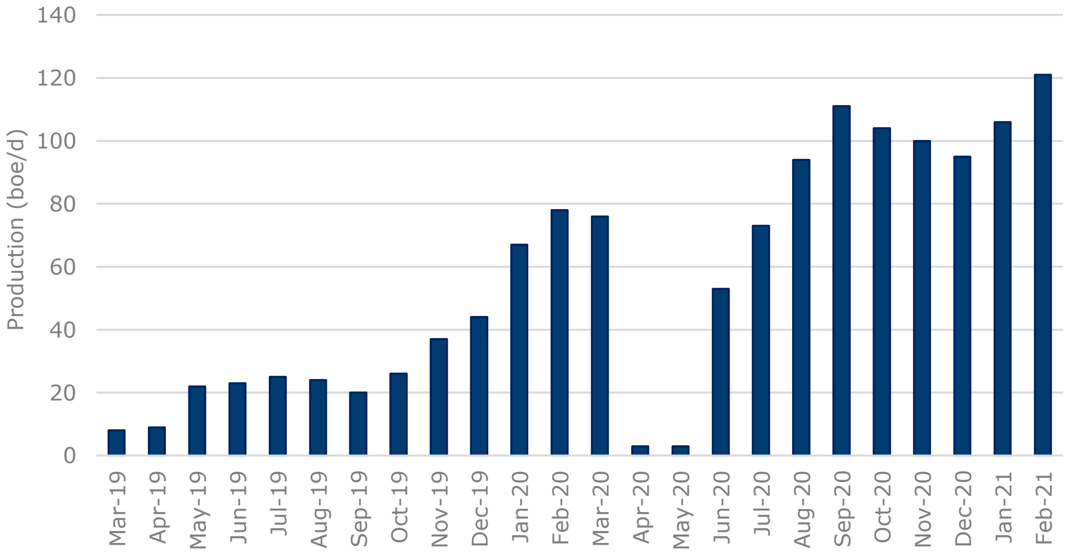
Clearwater (Nipisi, Jarvie)

- Expected to be one of the more active areas in 2021 for FRU. Net volumes have grown by 20% since change in operatorship in late 2020
- Freehold maintains a ~4% GORR on approximately 200 sections of land
- Development economic at oil prices <US$45/bbl WTI, offering top decile economics within North America



Source: GeoScout





Our ESG Approach & Commitments

Our ESG approach is rooted in our desire to provide a long-term value proposition to our shareholders

- **Freehold unveiled its first Environmental, Social & Governance Report (ESG) in 2019**
- **Expect to update the market with a Sustainability Report and enhanced disclosure on the execution of our ESG strategy in Q3-2021**
- **Our approach to ESG is rooted in our collective desire to provide a long-term value proposition to our shareholders**
- **Our commitments**
  - Quantify and report emissions from our working interest properties (<2% of our production)
  - Proactively reduce our asset retirement obligations for our working interest properties
  - Advance our employee engagement and diversity initiatives
  - Available on our website
- **We remain focused on being an ESG leader**

Our Approach to ESG

	What we do	Why we do it
Align with competent and reputable payors	Align our business with competent and reputable operators and payors that are technically strong, regulatory compliant, fiscally responsible, and good stewards of the environment	To ensure continued development of our royalty assets in a responsible manner
Support growth and responsible development	Continually evaluate lands to add to our royalty portfolio. Ensure that the prevailing regulatory environment supports responsible resource development	To continually grow and maintain a financially strong business model To ensure timely, efficient and sustainable development of any new royalty lands acquired
Adapt to changing regulatory frameworks	Keep apprised and engaged in the changing regulatory initiatives that support long term health of our environment and climate. Adjust to the changing business environment	To effectively manage and position our business to be aligned with regulatory changes To ensure our business plan remains viable over the long term
Deliver financial market transparency	Communicate and share our ESG risks and strategies	To enable shareholders and stakeholders to make informed decisions
Provide committed and responsible leadership	Integrate ESG impacts into our overall corporate risk management strategy which is overseen by our Board	By aligning the ESG interests of our stakeholders we can preserve our company value

Supplemental Information

2021E Guidance

- Maintaining our production guidance to 10,500-11,000 boe/d
- Q1-2021 production levels averaged 10,944 boe/d
- Increased monthly dividend from $0.03 to $0.04/share
- Increasing our 2021 WTI price forecast from US$50 to US$55/bbl
- Increasing our Edmonton Light Sweet crude oil price assumption from $58 to $63/bbl

2021 Annual Average		Guidance Date March 4, 2021	Guidance Date May 11, 2021
Average production	boe/d	10,500-11,000	10,500-11,000
West Texas Intermediate crude oil	US$/bbl	50.00	55.00
Edmonton Light Sweet crude oil	Cdn$/bbl	58.00	63.00
AECO natural gas	Cdn$/mcf	2.75	2.75
NYMEX natural gas	US$/mmbtu	3.10	3.10
Exchange rate	US$/Cdn$	0.79	0.79

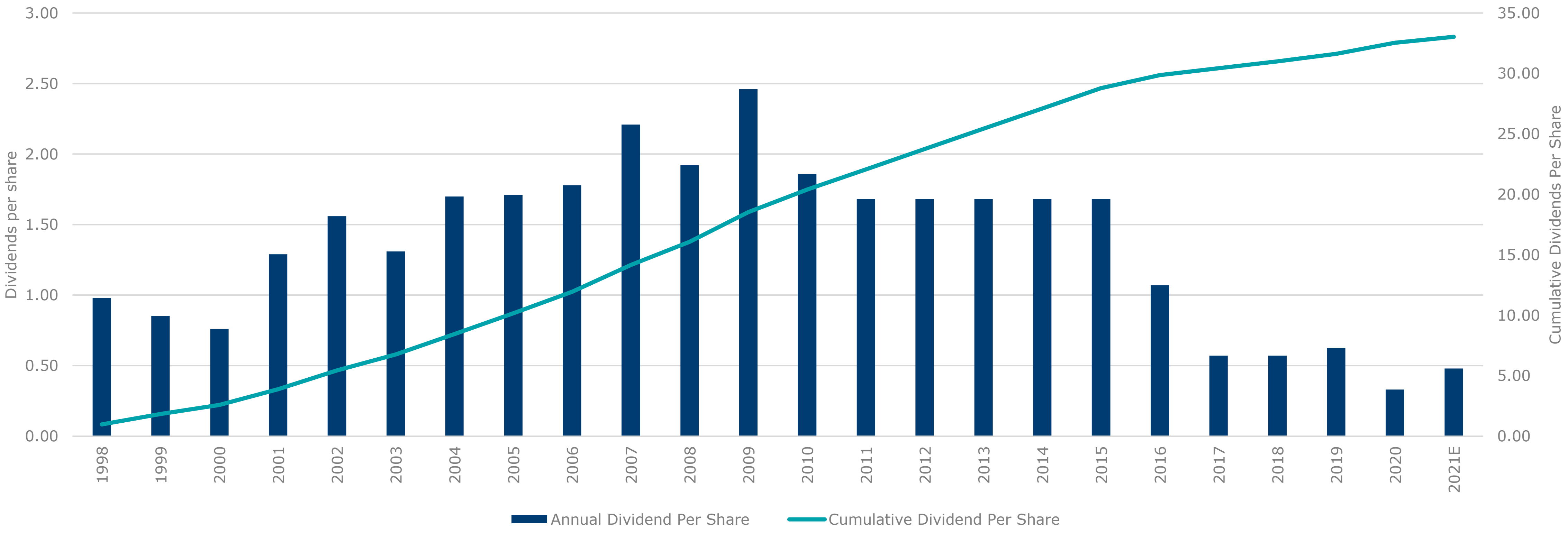
Source: Company Reports

Safe, Lower Risk Asset Base

	2018	2019	2020	Q1-2021
Royalty Production (boe/d)	11,410	10,628	9,781	10,944
Acquisitions (mm)	$62	$49	$7	$80
Royalty acres (mm)	6.2	6.7	6.3	6.7
Tax pools (mm)	$905	$838	$775	n/a
Net debt/funds from operations	0.7x	0.8x	0.9x	0.8x

Consistent Income Provider

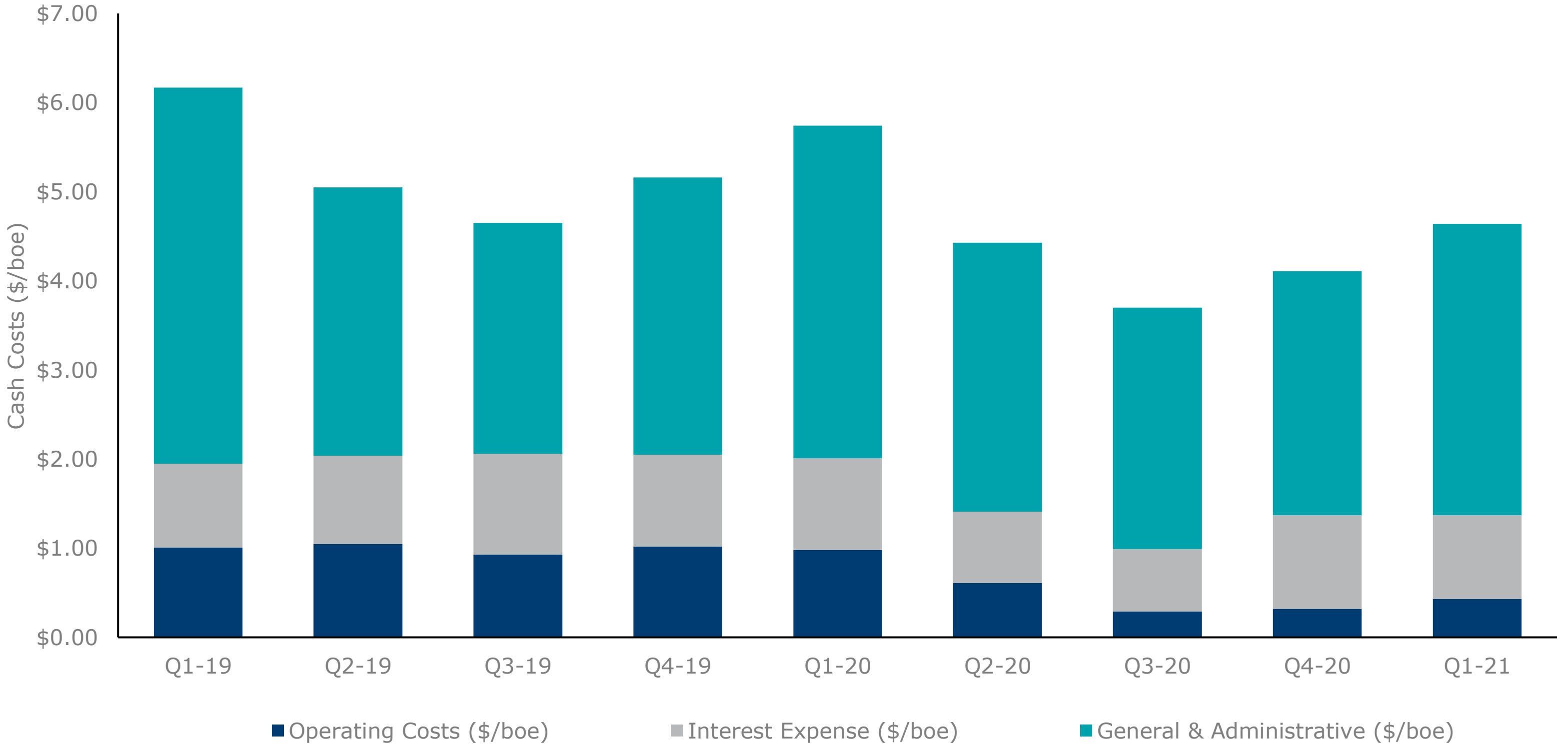
Freehold has provided greater than $32.60/share over its history to its shareholders through dividend payments



Cash Costs

- Q1-2021 cash costs of ~$4.37/boe facilitate a strong corporate netback for Freehold
- Q1-2021 cash costs down 24% year-over-year
- Reduction in costs reflect working interest dispositions, lower lending and G&A costs

Freehold has shown a strong trending down in cash costs in 2020

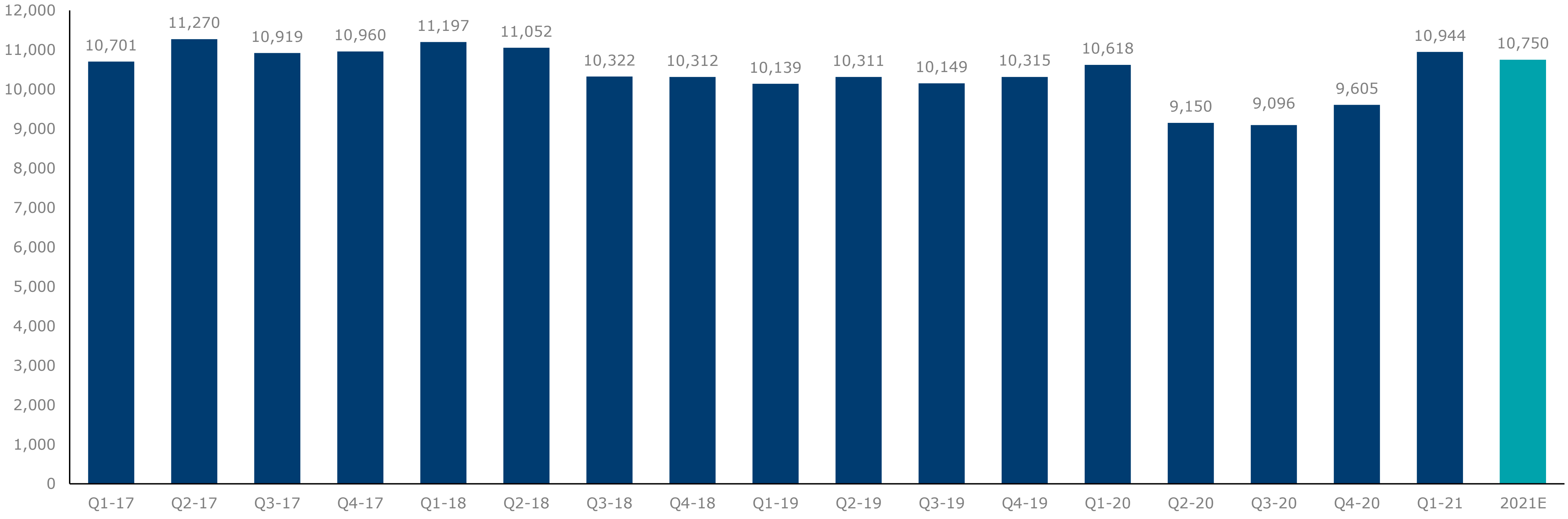


Cash costs =operating costs + interest expense + general & administrative costs + share based compensation payments (see Non-GAAP Financial Measures)

Royalty Production History

Freehold's royalty production increased 13% q/q in Q1-2021 with volumes forecast to increase in 2021

Royalty Production (boe/d)



Diversified Royalty Payors

Our top payors remain well financed with no significant concentration risk

Bonterra Energy Corp.
Canadian Natural
cenovus ENERGY
ConocoPhillips
Crescent Point ENERGY CORP
eog resources
ExxonMobil
Harvest OPERATIONS CORP.
Husky Energy
Paramount resources ltd.
PERPETUAL ENERGY
PIONEER NATURAL RESOURCES
RIDGEBACK RESOURCES
Rife Resources Ltd.
SURGE ENERGY INC
TAQA
TEINE ENERGY
TORC Oil & Gas Ltd
TOURMALINE OIL CORP.
VERMILION ENERGY
TUNDRA OIL & GAS PARTNERSHIP
WHITECAP RESOURCES INC

Disciplined Acquirer

Freehold will continue to look for opportunities that enhance the resiliency and durability of our portfolio across all commodity price cycles

Year	Area	Cost ($ millions)	Initial Production Acquired (boe/d)
2012	AB, SK and BC	60	600
2013	Numerous small acquisitions	10	30
2014	SK/MB/AB (3)	248	1,500
2015	SK/AB/BC	410	2,100
2016	SK/AB	162	1,700
2017	SK/AB	87	420
2018	SK/AB	62	275
2019	SK/AB, US	50	410
2020	US	8	-
2021	US	80	1,300
TOTAL		**$1,177**	**8,335**

Advisories

Forward-Looking Statements

This presentation offers our assessment of Freehold's future plans and operations as at May 11, 2021 and contains forward-looking information including, without limitation, forward-looking information with regards to the expected 2021 revenue and production from oil and natural gas liquids; expected 2021 average net daily production; expectation that strong operating margins enable lower breakeven commodity prices and enhance the sustainability of payout; expected ability to grow the dividend and generate meaningful free cash flow at current commodity prices; anticipated 2021 funds from operations, free cash flow, payout ratio, dividends, debt repayment, availability of free cash flow for acquisitions and debt to funds from operations; expected timing for repayment of debt; expected 2021 and 2022 average net daily production (including the commodity weighting of such production) from the royalty assets (the "Acquired Assets") acquired in the United States (the "U.S. Royalty Transaction"); the number of potential drilling locations associated with the Acquired Assets including how many are economic at different commodity price levels; the expected attributes and benefits to be derived by Freehold pursuant to the U.S. Royalty Transaction including the expected enhancing of Freehold's growth profile, netbacks, and sustainability of Freehold's dividend; expected industry activity levels and activity levels on Freehold lands in Canada and the United States in 2021; Freehold's intent to target a return of 60-80% of funds from operations to shareholders; potential to grow dividends in future quarters; Freehold's dividend policy and expectations for future dividends; expected sensitivities of funds from operations and free cash flow in 2021 to different WTI prices; Freehold's intent to target debt to funds from operations of less than 1.5x; the expectation that the Clearwater will be one of the more active areas for Freehold in 2021; the expectation that development in the Clearwater is economic at oil prices <US$45/bbl WTI; our expected focus on environmental, social and governance matters; and expectations as to commodity prices.

This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of the COVID-19 pandemic on economic activity and demand for oil and natural gas, general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, our ability to access sufficient capital from internal and external sources. Risks are described in more detail in Freehold's annual information form for the year ended December 31, 2020 which is available under Freehold's profile on SEDAR at www.sedar.com. In addition, Freehold's Board of Directors determines the dividend policy and such policy may change at any time.

With respect to forward looking information contained in this presentation, we have made assumptions regarding, among other things; future oil and natural gas prices including price differentials; future exchange rates; that drilled uncompleted wells associated with the Acquired Assets will be completed in the short term and brought on production; that wells associated with the Acquired Assets that have been permitted will be drilling and completed within a customary timeframe; expectations as to additional wells to be permitted, drilled, completed and brought on production in 2021 and 2022 based on Freehold's review of the geology and economics of the plays associated with the Acquired Assets; expected production performance of wells to be drilled and/or brought on production in 2021 and 2022; the ability of our royalty payors to obtain equipment in a timely manner to carry out development activities; the ability and willingness of royalty payors to fund development activities on our properties; and such other assumptions as are identified herein.

Advisories

Forward-Looking Statements Continued

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward looking information. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained herein is expressly qualified by this cautionary statement. To the extent any guidance or forward looking statements herein constitute a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

Drilling Locations

This presentation discloses anticipated future drilling or development locations associated with the Acquired Assets, all of which are currently considered unbooked locations. Unbooked locations are generated by internal estimates of Freehold management based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of the multi-year drilling activities on the Acquired Assets based on evaluation of applicable geologic, seismic, engineering, historic drilling, production, commodity price assumptions and reserves information. There is no certainty that all unbooked drilling locations will be drilled and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. Freehold has no control on whether any wells will be actually drilled in respect of such unbooked locations. The drilling locations on which wells are actually drilled will ultimately depend upon the capital allocation decisions of royalty payors who have working interests in respect of such drilling locations and a number of other factors including, without limitation, availability of capital, regulatory approvals, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production. Upon purchase of the Acquired Assets, Freehold will have the reserves associated with the Acquired Assets evaluated by an independent qualified reserves evaluator in accordance with the requirements of National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities and it will be determined at such time whether any of the unbooked drilling locations disclosed herein are booked for the purposes of such evaluation with associated proved or probable reserves.

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 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Advisories cont.

Non-GAAP Financial Measures Within this presentation, references are made to terms commonly used as key performance indicators in the oil and natural gas industry. We believe that operating income, operating margin, operating netback, free cash flow, free cash flow yield, cash costs, and payout ratio are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculations of similar measures for other entities. Operating income, which is calculated as gross revenue less royalties and operating expenses, shows the profitability of our revenue streams as it provides the cash margin for product sold after directly related expenses. Operating margin represents operating income as a percentage of our gross revenue and once again shows the profitability of our revenue streams. Operating netback presents operating income on a per boe of production basis. Free cash flow is a measure used by dividend paying companies to provide an estimate of how much cash might be available for the payment of dividends. Free cash flow is calculated by subtracting capital spending from funds from operations. In periods where Freehold has no capital expenditures, free cash flow is interchangeable with funds from operations. Cash costs is a total of all recurring costs in the statement of income (loss) deducted in determining funds from operations. For Freehold cash costs are identified as royalty expense, operating expense, general and administrative expense, interest expense and share based compensation payments. Cash costs are key to funds from operations, representing the ability to sustain dividends and/or repay debt. Payout ratios are often used for dividend paying companies in the oil and gas industry to identify its dividend levels in relation to the funds it receives and uses in its capital and operational activities. Payout ratio is calculated as dividends declared as a percentage of funds from operations. In addition, this presentation refers to various per boe figures, such as revenues and costs, which provide meaningful information on Freehold's operational performance. Per boe figures are derived by dividing the relevant revenue or cost figure by the total volume of oil and natural gas production during the period, with natural gas converted to equivalent barrels of oil as described below. See Freehold's most recent management's discussion and analysis, which is available on SEDAR at www.sedar.com, for more details on Freehold's use of Non-GAAP Financial Measures.

Barrels of Oil Equivalent (boe) ratio: 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 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 insolation. As well, given the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

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