Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) was prepared as of November 8, 2023 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 and nine months ended September 30, 2023 and its comparative periods, 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 periods are between the three ("Q3-2023") and nine ("first nine months" or "year-to-date") months ended September 30, 2023 (combined the "current reporting periods" in that respective order) and the same period(s) in 2022 (also in that respective order), 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 September 30, 2023 unaudited condensed consolidated financial statements (the "interim financial statements") and the December 31, 2022 audited consolidated financial statements and notes (the "audited financial statements"). These documents, as well as, additional information about Freehold, including its Annual Information Form for the year ended December 31, 2022 (AIF), is available on SEDAR+ at www.sedarplus.ca and on Freehold's website at www.freeholdroyalties.com.

This MD&A contains the non-GAAP financial measures: **net revenue**, **cash costs** and **netback** and supplementary financial measures: **dividend payout ratio** and **funds from operations per share**. These are useful supplements 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. This MD&A also contains the capital management measures of working capital, net debt, capitalization and net debt to trailing funds from operations for the last 12 months as defined in Note 12 of the interim financial statements. 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 and Other 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 primarily from royalties on crude oil, natural gas, natural gas liquids (NGLs) and potash properties as reserves are produced over the life of the properties located in Canada and the continental U.S. Freehold's primary focus is managing and acquiring royalties.

The Royalty Advantage

Freehold manages one of the largest non-government portfolios of oil and natural gas royalties in Canada with a sizeable land base in the U.S., uniquely positioning Freehold as a leading North American energy royalty company. Our total land holdings encompass approximately 6.2 million gross acres in Canada and approximately 0.9 million gross drilling acres in the U.S., collectively greater than 99% of which are royalty lands. Our Canadian mineral title lands, which we own in perpetuity, cover approximately 1.1 million acres and we also have gross overriding royalty and other interests in approximately 5.1 million acres. Our U.S. acreage is comprised of greater than 75% mineral title lands.

We have royalty interests in more than 19,000 producing wells and almost 400 units spanning five provinces and eight states and receive royalty income from over 360 industry operators throughout North America. Our revenues also include potash royalties, lease bonus consideration and lease rental streams that diversify our revenue portfolio. 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, complete and equip the wells for production on its properties, nor does it incur costs to operate the wells, maintain production, or ultimately abandon the wells and restore the land to its original state. All of these costs are paid by our royalty payors. 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 North American 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 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 trailing funds from operations
- **Delivering value**
    - Target a dividend payout ratio of approximately 60%

Dividend Announcement

Freehold's Board of Directors (the Board) approved a dividend of $0.09 per common share to be paid on December 15, 2023, to shareholders of record on November 30, 2023. Freehold's dividend of $0.09 per common share is in-line with our payout strategy and highlights the sustainability of our dividend through commodity cycles. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Outlook

Business Environment

Crude Oil

The third quarter represented a period of strength for crude oil prices with WTI gaining approximately 40% off the lows of June (US$67.12/bbl) to the highs of September (US$93.68/bbl). Supply curtailments within OPEC+ and strong consumer demand through the summer months served as driving forces behind the upward momentum in prices. For the current reporting periods, WTI averaged US$82.26/bbl and US$77.39/bbl, 10% and 21% lower versus the same periods in 2022. When compared to the previous quarter however, WTI prices improved by 11%.

Within Canada, Edmonton Light Sweet prices averaged $107.89/bbl and $100.63/bbl during the current reporting periods, 8% and 18% lower versus the same periods in 2022. Western Canadian Select (WCS) prices averaged $93.05/bbl and $80.37/bbl during the current reporting periods, flat and 24% lower versus the same periods in 2022. Despite available pipeline egress capacity, U.S. refinery turnarounds decreased heavy oil demand, at the same time increasing supply out of Western Canada, driving a wider differential for the first nine months, compared to the same period in 2022. The Canadian Energy Regulator has approved the Trans Mountain Expansion route deviation, which should help get the long-awaited pipeline into service in the second half of 2024, narrowing differentials.

Natural Gas Prices

For Q3-2023, AECO 7A Monthly Index and NYMEX natural gas monthly contract prices averaged $2.42/Mcf and US$2.64/Mcf, respectively, down 56% and 68% from the same period in 2022. For the first nine months of 2023, AECO 7A and NYMEX prices averaged $3.10/Mcf and US$2.69/Mcf, respectively, down 41% and 60% from the same period in 2022. Prices retreated over the reporting periods, reflecting a warmer North American winter, which failed to draw down inventories during the peak demand winter months.

Canadian storage levels sit well above the five-year average as we enter the winter season while Canadian demand is likely to cycle higher with coal to gas conversions and new natural gas generated power stations coming onstream. On the U.S. supply side, lower rig activity in Appalachia and Haynesville indicates that current price levels are not strong enough to drive meaningful supply. In addition, in the Permian, pipeline expansions have slowed which likely serves as a headwind on supply. Furthermore, strong demand for natural gas generated power and steady liquified natural gas (LNG) exports have helped to reduce the U.S. storage surplus, incrementally supporting the NYMEX benchmark compared to the second quarter of 2023.

Average Benchmark Prices

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
West Texas Intermediate crude oil (US$/bbl)	**$ 82.26**	$ 91.56	-10%	**$ 77.39**	$ 98.09	-21%
Exchange rate (Cdn$/US$)	**$ 1.34**	$ 1.30	3%	**$ 1.35**	$ 1.28	5%
Edmonton Light Sweet crude oil (Cdn$/bbl)	**$ 107.89**	$ 116.85	-8%	**$ 100.63**	$ 123.43	-18%
Western Canadian Select crude oil (Cdn$/bbl)	**$ 93.05**	$ 93.49	0%	**$ 80.37**	$ 105.53	-24%
Nymex natural gas (US$/Mcf)	**$ 2.64**	$ 8.20	-68%	**$ 2.69**	$ 6.67	-60%
AECO 7A Monthly Index (Cdn$/Mcf)	**$ 2.42**	$ 5.50	-56%	**$ 3.10**	$ 5.27	-41%

2023 Guidance

Freehold is maintaining its 2023 guidance after incorporating actual results for the first nine months of 2023. The following table summarizes our key operating assumptions for 2023 with production expected to be weighted 62% oil and NGLs and 38% natural gas:

2023 Guidance	**March 1 2023**
Production (boe/d) (1)	**14,500 - 15,500**
Funds from operations ($MM)	**$250 - $280**
West Texas Intermediate crude oil (US$/bbl)	**$80.00**
AECO natural gas (Cdn$/Mcf)	**$3.00**
Nymex (US$/Mcf)	**$3.00**
Exchange rate (US$/Cdn$)	**$0.75**

(1) 2023 production is expected to consist of 8% heavy oil, 43% light and medium oil, 11% NGLs and 38% natural gas

Operating and Financial Results

Financial ($000s, except as noted)	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Royalty and other revenue	**$ 84,234**	$ 98,418	-14%	**$ 234,513**	$ 294,518	-20%
Net income	**$ 42,269**	$ 63,175	-33%	**$ 97,581**	$ 168,445	-42%
Per share, basic ($) (1)	**$ 0.28**	$ 0.42	-33%	**$ 0.65**	$ 1.12	-39%
Cash flows from operations	**$ 53,685**	$ 99,931	-46%	**$ 146,212**	$ 244,673	-40%
Funds from operations	**$ 65,253**	$ 80,783	-19%	**$ 176,860**	$ 236,522	-25%
Per share, basic ($) (1)(3)	**$ 0.43**	$ 0.54	-20%	**$ 1.17**	$ 1.57	-25%
Acquisitions and related expenditures	**$ 1,156**	$ 161,679	-99%	**$ 8,582**	183,634	-95%
Dividends paid	**$ 40,683**	$ 37,658	8%	**$ 122,045**	$ 100,920	21%
Per share ($) (2)	**$ 0.27**	$ 0.25	8%	**$ 0.81**	$ 0.67	21%
Dividends declared	**$ 40,684**	$ 39,167	4%	**$ 122,046**	$ 105,442	16%
Per share ($) (2)	**$ 0.27**	$ 0.26	4%	**$ 0.81**	$ 0.70	16%
Dividend payout ratio (%) (3)	**62%**	47%	32%	**69%**	43%	60%
Long term debt	**$ 141,198**	$ 196,947	-28%	**$ 141,198**	$ 196,947	-28%
Net debt (4)	**$ 106,564**	$ 159,872	-33%	**$ 106,564**	$ 159,872	-33%
Shares outstanding, period end (000s)	**150,684**	150,654	0%	**150,684**	150,654	0%
Average shares outstanding (000s) (1)	**150,678**	150,640	0%	**150,673**	150,626	0%
Operating						
Light and medium oil (bbl/d)	**6,325**	5,935	7%	**6,172**	5,535	12%
Heavy oil (bbl/d)	**1,127**	1,190	-5%	**1,184**	1,197	-1%
NGL (bbl/d)	**1,678**	1,708	-2%	**1,769**	1,692	5%
Total liquids (bbl/d)	**9,130**	8,833	3%	**9,125**	8,424	8%
Natural gas (Mcf/d)	**32,851**	32,319	2%	**33,234**	32,165	3%
Total production (boe/d) (5)	**14,605**	14,219	3%	**14,664**	13,784	6%
Oil and NGL (%)	**63%**	62%	2%	**62%**	61%	2%
Petroleum and natural gas realized price ($/boe) (5)	**$ 61.55**	$ 74.31	-17%	**$ 57.54**	$ 77.11	-25%
Cash costs ($/boe) (3)(5)	**$ 5.10**	$ 3.62	41%	**$ 6.04**	$ 5.19	16%
Netback ($/boe) (3)(5)	**$ 55.63**	$ 69.77	-20%	**$ 50.85**	$ 71.54	-29%

(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 and Other Financial Measures
(4) Net debt is a capital management measure
(5) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe)

Q3-2023 Operating and Financial Highlights

- Q3-2023 production averaged 14,605 boe/d, a 3% increase versus the same quarter in 2022, with U.S. production setting a record level for Freehold.
    - U.S. production averaged 5,427 boe/d, up 17% versus the same quarter in 2022. The majority of this increase reflects strong third-party drilling and completion activities on our U.S. royalty lands and the associated flush production, as well as acquisitions completed in 2022.
    - Canadian volumes averaged 9,178 boe/d, down 4% from the same quarter in 2022, mainly due to prior period adjustments of approximately 240 boe/d related to the previous quarter's wildfires which were weighted to natural gas and NGL volumes.
- Lower benchmark prices during Q3-2023 resulted in an average realized commodity price of $61.55/boe, down 17% from the same period in 2022. However, benchmark prices rose from the previous quarter, resulting in an increase in realized pricing of 14%.
- Royalty and other revenue totaled $84.2 million, the highest quarterly level reported in 2023, although down 14% from the same period in 2022, related to lower commodity pricing,
- Funds from operations totaled $65.3 million or $0.43 per share(1), down 19% from the $80.8 million or $0.54 per share(1) in the same quarter in 2022.
- Dividends paid for Q3-2023 totaled $40.7 million ($0.27 per share), up 8% versus the same period in 2022 when Freehold paid $37.7 million ($0.25 per share).
- Our dividend payout ratio(1) of 62% is up 32% from the same period in 2022 and is in-line with our dividend payout strategy.
- Cash costs(1) for the quarter totaled $5.10/boe, up 41% versus the same period in 2022 reflecting higher interest costs as well as the settlement of share based awards for a retired non-management director.
- Long term debt at September 30, 2023 was $141.2 million, a decrease of $10.8 million versus June 30, 2023.
    - Net debt at September 30, 2023 was $106.6 million, a decrease of $24.2 million versus June 30, 2023.

(1) See Non-GAAP and Other Financial Measures

Drilling Activity

For the first nine months of 2023, 779 gross wells (14.1 net) were drilled on Freehold's North American royalty lands, representing the highest level of drilling activity in the Company's 27-year history on a gross measure. This compares to the 764 gross wells for the same period in 2022. Of the gross wells drilled in the first nine months of 2023, 44% were drilled on Canadian royalty acreage and 56% were drilled on Freehold's U.S. royalty acreage with 90% of wells targeting oil prospects.

In total, 251 gross wells were drilled on Freehold's royalty lands in Q3-2023, a 17% decrease versus the same quarter in 2022. Of these 251 gross wells drilled on Freehold's royalty lands, 30% of the drilling occurred in the Permian, 15% in the Eagle Ford, 11% in the Cardium, 9% in the Clearwater with the remainder balanced between plays in both Canada and the U.S. By geography, approximately 45% of gross wells on Freehold royalty lands targeted prospects in Texas, 29% in Alberta and 15% in Saskatchewan with the balance distributed across other regions. Approximately 95% of gross wells targeted oil and liquids plays with 5% targeting natural gas plays.

	Three months ended September 30				Nine months ended September 30			
	2023		2022		**2023**		2022	
	Gross	**Net** (1)	Gross	Net (1)	**Gross**	**Net** (1)	Gross	Net (1)
Canada	**116**	**3.9**	147	5.8	**346**	**12.2**	366	13.9
United States	**135**	**0.7**	157	0.9	**433**	**1.9**	398	2.0
Total	**251**	**4.6**	304	6.7	**779**	**14.1**	764	15.9

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

Canada

Third-party activity levels rebounded compared to the previous quarter as expected post spring break-up. In Q3-2023, we had 116 gross locations drilled within our Canadian portfolio compared to 147 gross locations during the same period in 2022. For the first nine months of 2023, 346 gross locations were drilled on Freehold's Canadian land, a 5% decrease over 366 gross locations in the same period in 2022.

During Q3-2023, Freehold saw drilling in oil weighted areas such as the Clearwater and Cardium in Alberta and the Mississippian Subcrop, Bakken and Viking in Saskatchewan. Additionally, there was an increase in heavy oil drilling in the Mannville stack in Alberta and Saskatchewan.

U.S.

For the first nine months of 2023, 433 gross locations were drilled on Freehold's U.S. land, a 9% increase over the 398 gross locations in the same period in 2022. This increase is associated with the 2022 royalty acquisitions and strong industry activity. Overall, 135 gross wells were drilled on our U.S. royalty lands during Q3-2023, compared to 157 gross wells during Q3-2022.

In the U.S., operators focused drilling on light oil prospects in the Permian and Eagle Ford with 83% of activity within these basins. Freehold also saw strong activity associated with development in the Bakken play. Development of Freehold's U.S. lands was led by a diverse group of investment grade public companies and growth oriented public and private operators.

Although Freehold's U.S. net well additions were lower than in Canada, U.S. wells generally come on production at approximately ten times that of an average Canadian well in our portfolio. However, a U.S. well can take upwards of six to nine months on average from initial license to first production, compared to three to four months in Canada.

Production

Freehold's total production averaged 14,605 boe/d and 14,664 boe/d during the current reporting periods, 3% and 6% increases over the same periods in 2022. These increases reflect third-party drilling and completion activities on Freehold's lands and acquisitions completed over 2022.

Working interest production for Q3-2023 averaged 98 boe/d, down slightly from 105 boe/d in the same period of 2022.

Production Summary

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Canada (boe/d)	**9,178**	9,566	-4%	**9,597**	9,682	-1%
United States (boe/d)	**5,427**	4,653	17%	**5,067**	4,102	24%
Total production (boe/d)	**14,605**	14,219	3%	**14,664**	13,784	6%

Average Daily Production by Product Type

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Light and medium oil (bbl/d)	**6,325**	5,935	7%	**6,172**	5,535	12%
Heavy oil (bbl/d)	**1,127**	1,190	-5%	**1,184**	1,197	-1%
NGL (bbl/d)	**1,678**	1,708	-2%	**1,769**	1,692	5%
Natural gas (Mcf/d)	**32,851**	32,319	2%	**33,234**	32,165	3%
Total production (boe/d)	**14,605**	14,219	3%	**14,664**	13,784	6%
Number of days in period (days)	**92**	92	-	**273**	273	-
Total volumes during period (Mboe)	**1,344**	1,308	3%	**4,003**	3,763	6%

Canada

Canadian production averaged 9,178 boe/d and 9,597 boe/d during the current reporting periods, comprised of approximately 54% oil and NGLs and 46% natural gas. These production volumes decreased versus the same periods in 2022, caused by natural declines and an approximate 240 boe/d prior period volume adjustment related to the previous quarter's wildfires which were weighted to natural gas and NGL volumes.

Canadian Average Daily Production by Product Type

	Three months ended September 30			Nine months ended September 30		
Canadian production	**2023**	2022	Change	**2023**	2022	Change
Light and medium oil (bbl/d)	**3,060**	3,118	-2%	**3,179**	3,174	0%
Heavy oil (bbl/d)	**1,127**	1,190	-5%	**1,184**	1,197	-1%
NGL (bbl/d)	**729**	783	-7%	**856**	883	-3%
Natural gas (Mcf/d)	**25,575**	26,843	-5%	**26,266**	26,579	-1%
Total production (boe/d)	**9,178**	9,566	-4%	**9,597**	9,682	-1%

U.S.

U.S. production averaged 5,427 boe/d and 5,067 boe/d during the current reporting periods, up by 17% and 24% versus the same periods in 2022, setting a record for Freehold. These increases reflect third-party drilling and completion activities on our U.S. royalty lands and the associated flush production, as well as the impact of acquisitions completed in 2022. Freehold's U.S. production during the current reporting periods represents approximately 37% and 35% of corporate volumes, a 4% and 5% increase from the same periods in 2022.

U.S. production in Q3-2023 increased by 560 boe/d from the previous quarter and includes approximately 350 boe/d from the flush production from three high net royalty interest, multi-well pads brought onstream in Midland and Eagle Ford and approximately 150 boe/d from improved base production and new wells in Howard county.

Freehold's U.S. production in Q3-2023 is weighted approximately 78% to oil and NGLs and 22% to natural gas.

U.S. Average Daily Production by Product Type

United States production	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Light and medium oil (bbl/d)	**3,265**	2,817	16%	**2,993**	2,361	27%
NGL (bbl/d)	**949**	924	3%	**913**	809	13%
Natural gas (Mcf/d)	**7,276**	5,476	33%	**6,968**	5,585	25%
Total production (boe/d)	**5,427**	4,653	17%	**5,067**	4,102	24%

Product Prices

As Freehold has increased its U.S. royalty portfolio, its overall realized price has strengthened as U.S. crude oil production realizes prices closer to WTI versus discounted pricing in Canada associated with transportation costs to markets and oil quality differentials. This, coupled with a higher oil weighting in the U.S. and the strengthening of the U.S. dollar from the comparative periods, resulted in Freehold receiving a 34% and 37% commodity pricing premium for its U.S. production compared to its Canadian production. However, as driven by a lower commodity price environment, our average selling prices were $61.55/boe and $57.54/boe in the current reporting periods, down from $74.31/boe and $77.11/boe during the same periods in 2022.

Average Realized Prices Summary

	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Oil ($/bbl)	**$ 102.68**	$ 111.66	-8%	**$ 93.84**	$ 117.37	-20%
NGL ($/bbl)	**$ 38.25**	$ 48.67	-21%	**$ 39.76**	$ 55.79	-29%
Oil and NGL ($/bbl)	**$ 90.83**	$ 99.50	-9%	**$ 83.35**	$ 105.00	-21%
Natural gas ($/Mcf)	**$ 2.12**	$ 5.51	-62%	**$ 2.50**	$ 5.55	-55%
Oil equivalent ($/boe)	**$ 61.55**	$ 74.31	-17%	**$ 57.54**	$ 77.11	-25%

Canada

Freehold's average selling price realized in Canada was $54.61/boe and $50.98/boe during the current reporting periods, lower by 17% and 28% versus the same periods in 2022. These decreases reflect lower Canadian benchmarks.

Freehold's Canadian realized oil pricing averaged $98.11/bbl and $87.41/bbl during the current reporting periods, down 7% and 23% when compared to the same periods in 2022. The realized average NGL price of $52.10/bbl and $51.54/bbl during the current reporting periods was down 13% and 23% versus the same periods in 2022, reflecting lower oil benchmarks and also for Q3-2023, a decrease in NGL pricing relative to oil. Average realized natural gas price was $2.05/Mcf and $2.43/Mcf in the current reporting periods, down by 57% and 52% from the same periods in 2022. Canadian natural gas pricing was also affected by overall weakening in North American pricing.

Canadian Average Realized Prices

	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Oil ($/bbl)	**$ 98.11**	$ 105.35	-7%	**$ 87.41**	$ 112.84	-23%
NGL ($/bbl)	**$ 52.10**	$ 59.95	-13%	**$ 51.54**	$ 66.96	-23%
Oil and NGL ($/bbl)	**$ 91.28**	$ 98.36	-7%	**$ 81.54**	$ 105.13	-22%
Natural gas ($/Mcf)	**$ 2.05**	$ 4.73	-57%	**$ 2.43**	$ 5.06	-52%
Oil equivalent ($/boe)	**$ 54.61**	$ 65.63	-17%	**$ 50.98**	$ 70.93	-28%

U.S.

Freehold's average selling price realized in the U.S. was $73.28/boe and $69.97/boe during the current reporting periods, down 20% and 24% versus the same periods in 2022, reflecting lower U.S. benchmarks. The current reporting periods include realized oil pricing in the U.S. averaging $108.54/bbl and $103.20/bbl, down 11% and 18% when compared to the same periods in 2022. U.S. realized average NGL pricing of $27.67/bbl and $28.71/bbl, decreased 29% and 34% versus the same periods in 2022. In the U.S., NGL prices declined due to stagnant demand from U.S. and international markets while supplies increased. Freehold's average realized U.S. natural gas price was $2.35/Mcf and $2.79/Mcf, down 75% and 64% when compared to the same periods in 2022. Realized U.S. natural gas pricing was impacted by lower NYMEX pricing, impacted by strong U.S. production levels alongside no new LNG export capacity.

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

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Oil ($/bbl)	**$ 108.54**	$ 121.31	-11%	**$ 103.20**	$ 125.76	-18%
NGL ($/bbl)	**$ 27.67**	$ 39.10	-29%	**$ 28.71**	$ 43.61	-34%
Oil and NGL ($/bbl)	**$ 90.33**	$ 101.00	-11%	**$ 85.79**	$ 104.79	-18%
Natural gas ($/Mcf)	**$ 2.35**	$ 9.31	-75%	**$ 2.79**	$ 7.86	-64%
Oil equivalent ($/boe)	**$ 73.28**	$ 92.15	-20%	**$ 69.97**	$ 91.71	-24%

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. Taking product in-kind allows us to take ownership of the product as it is produced and thus sell it directly rather than having the royalty payor sell the product on our behalf and pass along proceeds from the sale in subsequent months. For Q3-2023 and the same quarter in 2022, Freehold marketed approximately 2% of its total royalty production that was taken-in-kind using 30-day contracts. 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.

Royalty and Other Revenue

Royalty and other revenue of $84.2 million and $234.5 million in the current reporting periods was 14% and 20% lower when compared to the same periods in 2022 although somewhat mitigated by a higher proportion of premium priced U.S. production and a strengthening U.S. dollar. For the current reporting periods, oil and NGLs represented approximately 91% and 89% of royalty and other revenue, 9% and 7% increases from the same periods in 2022.

Bonus consideration and lease rentals revenue were $1.3 million and $2.9 million in the current reporting periods, increases of 101% and 40% from the same periods in 2022 and reflect Freehold's continued success in leasing its mineral title lands. During the first nine months of 2023, Freehold set a record level entering into 102 new leases with 33 counterparties. The majority of the focus was associated with leasing activity in southeast Saskatchewan and royalty lands targeting Mannville heavy oil. Approximately 90% of 2023 leasing activity has been with private/public junior exploration and production companies. Included in the current reporting periods for royalty and other revenue is $0.3 million and $1.3 million in potash royalty revenues, decreases of 51% and 45% versus the same periods in 2022. These decreases were due to lower potash pricing, with current reporting periods' pricing coming down from historical highs realized in 2022.

Royalty and Other Revenue Summary

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Canada	**$ 47,617**	$ 58,854	-19%	**$ 137,649**	$ 191,344	-28%
United States	**36,617**	39,564	-7%	**96,864**	103,174	-6%
Royalty and other revenue	**$ 84,234**	$ 98,418	-14%	**$ 234,513**	$ 294,518	-20%
Per boe ($)	**$ 62.67**	$ 75.24	-17%	**$ 58.58**	$ 78.27	-25%

Royalty and Other Revenue by Category

	Three months ended September 30			Nine months ended September 30		
($000s)	**2023**	2022	Change	**2023**	2022	Change
Royalty interest	**$ 82,982**	$ 97,794	-15%	**$ 231,625**	$ 292,453	-21%
Bonus consideration and lease rentals	**1,252**	624	101%	**2,888**	2,065	40%
Royalty and other revenue	**$ 84,234**	$ 98,418	-14%	**$ 234,513**	$ 294,518	-20%

Royalty and Other Revenue by Type

	Three months ended September 30			Nine months ended September 30		
($000s)	**2023**	2022	Change	**2023**	2022	Change
Oil	**$ 70,394**	$ 73,191	-4%	**$ 188,444**	$ 215,689	-13%
Natural gas	**6,403**	16,375	-61%	**22,723**	48,718	-53%
Natural gas liquids	**5,901**	7,646	-23%	**19,204**	25,777	-25%
Potash	**284**	583	-51%	**1,254**	2,269	-45%
Bonus consideration and lease rentals	**1,252**	624	101%	**2,888**	2,065	40%
Royalty and other revenue	**$ 84,234**	$ 98,418	-14%	**$ 234,513**	$ 294,518	-20%

General and Administrative

Freehold has a business development group dedicated to the acquisition and development of its future and existing assets and a diversified royalties' team who are evaluating non-hydrocarbon and alternative royalty opportunities in addition to land administration, accounting, and auditing expertise 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 the Manager (as defined below) and allocated to Freehold (see Related Party Transactions).

In the current reporting periods, G&A expenses totaling $3.1 million and $11.8 million were up 8% and 21% versus the same periods in 2022. These increases relate to additional skill sets obtained in 2022 required to manage Freehold's expanding North American asset base, demonstrated through a 24% increase in U.S. production as well as overall inflation pressures. Additionally, the year-to-date increase was impacted by higher annual performance-based bonus payouts and a one-time severance cost.

On a per boe basis, current reporting periods G&A expenses of $2.29/boe and $2.94/boe increased by 6% and 14%.

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
General and administrative expenses before capitalized and overhead recoveries	**$ 4,316**	$ 3,918	10%	**$ 14,403**	$ 12,074	19%
Less: capitalized and overhead recoveries	**(1,234)**	(1,078)	-14%	**(2,651)**	(2,353)	-13%
General and administrative expenses	**$ 3,082**	$ 2,840	9%	**$ 11,752**	$ 9,721	21%
Per boe ($)	**$ 2.29**	$ 2.17	6%	**$ 2.94**	$ 2.58	14%

Production and Ad Valorem Taxes

Production and ad valorem taxes are incurred in the U.S. at the state level derived from production and property values. With Freehold's expansion into the U.S., the expenses of $2.6 million and $6.8 million during the current reporting periods were 8% and 17% higher than the same periods in 2022. The increases on a per boe basis reflect Freehold's U.S. expansion into certain states, largely Texas, which do not charge corporate income taxes but do assess flat tax rates on commodity revenues in addition to higher property tax values and their associated assessments.

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Production and ad valorem taxes	**$ 2,607**	$ 2,418	8%	**$ 6,773**	$ 5,805	17%
Per boe ($)	**$ 1.94**	$ 1.85	5%	**$ 1.69**	$ 1.54	10%

Operating Expenses

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

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Operating expenses	**$ 245**	$ 198	24%	**$ 769**	$ 704	9%
Per boe ($)	**$ 0.18**	$ 0.15	20%	**$ 0.19**	$ 0.19	0%

Interest and Financing

Interest on long term debt in the current reporting periods increased compared to the same periods in 2022, due to both higher interest rates and average debt levels associated with acquisitions completed throughout 2022. The current reporting periods' average effective interest rate on advances from Freehold's $300 million committed credit facilities were 6.6% and 6.3% (same periods in 2022 – 4.2% and 2.7%).

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Interest on long term debt and financing fees	**$ 2,833**	$ 1,702	66%	**$ 7,760**	$ 3,288	136%
Non-cash interest expense (1)	**71**	47	51%	**181**	139	30%
Interest and finance expense	**$ 2,904**	$ 1,749	66%	**$ 7,941**	$ 3,427	132%
Per boe - cash expense ($)	**$ 2.11**	$ 1.30	62%	**$ 1.94**	$ 0.87	123%

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

Share-Based Compensation

Freehold's award plans are share based and cash settled and consists of grants of performance share units (PSUs), restricted share units (RSUs), director restricted share units (Director RSUs) (combined, Long-term Incentive Plan) and deferred share units (DSUs) (when combined with the Long-term Incentive Plan, the Award Plans).

Share-based compensation expense, reflecting the Award Plans, were $1.2 million and $1.7 million during the current reporting periods, decreases of 42% and 73% compared to the same periods of 2022. The lower expenses reflect the number of outstanding Long-term Incentive Plan awards and the estimated performance multiplier for PSUs and the closing share price at the reporting date. Share-based compensation expense in the first nine months of 2022 also included a non-cash charge of $1.5 million, adjusting DSUs to market value to prospectively account for these units as cash settled effective April 1, 2022.

During the current reporting periods Freehold paid $0.7 million and $3.9 million in share-based compensation as previously charged against net income, as compared to payouts of $nil and $5.8 million during the same periods in 2022. The Q3-2023 payment relates to a retired director redeeming 50,000 DSUs. The year-to-date decrease reflects a lower award value and less payouts to retired directors.

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Share-based compensation	**$ 1,246**	$ 2,153	-42%	**$ 1,728**	$ 6,308	-73%
Cash payout on share based compensation before capitalized recovery	**$ 705**	$ -	nm	**$ 4,817**	$ 5,838	-17%
Less: capitalized recovery	**-**	-	nm	**(930)**	-	nm
Cash payout on share based compensation	**$ 705**	$ -	nm	**$ 3,887**	$ 5,838	-33%
Per boe ($)	**$ 0.52**	$ -	nm	**$ 0.97**	$ 1.55	-37%

(nm) not meaningful

During the year-to-date, Freehold granted 244,910 Long-term Incentive Plan awards resulting in a total of 659,520 outstanding Long-term Incentive Plan awards at September 30 and November 8, 2023, (December 31, 2022 – 864,642).

During the year-to-date, Freehold granted 51,436 DSUs to members of the board of directors largely as part of their annual compensation resulting in a total of 511,741 outstanding DSUs at September 30, 2023 (December 31, 2022 – 481,359). Since Q3-2023, additional grants resulted in 514,897 outstanding DSUs at November 8, 2023.

Netback and Cash Costs

The netback[1] allows Freehold to benchmark how changes in commodity pricing and our cash-based cost structure compare against prior periods. Freehold's netback[1] totaled $55.63/boe and $50.85/boe during the current reporting periods, 20% and 29% lower than the same periods in 2022. These decreases largely reflect lower realized commodity pricing.

Cash costs[1] during the current reporting periods, as measured on boe basis and compared to the same periods in 2022, were up 41% and 16% which primarily reflect higher interest costs. Also contributing to the increase in cash costs during Q3-2023 was a cash payout in settlement of a retired director's redeemed DSUs.

	Three months ended September 30			Nine months ended September 30		
($/boe)	**2023**	2022	Change	**2023**	2022	Change
Royalty and other revenue	**$ 62.67**	$ 75.24	-17%	**$ 58.58**	$ 78.27	-25%
Production and ad valorem taxes	**(1.94)**	(1.85)	5%	**(1.69)**	(1.54)	10%
Net revenue [1]	**$ 60.73**	$ 73.39	-17%	**$ 56.89**	$ 76.73	-26%
Less:						
General and administrative	**$ (2.29)**	$ (2.17)	6%	**$ (2.94)**	$ (2.58)	14%
Operating expense	**(0.18)**	(0.15)	20%	**(0.19)**	(0.19)	0%
Interest and financing cash expense	**(2.11)**	(1.30)	62%	**(1.94)**	(0.87)	123%
Cash payout on share based compensation	**(0.52)**	-	nm	**(0.97)**	(1.55)	-37%
Cash costs [1]	**$ (5.10)**	$ (3.62)	41%	**$ (6.04)**	$ (5.19)	16%
Netback [1]	**$ 55.63**	$ 69.77	-20%	**$ 50.85**	$ 71.54	-29%

(1) See Non-GAAP and Other Financial Measures
(nm) not meaningful

Depletion, Depreciation and Other

Petroleum and natural gas interests, including acquisitions costs, future development costs (if any) and directly attributable G&A costs, are depleted on the unit-of-production method based on estimated proved and probable petroleum and natural gas reserves.

The depletion rates per boe of $19.19/boe and $19.33/boe in the current reporting periods are lower than the same periods in 2022 largely due to an increase in Freehold's proved and probable reserves as of December 31, 2022. Changes in depletion expense for the current reporting periods, as compared to the same periods in 2022, also reflect changes in production.

	Three months ended September 30			Nine months ended September 30		
($000s, except as noted)	**2023**	2022	Change	**2023**	2022	Change
Depletion, depreciation and other	**$ 25,838**	$ 26,828	-4%	**$ 77,517**	$ 74,318	4%
Depletion per boe ($)	**$ 19.19**	$ 20.51	-6%	**$ 19.33**	$ 19.75	-2%

Foreign Exchange

Freehold has intercompany balances which arose from the financing of prior years' U.S. royalty property acquisitions. Although these balances eliminate on consolidation, the foreign exchange change in the intercompany balance held by the Canadian parent was recognized as foreign exchange within net income whereas revaluation by the U.S. subsidiary was recognized within other comprehensive income due to different functional currencies between these entities. These intercompany positions are revalued at the relevant foreign exchange rate at each period end partially offset by changes in the Canadian dollar reported amount of a portion of Freehold's long-term debt denominated in U.S. dollars.

At September 30, 2023, and as compared to June 30, 2023, the U.S. dollar strengthened relative to the Canadian dollar to CDN$1.35/US, resulting in a foreign exchange gain during Q3-2023, whereas the opposite occurred for the year-to-date.

	Three months ended September 30			Nine months ended September 30		
($000s)	**2023**	2022	Change	**2023**	2022	Change
Unrealized foreign exchange (gain) loss on:						
Intercompany note	**$ (6,564)**	$ (26,587)	-75%	**$ 810**	$ (31,016)	-103%
Long term debt	**514**	8,440	94%	**(378)**	8,440	104%
	$ (6,050)	$ (18,147)	-67%	**$ 432**	$ (22,576)	-102%

Management Fee

The Manager (as defined below) receives a quarterly management fee paid with Freehold common shares. In Q3-2023, the management fee is capped at the equivalent of 5,500 Freehold common shares per quarter in 2023 and thereafter.

The ascribed value attributable to management fees during the current reporting periods of $0.1 million and $0.2 million decreased by 59% compared to the same periods of 2022. These decreases reflect the lower number of shares issued for management fees, despite Freehold's higher share price.

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Shares issued for management fees	**5,500**	13,750	-60%	**16,500**	41,250	-60%
Ascribed value ($000s) (1)	**$ 81**	$ 199	-59%	**$ 235**	$ 570	-59%
Closing share price ($/share)	**$ 14.70**	$ 14.38	2%	**$ 14.70**	$ 14.38	2%

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

Impairment

At September 30, 2023, there were no indicators of impairment on Freehold's U.S. and Canadian royalty cash generating units nor on its exploration and evaluation assets. As a result, no impairment testing was conducted.

Income Taxes

Freehold's taxable income is based on revenues less deductible expenses, including tax pool deductions. For the current reporting periods, current income tax expenses of $9.4 million and $26.6 million decreased from the same periods in 2022, caused by lower revenues reflecting decreases in average realized commodity prices.

	Three months ended September 30			Nine months ended September 30		
($000s)	**2023**	2022	Change	**2023**	2022	Change
Current income tax expense	**$ 9,442**	$ 10,382	-9%	**$ 26,599**	$ 31,746	-16%
Deferred income tax expense	**2,570**	6,623	-61%	**3,186**	16,050	-80%
Income taxes	**$ 12,012**	$ 17,005	-29%	**$ 29,785**	$ 47,796	-38%

CRA Assessments

The Canada Revenue Agency ("CRA") has assessed Freehold's prior years' tax returns, denying $222 million of non-capital losses ("NCL's") (the "Assessments"). Pursuant to the Assessments, denied NCL claims resulted in taxes, interest, and penalties totaling an estimated $62 million. Freehold is objecting to all Assessments and has provided deposits totaling $24.4 million as at September 30, 2023 (December 31, 2022 - $21.9 million) and will be required to pay additional deposits of $6.4 million within the next few months, of which $4.9 million was paid subsequent to September 30, 2023.

Income tax deposits were reclassified to non-current assets during the nine months ended September 30, 2023 due to the longer than anticipated timeline for resolving the Assessments with the CRA. Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful in challenging the Assessments.

Net Income and Comprehensive Income

In the current reporting periods, Freehold had net income of $42.3 million and $97.6 million, decreases compared to $63.2 million and $168.4 million in the same periods in 2022. These decreases were largely due to lower realized average commodity prices but also reflect decreased foreign exchange gains and higher interest costs. For these same periods and for the same reasons, comprehensive income also decreased and was further impacted by smaller movements in the U.S. dollar on translation of Freehold's wholly-owned U.S. subsidiary to Canadian dollars.

($000s, except per share)	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Net income	$ **42,269**	$ 63,175	-33%	$ **97,581**	$ 168,445	-42%
Per share, basic and diluted ($)	$ **0.28**	$ 0.42	-33%	$ **0.65**	$ 1.12	-42%
Comprehensive income	$ **47,160**	$ 72,467	-35%	$ **97,491**	$ 179,733	-46%

Liquidity and Capital Resources

We define capital (and capitalization) as long-term debt, shareholders' equity and working capital. We retain working capital primarily to fund capital expenditures or acquisitions, pay dividends and reduce bank indebtedness. We manage our capital structure taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels, foreign exchange rates and taxes, among others. We also consider changes in economic conditions and commodity prices as well as the risk characteristics of our assets. 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 finance acquisitions.

Operating Activities

Cash Flow from Operating Activities and Funds from Operations

We consider funds from operations to be a key measure of operating performance as it demonstrates Freehold's ability to pay dividends, fund acquisitions and repay debt. We believe this 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 per share.

Funds from operations for the current reporting periods decreased to $65.3 million ($0.43/share) and $176.9 million ($1.17/share) from $80.8 million ($0.54/share) and $236.5 million ($1.57/share) in the same periods of 2022. These decreases reflect lower realized average commodity prices caused by crude oil and natural gas benchmarks, but also include higher interest costs.

Cash flow from operations of $53.7 million and $146.2 million during the current reporting periods were approximately 46% and 40% lower than the same periods of 2022, directionally consistent with the decrease in funds from operations, with the first nine months of 2023 impacted by paying 2022 current income taxes payable of $29.3 million.

($000s, except as noted)	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Cash flow from operations	$ **53,685**	$ 99,931	-46%	$ **146,212**	$ 244,673	-40%
Funds from operations	$ **65,253**	$ 80,783	-19%	$ **176,860**	$ 236,522	-25%
Per share - basic ($)(1) (2)	$ **0.43**	$ 0.54	-20%	$ **1.17**	$ 1.57	-25%

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

(2) Funds from operations per share is a supplementary measure

Working Capital

We retain working capital (calculated as current assets, less current liabilities) primarily to fund dividends, acquisitions, expenditures and/or repayments of long-term debt. 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 commodity price changes at each period end. Changes in the declared dividend and timing differences between accruing a liability, such as current income taxes, and the related payments can also affect working capital.

Working capital on September 30, 2023, was $34.6 million, 21% or $6.0 million higher when compared to December 31, 2022 due to the settlement of 2022 year end current taxes payable of $29.3 million whereas starting in 2023 corporate income taxes are paid through regular installments, partially offset by income tax deposits being reclassified from current to non-current assets (see CRA Assessments).

($000s)	At September 30 2023	At December 31 2022	Change
Working capital [1]	**$ 34,634**	$ 28,656	21%

(1) Working capital is a capital management measure

Financing Activities

Long-Term Debt

Freehold's credit facilities with a syndicate of four Canadian banks have a committed revolving facility availability of $285 million and an operating facility availability of $15 million, where either facility can be drawn in Canadian or U.S. dollars. The credit agreement includes a permitted increase in the committed revolving facility to $435 million subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At September 30, 2023, $141.2 million was drawn on the committed revolving facility (December 31, 2022 - $156.6 million), consisting of Canadian dollar and U.S. dollar denominated borrowings of $136.3 million and US$3.6 million ($4.9 million), respectively. There were no drawings against the operating facility. 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 certain U.S. royalty income assets with associated proved developed producing reserves.

The credit agreement contains, among affirmative covenants, two financial covenants: (i) 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 (0.5 times at September 30, 2023) and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (13% at September 30, 2023). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations.

Outstanding borrowings under the credit facilities bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rates (SOFR) and Canadian Dollar Offered Rate (CDOR), respectively, or at the lender's prime lending rate plus applicable margins and standby fees, dependent on ratios of Freehold's long-term debt to EBITDA on royalty interest properties. The publication of CDOR will cease after June 28, 2024, with the credit facilities transitioning the roll-over of bankers' acceptances to Canadian Overnight Repo Rate Average (CORRA) based loans. Freehold does not expect this transition will cause a significant difference on the cost of its borrowings under the credit facilities.

At September 30, 2023 and December 31, 2022, the fair value of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange rates.

Net Debt

During the first nine months of 2023, net debt decreased by $21.3 million, or 17%, to $106.6 million from $127.9 million at December 31, 2022, as a result of lower long-term debt of $15.4 million and an increase of $6.0 million in working capital (see Working Capital).

Freehold's net debt to trailing funds from operations ratio of 0.4 times at September 30, 2023 was consistent with the December 31, 2022 ratio, and well within our net debt strategy target of below 1.5 times. This ratio is a financial leverage measure. 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 uses the capital management measure capitalization which is defined as net debt plus shareholders' equity. The associated capital management measure net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. Freehold's net debt to capitalization ratio was 10% at September 30, 2023, a reduction of 2% from December 31, 2022.

Debt Analysis

($000s)	At September 30 **2023**	At December 31 2022	Change
Long-term debt	**$ 141,198**	$ 156,560	-10%
Working capital [1]	**(34,634)**	(28,656)	21%
Net debt [1]	**$ 106,564**	$ 127,904	-17%

(1) Working capital and net debt are capital management measures

Financial Leverage Ratios [1][2]

	At September 30 **2023**	At December 31 2022	Change
Net debt to funds from operations for the last 12 months (times)	**0.4**	0.4	0%
Net debt to capitalization (%)	**10%**	12%	-17%

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

(2) Net debt to trailing funds from operations is a capital management measure

Shareholders' Capital

In the nine months of 2023, Freehold issued 16,500 shares for payment of the management fee.

At September 30, 2023 and November 8, 2023, there were 150,683,834 common shares outstanding.

Shareholders' Capital

	September 30, 2023		December 31, 2022	
($000s, except as noted)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**150,667,334**	**$ 1,500,331**	150,612,334	$ 1,499,544
Issued for payment of management fee	**16,500**	**235**	55,000	787
Balance, end of period	**150,683,834**	**$ 1,500,566**	150,667,334	$ 1,500,331

Weighted Average Shares

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Weighted average						
Basic	**150,678,394**	150,639,983	0%	**150,672,935**	150,626,285	0%
Diluted	**151,073,948**	151,101,167	0%	**151,076,347**	151,112,540	0%

Dividend Policy and Analysis

The Board reviews and determines the monthly dividend rate on a quarterly basis, or as conditions necessitate, after considering many factors including but not limited to expected commodity prices, foreign exchange rates, economic conditions, production volumes, taxes payable, and Freehold's capacity to finance operating and investing obligations and opportunities. 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. At September 30, 2023, our legal stated capital was $361 million.

2023 Dividends Declared

Record Date	Payment Date		Dividend Amount ($/share)
January 31, 2023	February 15, 2023	$	**0.09**
February 28, 2023	March 15, 2023	$	**0.09**
March 31, 2023	April 17, 2023	$	**0.09**
April 28, 2023	May 15, 2023	$	**0.09**
May 31, 2023	June 15, 2023	$	**0.09**
June 30, 2023	July 17, 2023	$	**0.09**
July 31, 2023	August 15, 2023	$	**0.09**
August 31, 2023	September 15, 2023	$	**0.09**
September 29, 2023	October 16, 2023	$	**0.09**
		$	**0.81**

On October 12, 2023, the Board declared a dividend of $0.09 per common share to be paid on November 15, 2023, to common shareholders on record on October 31, 2023. On November 8, 2023, the Board declared a dividend of $0.09 per common share to be paid on December 15, 2023, to common shareholders on record on November 30, 2023.

2023 Dividends Paid

Dividends paid in Q3-2023 totaled $40.7 million ($0.27/share), an increase from the $37.7 million ($0.25/share) paid in the same period of 2022. For the first nine months of 2023, dividends paid totaled $122.0 million ($0.81/share), higher than the $100.9 million ($0.67 per share) paid in the same period of 2022.

From inception in 1996 through to September 30, 2023, Freehold has distributed in excess of $2.0 billion ($34.87 per share) to our shareholders. Freehold's dividends are designated as eligible dividends for Canadian income tax purposes.

Accumulated Dividends [1]

($000's, except per share)	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Dividends declared	**$ 40,684**	$ 39,167	4%	**$ 122,046**	$ 105,442	16%
Accumulated, beginning of period	**2,033,959**	1,872,752	9%	**1,952,597**	1,806,477	8%
Accumulated, end of period	**$ 2,074,643**	$ 1,911,919	9%	**$ 2,074,643**	$ 1,911,919	9%
Dividends per share ($) [2]	**$ 0.27**	$ 0.26	4%	**$ 0.81**	$ 0.70	16%
Accumulated, beginning of period ($)	**34.60**	33.53	3%	**34.06**	33.09	3%
Accumulated, end of period ($)	**$ 34.87**	$ 33.79	3%	**$ 34.87**	$ 33.79	3%

(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

In the current reporting periods, Freehold's payout[2] ratios were 62% and 69% with excess funds from operations largely being used to pay the 2022 year-end Canadian current income tax payable and repay debt.

Dividend Payout Ratio [2]

($000s, except as noted)	Three months ended September 30 2023	2022	Change	Nine months ended September 30 2023	2022	Change
Dividends paid [1]	**$ 40,683**	$ 37,658	8%	**$ 122,045**	$ 100,920	21%
Funds from operations	**$ 65,253**	$ 80,783	-19%	**$ 176,860**	$ 236,522	-25%
Dividend payout ratio (%) [2]	**62%**	47%	32%	**69%**	43%	60%

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

(2) Dividend payout ratio is a supplementary financial measure

Dividend payout ratios, a supplementary financial measure, 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 dividend payout ratio is calculated as dividends declared as a percentage of funds from operations.

With the goal of aligning dividend levels to a stronger and stabilizing business outlook, Freehold increased its monthly dividend from $0.04/share in May 2021, to $0.05/share in August 2021, to $0.06/share in November 2021, to $0.08/share in March 2022 and to $0.09/share, or $1.08/share on an annualized basis, in August 2022.

Investing Activities

Acquisitions and Related Expenditures

Acquisitions

In the first nine months of 2023, Freehold invested $4.2 million largely in exchange for gross overriding royalties in the range of 2% to 4% in the Clearwater play in central Alberta.

Related Expenditures

Freehold capitalized general & administrative costs of $2.6 million, share-based compensation payouts of $0.9 million and other royalty income asset and miscellaneous expenditures of $0.9 million during the first nine months of 2023.

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 pension funds for the employees of the Canadian National Railway Company (the CN Pension Trust Funds), and both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 16.7% ownership in Freehold at September 30, 2023 and December 31, 2022. Canpar Holdings Ltd. is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

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.

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, the management fee was capped at 5,500 and 13,750 Freehold common shares per quarter for 2023 and 2022. For the current reporting periods, the respective ascribed values of $0.1 and $0.2 million were based on the closing price of Freehold's common shares on the last trading day of each quarter (same periods of 2022 - $0.2 million and $0.6 million).

For the current reporting periods, the Manager charged $3.8 million and $12.1 million in general and administrative costs (same periods of 2022 - $2.1 million and $8.0 million). For the first nine months of 2023, the Manager charged $3.2 million for share-based compensation payouts (same period of 2022 - $4.7 million). At September 30, 2023 there was $0.8 million in accounts payable and accrued liabilities relating to these costs (December 31, 2022 - $nil).

Rife Resources Ltd. and CN Pension Trust Funds

For the current reporting periods, Freehold paid $6.8 million and $20.3 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold’s common shares (same periods in 2022 - $6.8 million and $18.4 million). In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the current reporting periods Freehold received royalties of approximately $0.1 million and $0.2 million from Rife (same periods in 2022 - $0.2 million and $0.5 million). At September 30, 2023 and December 31, 2022 there was $2.3 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared.

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. Amounts due from Canpar at September 30, 2023 were $0.1 million (December 31, 2022 - $0.7 million).

Select Quarterly Information

Financial ($millions, except as noted)	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Royalty and other revenue	**84.2**	73.7	76.6	98.5	98.4	108.5	87.6	75.2
Net income	**42.3**	24.3	31.1	40.7	63.2	66.9	38.4	31.2
Per share, basic ($) [1]	**0.28**	0.16	0.21	0.27	0.42	0.44	0.25	0.21
Cash flows from operations	**53.7**	49.9	42.6	82.7	99.9	75.4	69.3	59.7
Funds from operations	**65.3**	53.0	58.6	80.0	80.8	83.8	71.9	68.8
Per share, basic ($) [1]	**0.43**	0.35	0.39	0.53	0.54	0.56	0.48	0.46
Acquisitions and related expenditures	**1.2**	3.2	4.3	7.2	161.7	20.7	1.3	67.9
Dividends paid	**40.7**	40.7	40.7	40.7	37.7	36.2	27.1	24.1
Per share ($) [2]	**0.27**	0.27	0.27	0.27	0.25	0.24	0.18	0.16
Dividends declared	**40.7**	40.7	40.7	40.7	39.2	36.2	30.1	25.6
Per share ($) [2]	**0.27**	0.27	0.27	0.27	0.26	0.24	0.20	0.17
Payout ratio (%) [3]	**62%**	77%	69%	51%	47%	43%	38%	35%
Long term debt	**141.2**	152.0	159.1	156.6	196.9	86.0	105.0	146.0
Net debt [4]	**106.6**	130.8	115.8	127.9	159.9	33.1	62.6	101.2
Shares outstanding, period end (millions)	**150.7**	150.7	150.7	150.7	150.7	150.6	150.6	150.6
Average shares outstanding (millions) [1]	**150.7**	150.7	150.7	150.7	150.6	150.6	150.6	150.6
Operating								
Light and medium oil (bbls/d)	**6,325**	6,093	6,102	6,418	5,935	5,378	5,234	5,401
Heavy oil (bbls/d)	**1,127**	1,167	1,253	1,218	1,190	1,239	1,210	1,254
NGL (bbls/d)	**1,678**	1,845	1,788	1,781	1,708	1,613	1,757	1,564
Total liquids (bbls/d)	**9,130**	9,105	9,143	9,417	8,833	8,230	8,201	8,219
Natural gas (Mcf/d)	**32,851**	33,372	33,486	33,744	32,319	31,336	32,845	34,700
Total production (boe/d) [5]	**14,605**	14,667	14,724	15,041	14,219	13,453	13,676	14,005
Oil and NGL (%)	**63%**	62%	62%	63%	62%	61%	60%	59%
Petroleum and natural gas realized price ($/boe)	**61.55**	54.05	56.99	69.76	74.31	87.55	69.71	57.44
Cash costs ($/boe) [3][5]	**5.10**	7.19	5.82	5.17	3.62	8.38	3.70	3.57
Netback ($/boe) [3][5]	**55.63**	46.07	50.79	63.92	69.77	78.80	66.17	53.58
Benchmark Prices								
West Texas Intermediate crude oil (US$/bbl)	**82.26**	73.78	76.13	82.64	91.56	108.41	94.29	77.19
Average Exchange rate (Cdn$/US$)	**1.34**	1.34	1.35	1.35	1.30	1.28	1.27	1.27
Edmonton Light Sweet crude oil (Cdn$/bbl)	**107.89**	94.97	99.03	109.83	116.85	137.79	115.67	93.28
Western Canadian Select crude oil (Cdn$/bbl)	**93.05**	78.76	69.31	77.08	93.49	122.09	101.02	78.71
Nymex natural gas (US$/Mcf)	**2.64**	2.17	3.30	6.03	8.20	7.17	4.64	4.75
AECO 7A Monthly Index (Cdn$/Mcf)	**2.42**	2.40	4.34	5.58	5.50	6.27	4.58	4.93

(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 and Other Financial Measures
(4) Net debt is a capital management measure
(5) 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 Q3-2023. 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.sedarplus.ca.

Sustainability Reporting

During 2023, the International Sustainability Standards Board (ISSB) published the following two IFRS sustainability disclosure standards: "General Requirements for Disclosure of Sustainability-related Financial Information" and "Climate-related Disclosures". These standards "sets out the overall requirements for disclosing sustainability-related financial information in order to provide primary users with a complete set of sustainability-related financial disclosures" and "sets out the requirements for identifying, measuring and disclosing climate-related risks and opportunities as part of an entity's general purpose financial reporting." Currently, the ISSB's sustainability disclosure standard, effective from January 1, 2024, is subject to adoption by the international community, including Canada's Securities Administration. The recently formed Canadian Sustainability Standards Board's mandate is to develop and support adopting international sustainability standards in Canada. With the adoption of sustainability standards not yet having an effective date in Canada, accordingly, Freehold, at this time, is in the preliminary stages of understanding the impacts on its future financial statements resulting from the ISSB's standards. Costs to comply with these sustainability disclosures is not quantifiable at this time.

In January 2023, Freehold published its Sustainability Report, in accordance with the Global Reporting Initiative and Sustainability Accounting Standards Board, focusing on the long-term sustainability of its business, including partnering with investment grade operators across North America who share the same view on the importance of sustainability. The report details the historical trends of Freehold's sustainability performance metrics, including its commitment to net zero Scope-1 and Scope-2 emissions and discusses future Environment, Social and Governance goals and targets.

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, 2023 Guidance, Q3-2023 Operating and Financial Highlights, Credit Risk Management, CRA Assessments, Liquidity and Capital Resources, Financing Activities and Dividend Policy and Analysis 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, and royalty optimization, acquiring royalty assets with acceptable risk profiles and long economic life and generating gross overriding royalties for revenue growth;
- our expectation that we will maximize Freehold's royalty interests through a comprehensive audit and compliance program, our intent to maintain balance sheet strength (1.5 times or less net debt to trailing funds from operations) and target a dividend payout ratio of approximately 60%;
- that the Trans Mountain Expansion route deviation approval could help the pipeline come into service and the timing thereof;
- our expectation with supply and demand including expectations stemming from coal to gas conversions and new natural gas;
- generated power stations coming onstream in Canada;
- 2023 guidance including 2023 production profile, commodity pricing, average royalty production (including commodity weighting), funds from operations, pricing and exchange rate assumptions;
- the possibility that we may take our royalty in-kind if there are benefits in doing so;
- Freehold's expectations regarding the Assessments, the expectation to pay future deposits in connection with Assessments and the timing of those deposits, the expected timeline for resolving the Assessments, the deductibility of certain losses as well as whether the CRA will deny certain deductions and if Freehold will be successful on its appeal;
- 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;
- expectations regarding the issuance of shares to finance acquisitions; the expectation that the transition from publication of CDOR rates will cease and the timing thereof, the anticipated roll-over of bankers' acceptances to CORRA based loans and the expectation that this will not cause a significant difference on the cost of our borrowings under the credit facilities;
- Freehold's intent in establishing its dividend rate and the process; 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 impacts of the ongoing Israeli-Hamas and Russia-Ukraine wars and any associated sanctions as well as OPEC+ curtailments on the global economy and commodity prices;
- the impacts of inflation and supply chain shortages on the operations of our industry partners and royalty payors, as well as 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, NGLs 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;
- our and our counsel's interpretation of tax laws, regulations, royalties, or incentive programs relative to the interpretation and enforcement of thereof by governmental authorities;
- 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, 2022 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, the interpretation and implementation of tax legislation, 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, assumptions as to expected performance of current and future wells drilled by our royalty payors, 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.

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 and Other 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 net revenue, cash costs, netback, dividend payout ratio and funds from operations per share are useful non-GAAP financial 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.

Net revenue, which is calculated as revenues less ad valorem and production taxes (as incurred in the U.S. at the state level, largely Texas, which do not charge corporate income taxes but do assess flat tax rates on commodity revenues in addition to property tax assessments) details the net amount Freehold receives from its royalty payors, largely after state withholdings. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of net revenue.

Cash costs, which is also calculated on a boe basis, is comprised of recurring cash based costs, excluding taxes, reported on the statements of operations. For Freehold, cash costs are identified as operating expense, G&A expense and cash-based interest and financing charges and share-based payouts. Cash costs allow Freehold to benchmark how changes in its manageable cash-based cost structure compare against prior periods. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of cash costs.

Netback, which is calculated on a boe basis, as average realized price less production and ad valorem taxes, operating expenses, general and administrative, cash interest charges and share-based payouts, represents the per boe netback amount allowing the Company to benchmark how changes in commodity pricing, net of production and ad valorem taxes, and our cash-based cost structure compare against prior periods. Please refer to the table under the heading Netback and Cash Costs within this MD&A for a quantitative calculation of netback.

Dividend 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. Dividend payout ratio is calculated as dividends paid as a percentage of funds from operations. Please refer to the table under the heading Dividend Policy and Analysis – Dividend Payout Ratio within this MD&A for discussion on this supplementary measure.

Funds from operations per share, which is calculated as funds from operations divided by the weighted average shares outstanding, provides direction if changes in commodity prices, cash costs, and/or acquisitions were accretive on a per share basis. Please refer to the table under the heading Cash Flow from Operating Activities and Funds from Operations within this MD&A for discussion on this supplementary measure.

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.

Condensed Consolidated Balance Sheets

(unaudited) ($000s)	September 30 2023	December 31 2022
Assets		
Current assets:		
Cash	**$ 702**	$ 524
Accounts receivable	**56,243**	57,557
Current income taxes receivable	**1,969**	93
Current portion of income tax deposits (note 2)	**-**	21,909
	58,914	80,083
Income tax deposits (note 2)	**24,413**	-
Exploration and evaluation assets (note 3)	**64,484**	68,758
Petroleum, natural gas and other interests (note 4)	**996,726**	1,063,162
Total Assets	**$ 1,144,537**	$ 1,212,003
Liabilities and Shareholders' Equity		
Current liabilities:		
Dividends payable (note 7)	**$ 13,562**	$ 13,560
Accounts payable and accrued liabilities	**3,806**	4,016
Current portion of share based compensation payable (note 5)	**4,797**	3,853
Current income taxes payable	**1,420**	29,303
Current portion of lease obligation	**195**	195
Current portion of decommissioning liability	**500**	500
	24,280	51,427
Lease obligation	**1,445**	1,520
Share based compensation payable (note 5)	**8,427**	12,167
Decommissioning liability	**5,425**	5,437
Deferred income tax liability	**27,741**	24,551
Long-term debt (note 6)	**141,198**	156,560
Shareholders' equity:		
Shareholders' capital (note 7)	**1,500,566**	1,500,331
Accumulated other comprehensive income	**10,077**	10,167
Deficit	**(574,622)**	(550,157)
Total Shareholders' Equity	**936,021**	960,341
Total Liabilities and Shareholders' Equity	**$ 1,144,537**	$ 1,212,003

See accompanying notes to the interim condensed consolidated financial statements

Subsequent event (notes 2 and 7)

Condensed Consolidated Statements of Income and Comprehensive Income

(unaudited)	Three months ended September 30		Nine months ended September 30	
($000s, except per share and weighted average shares)	**2023**	2022	**2023**	2022
Revenue:				
Royalty and other revenue (note 8)	**$ 84,234**	$ 98,418	**$ 234,513**	$ 294,518
Expenses:				
General and administrative	**3,082**	2,840	**11,752**	9,721
Production and ad valorem taxes	**2,607**	2,418	**6,773**	5,805
Operating	**245**	198	**769**	704
Interest and financing (note 9)	**2,904**	1,749	**7,941**	3,427
Share based compensation (note 5)	**1,246**	2,153	**1,728**	6,308
Depletion, depreciation and other	**25,838**	26,828	**77,517**	74,318
Foreign exchange (gain) loss (note 11)	**(6,050)**	(18,147)	**432**	(22,576)
Management fee (note 10)	**81**	199	**235**	570
	29,953	18,238	**107,147**	78,277
Income before taxes	**54,281**	80,180	**127,366**	216,241
Income taxes:				
Current income tax expense	**9,442**	10,382	**26,599**	31,746
Deferred income tax expense	**2,570**	6,623	**3,186**	16,050
	12,012	17,005	**29,785**	47,796
Net income	**$ 42,269**	$ 63,175	**$ 97,581**	$ 168,445
Other comprehensive income (loss)				
Foreign currency translation adjustment	**4,891**	9,292	**(90)**	11,288
Comprehensive income	**$ 47,160**	$ 72,467	**$ 97,491**	$ 179,733
Net income per share, basic and diluted	**$ 0.28**	$ 0.42	**$ 0.65**	$ 1.12
Weighted average number of shares:				
Basic	**150,678,394**	150,639,983	**150,672,935**	150,626,285
Diluted	**(108,442)**	151,101,167	**(89,062)**	151,112,540

See accompanying notes to the interim condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited)	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022
Operating:				
Net income	**$ 42,269**	$ 63,175	**$ 97,581**	$ 168,445
Adjustments:				
Depletion, depreciation and other	**25,838**	26,828	**77,517**	74,318
Foreign exchange (gain) loss (note 11)	**(6,050)**	(18,147)	**432**	(22,576)
Deferred income tax expense	**2,570**	6,623	**3,186**	16,050
Share based compensation (note 5)	**1,246**	2,153	**1,728**	6,308
Management fee (note 10)	**81**	199	**235**	570
Accretion of decommissioning liabilities and lease obligation	**71**	47	**181**	139
Payout on share based compensation (note 5)	**(705)**	-	**(3,887)**	(5,838)
Decommissioning expenditures	**(67)**	(95)	**(113)**	(894)
Funds from operations	**65,253**	80,783	**176,860**	236,522
Changes in non-cash working capital & other (note 14)	**(11,568)**	19,148	**(30,648)**	8,151
	53,685	99,931	**146,212**	244,673
Financing:				
Long-term debt net (repayment) drawn	**(11,345)**	102,507	**(14,984)**	42,507
Dividends paid (note 7)	**(40,683)**	(37,658)	**(122,045)**	(100,920)
Lease obligation paid	**(48)**	(48)	**(147)**	(146)
	(52,076)	64,801	**(137,176)**	(58,559)
Investing:				
Acquisitions and related expenditures (note 4)	**(1,156)**	(161,679)	**(8,582)**	(183,634)
Changes in non-cash working capital & other (note 14)	**-**	(3,539)	**(257)**	(3,767)
	(1,156)	(165,218)	**(8,839)**	(187,401)
Increase (decrease) in cash	**453**	(486)	**197**	(1,287)
Impact of foreign currency on cash balance	**-**	18	**(19)**	252
Cash, beginning of period	**249**	1,622	**524**	2,189
Cash, end of period	**$ 702**	$ 1,154	**$ 702**	$ 1,154
Supplemental disclosures				
Interest paid	**$ 2,833**	$ 1,702	**$ 7,760**	$ 3,288
Income taxes paid	**$ 10,607**	$ 3,169	**$ 56,374**	$ 9,384

See accompanying notes to the interim condensed consolidated financial statements

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)	Nine months ended September 30	
($000s)	**2023**	2022
Shareholders' capital:		
Balance, beginning of period	**$ 1,500,331**	$ 1,499,544
Shares issued for payment of management fee (note 10)	**235**	570
Balance, end of period	**1,500,566**	1,500,114
Accumulated other comprehensive income:		
Balance, beginning of period	**10,167**	126
Foreign currency translation adjustment	**(90)**	11,288
Balance, end of period	**10,077**	11,414
Contributed surplus:		
Balance, beginning of period	**-**	4,521
Reclassification to share based compensation payable	**-**	(4,521)
Balance, end of period	**-**	-
Deficit:		
Balance, beginning of period	**(550,157)**	(613,225)
Net income	**97,581**	168,445
Dividends declared (note 7)	**(122,046)**	(105,442)
Balance, end of period	**(574,622)**	(550,222)
Total shareholders' equity	**$ 936,021**	$ 961,306

See accompanying notes to the interim condensed consolidated financial statements

Notes to Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022 (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, 2022.

These financial statements were approved by the Board of Directors on November 8, 2023.

b) Basis of Measurement and Principles of Consolidation

The 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 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 the financial statements.

c) Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the current reporting period.

2. Income Tax Deposits

The Canada Revenue Agency ("CRA") has assessed Freehold's prior years' tax returns, denying $222 million of non-capital losses ("NCL's") (the "Assessments"). Pursuant to the Assessments, denied NCL claims resulted in taxes, interest, and penalties totaling an estimated $62 million. Freehold is objecting to all Assessments and has provided deposits totaling $24.4 million as at September 30, 2023 (December 31, 2022 - $21.9 million) and will be required to pay additional deposits of $6.4 million within the next few months, of which $4.9 million was paid subsequent to September 30, 2023.

Income tax deposits were reclassified to non-current assets during the nine months ended September 30, 2023 due to the longer than anticipated timeline for resolving the Assessments with the CRA. Freehold has received legal advice that it should be entitled to deduct the NCLs and as such, expects to be successful in challenging the Assessments.

3. Exploration and Evaluation Assets

($000s)		September 30 2023		December 31 2022
Balance, beginning of period	**$**	**68,758**	$	74,455
Transfers to petroleum and natural gas interests (note 4)		**(4,274)**		(5,697)
Balance, end of period	**$**	**64,484**	$	68,758

There was no impairment recorded on the transfer of Exploration and Evaluation assets to Petroleum and Natural Gas Interests during the three and nine months ended September 30, 2023.

There were no indicators of impairment on Freehold's exploration and evaluation assets as at September 30, 2023.

4. Petroleum, Natural Gas and Other Interests

($000s)		September 30 2023		December 31 2022
Gross cost				
Balance, beginning of period	**$**	**2,113,341**	$	1,879,457
Acquisitions and related expenditures		**8,582**		190,794
Capitalized (reversal) portion of long term incentive plan		**(637)**		1,260
Transfers from exploration and evaluation assets (note 3)		**4,274**		5,697
Foreign exchange translation		**(1,071)**		36,133
Balance, end of period		**2,124,489**		2,113,341
Accumulated depletion				
Balance, beginning of period		**(1,050,179)**		(946,608)
Depletion and depreciation		**(77,524)**		(101,277)
Foreign exchange translation		**(60)**		(2,294)
Balance, end of period		**(1,127,763)**		(1,050,179)
Net book value, end of period	**$**	**996,726**	$	1,063,162

a. Acquisitions and related expenditures

Freehold paid $3.0 million during the nine months ended September 30, 2023 in exchange for gross overriding royalties of 4% in the Clearwater play in central Alberta pursuant to an agreement. Freehold's remaining commitment per this agreement is $8.7 million in exchange for gross overriding royalties in the range of 2% to 4%.

Freehold also paid $1.0 million during the nine months ended September 30, 2023 in exchange for an incremental gross overriding royalty of 2% in an existing Clearwater property in central Alberta, bringing Freehold's total interest to 5% in this specific property.

In April 2023, Freehold acquired an incremental mineral royalty interest in a potash mine located in Rocanville, Saskatchewan for $0.2 million.

For the nine months ended September 30, 2023, Freehold capitalized general & administrative costs of $2.6 million, share-based compensation payouts of $0.9 million and other royalty income asset and miscellaneous expenditures of $0.9 million.

b. Impairment

At September 30, 2023, there were no indicators of impairment on Freehold's U.S. and Canadian Royalty Cash Generating Units.

5. Share Based Compensation

Freehold's award plans consists of grants of performance share units (PSUs), restricted share units (RSUs), director restricted share units (Directors' RSUs) (combined, the Long-term Incentive Plans) and deferred share units (DSUs) (when combined with Long-term Incentive Plans, the Award Plans). Underlying each unit pursuant to the Award Plans is one notional Freehold common share. The notional units are adjusted whenever a dividend is paid by Freehold.

For the three and nine months ended September 30, 2023 expensed share based compensation associated with the Award Plans were $1.2 million and $1.7 million, respectively (three and nine months ended September 30, 2022 - $2.2 million and $6.3 million, respectively). Freehold further capitalized $0.3 million of Award Plan costs (see note 4) for the nine months ended September 30, 2023, included in the share-based compensation liability (nine months ended September 30, 2022 –$1.0 million).

Associated with the Award Plans, during the three and nine months ended September 30, 2023, Freehold paid $4.8 million, consisting of $3.9 million as previously expensed and $0.9 million as previously capitalized (three and nine months ended September 30, 2022 - $5.8 million as previously expensed).

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

($000s)	**September 30 2023**	December 31 2022
Balance, beginning of period	**$ 16,020**	$ 7,742
Share based compensation payout	**(3,887)**	(5,838)
Capitalized recovery payout	**(930)**	-
Capitalized portion	**293**	1,259
Expensed	**1,728**	8,336
Reclassification from contributed surplus	**-**	4,521
Balance, end of period	**$ 13,224**	$ 16,020
Current portion of liability	**$ 4,797**	$ 3,853
Long-term portion of liability	**$ 8,427**	$ 12,167

a. Long-term Incentive Plans

Upon vesting of the units pursuant to the Long-term Incentive Plans, the holder is entitled to an amount equal in value to the notional Freehold common shares (as adjusted for dividends paid) underlying such units. The value of the notional Freehold common shares is based on the volume weighted average trading price of Freehold common shares on the TSX for the five trading days prior to the vesting date of such units. For PSUs, the notional Freehold common shares and value are calculated in the same manner, but with the additional application of a performance multiplier. The metrics used for determining the performance multiplier (which can range from 0 to 2 times) are at the discretion of Freehold's Board of Directors (the Board), but currently are determined evenly from absolute and relative total shareholder returns over a three-year period.

Generally, one-third of the granted RSUs and Director RSUs will vest on each of the first, second and third anniversaries of the date of grant whereas PSUs vest on the third anniversary of the date of grant.

The following table reconciles the outstanding number of units pursuant to Long-term Incentive Plans:

	September 30 2023	December 31 2022
Balance, beginning of period	**864,642**	926,922
Units issued	**244,910**	238,616
Forfeitures	**(37,819)**	(59,155)
Payout	**(412,213)**	(241,741)
Balance, end of period	**659,520**	864,642

b. Deferred Share Unit Plan

Fully-vested DSUs are granted annually in the first quarter to members of the Board. The equivalent Freehold dividends per share paid during the months prior to redemption of each DSU is then reinvested in additional DSUs. Upon a member's retirement, 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. From the date of retirement, a non-management director has until mid-December of the following year to redeem their DSUs.

The following table reconciles the outstanding number of DSUs and details the number of redeemable DSUs:

	September 30 2023	December 31 2022
Balance, beginning of period	**481,359**	447,684
Annual grants and grants in lieu of fees	**51,436**	82,461
Additional grants resulting from paid dividends	**28,946**	30,551
Redeemed	**(50,000)**	(79,337)
Balance, end of period	**511,741**	481,359
Redeemable, end of period	**50,212**	-

During the nine months ended September 30, 2023, a non-management director retired and the Board resolved to issue cash in-lieu for the equivalent fair value of Freehold common shares upon redemption of this director's DSUs. As at September 30, 2023, the outstanding redeemable DSUs have a fair value of $0.7 million, which is included with the current portion of share-based compensation payable on the Condensed Consolidated Balance Sheet. Changes in the future fair value of these units prior to redemption is recognized as share-based compensation expense. The retired non-management director has until December 15, 2024 to redeem these units.

6. Long-term Debt

Freehold's credit facilities with a syndicate of four Canadian banks have a committed revolving facility availability of $285 million and an operating facility availability of $15 million, where either facility can be drawn in Canadian or U.S. dollars. The credit agreement includes a permitted increase in the committed revolving facility to $435 million subject to lenders' consent. Both the committed revolving and operating facilities mature October 21, 2025. At September 30, 2023, $141.2 million was drawn on the committed revolving facility (December 31, 2022 - $156.6 million), consisting of Canadian dollar and US dollar denominated borrowings of $136.3 million and US$3.6 million ($4.9 million), respectively. There were no drawings against the operating facility. 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 certain US royalty income assets with associated proved developed producing reserves.

The credit agreement contains, among affirmative covenants, two financial covenants: (i) 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 (0.5 times at September 30, 2023) and (ii) long-term debt to the aggregate of long-term debt and shareholders' equity percentage shall not exceed 55% (13% at September 30, 2023). Freehold forecasts to be in compliance with all covenants on a quarterly basis for at least the next year based on Freehold's current best estimate of results from operations.

Outstanding borrowings under the credit facilities bear interest on U.S. and Canadian denominated drawings at Secured Overnight Financing Rates (SOFR) and Canadian Dollar Offer Rate (CDOR), respectively, or at the lender's prime lending rate plus applicable margins and standby fees, dependent on ratios of Freehold's long-term debt to EBITDA on royalty interest properties. The publication of CDOR rates will cease after June 28, 2024, with the credit facilities transitioning the roll-over of BA loans to Canadian Overnight Repo Rate Average (CORRA) based loans. Freehold does not expect this transition will cause a significant difference on the cost of its borrowings under the credit facilities.

For the three and nine months ended September 30, 2023, the average effective interest rate on advances from Freehold's committed credit facility was 6.6% and 6.3%, respectively (three and nine months ended September 30, 2022 – 4.2% and 2.7%, respectively).

At September 30, 2023 and December 31, 2022, the fair value of the long-term debt approximated its carrying values, as the long-term debt carries interest at prevailing market and foreign exchange 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

	September 30, 2023		December 31, 2022	
($000s, except shares)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**150,667,334**	**$ 1,500,331**	150,612,334	$ 1,499,544
Issued for payment of management fee (note 10)	**16,500**	**235**	55,000	787
Balance, end of period	**150,683,834**	**$ 1,500,566**	150,667,334	$ 1,500,331

b. Dividends

During the three and nine months ended September 30, 2023, Freehold declared and paid dividends of $40.7 million and $122.0 million or $0.27 and $0.81 per common share, respectively (three and nine months ended September 30, 2022 –paid dividends of $37.7 million and $100.9 million, or $0.25 and $0.67 per common share).

On September 14, 2023, the Board declared a dividend of $0.09 per common share or $13.6 million which was paid on October 16, 2023 to common shareholders on record on September 29, 2023 (December 31, 2022 - $13.6 million). On October 12, 2023, the Board declared a dividend of $0.09 per common share to be paid on November 15, 2023, to common shareholders on record on October 31, 2023. On November 8, 2023, the Board declared a dividend of

$0.09 per common share to be paid on December 15, 2023, to common shareholders on record on November 30, 2023.

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 US and Canadian leases and royalty agreements.

Typically, Freehold receives the cash payment generally up to three months following production. 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. Royalty and Other Revenue by Commodity Type

	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022
Oil	**$ 70,394**	$ 73,191	**$ 188,444**	$ 215,689
Natural gas	**6,403**	16,375	**22,723**	48,718
NGL	**5,901**	7,646	**19,204**	25,777
Potash	**284**	583	**1,254**	2,269
Bonus consideration and lease rentals	**1,252**	623	**2,888**	2,065
Royalty and other revenue	**$ 84,234**	$ 98,418	**$ 234,513**	$ 294,518

b. Royalty and Other Revenue by Category

	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022
Royalty interest revenue	**$ 82,982**	$ 97,795	**$ 231,625**	$ 292,453
Bonus consideration and lease rentals	**1,252**	623	**2,888**	2,065
Royalty and other revenue	**$ 84,234**	$ 98,418	**$ 234,513**	$ 294,518

As at September 30, 2023, there was outstanding accounts receivable and accrued revenue of $54.9 million (December 31, 2022 - $55.9 million) associated with U.S. and Canadian royalty and other revenues.

9. Interest and Financing

	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022
Interest on long term debt and financing expense	**$ 2,833**	$ 1,702	**$ 7,760**	$ 3,288
Accretion of decommissioning obligation	**47**	23	**109**	67
Accretion of lease obligation	**24**	24	**72**	72
Interest and financing	**$ 2,904**	$ 1,749	**$ 7,941**	$ 3,427

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 pension funds for the employees of the Canadian

National Railway Company (the CN Pension Trust Funds), and both Rife and the CN Pension Trust Funds are shareholders of Freehold. Combined they have a 16.7% ownership in Freehold at September 30, 2023 and December 31, 2022. Canpar Holdings Ltd. is managed by Rife and owned 100% by the CN Pension Trust Funds. Two of the directors of each of Rife and Canpar are also directors of Freehold.

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, the management fee was capped at 5,500 and 13,750 Freehold common shares per quarter for 2023 and 2022. For the three and nine months ended September 30, 2023, the respective ascribed values of $0.1 and $0.2 million were based on the closing price of Freehold's common shares on the last trading day of each quarter (three and nine months ended September 30, 2022 - $0.2 million and $0.6 million, respectively).

For the three and nine months ended September 30, 2023, the Manager charged $3.8 million and $12.1 million in general and administrative costs, respectively (three and nine months ended September 30, 2022 - $2.1 million and $8.0 million, respectively). For the nine months ended September 30, 2023, the Manager charged $3.2 million for share-based compensation payouts (nine months ended September 30, 2022 - $4.7 million). At September 30, 2023 there was $0.8 million in accounts payable and accrued liabilities relating to these costs (December 31, 2022 - $nil).

b. Rife Resources Ltd. and CN Pension Trust Funds

For the three and nine months ended September 30, 2023, Freehold respectively paid $6.8 million and $20.3 million in total cash dividends to Rife and the CN Pension Trust Funds for their combined ownership in Freehold’s common shares (three and nine months ended September 30, 2022 - $6.8 million and $18.4 million, respectively). In addition, Freehold receives royalties from Rife pursuant to various royalty agreements. For the three and nine months ended September 30, 2023 Freehold respectively received royalties of approximately $0.1 million and $0.2 million from Rife (three and nine months ended September 30, 2022 - $0.2 million and $0.5 million, respectively). At September 30, 2023 and December 31, 2022 there was $2.3 million in dividends payable due to Rife and the CN Pension Trust Fund related to dividends declared.

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. Amounts due from Canpar at September 30, 2023 were $0.1 million (December 31, 2022 - $0.7 million).

11. Foreign Exchange

($000s)	Three months ended September 30				Nine months ended September 30			
		2023		2022		**2023**		2022
Foreign exchange (gain) loss on:								
Intercompany note	**$**	**(6,564)**	$	(26,587)	**$**	**810**	$	(31,016)
Long term debt		**514**		8,440		**(378)**		8,440
	$	**(6,050)**	$	(18,147)	**$**	**432**	$	(22,576)

Foreign exchange results from the revaluation of a U.S. dollar intercompany receivable held by Freehold's Canadian parent partially offset by the revaluation of U.S. dollar denominated long-term debt (see note 6). Although the intercompany balances eliminate on consolidation, the revaluation of the parent's U.S. dollar intercompany receivable is recognized as foreign exchange whereas the revaluation of the U.S. subsidiary's intercompany debt is recognized within other comprehensive income due to different functional currencies between these entities.

12. Capital Management

Freehold is a publicly traded dividend-paying corporation incorporated under the laws of the Province of Alberta. Its primary focus is acquiring and managing oil and gas royalties. Freehold receives most of its revenue from oil and gas properties as reserves are produced. Freehold then pays dividends to shareholders on a regular basis over the economic life of the properties. Freehold's objective for managing capital is to maximize long-term shareholder value by distributing to shareholders cash exceeding what is required for financing operations or capital investment growth opportunities that may offer shareholders better value.

Freehold defines capital (or capitalization) as long-term debt, shareholders' equity and working capital based on the consolidated financial statements. Freehold retains working capital primarily to fund capital expenditures or acquisitions, pay dividends and reduce bank indebtedness. Freehold's capital structure is managed by taking into account operating activities, debt levels, debt covenants, acquisitions, dividend levels and taxes, among others. In addition, changes in economic conditions, commodity prices and the risk characteristics of Freehold's assets are considered. Freehold has a declining asset base, therefore ongoing development activities and acquisitions are necessary to replace production and add additional reserves. From time to time, Freehold may issue shares or adjust capital spending to manage current and projected debt levels or finance acquisitions.

Management of Freehold's capital structure is facilitated through its financial and operating forecasting processes. The forecast of Freehold's future cash flows is based on estimates of production, commodity prices, forecast capital, royalty expenses, operating expenditures, taxes and other investing and financing activities. The forecast is regularly updated based on new commodity prices and other changes that Freehold views as critical in the current environment. Selected forecast information is frequently provided to and approved by the Board of Directors.

Freehold is bound by non-financial covenants and two financial covenants (see note 6) on its credit facilities. The covenants are monitored as part of management's internal review to ensure compliance with requirements. As at September 30, 2023, Freehold was in compliance with all such covenants.

Freehold's September 30, 2023 and December 31, 2022 net debt to funds from operations ratio was 0.4 times and within its debt strategy target of below 1.5 times. This ratio is a financial leverage measure that reflects cash available to pay back Freehold's 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.

a. Working Capital

($000s)	September 30 2023	December 31 2022
Cash	$ 702	$ 524
Accounts receivable	56,243	57,557
Current incomes taxes receivable	1,969	93
Current portion of income tax deposits	-	21,909
Dividends payable	(13,562)	(13,560)
Accounts payable and accrued liabilities	(3,806)	(4,016)
Current income taxes payable	(1,420)	(29,303)
Current portion of lease obligation	(195)	(195)
Current portion of decommissioning liability	(500)	(500)
Current portion of share based compensation payable	(4,797)	(3,853)
Working capital[1]	$ 34,634	$ 28,656

(1) Working capital is considered a capital management measure.

b. Capitalization and net debt

($000s)	September 30 2023	December 31 2022
Shareholders' equity	$ 936,021	$ 960,341
Long term debt	141,198	156,560
Working capital	(34,634)	(28,656)
Net debt [1]	$ 106,564	$ 127,904
Capitalization[1]	$ 1,042,585	$ 1,088,245

(1) Capitalization and net debt are considered capital management measures.

c. Net Debt to Trailing Funds from Operations

($000s, except as noted)	September 30 2023	December 31 2022
Cash provided by operating activities for the last 12 months	$ 228,867	$ 327,348
Change in operating non-cash working capital	27,966	(10,854)
Funds from operations for the last 12 months	$ 256,833	$ 316,494
Net debt to funds from operations for the last 12 months (times)[1]	0.4	0.4

(1) Net debt to funds from operations is considered a capital management measure.

13. Segmented Information

Freehold’s reportable segments are based on its underlying operations geographic locations:

- Canada includes exploration and evaluation assets and the petroleum and natural gas interests in Western Canada.
- US includes petroleum and natural gas interests primarily held in the Permian (Midland and Delaware), Eagle Ford, Haynesville and Bakken basins largely located in the states of Texas, Louisiana, and North Dakota.

Freehold’s royalty and other revenue is reportable by segment whereas all other accounts presented on the condensed consolidated statements of income are either not significant on a segment basis, associated with both segments with any allocation of such accounts not providing meaningful information or pertain to taxes or other measures which the Company does not consider a component of its operating results. The following table presents royalty and other revenue by geographic region:

	Three months ended September 30				Nine months ended September 30			
($000s)		**2023**		2022		**2023**		2022
Canada	**$**	**47,617**	$	58,854	**$**	**137,649**	$	191,344
United States		**36,617**		39,564		**96,864**		103,174
Royalty and other revenue	**$**	**84,234**	$	98,418	**$**	**234,513**	$	294,518

The following table presents total assets by geographic region:

		September 30		December 31
($000s)		**2023**		2022
Canada	**$**	**596,194**	$	638,613
United States		**548,343**		573,390
Total Assets	**$**	**1,144,537**	$	1,212,003

14. Changes in Non-Cash Working Capital & Other

	Three months ended September 30				Nine months ended September 30			
($000s)		**2023**		2022		**2023**		2022
Accounts receivable	**$**	**(10,619)**	$	7,442	**$**	**1,569**	$	(16,823)
Current income taxes receivable		**(1,860)**	$	-		**(1,876)**	$	-
Current portion of income tax deposits (note 2)		**-**		-		**21,909**		-
Income tax deposits (note 2)		**-**		-		**(24,413)**		-
Accounts payable and accrued liabilities		**119**		795		**(211)**		(1,791)
Current income taxes payable		**792**		7,372		**(27,883)**		22,998
	$	**(11,568)**	$	15,609	**$**	**(30,905)**	$	4,384
Operating	**$**	**(11,568)**	$	19,148	**$**	**(30,648)**	$	8,151
Investing		**-**		(3,539)		**(257)**		(3,767)
	$	**(11,568)**	$	15,609	**$**	**(30,905)**	$	4,384

Board of Directors

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Chair of the Board

Sylvia K. Barnes
Corporate Director

Gary R. Bugeaud (1) (2)
Corporate Director

Peter T. Harrison
Corporate Director

Maureen E. Howe (1)(2)
Corporate Director

J. Douglas Kay (2) (3)
Corporate Director

Valerie A. Mitchell (3)
Corporate Director

David M. Spyker
President and Chief Executive Officer

Aidan M. Walsh (1) (3)
Corporate Director

(1) Audit, Finance and Risk Committee
(2) Governance, Nominating and Compensation Committee
(3) Reserves Committee

Officers

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President and Chief Executive Officer

David W. Hendry
Vice President, Finance and Chief Financial Officer

Robert A. King
Chief Operating Officer

Lisa N. Farstad
Vice President, Corporate Services

Brianna E.C. Guenther
General Counsel & Corporate Secretary

Ian C. Hantke
Vice President, Diversified Royalties

Susan J. Nagy
Vice President, Business Development

Head Office

Freehold Royalties Ltd.
1000, 517 – 10 Avenue SW
Calgary, AB T2R 0A8
t. 403.221.0802
f. 403.221.0888
w. freeholdroyalties.com

The Manager

Rife Resources Management Ltd.
t. 403.221.0800
w. rife.com

Investor Relations

Matt J. Donohue
Manager, Investor Relations and Capital Markets
t. 403.221.0833
tf. 888.257.1873
e. mdonohue@Freeholdroyalties.com

Auditors

KPMG LLP

Bankers

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Toronto-Dominion Bank
ATB Financial

Legal Counsel

Burnet, Duckworth & Palmer LLP

Reserve Evaluators

Trimble Engineering Associates Ltd.
RSC Group, Inc.

Stock Exchange and Trading Symbol

Toronto Stock Exchange (TSX)
Common Shares: FRU

Transfer Agent and Registrar

Computershare Trust Company of Canada
800, 324 – 8 Avenue SW
Calgary, AB T2P 2Z2
t. 514.982.7555
tf. 800.564.6253
f. 888.453.0330
e. service@computershare.com
w. computershare.com