Freehold Royalties Ltd. Announces Strategic Royalty Deals and Corporate Acquisition

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CALGARY, ALBERTA--(Marketwired - Dec 4, 2014) - Freehold Royalties Ltd. ("Freehold" or the "Company") (TSX:FRU) announced it has entered into four separate transactions showcasing the Company's flexibility in enhancing value for shareholders. In the largest transaction, Freehold will acquire all of the issued and outstanding common shares of Anderson Energy Ltd. ("Anderson") after Anderson transfers certain assets out into a newly formed publicly listed company. Assets retained in Anderson upon purchase by Freehold are expected to contribute 350 boe/d of mostly working interest natural gas production to Freehold's 2015 production. A second transaction is a joint venture agreement expected to add 30 boe/d of average royalty production and 90 boe/d in average working interest volumes in 2015 (60% oil and NGLs). This joint venture was included in prior production guidance. Additionally, Freehold has entered into two agreements with a related party that provide forecasted combined average oil royalty volumes of 50 bbls/d in 2015.

Impact of the four transactions

- Based on a consolidated transaction price of $49.6 million (all transactions will be funded through our bank line), the four deals imply a purchase metric of approximately $95,000 per expected boe/d using forecast 2015 average production.
- The three transactions that were not part of prior 2015 guidance total approximately $45 million and will add 400 boe/d of 2015 average production. 2015 average net production is now expected to be 10,100 boe/d.
- Tax pools from all of the transactions are expected to be greater than $230 million.
- The ongoing capital requirements for these transactions are not significant to Freehold.

Anderson Acquisition

Freehold will acquire Anderson pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta). Pursuant to the Arrangement, Anderson shareholders will exchange their shares for shares of a newly formed publicly listed company ("New Anderson"). In addition, Anderson will transfer certain assets and liabilities to New Anderson. The liabilities transferred to New Anderson will include Anderson's liabilities and obligations for its currently outstanding convertible debentures. Following the transfer of assets and liabilities to New Anderson, Freehold will acquire Anderson from New Anderson for cash consideration of $35,000,000, subject to adjustment and less any bank debt of Anderson, which will be assumed and immediately paid out. The Arrangement is expected to close in late January or early February and is subject to receipt of court, Anderson shareholder, stock exchange and third party approvals.

At the time of acquisition by Freehold, Anderson's assets will include:

- Approximately 350 boe/d (2015E) of working interest production (95% natural gas).
- Approximately 34,622 (21,745 net) acres of working interest land and 4,584 (1,125 net) acres of fee title land. The majority of this acreage is located in west central Alberta (Sylvan Lake, Willesden Green, Buck Lake).

Royalty Transactions

Freehold and Rife Resources Ltd. ("Rife") entered into two agreements whereby Freehold purchased a 5% gross overriding royalty ("GORR") on Rife's Soda Lake and Lindbergh assets. Total consideration is $10.3 million.

GORR highlights include:

- Exposure to two oil weighted, low decline assets with future waterflood upside. Rife has years of experience operating within Lindbergh and Soda Lake with both plays offering very little development risk.
- Based on the 5% royalty, average 2015 royalty production is expected to be approximately 50 boe/d.
- 2015 cash flow associated with Freehold's royalty interest assets is estimated to be $1.0 million.
- Rife maintains a 100% working interest at Soda Lake and 63% interest at Lindbergh; the areas are well established with infrastructure with capacity for added volumes.

Royalty/Working Interest Joint Venture

Freehold and a financial partner ("Partner") have entered into a joint venture whereby both parties have agreed to a four well drilling commitment within Freehold's undeveloped mineral title acreage. A $4.3 million capital commitment by Freehold through late 2014 and into 2015 will fund Freehold's obligation towards this joint venture.

The joint venture highlights include:

- Scheduled wells are comprised of four prospects: a Pembina Cardium oil well, a Twining Pekisko oil well, a Hoadley Glauconite liquids rich natural gas well and a Cactus Lake Bakken oil well.
- On each of the wells, other than the Hoadley Glauconite well, both parties will have a 50% working interest in production and will share drilling costs equally; Freehold will receive a 15% lessor royalty on all production.
- On the Hoadley Glauconite well, both parties will have a 24% working interest (with third parties having the remaining 52% working interest) and will be required to pay for a proportionate share of the drilling costs; Freehold will receive a 15% lessor royalty on all production.
- Freehold assumes operatorship with an option to participate in follow-up locations within the lands under similar terms.
- 2015 expected production of 120 boe/d (30 boe/d royalty, 90 boe/d working interest (60% oil and natural gas liquids)).
- The deal enables Freehold the ability to accelerate the development of plays with limited capital exposure while realizing a royalty stream. The joint venture is expected to generate attractive returns for the Company.

Cautionary Statement Regarding Forward-Looking Information - This news release offers our assessment of Freehold's future plans and operations as at December 4, 2014 and contains forward-looking information including, expected 2015 average production (including the expected oil/liquids to natural gas weighting) from the Anderson assets to be acquired, expected average 2015 royalty and working interest production (including the expected oil/liquids to natural gas weighting) from the joint venture, expected royalty production (including the expected oil/liquids to natural gas weighting) from the royalty transactions with Rife, expected 2015 average production (including the expected oil/liquids to natural gas weighting) for Freehold, expected tax pools associated with the transactions, expected details of the Arrangement and the assets to be acquired by Freehold pursuant to the Arrangement, expected timing of closing the Arrangement, the expected terms of the joint venture including the expected capital to be committed by each party and the interest to be earned, the expectation that the wells drilled pursuant to the joint venture will generate top decile returns for the Company, the expectation that the assets associated with the GORR will be low decline assets with future waterflood upside and will have very little development risk and expected 2015 cash flow associated with the GORR. This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. With respect to forward-looking statements contained in this news release, in additions to the assumptions identified in the body of this news release, we have made assumptions regarding, among other things, future oil and gas prices, that the approvals required for the completion of the Arrangement will be received in a timely manner, that all conditions for completion of the Arrangement will be satisfied, future capital expenditure levels, future production levels, future exchange rates, future tax rates, future participation rates in the DRIP and use of cash retained through the DRIP, future legislation, the cost of developing and producing our assets, our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities, our ability to market our oil and natural gas successfully to current and new customers, our expectation for the consumption of crude oil and natural gas, our expectation for industry drilling levels, our ability to obtain financing on acceptable terms, and our ability to add production and reserves through development and acquisition activities. You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.
Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will

transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. 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. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, taxation, royalties, regulation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. The closing of the Arrangement and the other transactions contemplated herein could be delayed if Freehold or the other parties are not able to obtain the necessary court, Anderson shareholder, stock exchange and third party approvals on the timelines it has planned. The Arrangement and the other transactions contemplated herein will not be completed at all if these approvals are not obtained or some other condition to the closing is not satisfied. Accordingly, there is a risk that the Arrangement and the other transactions contemplated herein will not be completed within the anticipated time or at all. Risks are described in more detail in Freehold's annual information form for the year ended December 31, 2013 which is available under Freehold's profile on SEDAR at www.sedar.com.

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

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

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