CALGARY, ALBERTA--(Marketwired - April 14, 2015) -

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Freehold Royalties Ltd. ("Freehold" or the "Company") (TSX:FRU) announced today that it has entered into definitive agreements with Penn West Petroleum Ltd. ("Penn West") to acquire two royalty packages totalling an expected 1,400 barrels of oil equivalent ("boe") per day of 2015 average net production with expected annualized operating income of $29 million in 2015 under the pricing assumptions used in the Company's current guidance (US$60 per barrel WTI oil price, Cdn$3.00 per Mcf AECO natural gas price and Cdn$/US$ 0.80 exchange rate), for an aggregate purchase price of $321 million, prior to normal closing adjustments (together, the "Penn West Transactions"). The first package is an 8.5% Gross Overriding Royalty ("GORR") covering 45,000 acres in Penn West's Dodsland area of Saskatchewan prospective for the Viking formation ("Dodsland-Viking GORR"). The second package is existing royalties and mineral title lands across a variety of plays within the Western Canadian Sedimentary Basin ("Mineral Title and Royalty Package"). The effective date of the Penn West Transactions will be March 1, 2015 with closing expected to occur on or about May 6, 2015, subject to the receipt of regulatory approval and the satisfaction of customary closing conditions.

The Penn West Transactions will be funded by a concurrent $297 million equity financing (the "Public Offering") co-led by RBC Capital Markets and CIBC, on behalf of a syndicate of underwriters and a $33 million concurrent private placement (the "Private Placement") to CN Pension Trust Funds (as defined below).

Separately, Freehold has recently closed an acquisition of a new royalty (the "New Royalty") with Marquee Energy Ltd. ("Marquee") for total consideration of $20 million, which is expected to add 137.5 barrels per day of net oil production and lower Freehold's corporate declines while increasing its total royalty income and production (collectively, with the Penn West Transactions, the "Transactions").

Transactions Overview and Highlights

The Transactions complement and enhance Freehold's underlying royalty asset base, significantly expanding the Company's production and cash flow royalty weighting. In line with Freehold's ongoing strategy to acquire attractive royalty interests on an accretive basis, the Transactions are expected to further bolster Freehold's free cash flow and strengthen dividend sustainability by lowering the Company's debt to cash flow and basic payout ratios.

As a result of the Transactions, Freehold's net average production guidance for 2015 will increase to 10,800 boe per day or 11% from prior guidance issued on March 5, 2015, while the royalty weighting of production for 2015 is expected to increase by approximately 3% (based on production added from the expected closing date). The Penn West Transactions will add over 325,000 gross acres of royalty and mineral title lands, and 7.3 million boe of proved plus probable net reserves (4.7 million boe of proved net reserves).

Under the commodity pricing in management's current guidance, the Transactions are expected to be approximately 6% accretive on an annualized 2015 operating income measure and expected to strengthen in future years. Pro forma the Transactions and prior to taking into effect any exercise of the over-allotment option, management expects the Company's all-in payout ratios (including DRIP proceeds) to decrease to 84% (from 88%) for 2015, along with expected 2015 exit debt to cash flow to decrease to 1.5x (from 1.8x). Royalties as a percentage of operating income are expected to increase from 79% to 83% in 2015.

Dodsland-Viking GORR

- Strong overlap and strategic fit with Freehold's royalty asset base
- Highly economic oil and gas play with low cost structure and attractive netbacks
- GORR anchored by an expected 5-year development plan and an expected 100 wells per year
- 2015 expected average net production of 660 boe per day (93% liquids weighting based on 2014 actuals) and $14.8 million of annualized net operating income

Mineral Title and Royalty Package

- 280,000 acres of combined royalty and mineral title lands, spanning five areas through the Western Canadian Sedimentary Basin
- 2015 expected average net production of 740 boe per day (74% liquids weighting based on 2014 actuals) and $14.2 million of expected annualized net operating income
- Income is comprised approximately 57% from GORR's and 43% from mineral title, with over 70% of existing production derived from southeast Saskatchewan and central Alberta, which is highly complementary to Freehold's existing core mineral title acreage

New Royalty

- Freehold is expected to receive 137.5 barrels per day of first priority heavy oil royalty production from Marquee's Lloydminster property for the next eight years, declining at 20% per year thereafter
- Marquee has committed to (i) spend a minimum of $2.75 million and (ii) drill a minimum of four new wells per year from 2016-2022, to continue development of the lands subject to the New Royalty

Acquisition Financing

Freehold has entered into an agreement with RBC Capital Markets and CIBC, on behalf of a syndicate of underwriters, to issue, on a bought deal basis, 16,500,000 common shares at a price of $18.00 per share (the "Issue Price") for gross proceeds of approximately $297 million pursuant to the Public Offering. Freehold has also granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 2,475,000 common shares at the Issue Price. The over-allotment option is exercisable by the underwriters, in whole or in part, at any time for a period of 30 days following the closing of the Public Offering.

Concurrent with the closing of the Public Offering, the pension trust funds for employees of Canadian National Railway Company ("CN Pension Trust Funds") intend to purchase 1,833,334 common shares on a non-brokered private placement basis at the Issue Price for gross proceeds of approximately $33 million pursuant to the Private Placement.

The aggregate gross proceeds to be raised by the Company pursuant to the Public Offering and the Private Placement will be approximately $330 million before giving effect to any exercise of the over-allotment option by the underwriters. If the underwriters exercise the over-allotment in full, the aggregate gross proceeds to be raised by the Company pursuant to the Public Offering and Private Placement will be approximately $374.6 million.

Freehold expects to use the net proceeds from the Public Offering and Private Placement to complete the Penn West Transactions and the remainder, if the over-allotment option is exercised, to pay down a portion of its outstanding indebtedness.

Completion of the Public Offering and Private Placement is subject to certain conditions including normal regulatory and stock exchange approvals. In addition, the Public Offering will require that the Penn West Transactions close at or before the closing time of the Public Offering unless otherwise agreed to by the underwriters and Freehold. The common shares will be offered in all provinces of Canada (excluding Quebec) by way of a short form prospectus. The closing of the Public Offering and Private Placement is expected to occur on or before May 6, 2015.

Conference call

Freehold's management will hold a conference call and webcast on April 14, 2015 at 4:15 p.m. EST (2:15 p.m. MT) to present the Transactions.

Dial-in numbers:

- Toll-free North American participants call: (877) 291-4570
- Outside of North America call: (647) 788-4919

If you are unable to join the call, the instant replay is accessible at (800) 585-8367 or (within Canada) or (416) 621-4642 (Outside of North America) with Freehold's pass code 24460781 followed by the # sign. A transcript of the broadcast will be posted on the website once it becomes available.

The common shares offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Cautionary Statement Regarding Forward-Looking Information - This news release offers our assessment of Freehold's future plans and operations as at April 14, 2015 and contains forward-looking information including, as to the expected terms and conditions of the Transactions, the expected timing for closing of the Penn West Transactions, the expected attributes and benefits to be derived by Freehold pursuant to the Transactions, expected 2015 average net daily production and expected 2015 annualized net operating income from the Penn West Transactions, expected annual net daily production from the New Royalty, expectation that the New Royalty will lower Freehold's corporate declines while increasing its total royalty income and production, expectation that the Transactions will further bolster our free cash flow and strengthen dividend sustainability by lowering our debt to cash flow and basic payout ratio, expectation of Freehold's 2015 net average production guidance and royalty weighting of production for 2015, expectations of Freehold's annualized 2015 cash flow per share measure, all-in payout ratios (including DRIP proceeds) and 2015 exit debt to cash flow ratio after giving effect to the Transactions, expectation of split of income from the Mineral Title and Royalty Package, expectations as to Penn West's development plans with respect to lands subject to the Dodsland-Viking GORR, expectations of the development plans relating to the lands subject to the New Royalty, expected terms of the Public Offering and Private Placement, expected use of proceeds from the Public Offering and Private Placement, and expected timing of closing the Public Offering and Private Placement. This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of 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, our ability to access sufficient capital from internal and external sources, counterparties to transactions to satisfy their contractual obligations, third parties' ability and willingness to continue development of lands in which Freehold has an interest as expected, and risks inherent in the oil and gas industry. The closing of the Penn West Transactions, Public Offering and Private Placement could be delayed if Freehold or the other parties are not able to obtain the necessary regulatory and stock exchange approvals on the timelines it has planned.

The Penn West Transactions, bought deal offering and concurrent private placement will not be completed if these approvals are not obtained or some other condition to the closing of the Penn West Transactions is not satisfied. Accordingly, there is a risk that the Penn West Transactions, Public Offering and Private Placement will not be completed within the anticipated time or at all. The intended use of the net proceeds of the Public Offering and Private Placement by Freehold might change if the board of directors of Freehold determines that it would be in the best interests of Freehold to deploy the proceeds for some other purpose. Risks are described in more detail in Freehold's annual information form for the year ended December 31, 2014 which is available under Freehold's profile on SEDAR at www.sedar.com.

With respect to forward looking information contained in this news release, we have made assumptions regarding, among other things, that Penn West and Marquee will continue with their development plans as currently contemplated; future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the costs 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 expectation for industry drilling levels; our ability to obtain financing on acceptable terms; and that the Penn West Transactions, the Public Offering and the Private Placement will close on the terms and within the timing expected.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained herein is expressly qualified by this cautionary statement. The forward-looking information has been provided to indicate management's expectations with respect to future results resulting from the Transactions and may not be appropriate for other purposes. Except as required by law, Freehold does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.

Additional GAAP Measures and Non-GAAP Financial Measures

Within this press release, references are made to terms commonly used as key performance indicators in the oil and gas industry such as "cash flow", "cash flow per share", "debt to cash flow" and "payout ratio", which terms do not have any standardized meanings prescribed by Canadian generally accepted accounting principles and therefore may not be comparable with the calculations of similar measures for other entities. We believe that such measures provide useful assessments of Freehold's operations on a continuing basis by eliminating certain non-cash charges. Such terms are also used by research analysts to value and compare oil and gas companies, and such terms are frequently included in their published research when providing investment recommendations. For details on how cash flow (which is referred to as "funds from operations" in Freehold's most recent management's discussion and analysis), cash flow per share and net debt to cash flow are calculated see Freehold's most recent management's discussion and analysis which is available on SEDAR at www.SEDAR.com. Payout ratio is calculated based on cash dividends paid divided by cash flow.

Reserves Estimates

The reserves estimates presented herein were based on an evaluation prepared by Trimble Engineering Associates Ltd. ("Trimble") effective as of December 31, 2014 utilizing forecast prices and costs and prepared in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook. The price assumptions used for the estimates were provided by Trimble and were Trimble's forecast as at January 1, 2015. The reserves estimates have been presented on a net basis which means Freehold's working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves.

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

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

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