

CALGARY, ALBERTA--(Marketwired - Mar 2, 2017) - [Freehold Royalties Ltd.](#) (Freehold) (TSX:FRU) announced fourth quarter and year-end results for the period ended December 31, 2016.

RESULTS AT A GLANCE

	Three Months Ended December 31			Twelve Months Ended December 31			
FINANCIAL (\$000s, except as noted)	2016	2015	Change	2016	2015	Change	
Royalty and other revenue	39,893	33,833	18	% 129,968	135,664	-4	%
Funds from operations	30,421	25,509	19	% 94,211	103,820	-9	%
Per share, basic (\$)	0.26	0.26	0	% 0.85	1.15	-26	%
Acquisitions	92	(143)	) -164	% 162,590	411,352	-60	%
Operating income ⁽¹⁾ from royalties (%)	93	89	4	% 93	87	7	%
Dividends declared	14,144	20,747	-32	% 59,502	90,139	-34	%
Per share (\$) ⁽²⁾	0.12	0.21	-43	% 0.54	1.00	-46	%
Net debt	73,161	146,949	-50	% 73,161	146,949	-50	%
Shares outstanding, period end (000s)	117,918	98,940	19	% 117,918	98,940	19	%
OPERATING							
Average daily production (boe/d) ⁽³⁾	12,579	11,815	6	% 12,219	10,945	12	%
Oil and NGL (%)	56	64	-13	% 58	62	-6	%
Average price realizations (\$/boe) ⁽³⁾	33.72	30.34	11	% 28.37	33.20	-15	%
Operating netback (\$/boe) ^{(1) (3)}	29.80	26.85	11	% 24.83	28.83	-14	%

(1) See Non-GAAP Financial Measures.

(2) Based on the number of shares outstanding at each record date.

(3) See Conversion of Natural Gas to Barrels of Oil Equivalent (boe).

President's Message

We see positive momentum entering 2017, with Freehold continuing to achieve production growth from its attractive property portfolio. Record production and robust drilling activity have led us to increase our 2017 production guidance and raise our dividend by 25%.

Freehold achieved record production again this quarter, marking the 12th consecutive quarterly increase and the second consecutive quarter without an acquisition. Organic growth primarily came from development in Saskatchewan and in central Alberta.

Looking forward, we are comfortable that commodity prices have found support at current levels, which is driving higher levels of drilling activity. Based on increased drilling through the fourth quarter, better than expected production through year-end and our recent acquisition in February (see Subsequent Event), we are revising our 2017 production forecast from 11,000 boe/d to a range of 11,300 boe/d to 11,800 boe/d.

We are increasing our monthly dividend from \$0.04 to \$0.05 per share consistent with our strategy of a 60%-80% adjusted payout ratio. Our projected adjusted payout ratio for 2017 is 65%, safely at the lower end of our payout target range. Freehold provides a low risk investment opportunity in the oil and gas industry.

Tom Mullane, President and CEO

Dividend Announcement

The Board of Directors has declared a dividend of Cdn. \$0.05 per share to be paid on April 17, 2017 to shareholders of record on March 31, 2017. The dividend is designated as an eligible dividend for Canadian income tax purposes.

Subsequent Event

In keeping with our strategy of making accretive acquisitions that complement our existing portfolio, in February 2017 Freehold closed a \$34 million acquisition of various gross overriding royalties and mineral title lands in the greater Dodsland area of Saskatchewan. There were 32,000 acres of royalty land acquired with current estimated production of 185 boe/d (91% oil). The transaction strengthens our position in the Dodsland Viking play, with development expected to remain strong at current commodity price levels.

A Strong Fourth Quarter

- Freehold's production averaged a record 12,579 boe/d, a 6% improvement over Q4-2015 and 2% increase over Q3-2016. Gains in production were largely driven by volumes associated with our Q2-2016 acquisition, better than expected third party production additions and the strength of our audit function (over 400 boe/d of prior period adjustments in the quarter, which includes compensatory royalties on our mineral title lands).
- Royalty production was up 12% compared to Q4-2015 averaging 10,351 boe/d and accounted for 93% of operating income and 82% of production.
- Q4-2016 royalty and other revenue was up 18% to \$39.9 million versus \$33.8 million in the previous year due to increased production and higher average price realizations.
- Funds from operations totaled \$30.4 million, an increase of 19% due to higher volumes and commodity prices. On a per share basis, funds from operations were \$0.26/share in Q4-2016, up from \$0.21/share in Q3-2016.
- Net income was \$1.6 million compared to a \$7.4 million loss in Q4-2015, which resulted from an \$8.0 million impairment charge.
- Freehold generated \$14.1 million in free cash flow ⁽¹⁾, over and above our dividend, which we applied to outstanding debt. As a result, at December 31, 2016, net debt totaled \$73.2 million, down from \$87.3 million at September 30, 2016, implying a net debt to 12-month trailing funds from operations ratio of 0.8 times.
- Cash costs ⁽¹⁾ for the quarter totaled \$7.83/boe, up slightly from \$7.63/boe in Q4-2015, as we saw operating costs add approximately \$0.7 million (\$0.60/boe) for charges relating to prior periods.
- Wells drilled on our royalty lands totaled 125 (7.8 net) in the quarter, up from 48 (2.3 net) in the previous quarter.
- In Q4-2016, Freehold issued 9 leases; 93 leases were issued in 2016, 63 relating to the Q2-2016 acquisition.
- Dividends declared for Q4-2016 totaled \$0.12 per share, unchanged from the previous quarter and down from \$0.21 per share one year ago.
- Basic payout ratio ⁽¹⁾ (dividends declared/funds from operations) for Q4-2016 totaled 46% while the adjusted payout ratio ⁽¹⁾ ((cash dividends plus capital expenditures)/funds from operations) for the same period was 53%.

(1) See Non-GAAP Financial Measures.

A Rebound in Year-End Drilling Activity

Including drilling associated with acquisitions, 281 (13.9 net) wells were drilled on our royalty lands in 2016, a 25% decrease versus 2015. The fourth quarter saw a resurgence in activity on our land with 125 gross (7.8 net) locations drilled, representing over 50% of our net annual total. Activity through the quarter was focused in the greater Dodsland area with the new operator accelerating activity and drilling 16 new locations. In southeast Saskatchewan we also saw traditional players increase activity with 25 wells drilled. In addition, incremental drilling also targeted prospects in the Alberta Viking, the Cardium and in heavy oil.

On the acquired lands in 2016, 56 locations were drilled, materially higher than our initial forecast for the year. Of these wells 37 were drilled in the fourth quarter, mostly in southwest Saskatchewan, in Alberta Viking and in the Deep Basin.

ROYALTY INTEREST DRILLING

	Three Months Ended December 31 ⁽¹⁾				Twelve Months Ended December 31 ⁽¹⁾			
	2016		2015		2016		2015	
	Equivalent		Equivalent		Equivalent		Equivalent	
	Gross	Net ⁽²⁾	Gross	Net ⁽²⁾	Gross	Net ⁽²⁾	Gross	Net ⁽²⁾
Non-unitized wells	117	7.8	65	3.5	222	13.6	259	18.2
Unitized wells ⁽³⁾	8	-	20	0.1	59	0.3	118	0.7
Total	125	7.8	85	3.6	281	13.9	377	18.9
Royalty joint venture ⁽⁴⁾ 1			-		1		4	

(1) Counts include wells drilled on acquired lands from January 1st (this may differ from the closing date of the acquisitions).

(2) Equivalent net wells are the aggregate of the numbers obtained by multiplying each gross well by our royalty interest percentage.

(3) Unitized wells are in production units wherein we generally have small royalty interests in hundreds of wells.

(4) Wells drilled on various royalty joint venture lands, where equivalent net wells cannot be calculated.

2016 Highlights- A Strong Year in a Challenging Environment

- Achieved record production with volumes averaging 12,219 boe/d, representing a 12% increase versus the same period last year. Volumes were comprised of 58% oil and liquids and 42% natural gas. On the royalty side volumes averaged 9,936 boe/d, representing a 20% increase versus 2015.
- Funds from operations totaled \$94.2 million or \$0.85/share. This was down from \$103.8 million or \$1.15/share in 2015 reflecting continued weakness in commodity prices.
- Declared dividends were \$59.5 million (\$0.54/share), down from \$90.1 million (\$1.00/share) in 2015, reflecting lower funds from operations and a conservative payout strategy.

- Ended 2016 with net debt of \$73.2 million, implying net debt to funds from operations of 0.8 times. At year end we had nearly \$180 million in available room within our credit facility.
- Executed a major transaction, acquiring a \$162 million royalty package; further diversifying our land base by adding approximately 2.5 million acres of royalty land, increasing our total royalty lands to approximately 5.9 million acres.
- Proved plus probable reserves totalled 38.3 mmboe, up from 36.1 mmboe in 2015.

2017 Guidance Update

The table below summarizes our key operating assumptions for 2017, updated to reflect our current expectations for the remainder of the year.

- We have increased our production guidance from 11,000 boe/d to a range of 11,300 boe/d to 11,800 boe/d, due to production additions on our royalty lands along with recently added acquisition volumes. Volumes are expected to be weighted approximately 55% oil and natural gas liquids (NGL) and 45% natural gas. We continue to maintain our royalty focus with royalty production accounting for 84% of forecasted 2017 production and 91% of operating income.
- We have increased our West Texas Intermediate (WTI) and Western Canadian Select (WCS) price assumptions from US\$50.00/bbl and \$46.00/bbl to US\$52.00/bbl and \$49.00/bbl respectively.
- We have revised downward our 2017 AECO natural gas price assumption from \$3.00/mcf to \$2.60/mcf.
- We have revised our G&A expense assumption from \$2.65/boe to \$2.60/boe reflecting the increased production guidance.
- After increasing our dividend by 25% from \$0.04 to \$0.05 per month, we expect our 2017 adjusted payout ratio ((cash dividends plus capital expenditures)/funds from operations) to be approximately 65%.
- We forecast year-end net debt to funds from operations of approximately 0.6 times based on our revised key operating assumptions.

Key Operating Assumptions

		Guidance Dated	
2017 Annual Average		Mar. 2, 2017	Nov. 8, 2016
Daily production	boe/d	11,300 - 11,800	11,000
WTI oil price	US\$/bbl	52.00	50.00
Western Canadian Select (WCS)	Cdn\$/bbl	49.00	46.00
AECO natural gas price	Cdn\$/Mcf	2.60	3.00
Exchange rate	Cdn\$/US\$	0.76	0.75
Operating costs	\$/boe	3.25	3.25
General and administrative costs ⁽¹⁾	\$/boe	2.60	2.65
Capital expenditures	\$ millions	6	6
Weighted average shares outstanding millions		118	118

(1) Excludes share based compensation.

Recognizing the cyclical nature of the oil and gas industry, we continue to closely monitor commodity prices and industry trends for signs of changing market conditions. We caution that it is inherently difficult to predict activity levels on our royalty lands since we have no operational control. As well, significant changes (positive or negative) in commodity prices (including Canadian oil price differentials), foreign exchange rates, or production rates may result in adjustments to the dividend rate.

Based on our current guidance and commodity price assumptions, and assuming no significant changes in the current business environment, we expect to maintain the monthly dividend rate through the next quarter. We will continue to evaluate the commodity price environment and adjust the dividend levels as necessary (subject to the quarterly review and approval of our Board of Directors).

2016 Reserves Information

Freehold's reserves information is included in the Company's Annual Information Form which is available on SEDAR at www.sedar.com and Freehold's website at www.freeholdroyalties.com

Conference Call Details

A conference call to discuss financial and operational results for the period ended December 31, 2016 will be held for the investment community on Friday, March 3, 2017 beginning at 6:00 am MT (8:00 am ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial 1-800-273-9672 (toll-free in North America).

Availability on SEDAR

Freehold's 2016 audited financial statements and accompanying Management's Discussion and Analysis (MD&A) and Annual

Information Form (AIF) are being filed today with Canadian securities regulators and will be available at www.sedar.com and on our website.

Forward-looking Statements

This news release offers our assessment of Freehold's future plans and operations as at March 2, 2017, and contains forward-looking statements that we believe allow readers to better understand our business and prospects. These forward-looking statements include our expectations for the following:

- our outlook for commodity prices including supply and demand factors relating to crude oil, heavy oil, and natural gas;
- commodity prices have found support at current levels, which is driving drilling activity;
- light/heavy oil price differentials;
- changing economic conditions;
- foreign exchange rates;
- drilling activity during 2017 and the impact on our production base;
- capital expenditures and development of working interest properties;
- estimated capital budget and expenditures and the timing thereof;
- our long term goal of having an adjusted payout ratio between 60%-80%;
- our projected adjusted payout ratio for 2017;
- current estimated production and development from the February 2017 acquisition;
- average production for 2017, contribution from royalty lands and weighting of oil, NGL and natural gas;
- 2017 percentage of production and operating income from royalties;
- key operating assumptions including operating costs and general and administrative costs;
- forecast year-end net debt to funds from operations;
- expectations of shut-in production;
- expected production additions from our audit function;
- our dividend policy and expectations for future dividends; and
- maintaining our monthly dividend rate through the next quarter.

By their nature, forward-looking statements are 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, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form.

With respect to forward-looking statements contained in this news release, 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, 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, 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. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in the body of this news release.

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. To the extent any guidance or forward looking statements herein constitute a financial outlook, they are included herein to provide readers with an understanding of management's plans and assumptions for budgeting purposes and readers are cautioned that the information may not be appropriate for other purposes. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with 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 (loss), as further information becomes available and as the economic environment changes.

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.

Non-GAAP Financial Measures

Within this news release, references are made to terms commonly used as key performance indicators in the oil and natural gas industry. We believe that, operating income, operating netback, basic payout ratio, adjusted payout ratio, free cash flow and cash costs are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

Operating income, which is calculated as royalty and other revenue less royalties and operating expenses, represents the cash margin for product sold. Operating netback, which is calculated as average unit sales price less royalties and operating expenses, represents the cash margin for product sold, calculated on a per boe basis.

Payout ratios are often used for dividend paying companies in the oil and gas industry to identify its dividend levels in relation to the funds it receives and uses in its capital and operational activities. Basic payout ratio is calculated as dividends declared as a percentage of funds from operations. Adjusted payout ratio is calculated as dividends paid in cash plus capital expenditures as a percentage of funds from operations.

Free cash flow is calculated by subtracting capital expenditures from funds from operations. Free cash flow is a measure often used by dividend paying companies to determine cash available for payment of dividends, paying down debt or investment.

Cash costs is a total of all recurring costs in the statement of income (loss) and deducted in determining funds from operations. For Freehold cash costs are identified as royalty expense, operating expense, general and administrative expense, interest expense and share based and other compensation expense (if paid out in the period). It is key to funds from operations, representing the ability to fund capital expenditures, sustain dividends and repay debt.

We refer to various per boe figures which provide meaningful information on our operational performance. We derive per boe figures by dividing the relevant revenue or cost figure by the total volume of oil, NGL and natural gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

Contact

[Freehold Royalties Ltd.](http://www.freeholdroyalties.com)

Matt Donohue

Manager, Investor Relations

t. 403.221.0833 or tf. 1.888.257.1873

403.221.0888

e. mdonohue@rife.com

w. www.freeholdroyalties.com