

# Freehold Royalties Ltd. Acquires a Long Life Cardium Royalty Asset

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CALGARY, Alberta, Dec. 20, 2017 (GLOBE NEWSWIRE) -- Consistent with our strategy of enhancing the quality of our underlying asset base, [Freehold Royalties Ltd.](#) ("Freehold") (TSX:FRU) is pleased to announce the closing today of the acquisition of a long life, light oil gross overriding royalty (GORR).

## Royalty Acquisition

Freehold is acquiring a new 2% GORR in petroleum and natural gas rights in the Cardium in 173,440 gross (120,960 net) acres of land in the greater Pembina area. The purchase price of the GORR is \$52 million plus the assignment by Freehold of minor working interest assets, and is forecast to generate approximately \$3.6 million in operating income (based on strip pricing) and approximately 210 boe/d (74% light oil) in 2018. The GORR is to be paid by an E&P producer with multiple years of drilling inventory.

The acquisition was funded through our existing credit line. As a result of the acquisition, Freehold's proforma 2017 year-end net debt to funds from operations is expected to be 0.7 times, with approximately \$90 million available on our existing facility.

We see the transaction as enhancing the sustainability of Freehold's dividend, increasing the number of drilling locations on our royalty lands and adding to the quality of our asset base. Freehold will give 2018 guidance as part of our Q4-2017 results which will be released after market on March 8<sup>th</sup>, 2018.

For further information, contact:

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## Forward-looking Statements

This news release offers our assessment of Freehold's future plans and operations as at December 20, 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: the forecast 2018 operating income and 2018 average production (including the commodity weighting) resulting from the acquisition of the GORR; the future drilling locations and inventory on the lands associated with the GORR; Freehold's proforma 2017 estimated net debt to funds from operations and amount outstanding under its credit facility; and the expectation that the transaction will enhance the sustainability of Freehold's dividend, increase the number of drilling locations on our royalty lands and further add to the quality of Freehold's asset base.

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, and our ability to obtain financing on acceptable terms, shut-in production, and our ability to add production and reserves through development and acquisition activities. In addition, please see our November 9, 2017 news release, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) for further information relating to the assumptions used in respect of the forward-looking statements contained in this press 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.

#### 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.

#### Operating Income

This news release contains the term "operating income", which does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculations of similar measures for other entities. Operating income, as presented, is calculated as royalty and other revenue less royalties and operating expenses, representing the cash margin for product sold. Additional information on this measure can be found in the most recent financial statements and management's discussion and analysis filed by Freehold, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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