

Freehold Royalties Ltd. Announces Closing of U.S. Royalty Assets

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CALGARY, Jan. 05, 2021 - [Freehold Royalties Ltd.](#) (TSX:FRU) announces that it has closed its previously announced acquisition of diversified, high quality, U.S. royalty assets (the Acquired Assets) for US\$58 million (the U.S. Royalty Transaction). The Acquired Assets will play a key role in strengthening the resiliency of Freehold's portfolio, enhancing the near-term and long-term sustainability of Freehold's dividend and providing option value to return capital to shareholders through multiple years of free cash flow growth.

The Acquired Assets were partially funded by a previously closed bought deal financing whereby Freehold issued 9,856,000 subscription receipts (the Subscription Receipts) at a price of \$4.80 per Subscription Receipt for gross proceeds of approximately \$47.3 million, which included the full exercise of the over-allotment option granted to the underwriters.

Concurrent with the closing of the bought deal financing, the pension trust funds for employees of Canadian National Railway Company invested approximately \$13.4 million in Freehold through the purchase of 2,791,667 Subscription Receipts also at a price of \$4.80 per Subscription Receipt on a non-brokered private placement basis.

On closing of the U.S. Royalty Transaction, the net proceeds from the sale of the Subscription Receipts were released from escrow to Freehold to partially fund the purchase price for the Acquired Assets, with the remainder of the purchase price funded by drawing on existing credit facilities. In addition, as a result of and on closing of the U.S. Royalty Transaction and in accordance with the terms of the Subscription Receipts, each Subscription Receipt was exchanged for one common share of Freehold. Trading in the Subscription Receipts on the Toronto Stock Exchange is expected to be halted prior to market open on January 6, 2021 and the Subscription Receipts delisted following the market close on January 6, 2021.

Concurrent with the payment of Freehold's regular monthly dividend, on January 15, 2021, each holder of Subscription Receipts of record on December 31, 2020 will also receive a dividend equivalent payment of \$0.02 per Subscription Receipt.

Freehold reiterates its 2021 production guidance range of 10,000-10,500 boe/d, with the midpoint representing a 13% increase above Q3-2020 average production volumes. As oil prices have shown steady improvement since announcing the U.S. Royalty Transaction in November, Freehold has benefited from continued momentum in drilling activity both on its Canadian and U.S. royalty assets.

Freehold's focus is on acquiring and managing oil and gas royalties.

Freehold's common shares trade on the Toronto Stock Exchange in Canada under the symbol FRU.

Forward-Looking Statements

This news release offers our assessment of Freehold's future plans and operations as at January 5, 2021 and contains forward-looking information including, without limitation, forward-looking information with regards to Freehold's expectation that the Acquired Assets will play a key role in strengthening the resiliency of Freehold's portfolio, enhancing the near-term and long-term sustainability of Freehold's dividend and providing option value to return capital to shareholders through multiple years of free cash flow growth; and Freehold's average royalty production guidance for 2021.

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 the COVID-19 pandemic on economic activity and demand for oil and natural gas, 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, our ability to access sufficient capital from internal and external sources and the other risks relating to Freehold's business as described in more detail in Freehold's annual information form for the year ended December 31, 2019 which is available under Freehold's profile on SEDAR at www.sedar.com.

With respect to forward looking information contained in this press release we have made assumptions regarding, among other things: future oil and natural gas prices; future exchange rates; that drilled uncompleted wells will be completed in the short term and brought on production; that wells relating to the Acquired Assets that have been permitted will be drilling and completed within a customary timeframe; expectations as to additional wells to be permitted, drilled, completed and brought on production in 2021 based on Freehold's review of the geology and economics of the plays associated with the Acquired Assets; expected production performance of wells to be drilled and/or brought on production in 2021; the ability of our royalty payors to obtain equipment in a timely manner to carry out development activities; the ability and willingness of royalty payors to fund development activities; and such other assumptions as are identified herein. 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. 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.

For further information, contact:

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