

Welcome  
Esri PUG  
2019

# Realizing the Hidden Value Within Your Land Assets Using ArcGIS

**Freehold**  
ROYALTIES LTD.

A User Presentation by  
Chuck Smith, GIS Consultant, Petro-Arc Technology Inc.  
May 16, 2019

Freehold  
Royalties Ltd.

Advisory and  
Cautionary  
Statement

### **Forward-Looking Information**

This presentation contains information relating to the Royalty Lands from which Freehold collects or may in the future collect royalties and associated revenues, as well as historical operations conducted by petroleum and natural gas exploration and production enterprises on the Royalty Lands. Any information relating to such operations presented in this presentation has been sourced from public disclosure, including in certain cases public disclosure of enterprises conducting operations on the Royalty Lands, available as of December 31, 2017 (except where stated otherwise). Information that is more current may be available, or may become available from time to time, in subsequent public disclosure documents including Freehold's disclosure on SEDAR ([www.sedar.com](http://www.sedar.com)) and our website ([www.freeholdroyalties.com](http://www.freeholdroyalties.com)). This presentation contains information about many of our assets, including those that may not currently be material to us. The description and depiction of our business and assets have been simplified for presentation purposes. Dollar references are in Canadian dollars unless otherwise noted.

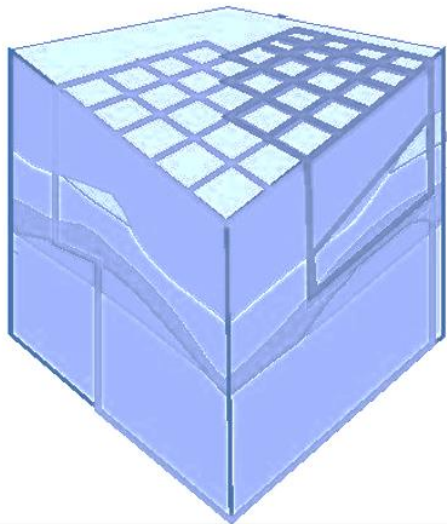
This presentation contains certain forward-looking information and terms that do not have any standardized meanings prescribed under Canadian Generally Accepted Accounting Principles (GAAP). In addition, this presentation contains management's assessment of the future upside associated with Freehold's Royalty Lands. As such, this presentation should be read with reference to the cautionary statements and explanatory notes, relating to forward-looking information, non-GAAP measures, the presentation of future upside and certain other matters, contained in the "Advisories" section found at the end of this presentation. Readers should also refer to the information and explanatory notes found in our AIF for the year ended December 31, 2017, our audited financial statements as at and for the year ended December 31, 2017 and our accompanying management's discussion and analysis, each of which has been filed with the Canadian securities regulatory authorities and is available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com).

This presentation has not been prepared in connection with the sale of securities and is not an offering memorandum and should not be relied upon as such. This presentation does not constitute an offer to sell or a solicitation of an offer to purchase any security in any jurisdiction.

Certain terms used herein are defined in the Glossary of Terms starting at page 75 of Freehold's 2017 Asset Book.

## The Team

- Kristin Rennie, Manager Land Negotiation
- Shayne Chidlaw, Senior Geologist
- Bob Lamond, VP Asset Development
- Teri Johnson, Exploration Technologist
- Juraj Pivovarov, MSc, Data Architect (Consultant)
- Chuck Smith, PMP (GIS Consultant)



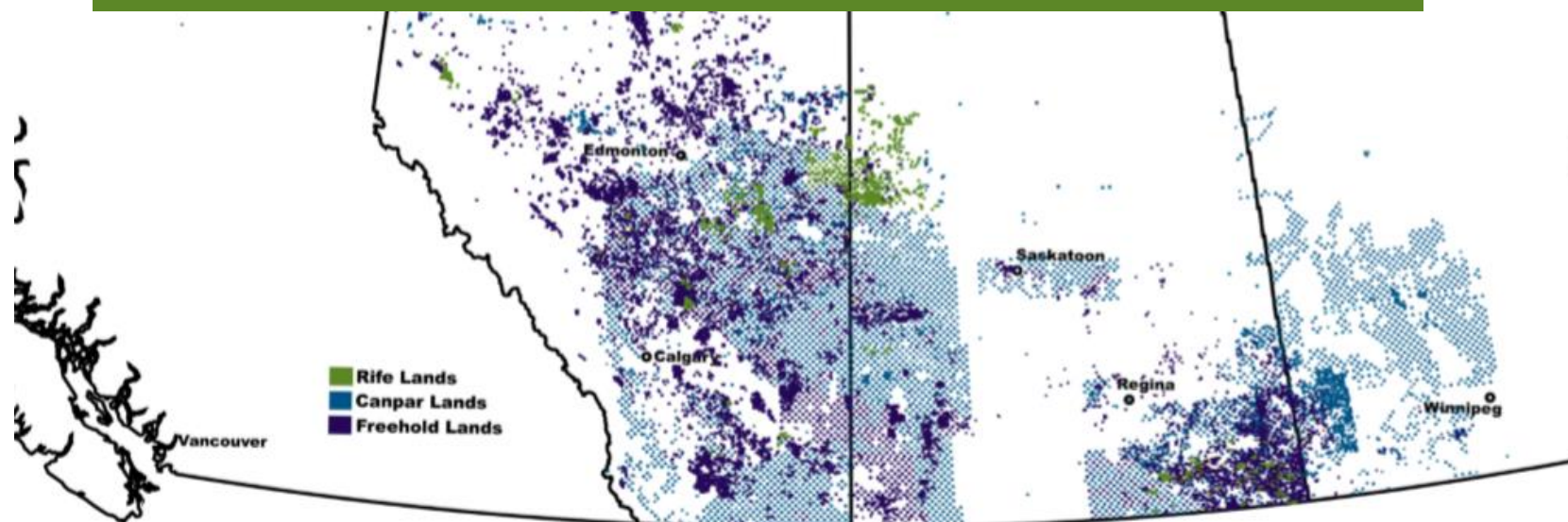
# Assets under Rife's Management



Corporate Structure and Asset Base

TSX : FRU  
5.7m Gross Royalty Acres

ACRES	PRODUCTION	WELLS	RESERVES
<b>10,500,000</b>	<b>19,000</b>	<b>46,000+</b>	<b>54,000,000+</b>
Combined interests in 10.5 million gross acres of land	Combined production under Rife's management is approx. 19,000 boe/d	Combined interests in over 46,000 oil and gas wells	Combined net proved plus probable reserves of over 54 million boe



## The Goal

- To provide a detailed review of our royalty portfolio

## Our Strategy

- Aligns with our strategy to create, enhance and deliver value to shareholders

## Value Proposition

- Majority of value is associated with oil focused assets
- Undiscounted Total Value of our royalty portfolio of \$7 billion

## Large Untapped Upside

- ~152 mmbobe of upside, over and above our Booked Reserve Volumes
- >21,000 potential locations on our royalty lands
- >40 years of future development

<https://www.freeholdroyalties.com/investors/investor-day>

April 2018, Toronto, Canada





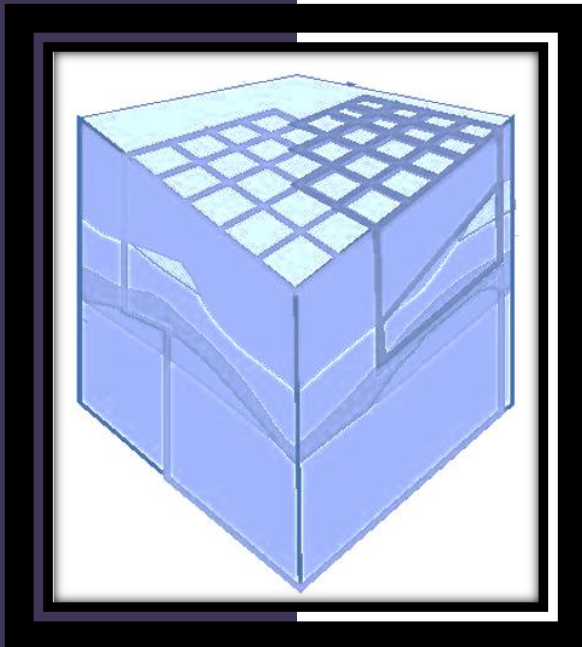
# Technology Platform



Source: Python Software Foundation Brochure

*«Esri users range from veterans who have been using GIS through several generations of our platform to young people educated in the latest software approaches. Using Python as our core scripting language lets us reach everyone, whether to build a simple repeatable workflow or conduct complex GIS analysis.»*

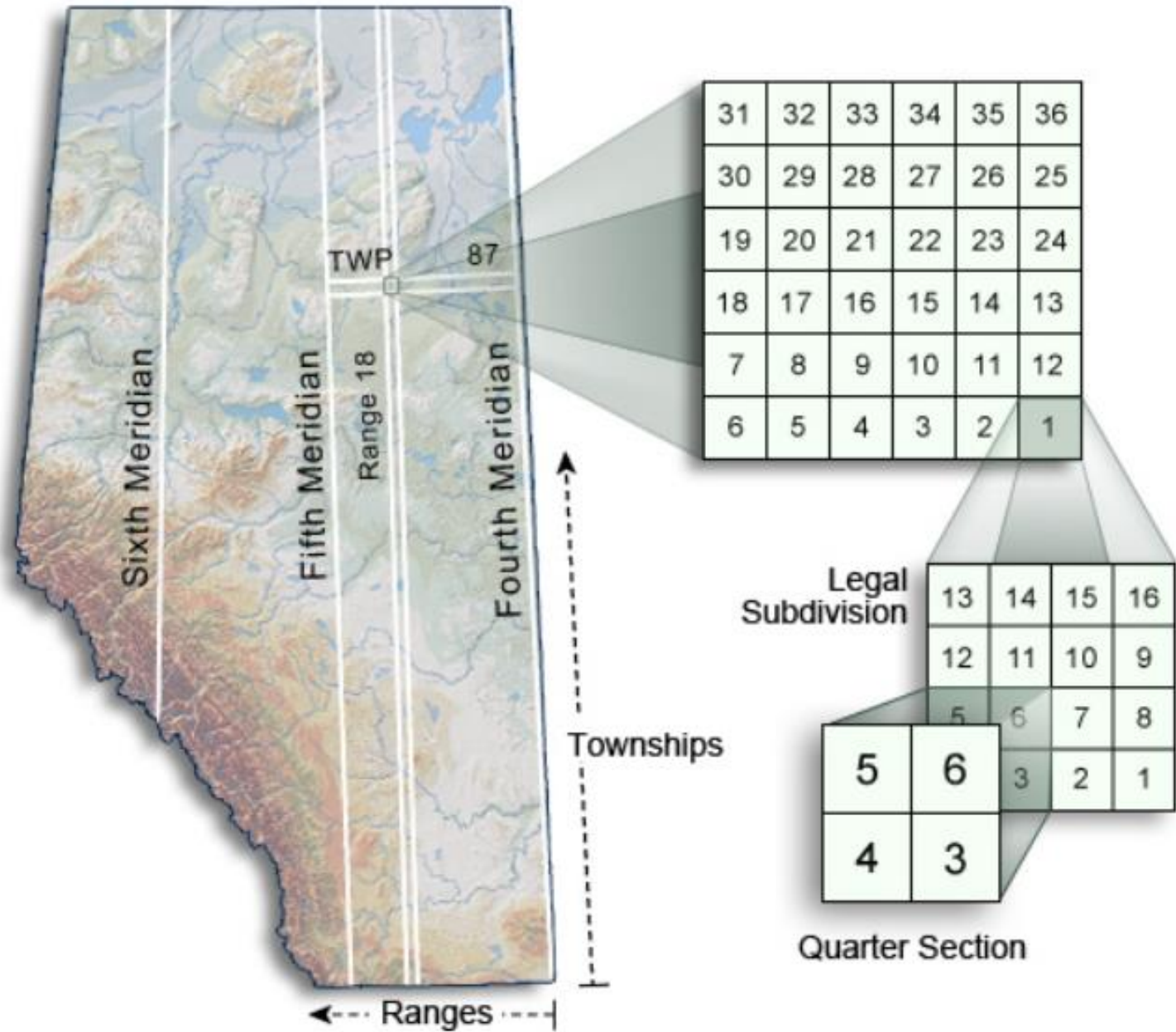
**Jack Dangermond** – President, Esri



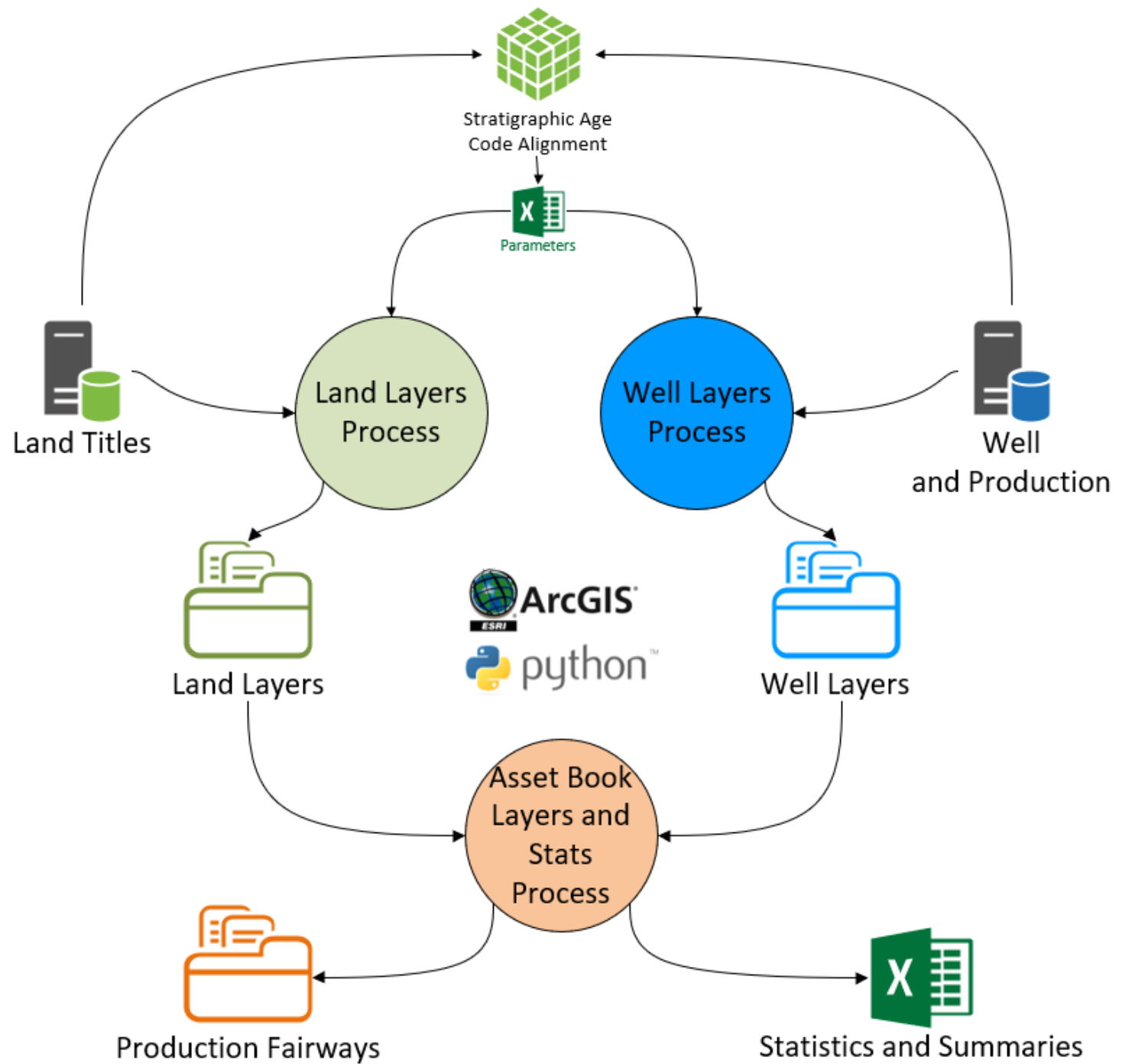
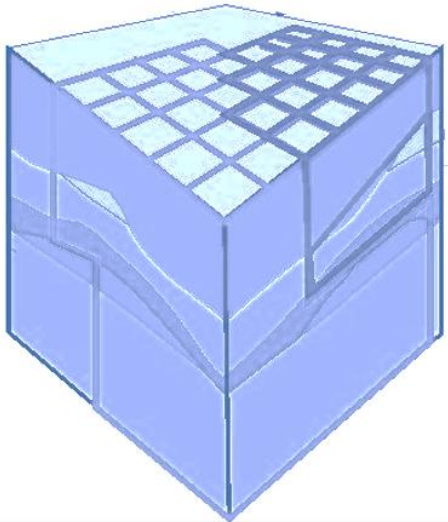
Python Site Package	Description
ArcPy	Provides access to all ArcGIS geoprocessing tools
cx_Oracle	Python to Oracle interface
sqlite3	SQLite interface
dbfread	Read dbf files
dirsync	Copy files that have changed between directories
interval	Line interval calculations used by the unleased land calculator
openpyxl	Read Excel files
Xlsxwriter	Write Excel xls/xlsx/xlsm files

Cadastral

Federal,  
State and  
Provincial  
Open Data  
Sources



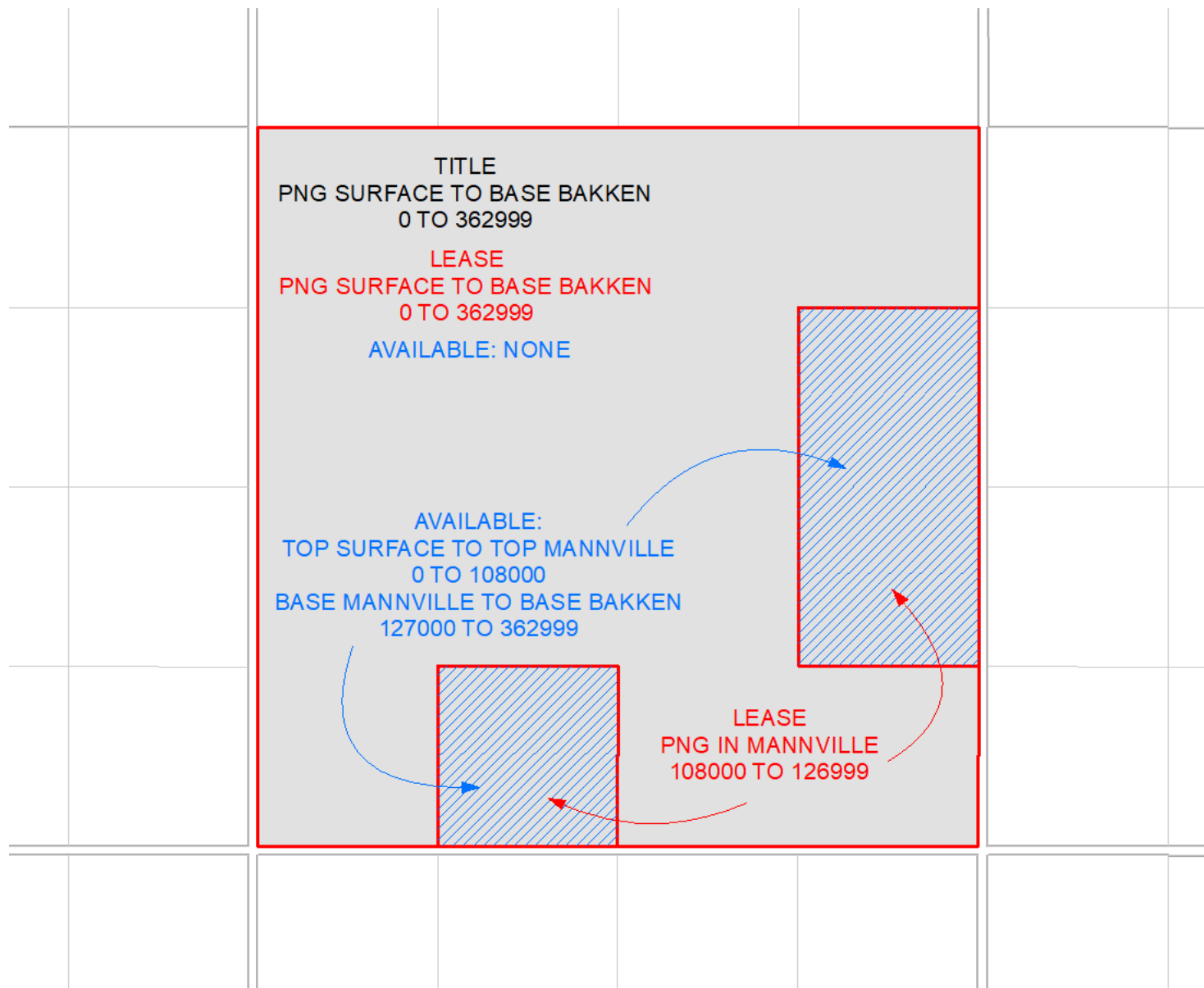
# Process Model





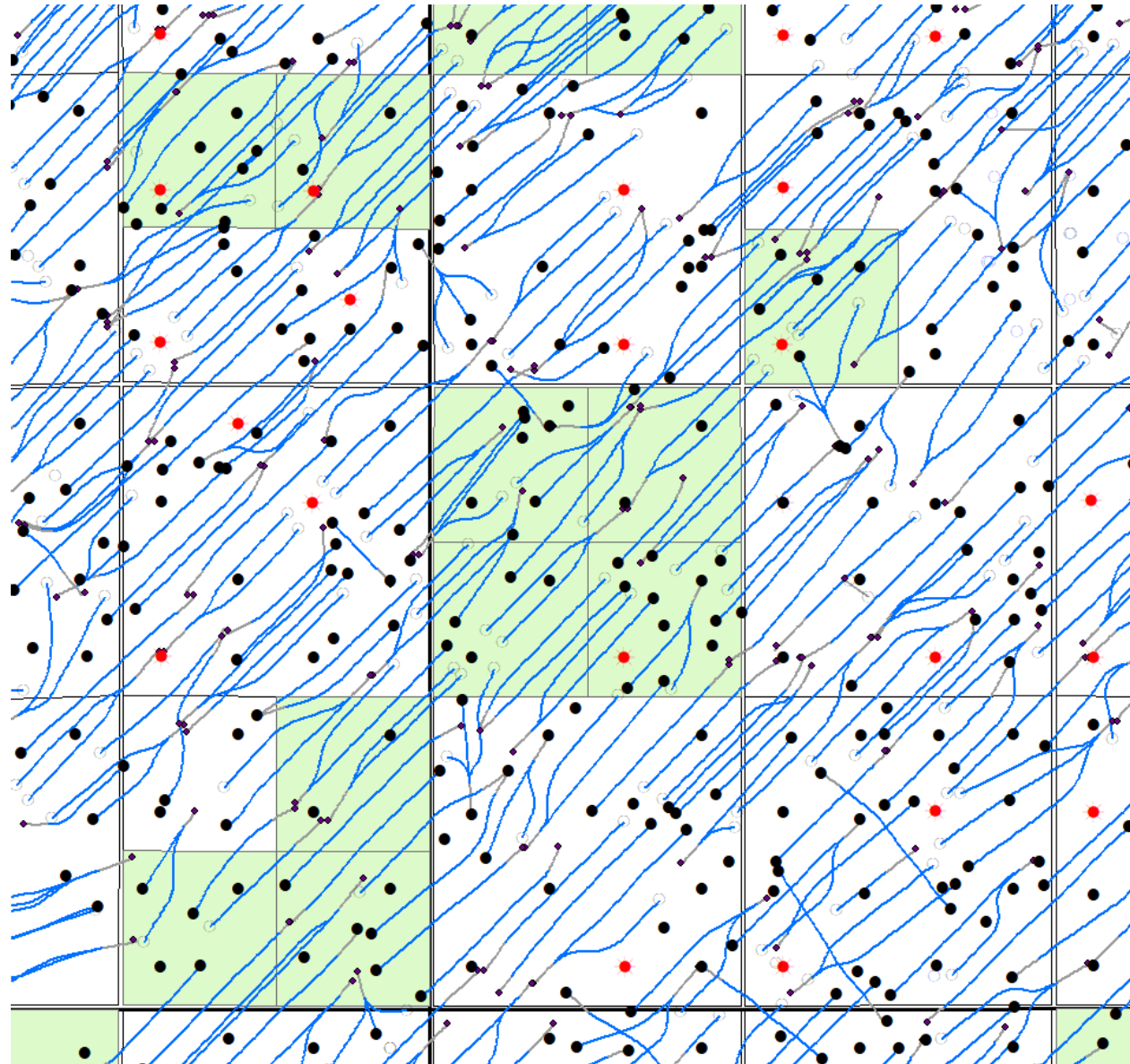
# Land Layers and Available Rights

## Land Layers Process



## Well Layers and Production

## Well Layers Process



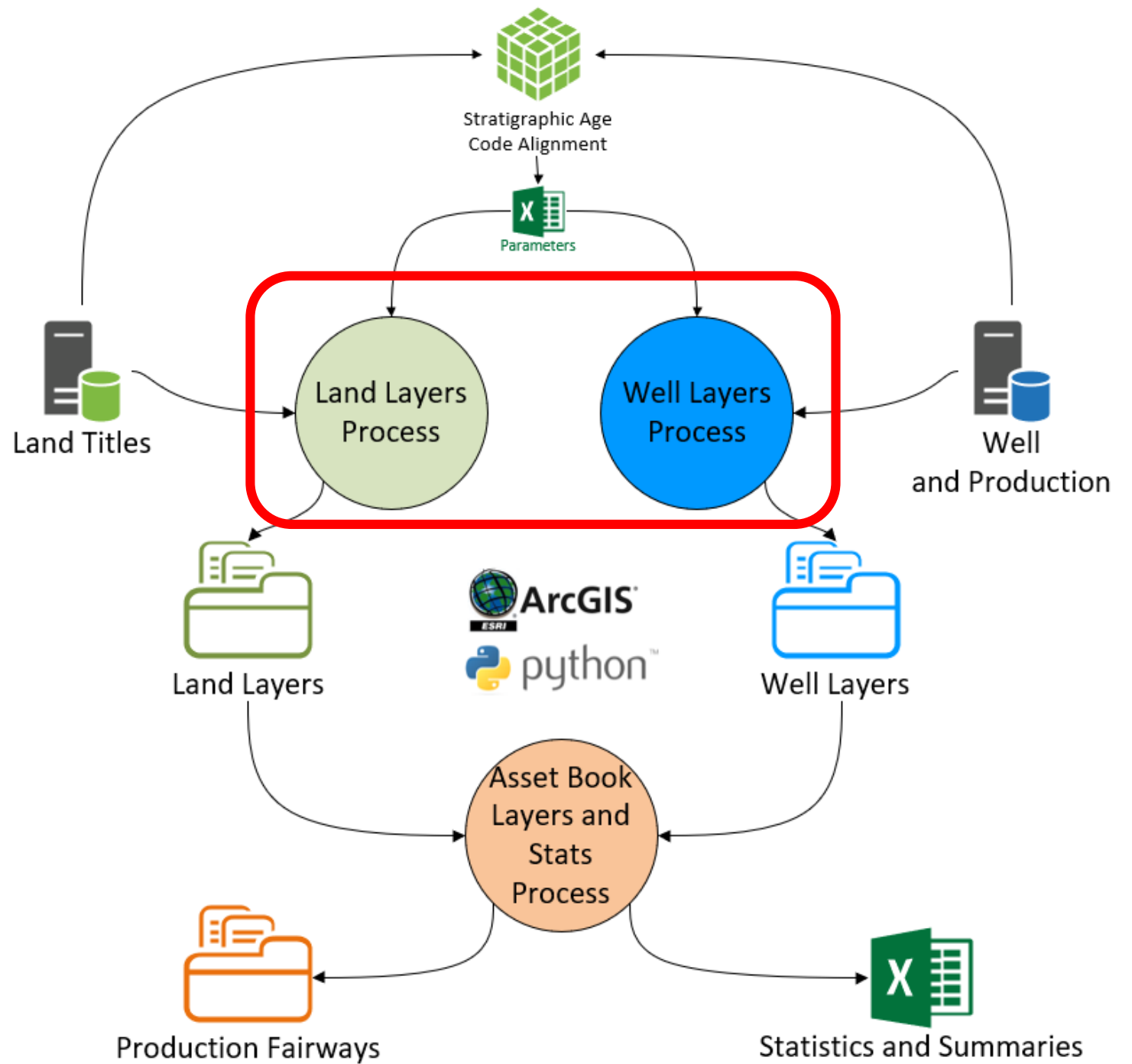
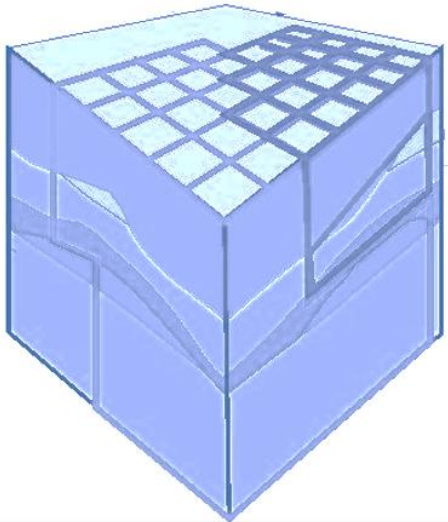
### Well Data Types

- Bottom hole
- Directional survey
- Laterals
- Producing zones
- Volumes by product

### Usage and Benefits

- Analyze complex spatial relationships
- Detect activity near title lands
- Audit and compliance for active producers
- Inactivity and abandonment
- Basis for available drilling locations

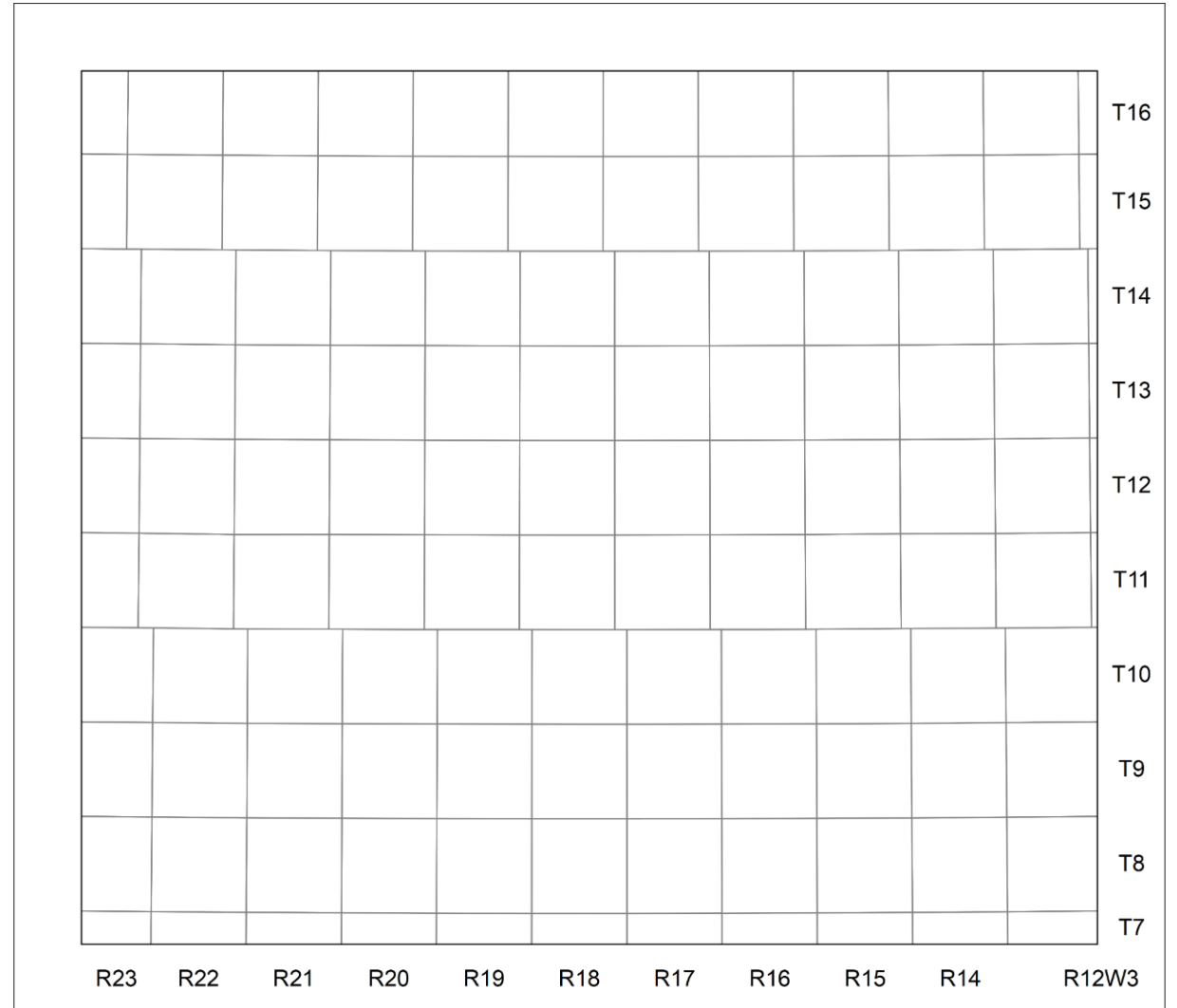
# Process Model



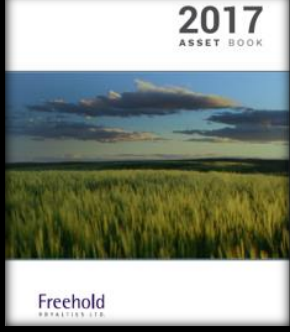
# Methodology Example – Upper Shaunavon

## Upper Shaunavon Example

- 1 of 113 geologic zones assessed
- Walk through generation of:
  - Potential Acreage
  - Upside Location Counts
  - Upside Volume
  - Upside Value



Asset Book  
Layers and  
Stats  
Process



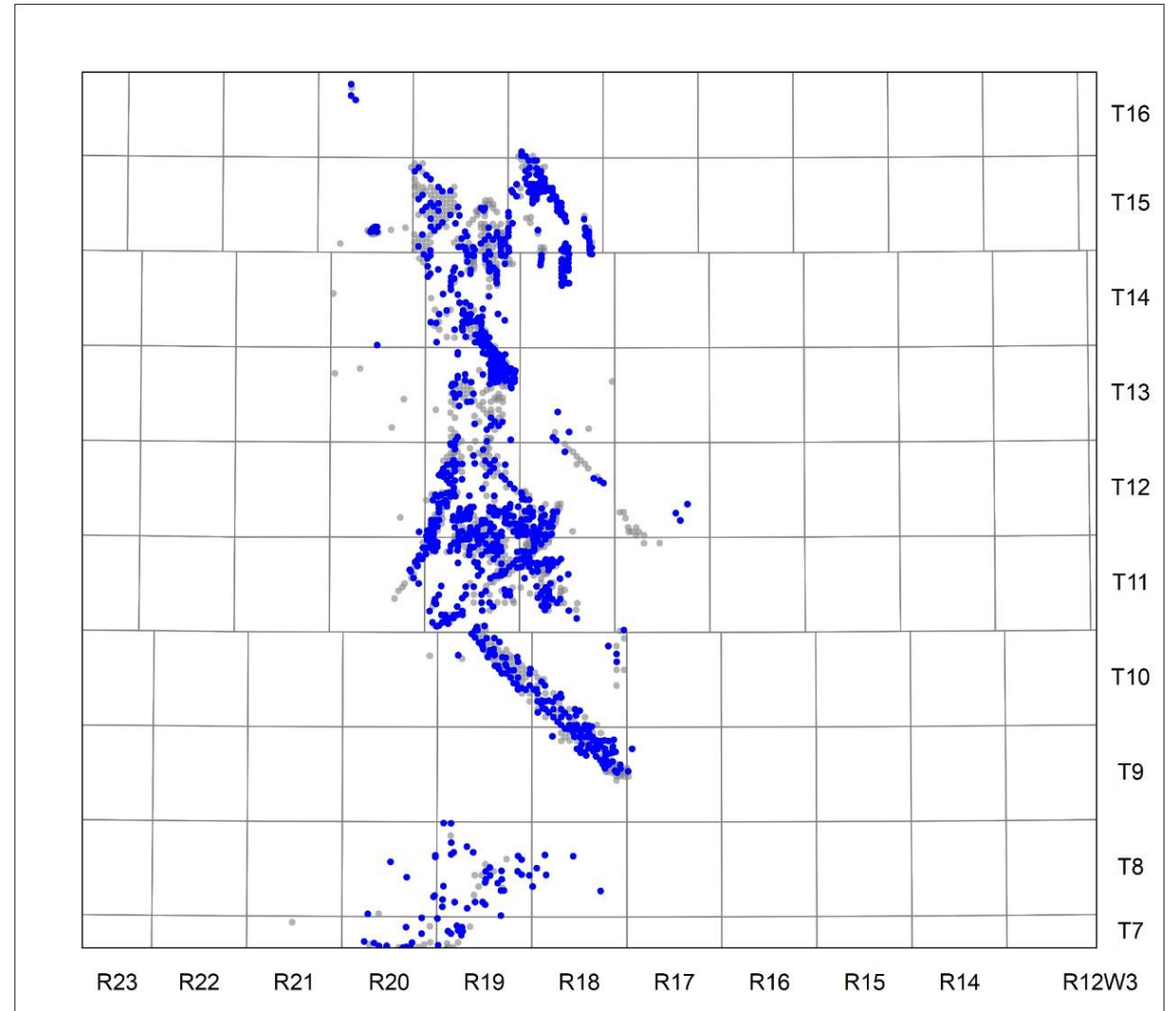




# Methodology Example – Upper Shaunavon

## Well Selection

- All producing wells in each zone were selected
- Sub-selection of **Recent Producing Wells** (since 2010) was created



Oracle Connection  
SQL Query  
Create Geodatabase  
Create Feature Class



# Methodology Example – Upper Shaunavon

2017  
ASSET BOOK



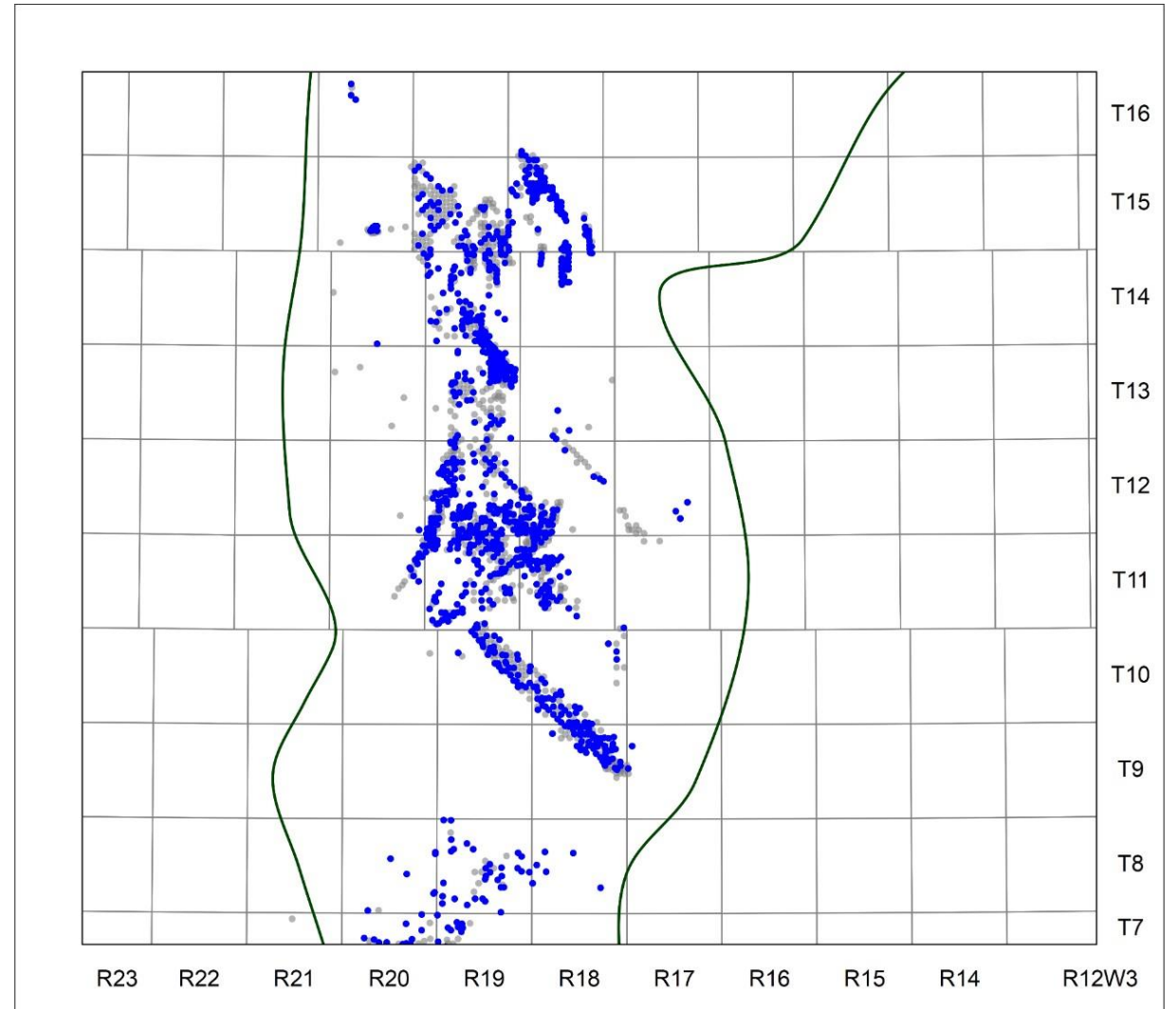
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## Geologic Play Outline

- Geologic Play Outline is created around the producing zone

## Shaunavon Methodology

- Shaunavon Play Outline
- Recent Producing Wells 2010 to Present
- Non Producing Wells 2010 to Present



# Methodology Example – Upper Shaunavon

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## Production Fairway

- A buffer is extended and merged around the Recent Producing Wells
- Fairway defines the upside area for this play
- Methodology uses average well density from sections inside the Fairway

Buffer

Select by Location





Dissolve

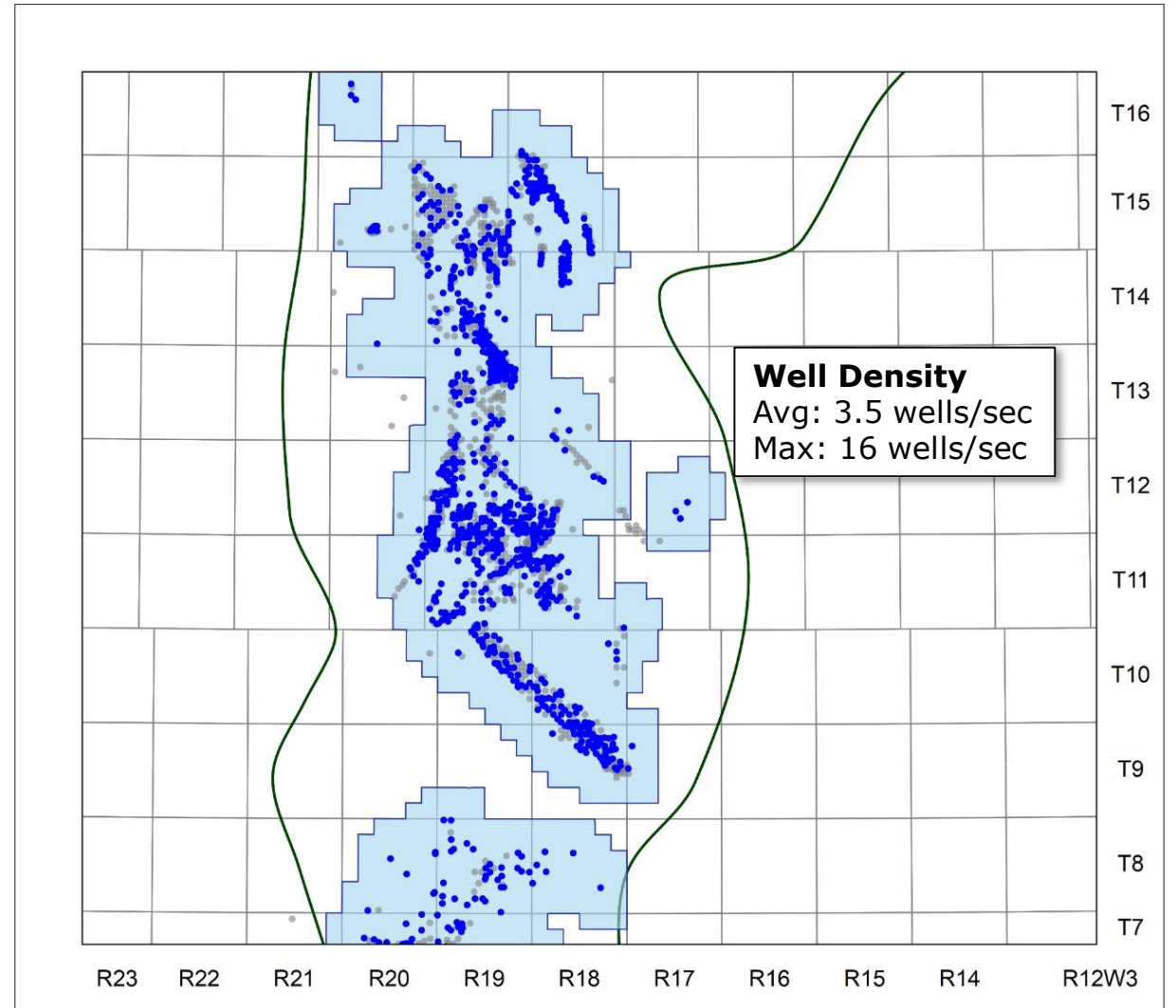
Create Feature Class

Statistics



## Shaunavon Methodology

-  Production Fairway
-  Shaunavon Play Outline
-  Recent Producing Wells 2010 to Present
-  Non Producing Wells 2010 to Present



# Methodology Example – Upper Shaunavon

2017  
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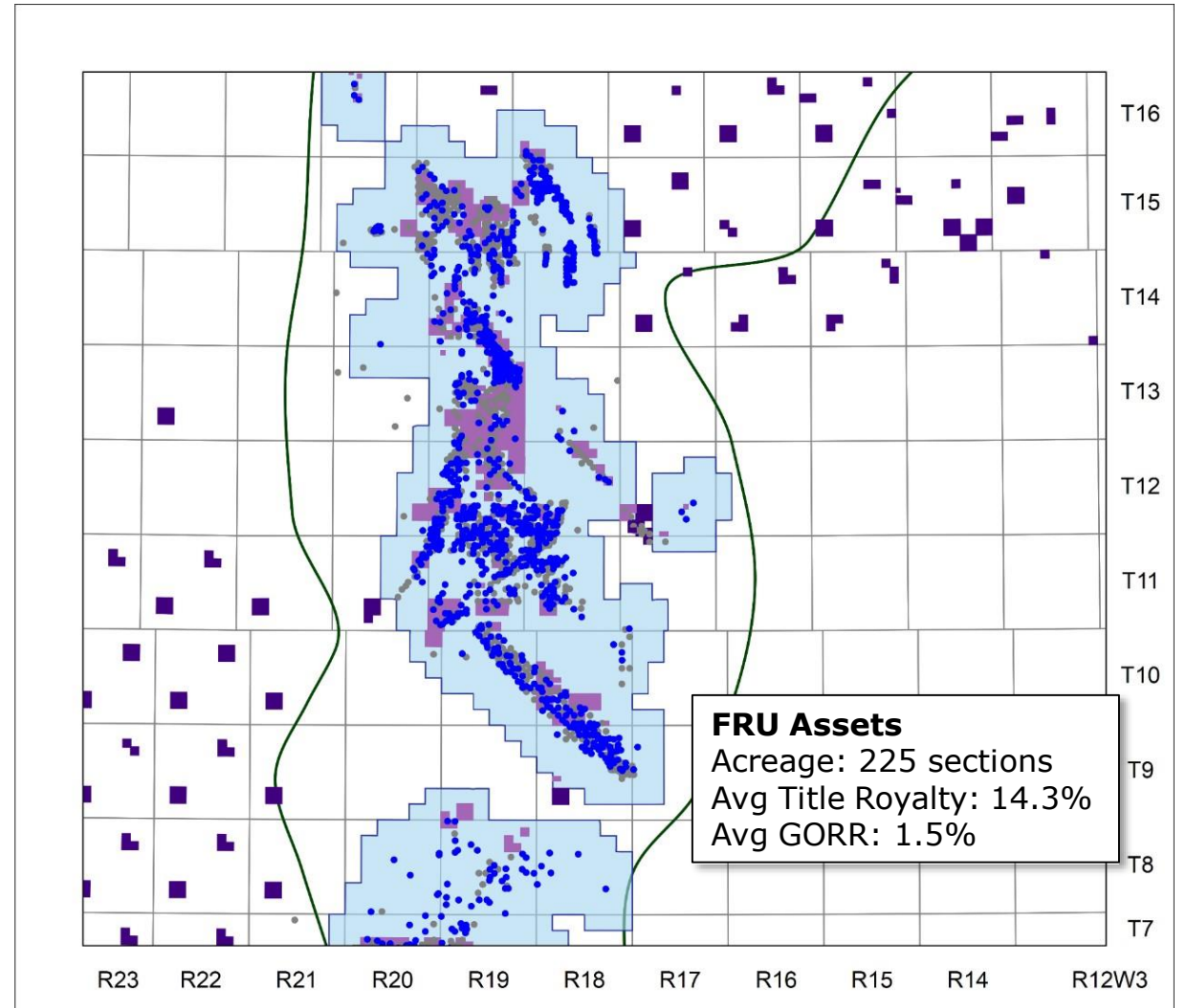
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## Royalty Assets

- Freehold GORR and Mineral Title Assets are determined to be in or out of each Production Fairway
- Area average net royalty calculated

## Shaunavon Methodology

- Royalty Assets within the Production Fairway
- Royalty Assets outside the Production Fairway
- Production Fairway
- Shaunavon Play Outline
- Recent Producing Wells 2010 to Present
- Recent Non Producing Wells 2010 to Preser



Select by Location  
Statistics





# Methodology Example – Upper Shaunavon

**Royalty asset acreage**

(225 sections)

X

**Avg. well density in fairway**

(3.5 wells/ section)

minus

**Existing wells on acreage**







(710 wells)

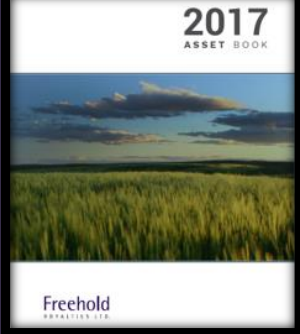
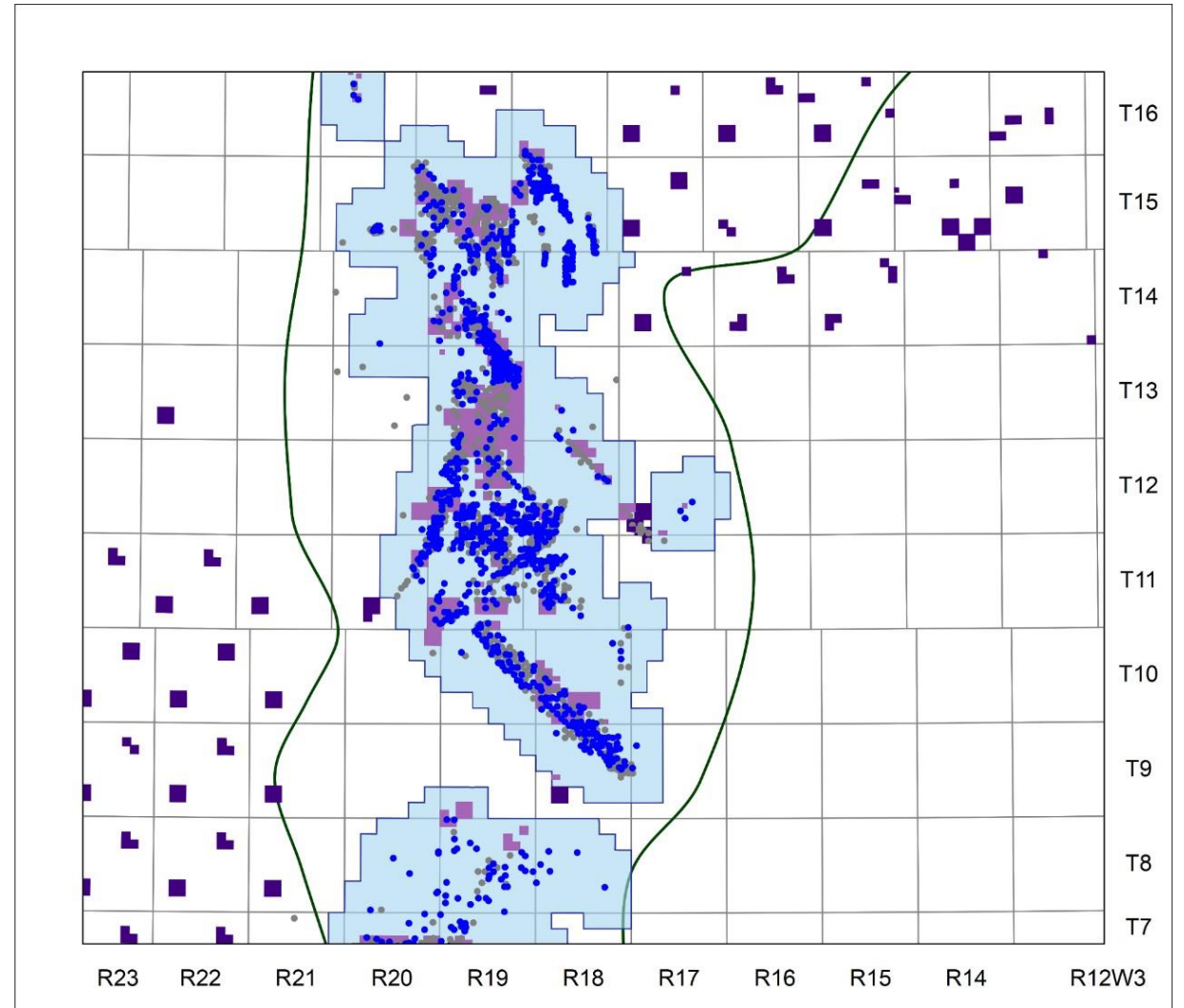
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**# Future Upside Locations**

(73 locations)

## Shaunavon Methodology

-  Royalty Assets within the Production Fairway
-  Royalty Assets outside the Production Fairway
-  Production Fairway
-  Shaunavon Play Outline
-  Recent Producing Wells 2010 to Present
-  Non Producing Wells 2010 to Present



Statistics  
Excel Writer



# Methodology Example – Upper Shaunavon

**# Future Upside Locations**

(73 locations)

X

**% Avg. Royalty Rate**

(14.3% Title Royalty)

X

**Undiscounted Present Value  
per Type Well**







(\$5.2 mm)

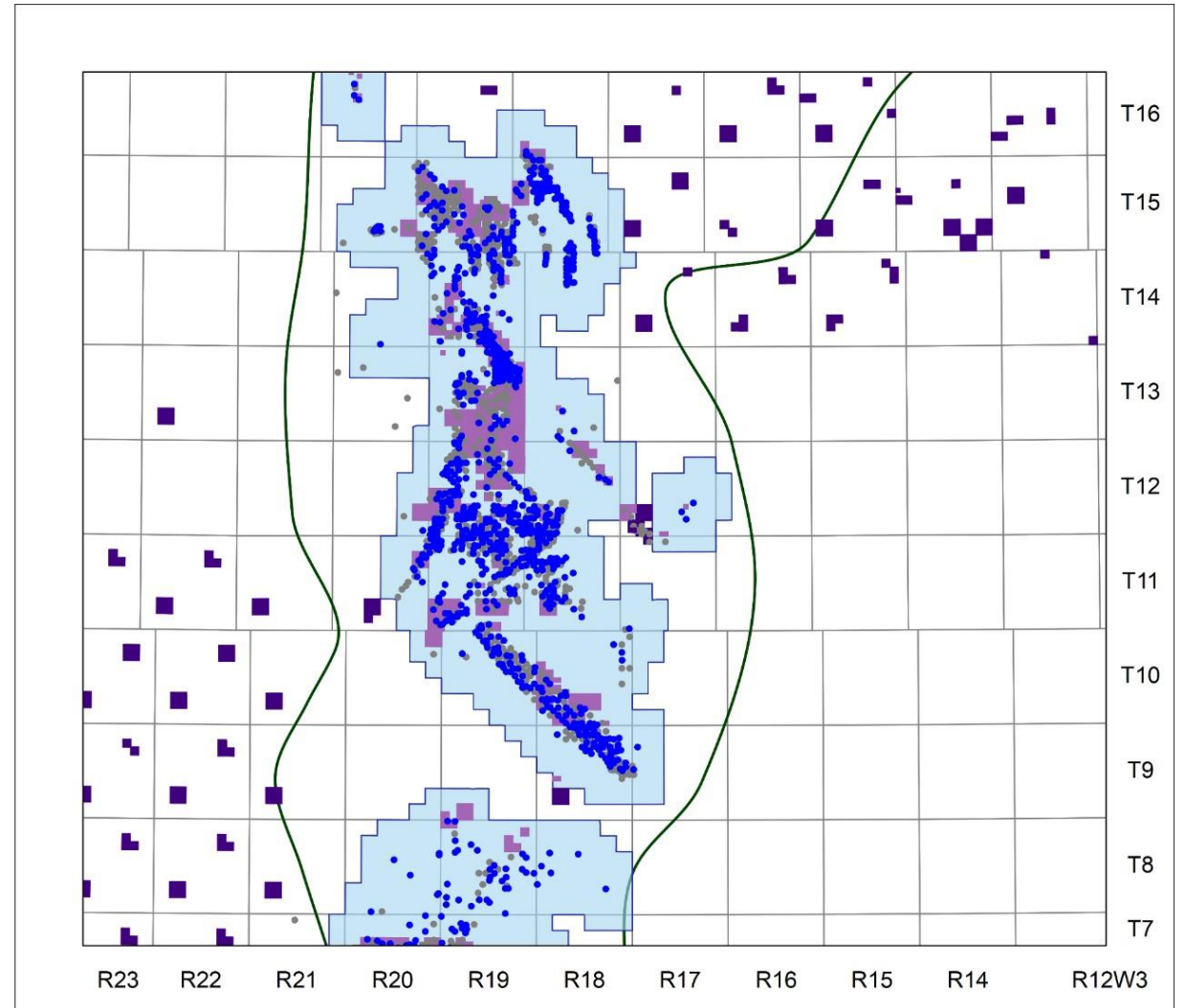
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**Undiscounted Future  
Upside Value**

(\$54 mm)

## Shaunavon Methodology

-  Royalty Assets within the Production Fairway
-  Royalty Assets outside the Production Fairway
-  Production Fairway
-  Shaunavon Play Outline
-  Recent Producing Wells 2010 to Present
-  Non Producing Wells 2010 to Present



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ASSET BOOK



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Human Interpretation  
Statistics  
Excel Writer



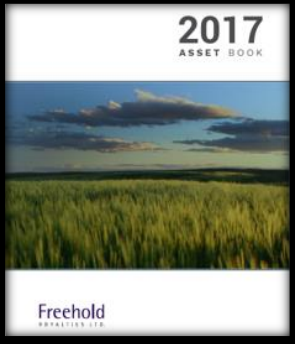
# Methodology – Geologic Plays

## Upper Shaunavon Example

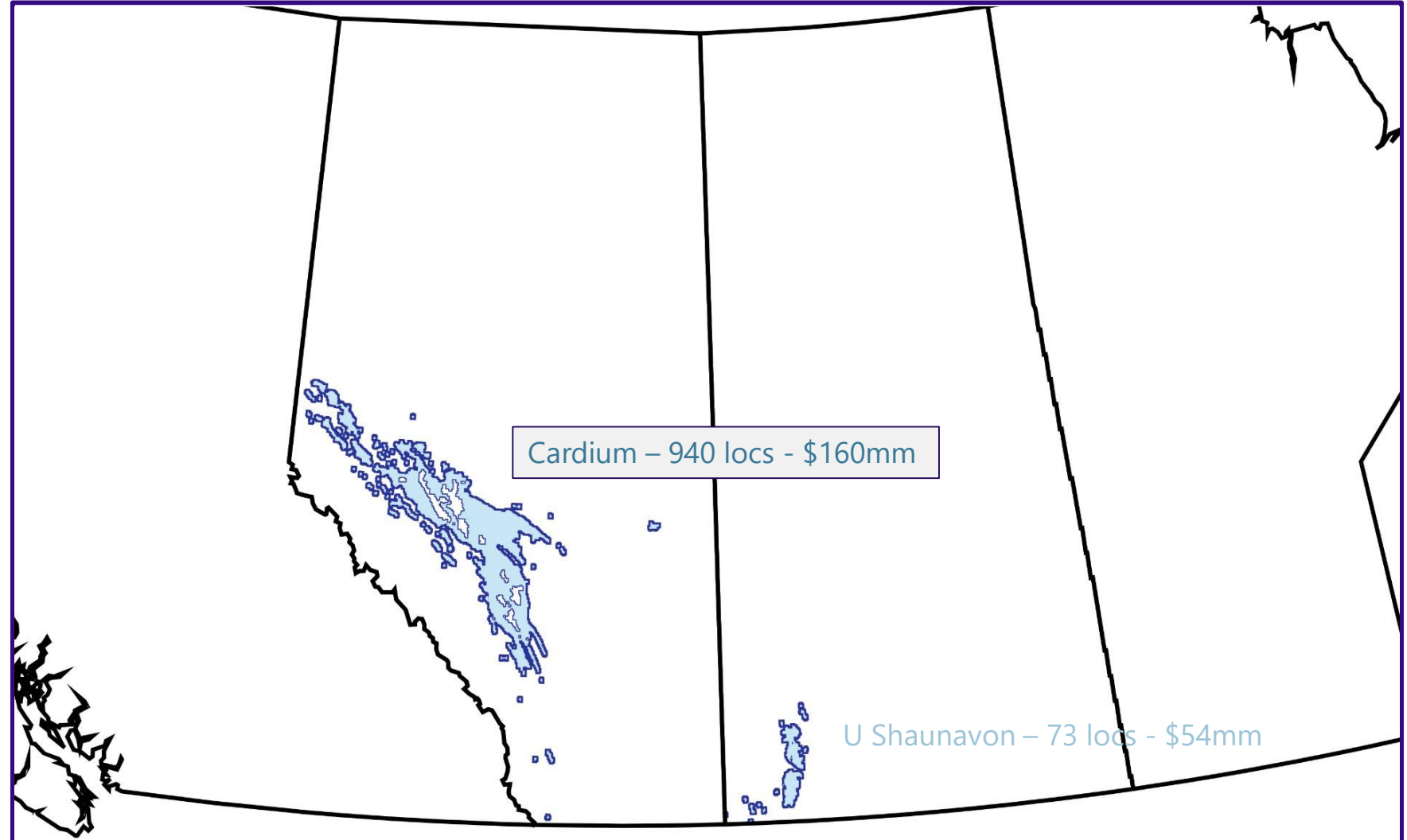
- 1 of 113 geologic zones assessed

Asset Book  
Layers and  
Stats  
Process

U Shaunavon – 73 locs - \$54mm



# Methodology – Geologic Plays



2017

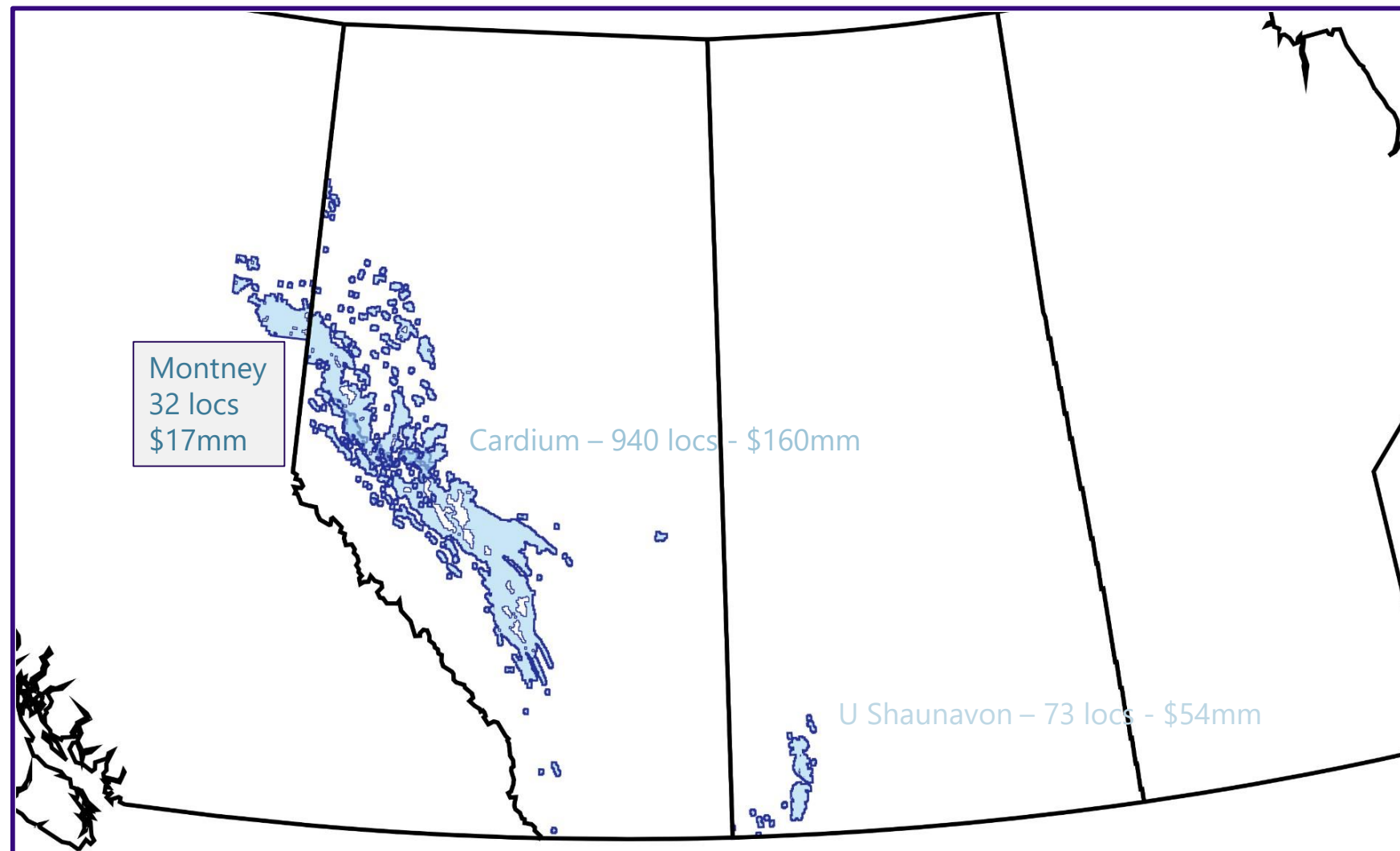
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# Methodology – Geologic Plays



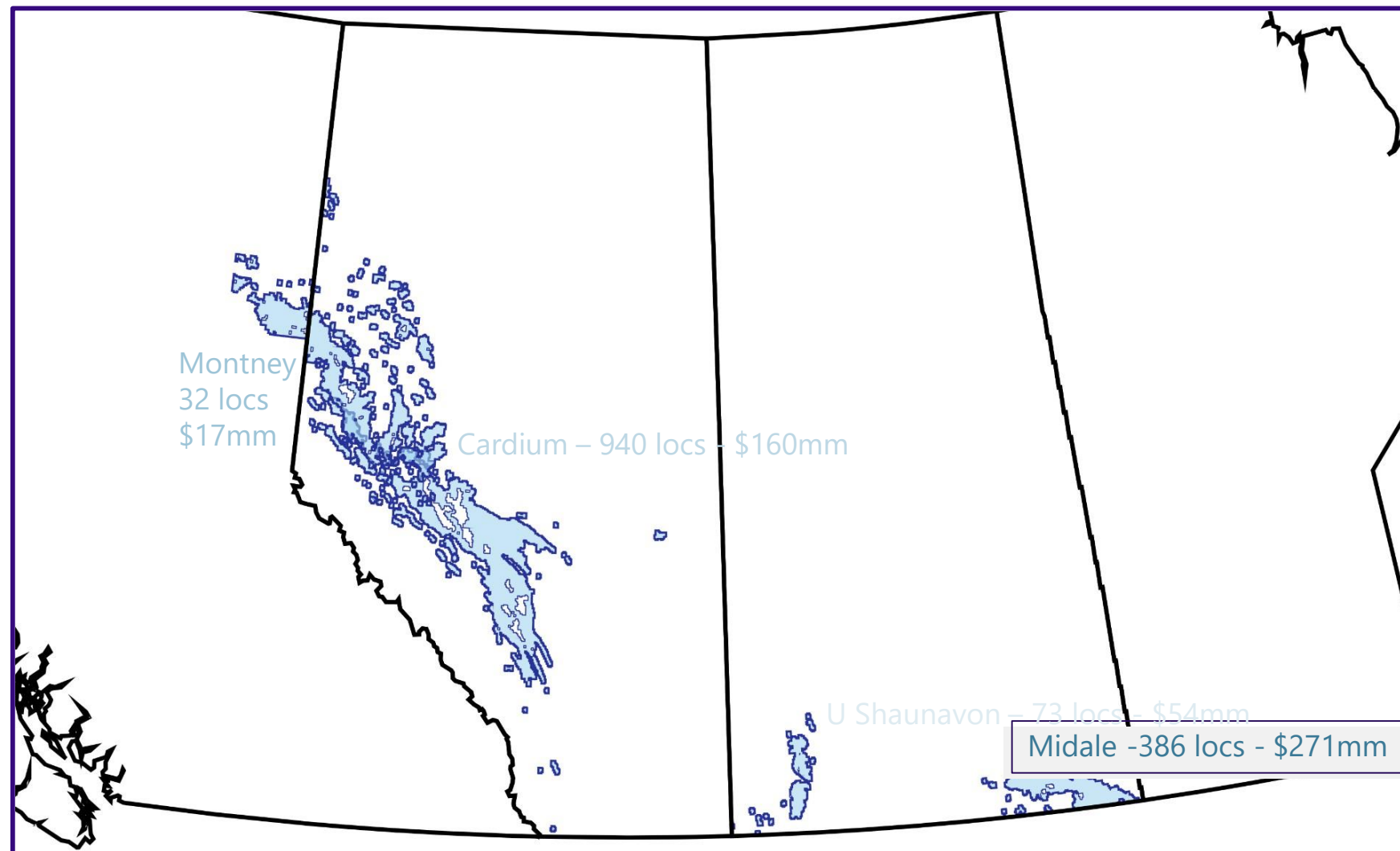
Montney  
32 locs  
\$17mm

Cardium – 940 locs - \$160mm

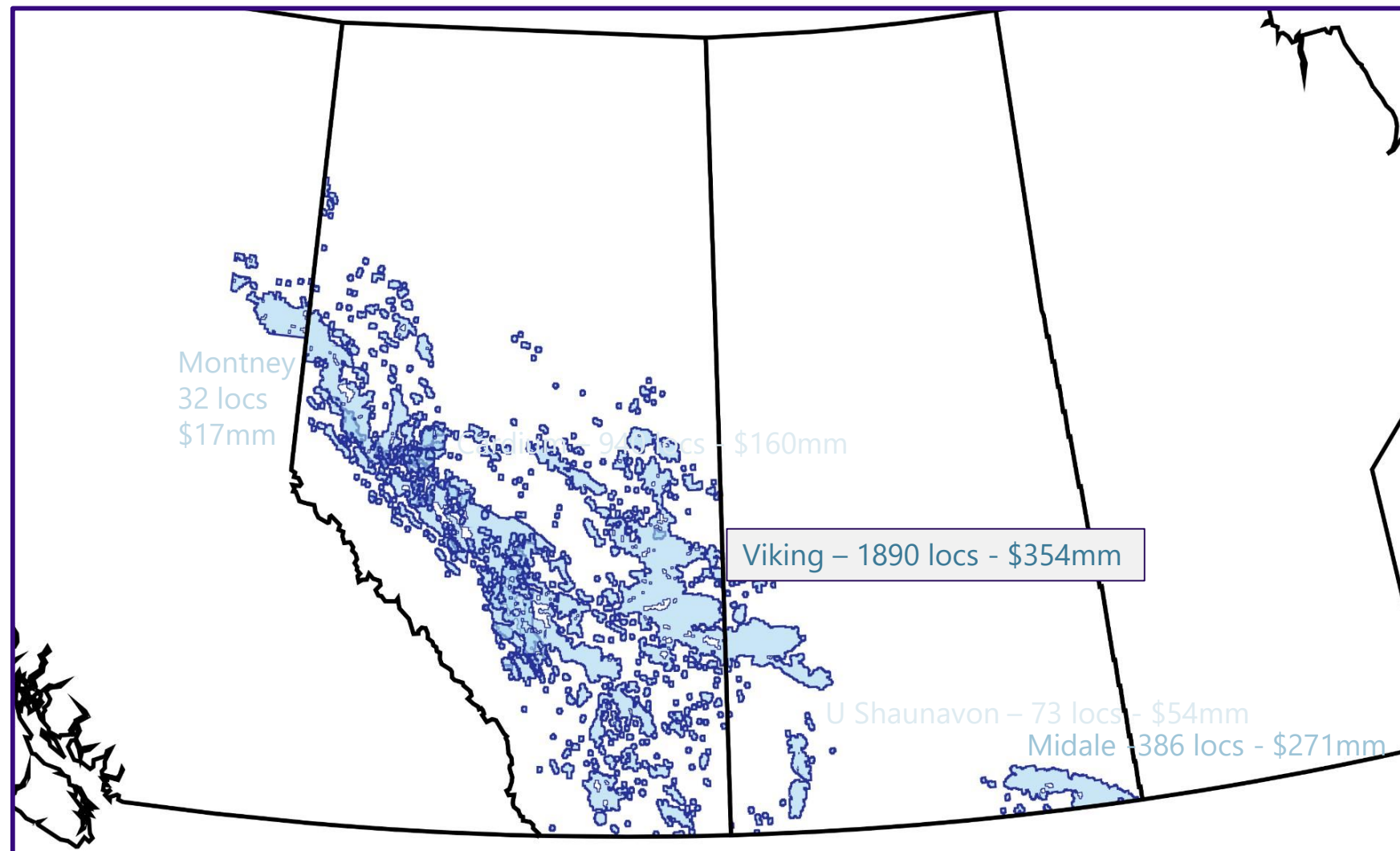
U Shaunavon – 73 locs - \$54mm



# Methodology – Geologic Plays



# Methodology – Geologic Plays

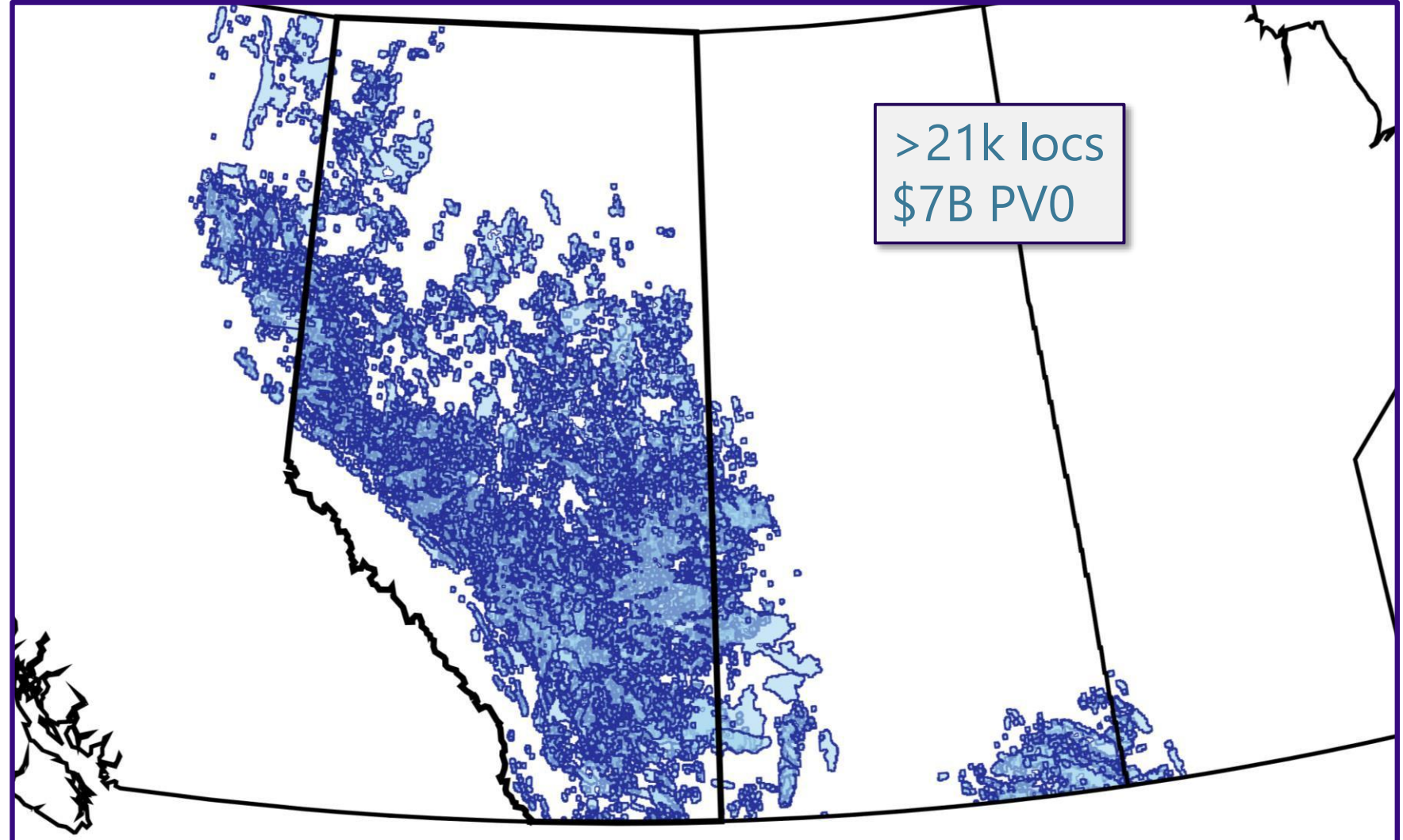


2017  
ASSET BOOK



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# Methodology – Geologic Plays

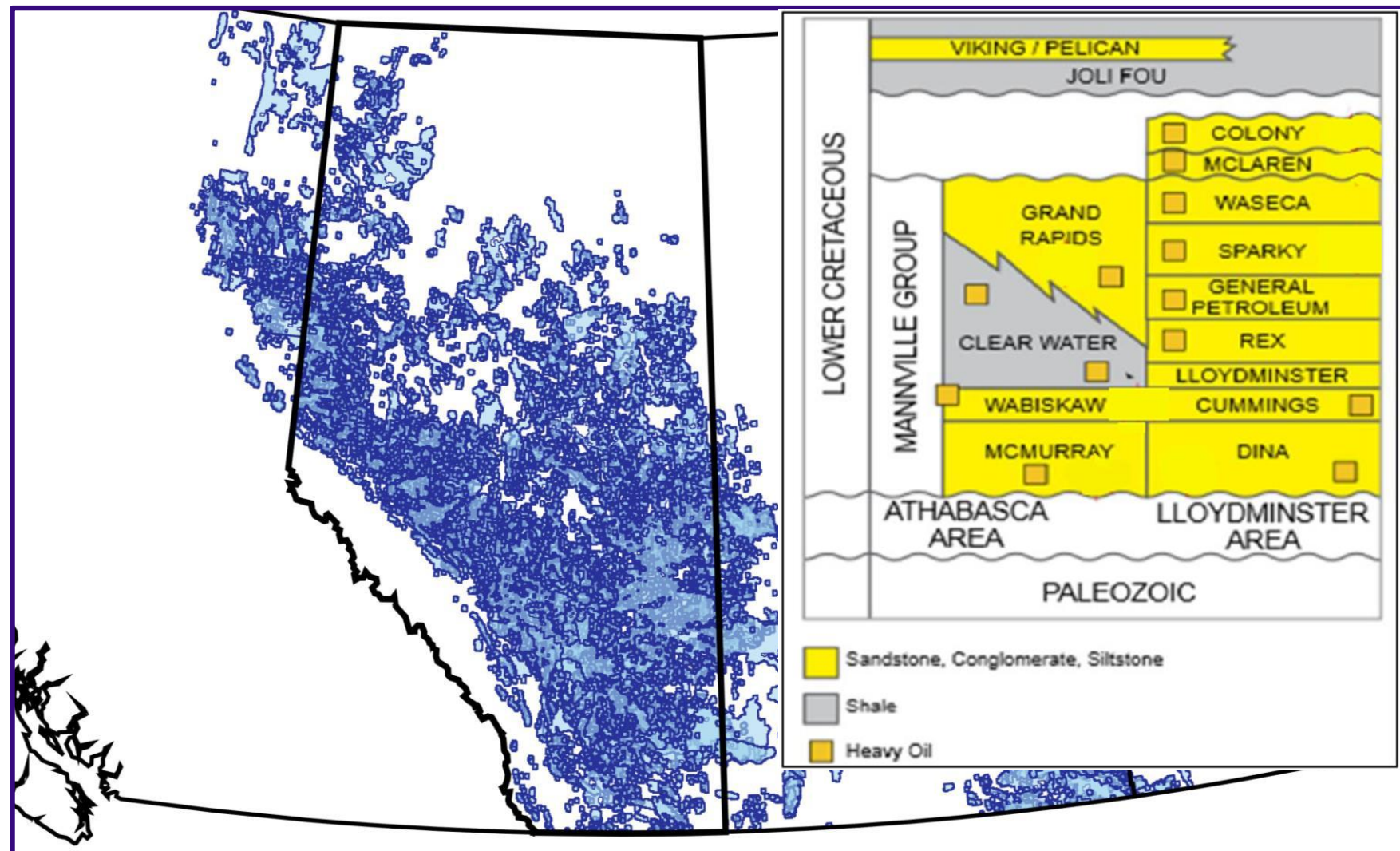


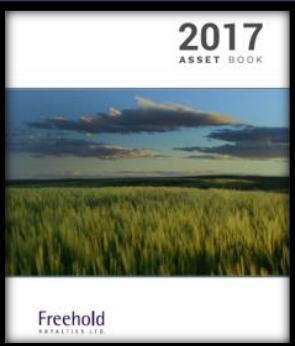
Walk  
Statistics  
Excel Writer



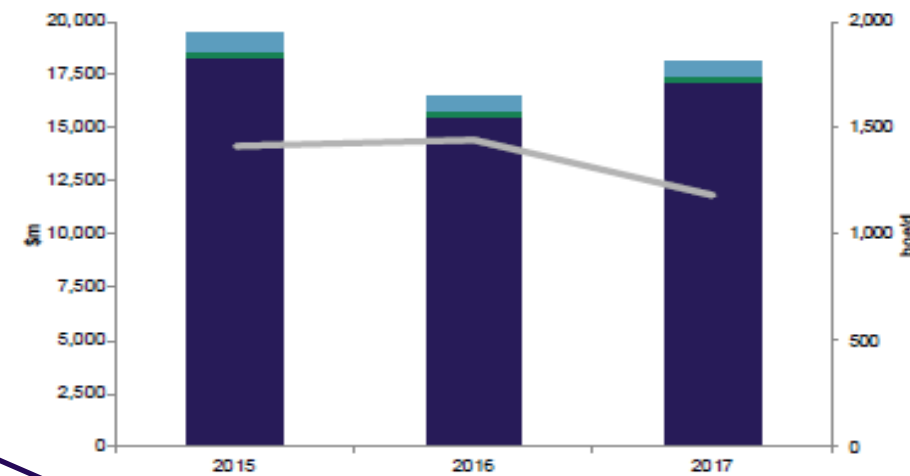


# Methodology – Stacked Potential

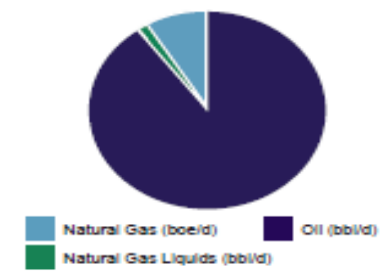




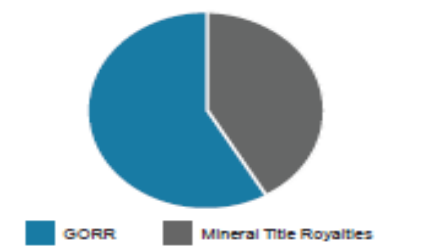
Net Revenue and Production



2017 Net Production by Product



2017 Net Production by Royalty Type



Activity

Production

Netback

Area Acreage

Upside

Drilling Summary	2015	2016	2017
Gross Wells	27.0	19.0	30.0
Net Royalty Wells	2.4	1.3	1.3
% Horizontal	26%	58%	80%

Net Production Summary	2015	2016	2017
Oil (bbl/d)	1,303	1,322	1,064
Natural Gas Liquids (bbl/d)	12	16	16
Natural Gas (mcf/d)	515	568	612
Total (boe/d)	1,401	1,433	1,182
% GORR	57%	48%	58%
% Mineral Title	43%	52%	42%

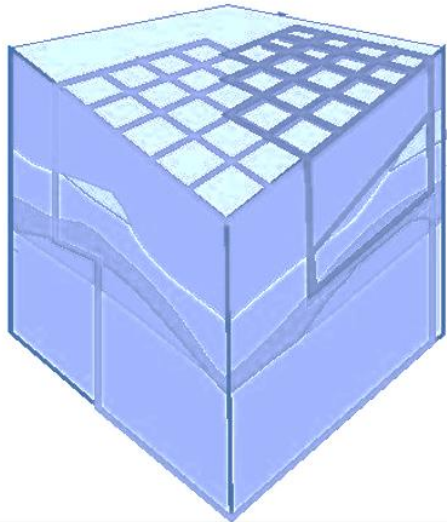
Net Revenue by Product	2015	2016	2017
Oil (\$m)	18,397	15,628	17,412
Natural Gas Liquids (\$m)	182	180	215
Natural Gas (\$m)	470	411	438
Total (\$m)	19,029	16,199	18,064
% GORR	58%	49%	58%
% Mineral Title	42%	51%	42%
Netback per boe	\$37.20	\$30.97	\$41.88

Land Summary	2017
GORR Acres	1,721,382
Mineral Title Acres	145,653
Total Acres	1,867,035

2P Reserves Summary	2017
Oil & Natural Gas Liquids (mmbbl)	1,768
Natural Gas (mmcf)	1,081
Total (mboe)	1,948
Undiscounted Booked Value (\$mm)	119

Total Upside Potential	2017
Future Mineral Title Locations	1,038
Future GORR Locations	2,288
Future Upside (mboe)	32,696
Undiscounted Future Upside (\$mm)	1,022
Total Volume (mboe)	34,643
Undiscounted Total Value (\$mm)	1,141

Foundation  
for the  
Future



- Analytics
  - Grow use of analytical tools using GIS as a foundation
  - Enhance key business processes
  - Use methodology to identify and assess new areas for business development
  - What-if analysis through tuning parameters
- Data Quality Improvements
  - Assess data quality on a large scale
  - Build quality checks into the business process workflow
  - Maintain quality through continuous monitoring and improvement
- Technology Platform
  - Upgrade to 64-bit ArcGIS Pro
  - Migrate Python 2.7 to Python 3.6
  - Introduce high end workstations for 3D



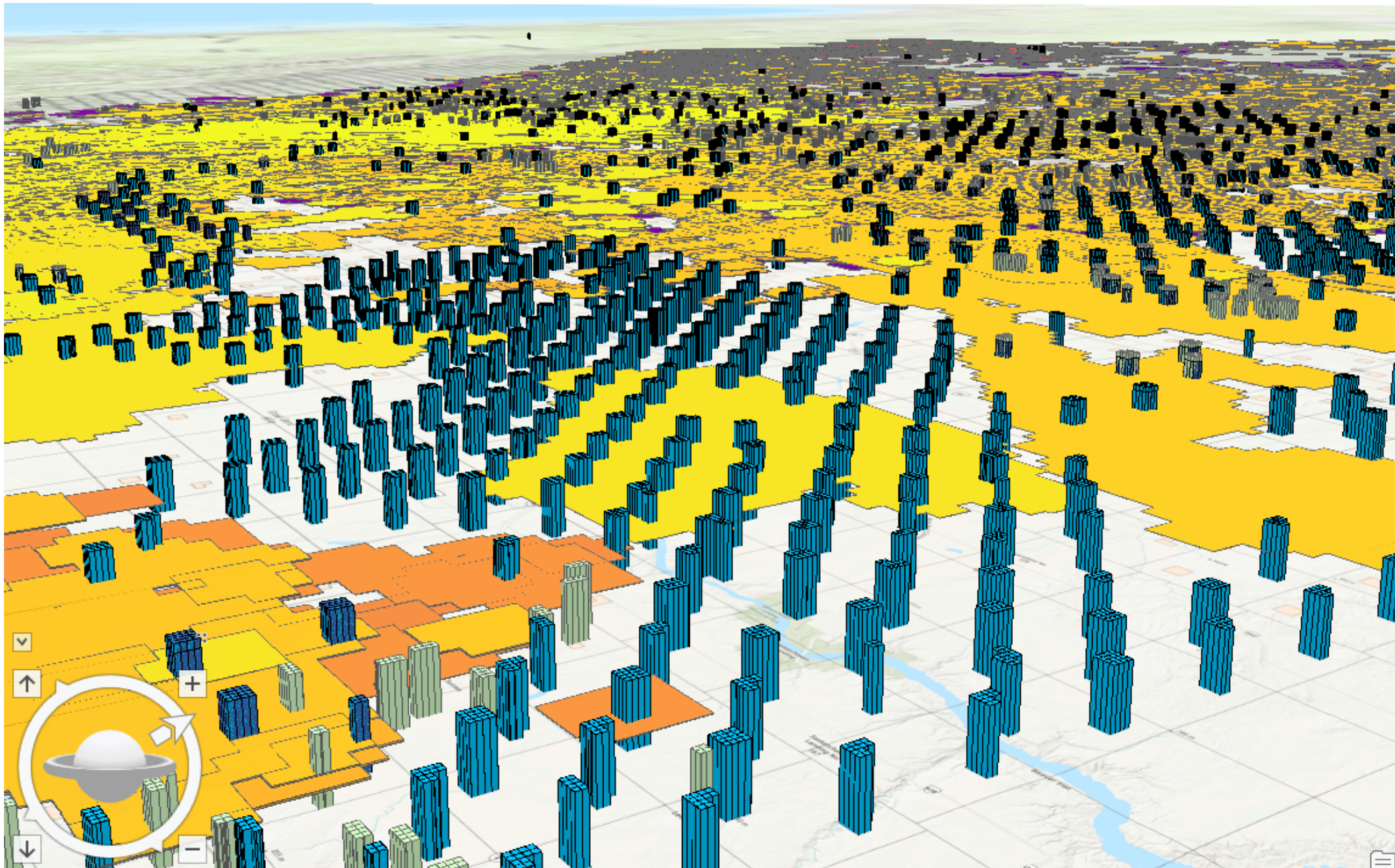
2017  
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RESOURCES LLC



ArcGIS Pro



# Summary

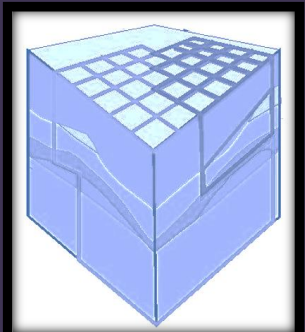
- ArcGIS Provides Core Capabilities for the Solution
  - Spatial analysis on a large scale
  - Feature selection and exports for result sets
  - Visualization and cartographic representation
  - Integration with scripting languages
- Python Provides Extensions to GIS Capabilities
  - Large base of dependable open source libraries
  - Oracle database connectivity and seamless integration with SQLite
  - Built-in support for powerful in-memory data structures
  - Language features support geoprocessing functions
  - Choice of integrated development environments (SciTE)
  - Large community of developers sharing ideas including extensive set of ArcGIS documentation



Unleased Lands

Production Royalty  
Audit and Compliance

Upside Value From  
Future Drilling





Questions?

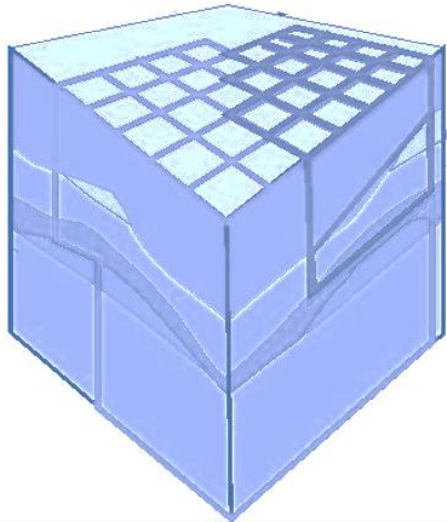
<https://www.freeholdroyalties.com/investors/investor-day>

<http://ca.linkedin.com/in/chucksmitharchitect>

[chucksmith@petro-arc.com](mailto:chucksmith@petro-arc.com)

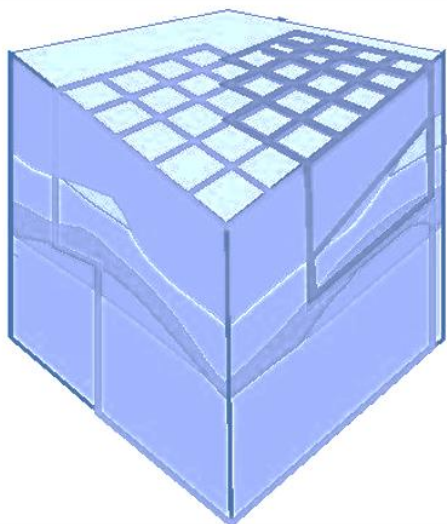
[csmith@rife.com](mailto:csmith@rife.com)

(403) 807-5556



**Thanks for attending!**

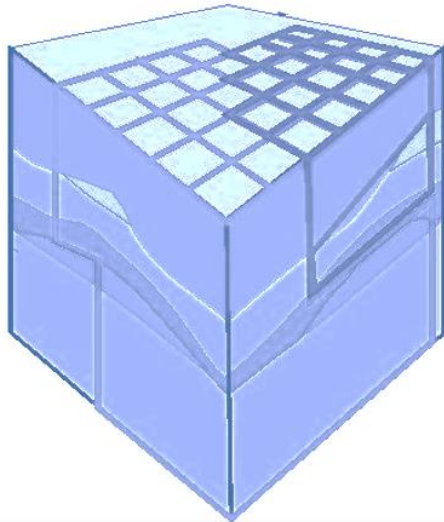
# Freehold Royalty Ltd. Advisories



**Third Party and Public Information** Except where otherwise stated, the disclosure in this presentation relating to the Royalty Lands and operations on such lands is based on information publicly disclosed by the operators of these lands and information/data available in the public domain as at December 31, 2017. Although certain of this information has been independently verified by Freehold, as a royalty owner, Freehold may not have complete, current and accurate information relating to the Royalty Lands described in this presentation. Additionally, Freehold may, from time to time, receive operating, technical and financial information from operators on the Royalty Lands, which it is not permitted to disclose to the public. Freehold is dependent on operators on the Royalty Lands and their qualified persons to provide information to Freehold or on publicly available information to prepare required disclosure pertaining to the Royalty Lands and generally has limited ability to independently verify such information. Although Freehold does not have any knowledge that such information may not be accurate, there can be no assurance that such third party information is complete or accurate. Some information publicly reported by operators may relate to a larger property than the area covered by Freehold's royalty interest. Freehold's royalty interests often cover only a portion of the publicly reported reserves and production of the property.

**Advisory Relating to Forward Looking Information.** This presentation contains "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which may include, but are not limited to: statements with respect to future events or future performance; management's belief that our Royalty Lands have multiple years of development opportunity; the intent to provide shareholders with low risk, long term income; the estimate of potential future locations associated with our Royalty Lands; the expectation that Freehold's royalty assets provide investors with a multi-year value proposition; our strategy to create, enhance and deliver value to our shareholders; our belief that Freehold's royalty assets provide significant value upside to our shareholders; our belief that our existing reserves are associated with oil focused, long life assets that can generate significant cash flow at current commodity prices; the future drilling locations and future development upside identified on our Royalty Lands; the potential volumes and values associated with our potential future upside; our strategies for creating, enhancing and delivering value; our targeted adjusted payout ratio; the sensitivities of our free cash flow to changes in commodity prices; our expected adjusted dividend payout ratio in 2018; our expected cash costs in 2018; our belief that identified drilling locations support multiple years of royalty growth; the expected benefits and advantages of our royalty portfolio; our intent to continue to focus on increasing our royalties relative to working interests with the goal of improving the sustainability of our dividend; the expected percentage that royalty production and operating income will represent of Freehold's total production and operating income in 2018; Freehold's belief that Freehold provides a low risk vehicle for investors; and the expected production formations or zones and key drivers to development in each of the areas described in the Area Summaries presented herein. In addition, statements (including data in tables) relating to reserves and resources are forward looking statements, as they involve implied assessment, based on certain estimates and assumptions, and no assurance can be given that the estimates and assumptions are accurate and that such reserves and resources will be realized. Such forward looking statements reflect management's current beliefs and are based on information currently available to management. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budgets", "scheduled", "estimates", "forecasts", "predicts", "projects", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Freehold to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. A number of factors could cause actual events or results to differ materially from any forward looking statement, including, without limitation: fluctuations in the prices of crude oil, natural gas and NGL that drive royalty revenue; changes in national, provincial and local government legislation and regulations, including permitting and licensing regimes and taxation policies and the enforcement thereof; regulatory and political or economic developments in any of the jurisdictions where properties in which Freehold holds a royalty interest are located; risks related to the operators of the properties in which Freehold holds a royalty interest, including changes in the ownership and control of such operators; influence of macroeconomic developments; business opportunities that become available to, or are pursued by Freehold; reduced access to debt and equity capital; litigation; title, permit or license disputes related to interests on any of the properties in which Freehold holds a royalty interest; excessive cost escalation as well as development, permitting, infrastructure, operating or technical difficulties on any of the properties in which Freehold holds a royalty interest; actual hydrocarbon content may differ from the reserves and resources contained in evaluation reports; rate and timing of production differences from resource estimates and other evaluation reports; risks and hazards associated with the business of exploration and development on any of the properties in which Freehold holds a royalty interest, including, but not limited to unusual or unexpected geological conditions, natural disasters, terrorism, civil unrest or a political change; and the integration of acquired assets. The statements contained in this presentation are based upon assumptions management believes to be reasonable, including, without limitation: the ongoing operation of the properties in which Freehold holds a royalty interest by the owners or operators of such properties in a manner consistent with good oilfield practices and all applicable regulations; the availability of capital to such operators to further develop such properties; the accuracy of public statements and disclosures made by the operators on the Royalty Lands; no material adverse change in the market prices of the commodities that underlie the asset portfolio; no material changes to existing tax treatment; no adverse development in respect of any significant property in which Freehold holds a royalty interest; the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production; integration of acquired assets; the accuracy of assumptions and information used in Freehold's internal assessments of its Royalty Lands and the prospectivity thereof, including with respect to acquired assets; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. However, there can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and investors are cautioned that forward looking statements are not guarantees of future performance. Freehold cannot assure investors that actual results will be consistent with these forward looking statements. Accordingly, investors should not place undue reliance on forward looking statements due to the inherent uncertainty therein. 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. For additional information with respect to risks, uncertainties and assumptions, please refer to the "Risk Factors" section in our AIF filed with the Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com). The forward looking statements herein are made as of April 9, 2018 only and Freehold does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable law.

# Freehold Royalty Ltd. Advisories Cont'd



**Advisory Relating to Presentation of Oil and Natural Gas Reserves, Royalty Revenue and Production Information.** This presentation contains information relating to crude oil, natural gas and NGL reserves and other information prepared in accordance with the requirements of Canadian securities laws in effect in Canada. The estimates of reserves and associated future net revenues have been evaluated by our independent qualified reserves evaluator, Trimble, in accordance with NI 51-101 and the COGE Handbook effective as of the relevant date noted with respect to such estimates herein using the Trimble Pricing Assumptions effective as of December 31, 2017. Trimble was not involved in the analysis of the "Future Upside Volume" or the "Undiscounted Future Upside" presented herein, other than the "Future Upside Volume" that was identified in the Trimble Report. The net royalty revenue and net royalty production reported by geographic region and play are reported on a production period basis and include estimates for data unavailable as at December 31, 2017, and does not represent Freehold's actual royalty revenue or royalty production received by accounting period as disclosed in the Financial & Operating section on pages 13, 14 and 15 of the Asset Book. For the purpose of presenting net royalty revenue and net royalty production by geographic region in this presentation, Freehold allocated prior period adjustments to the appropriate production periods to allow for better comparisons between periods. The effect of all significant royalty acquisitions from 2015 to 2017 have been included as of the closing date of the acquisition. When acquiring royalty assets, the acquirer generally does not have access to detailed levels of information to properly disclose data for periods prior to the closing date of the acquisition. Freehold's annual selected corporate results, prepared in accordance with IFRS, are included in the Financial & Operating section on page 15 of the Asset Book. Further information can be found in our annual audited financial statements as at and for the year ended December 31, 2017 and accompanying management's discussion and analysis filed with the Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com) and Freehold's website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com). Readers are strongly advised to refer to the detailed reserves and other information contained under the headings "Reserves Data" and "Other Oil and Gas Information" in our AIF filed with the Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com).

**Advisory Relating to the Payment of Dividends.** In this presentation the Corporation has disclosed our historic dividend payments, including our Cumulative Dividends per Share, and our expected Adjusted Payout Ratio. The historic dividends paid by the Corporation and the expected Adjusted Payout Ratio are not necessarily indicative of future dividends to be paid on Freehold's common shares. The amount of future cash dividends paid by the Corporation, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including funds from operations, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Corporation, the dividend policy of the Corporation from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

**Advisory Relating to Non-GAAP Financial Measures.** Within this presentation, 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 under Canadian Generally Accepted Accounting Principles (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 certain cash expenses in the statement of income (loss) 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 compensation payments. It is key to funds from operations, representing the ability to, sustain dividends, repay debt and fund capital expenditures. 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 on the next slide. For further information related to these non-GAAP terms, including reconciliations to the most directly comparable GAAP terms, see our most recent management's discussion and analysis, which is available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com).

**Advisory Relating to Future Upside.** In this presentation, Freehold has presented an analysis of the potential upside (including both volumes and values) of the Royalty Lands. The potential upside has been internally prepared by Freehold utilizing the assumptions and methodology on page 18-20 of the Asset Book and slides 24-26 of this presentation. The volumes represented as "Future Upside Value" and the values presented as "Undiscounted Future Upside Value" in this presentation are not intended, and should not be construed, to represent an estimate of reserves or resources or the value associated with reserves or resources. The volumes presented as "Future Upside Volumes" and the values presented as "Undiscounted Future Upside Value" have been presented to help investors understand management's assumptions utilized in determining areas of potential growth as well as part of the analysis utilized by management in assessing its potential royalty acquisitions; however, such "Future Upside Volume" and "Undiscounted Future Upside Value" are not determinative of the resources and the value of such resources that will actually be recovered from our Royalty Lands. It is improbable that the actual volumes recovered and associated values will equal the "Future Upside Volume" and "Undiscounted Future Upside Value" presented herein as the actual volumes and associated values could be greater or less than the "Future Upside Volume" and "Undiscounted Future Upside Value" presented herein.

**Advisory Relating to Future Upside cont..** There are more risks and uncertainties associated with the "Future Upside Volume" and "Undiscounted Future Upside Value" than there would be with an estimate of reserves or resources. The risks associated with the analysis of the potential upside presented herein include, but are not limited to, the risk that the operators will not have availability of capital to further develop such properties; the accuracy of public statements and disclosures made by the operators on the Royalty Lands; the risk that no resources will be discovered in areas where Freehold has assumed there are resources for the purpose of analyzing the potential upside; the risk that if resources are discovered that they will not be recoverable; the risk that the character and quality of the reservoir will not be as good as in areas where there are existing wells; the risk that the actual performance of wells will not achieve the same performance as projected in the type curves; the risk that a material adverse change in the market price of the commodities that underlie the asset portfolio will affect future drilling and the value of any resources recovered; the risk that regulatory approvals will not be received for the development of such Royalty Lands; the risk that no operators will be willing or able to lease and develop the Royalty Lands; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. In addition many of the risks set out under the heading "Risk Factors" of the AIF filed with the Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com) and on our website at [www.freeholdroyalties.com](http://www.freeholdroyalties.com) are relevant to the disclosure of the potential upside presented herein.

**Advisory Related to Future Drilling Locations.** This presentation discloses several categories of drilling locations referred to as "upside locations", Future GORR Locations or Future Mineral Title Locations. Such drilling locations constitute "unbooked drilling locations" and proved locations or probable locations derived from, or "booked" in, the Trimble Report. Proved and probable drilling locations account for drilling locations that have been attributed proved and/or probable reserves, as applicable, in the Trimble Report. Unbooked locations are internal estimates based on Freehold's prospective acreage using the methodology set out on page 18-20 of the Asset Book and slides 24-26 of the presentation. Unbooked locations do not have attributed reserves or resources. The "upside locations", Future GORR Locations and Future Mineral Title Locations presented herein do not represent a forecast of the drilling that may take place on the Royalty Lands but rather show the potential future drilling that could occur on such Royalty Lands based on the methodology set out on page 18-20 of the Asset Book and slides 24-26 of the presentation. It is unlikely that the number of wells drilled on our Royalty Lands will equal the number of upside locations, Future GORR Locations and Future Mineral Title Locations presented herein. There is also no certainty that the actual wells drilled on our Royalty Lands will result in additional oil and gas reserves, resources or production. The drilling locations on our Royalty Lands that are actually drilled will ultimately depend upon the willingness and ability of operators of such lands to proceed with such drilling, the assessment of the recoverability of resources by operators, availability of capital of the operators, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information and certain other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

**Conversion of Natural Gas Barrels of Oil Equivalent.** 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.