

## NEWS RELEASE

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## Freehold Royalty Trust Announces 2008 Third Quarter Results

CALGARY, ALBERTA, (Marketwire – November 5, 2008) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced third quarter results for the period ended September 30, 2008.

### Third Quarter Highlights

- Revenues were \$59.8 million, up 62% from the third quarter of 2007.
- Net income was \$36.8 million (\$0.74 per Trust Unit) compared with \$12.5 million (\$0.25 per Trust Unit) in the third quarter of 2007.
- Cash provided by operating activities increased 93% to \$57.4 million (\$1.16 per Trust Unit).
- Funds generated from operations increased 74% to \$52.0 million (\$1.05 per Trust Unit).
- Distributions declared in the third quarter were 67% higher at \$37.1 million (\$0.75 per Trust Unit).
- Production averaged 7,613 barrels of oil equivalent (boe) per day, down 7%.
- Price realizations averaged \$83.47 per boe, 73% higher than the third quarter of 2007.
- Operating netback increased 81% to \$79.14 per boe.

The November distribution of \$0.25 per Trust Unit will be paid on December 15, 2008 to Unitholders of record on November 30, 2008 (ex-distribution date November 26, 2008). Including the December 15, 2008 payment, our 12-month trailing cash distributions total \$2.48 per Trust Unit.

### RESULTS AT A GLANCE

Financial (\$000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Gross revenue	59,780	36,931	62%	169,655	111,951	52%
Net income (loss)	36,772	12,487	194%	96,582	(20,259)	-577%
Per Trust Unit, basic and diluted (\$)	0.74	0.25	196%	1.96	(0.41)	-578%
Cash provided by operating activities	57,380	29,796	93%	137,580	87,138	58%
Per Trust Unit (\$)	1.16	0.61	90%	2.79	1.77	58%
Funds generated from operations <sup>(1)</sup>	51,977	29,907	74%	144,342	88,417	63%
Per Trust Unit (\$)	1.05	0.61	72%	2.92	1.80	62%
Capital expenditures	4,885	1,960	149%	9,222	8,266	12%
Property and royalty acquisitions (net)	8,475	90,430	-91%	8,475	90,430	-91%
Distributions declared	37,050	22,165	67%	89,362	66,449	34%
Per Trust Unit (\$) <sup>(2)</sup>	0.75	0.45	67%	1.81	1.35	34%
Long-term debt, period end	141,000	179,000	-21%	141,000	179,000	-21%
Unitholders' equity, period end	260,612	259,562	–	260,612	259,562	–
Trust Units (000s) <sup>(3)</sup>	49,389	49,246	–	49,353	49,211	–
<b>Operating</b>						
Average daily production (boe/d)	7,613	8,219	-7%	7,812	8,448	-8%
Average price realizations (\$/boe)	83.47	48.28	73%	77.75	47.96	62%
Operating netback <sup>(1)</sup> (\$/boe)	79.14	43.65	81%	72.90	42.66	71%

(1) See Non-GAAP measures.

(2) Based on the number of Trust Units issued and outstanding at each record date.

(3) Weighted average number of Trust Units outstanding during the period, basic.

Freehold achieved strong revenue, cash flow and earnings for the third quarter of 2008, mainly due to significantly higher commodity prices compared with the same period last year. Revenue rose 62%, cash provided by operating activities rose 93%, and funds generated from operations rose 74%. Net income was \$36.8 million compared with \$12.5 million in the third quarter 2007. With our unhedged production receiving the full benefit of the higher price realizations, our operating netback was \$79.14 per barrel of oil equivalent (boe). Production volumes declined 7% from the third quarter of 2007, as drilling and acquisitions were unable to offset natural production declines.

After reaching an all-time high of over US\$147 per barrel in July, West Texas Intermediate (WTI) crude oil prices have declined significantly, especially in recent weeks. While the average WTI price for the third quarter was about US\$118 per barrel, the October average fell below US\$77 per barrel, and WTI closed below US\$68 per barrel on October 31. The decline in WTI has been somewhat mitigated by the decline in the Canadian dollar, which helps our Canadian dollar realizations.

AECO natural gas prices averaged \$9.24 per thousand cubic feet (Mcf) in the third quarter, 65% higher than last year. However, rising U.S. production and lower weather-related demand put downward pressure on natural gas prices through the quarter. Both supply and demand for natural gas in North America remain strong and with natural gas storage inventories expected to be on par with the five-year average, weather will be a key factor in determining future prices for Canadian natural gas.

According to statistics published by the Canadian Association of Oilwell Drilling Contractors, 4,683 wells were drilled in western Canada during the third quarter of 2008, up 13% from the third quarter last year. However, industry drilling was down 8% for the year to date. Drilling on our royalty lands generally mirrors industry drilling, with slight timing differences. On an equivalent net basis, royalty drilling was down 21% in the third quarter (down 7% for the nine-month period).

Capital expenditures on our working interest properties for the first nine months of 2008 were \$9.2 million. Third quarter drilling was significantly higher in 2008. We completed our 2008 development program at Hayter, Alberta, drilling seven (1.5 net) wells, and we participated in seven (1.3 net) successful wells on the Bakken trend in Southeast Saskatchewan.

## OUTLOOK

Heightened risk in global credit markets and fears of a global recession have caused significant stock market volatility in recent weeks. Equity market valuations have been impacted, with declines in all major North American indices. Freehold's trading activity has been volatile, with our unit price declining from a high of \$24.40 in the second quarter of this year, to a low of \$12.50 on October 8.

Current economic conditions, in particular the drop in crude oil prices and volatility in currency exchange rates, make it difficult to provide a commodity price forecast for 2009 – or even for the fourth quarter of 2008. However, it is clear that the recent decline in commodity prices has dampened the near-term outlook, and we anticipate industry activity levels will decline, as lower prices will undoubtedly impact producers' cash flows, and thus capital expenditure budgets.

In an uncertain business environment, preserving operating stability and balance sheet strength are priorities and we are fortunate that we do not rely on debt or equity markets to finance operating activities. Our focus on royalty interests remains key to our adding value in any price environment. There are currently 79 (4.1 equivalent net) licensed drilling locations on our royalty lands, compared with 95 (3.7 equivalent net) locations at this time last year. This lessee activity, which occurs at no cost to Freehold, helps offset the natural depletion of our production and reserves.

On our working interest properties, we will continue to fund development activities from cash provided by operating activities. Drilling success on the Bakken trend in Southeast Saskatchewan has prompted us to increase spending in this area by \$1.7 million for the fourth quarter. As a result, capital expenditures for 2008 are expected to top \$12.3 million. For 2009, we are forecasting capital expenditures of \$16.7 million, the largest capital program in our history. Of this, approximately \$13.2 million will be allocated to drilling, primarily to further develop our major properties in Southeast Saskatchewan and Hayter, Alberta.

Our production for the first nine months of this year was 7,812 boe per day and, with additional production coming on stream in the fourth quarter from wells drilled earlier in the year, our previous guidance of 7,900 boe per day for 2008 remains unchanged. Excluding any potential acquisitions, we are forecasting average production of 7,500 boe per day for 2009, about 5% lower than 2008 due to natural production declines.

We have benefited from strong commodity pricing through the first nine months of 2008 and, as a result, we expect to have excess cash from operating activities at the end of this year. Cash not utilized to pay down debt or fund permitted investments under the terms of our Trust Indenture will be distributed to Unitholders in order to minimize direct taxation at the Trust level. Thus, we currently anticipate there will be an extra distribution declared for the year 2008. The amount will depend on commodity prices and will be subject to approval by our board of directors in December, along with the amount of the December distribution, payable in January 2009. Distributions payable for 2008 are expected to be 90% to 100% taxable. The actual taxability of distributions will be determined and reported to Unitholders prior to the end of March 2009.

Based on our operating assumptions (as outlined in Management's Discussion and Analysis for the three and nine months ended September 30, 2008) and current commodity prices, we anticipate lower distribution rates for 2009. We will continue to monitor prices and activity levels closely, and our guidance will be reviewed and updated quarterly or as circumstances warrant.

### **SIFT TAX STRATEGY**

On July 14, 2008, the Department of Finance released draft amendments to the Canadian Income Tax Act to facilitate the conversion of specified investment flow-through (SIFT) entities into corporations. We are currently assessing the draft rules as they relate to our particular circumstances. In addition, our board has established a special committee comprised of independent board members with a mandate to determine a course of action that best maximizes Unitholder value when the SIFT tax comes into effect in 2011. In the interim, we plan to retain the flow-through advantages of our current structure.

### **AVAILABILITY ON SEDAR**

Freehold's third quarter report, including unaudited financial statements and Management's Discussion & Analysis (MD&A), is being filed today with Canadian securities regulators and will be available on SEDAR at [www.sedar.com](http://www.sedar.com) or on our website.

### **FORWARD-LOOKING STATEMENTS**

This news release offers our assessment of Freehold's future plans and operations as at November 5, 2008, and contains forward-looking statements including our expectations for production, pricing, drilling plans, capital expenditures, and distributions. Such statements are generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions (including the negatives thereof). 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, environmental risks, taxation, royalties, regulation, 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 AIF, which is available on our website.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding 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 natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and acquisition activities. Our key operating assumptions with respect to the forward-looking statements referred to above are provided in the Outlook section of our MD&A for the period ended September 30, 2008.

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 news release 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.

**CONVERSION OF NATURAL GAS TO BARREL 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 international standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio approximates an equivalent energy value at the burner tip and does not represent a value equivalency at the wellhead. While the boe ratio is useful for comparative measures and observing trends, it may not accurately reflect individual product values and may be misleading if used in isolation.

**NON-GAAP MEASURES**

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that operating netback, funds generated from operations, and net debt to funds generated from operations 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 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. Funds generated from operations is a financial term commonly used in the oil and gas industry. It represents cash provided by operating activities before changes in non-cash working capital and is a key measure of our ability to generate cash, finance operations, and pay monthly distributions. Funds generated from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. The key difference between cash provided by operating activities and funds generated from operations is changes in non-cash working capital, which is affected by accounts receivable. Accounts receivable, and therefore working capital, can fluctuate greatly between reporting periods due to timing of receipt of payments. In the event that commodity prices and/or volumes have changed significantly from the previous reporting period, a significant difference could occur between cash provided by operating activities and funds generated from operations. All references to funds generated from operations throughout this news release are based on cash provided by operating activities before changes in non-cash working capital as per the Statement of Cash Flows. Funds generated from operations per Trust Unit is calculated based on the weighted average number of Trust Units outstanding consistent with the calculation of net income per Trust Unit. A reconciliation of cash provided by operating activities to funds generated from operations is provided in our MD&A for the period ended September 30, 2008.

In addition, we refer to various per boe figures, such as revenues and costs, which are also considered non-GAAP measures but 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 and gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

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