Freehold

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NEWS RELEASE

TSX: FRU.UN

Freehold Royalty Trust Announces December Distribution, Extra Distribution for 2008, and Reduction in Monthly Distribution for 2009

CALGARY, Alberta, December 16, 2008 – Freehold Royalty Trust (FRU.UN) announces that the regular monthly distribution in the amount of Cdn$0.25 per Trust Unit will be paid on January 15, 2009 to Unitholders of record on December 31, 2008 (ex-distribution date December 29, 2008).

In addition, the Board of Directors has declared an additional payment in respect of fiscal 2008. The extra distribution of Cdn$0.35 per Trust Unit will be made concurrently with the regular monthly payment on January 15, 2009 to Unitholders of record on December 31, 2008. The additional payment results from income in excess of distributions paid in 2008 due to historically high crude oil prices during the first nine months of 2008.

Including the January 15, 2009 payments totalling $0.60 per Trust Unit, twelve-month trailing cash distributions total $2.91 per Trust Unit. Distributions for 2008 are expected to be 90% to 100% taxable; the actual taxability of distributions will be determined and reported to Unitholders in March 2009.

2009 Distribution Policy

As a result of the substantial decline in commodity prices and higher capital requirements for 2009, the Board of Directors has established a monthly distribution policy for 2009 of $0.12 per Trust Unit effective with the February 15, 2009 payment. Our distribution policy is reviewed monthly and the actual distribution amount will be announced by news release on a monthly basis. While this represents a $0.13 (52%) reduction in monthly distributions, it is consistent with the Trust's historical distribution levels at similar commodity prices. The new distribution policy is based on the following key operating assumptions for 2009. A sensitivity analysis of the potential impact of key variables on distributions to Unitholders is provided in our annual MD&A, which is available on SEDAR and on our website.

Key Operating Assumptions	2008	2009
Average daily production (boe/d)	7,900	7,500
Average WTI oil price (US$/bbl)	100.00	50.00
Average light/heavy oil price differential (Cdn$/bbl)	18.00	16.00
Average Bow River Hardisty oil price (Cdn$/bbl)	85.00	46.50
Average AECO natural gas price (Cdn$/Mcf)	8.10	7.00
Average exchange rate (Cdn$/US$)	0.94	0.80
Average operating costs ($/boe)	3.85	4.10
Average G&A costs[1] ($/boe)	2.55	2.90
Capital expenditures ($ millions)	12.3	16.7
Long-term debt at year end[2] ($ millions)	160	159
Weighted average Trust Units outstanding (thousands)	49,371	49,514
Estimated portion of distributions taxable as income (%)	90-100%	90-100%

1. Excludes unit based compensation.
2. Includes accrual for the 2008 extra distribution announced above and payable in 2009.

(more)

Our distribution policy takes into consideration forecasted cash provided by operating activities, debt levels, debt covenants, capital expenditures, and reclamation fund requirements. We have a declining asset base, and ongoing development activities and acquisitions are necessary to replace production and add additional reserves. The success of these activities, along with commodity prices, are the main factors influencing the sustainability of our distributions.

Recognizing the cyclical nature of our industry, we caution that significant changes (positive or negative) in commodity prices (including light/heavy oil price differentials), foreign exchange rates, or production rates will result in adjustments to the distribution level. Freehold is particularly vulnerable to swings in the light/heavy oil price differential, as approximately 33% of our total boe production is heavy oil.

Current economic conditions, in particular the drop in crude oil prices and volatility in currency exchange rates, make the commodity price forecast for 2009 uncertain. The recent decline in commodity prices has dampened the near-term industry outlook, and we anticipate industry activity levels will decline, as lower prices will undoubtedly impact producers' cash flows, and thus capital expenditure budgets. It is also inherently difficult to predict activity levels on our royalty lands since we do not know the future plans of the various operators.

We will continue to monitor prices and activity levels closely, and our guidance will be reviewed and updated quarterly or as circumstances warrant.

About Freehold

Freehold's primary focus is on acquiring and managing oil and gas royalties. A majority of Freehold's production comes from royalty assets (mineral title and gross overriding royalties). The Trust Units trade on the Toronto Stock Exchange in Canada under the symbol FRU.UN.

Forward-Looking Statements

This news release contains forward-looking statements, including our 2009 distribution policy and our key operating assumptions for 2009. 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 SEDAR and 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; anticipated operating and administrative costs, our ability and the ability of our lessees to carry out development activities and add production and reserves; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; and our ability to obtain financing on acceptable terms.

Readers 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. No assurance can be given that any of the events anticipated will transpire or occur.

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.

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