

# Freehold

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## NEWS RELEASE

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## Freehold Royalty Trust Announces 2009 Second Quarter Results and 20% Increase in Monthly Distributions

CALGARY, ALBERTA, (Marketwire – August 12, 2009) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced second quarter results for the period ended June 30, 2009.

RESULTS AT A GLANCE Financial (\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2009	2008	Change	2009	2008	Change
Gross revenue	29,164	61,301	-52%	55,782	109,875	-49%
Net income	6,776	36,163	-81%	9,167	59,810	-85%
Per Trust Unit, basic and diluted (\$)	0.14	0.73	-81%	0.19	1.21	-84%
Cash provided by operating activities	21,938	46,379	-53%	43,507	80,200	-46%
Per Trust Unit (\$)	0.44	0.94	-53%	0.88	1.63	-46%
Funds generated from operations (1)	21,833	53,183	-59%	40,452	92,365	-56%
Per Trust Unit (\$)	0.44	1.08	-59%	0.82	1.87	-56%
Capital expenditures	1,661	2,135	-22%	3,688	4,337	-15%
Distributions declared	14,852	30,114	-51%	29,693	52,312	-43%
Per Trust Unit (\$) (2)	0.30	0.61	-51%	0.60	1.06	-43%
Long-term debt, period end	156,000	151,000	3%	156,000	151,000	3%
Unitholders' equity, period end	200,561	260,250	-23%	200,561	260,250	-23%
Trust Units (000s) (3)	49,495	49,353	0%	49,478	49,335	0%
<b>Operating</b> (per boe) (4)						
Average daily production (boe/d)	7,295	7,674	-5%	7,408	7,914	-6%
Average price realizations (\$)	42.99	86.43	-50%	40.39	74.96	-46%
Operating netback (\$) (1)	37.56	81.21	-54%	35.32	69.86	-49%

(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.

(4) See "Management's Discussion and Analysis (MD&A) – Conversion of Natural Gas to Barrels of Oil Equivalent (boe)".

The first half of 2009 has been challenging for the oil and gas industry in western Canada, as weak commodity markets continue to affect producers' cash flows and dampen activity levels.

Overall, our results for the year to date reflect lower selling prices due to the steep decline in commodity prices compared with last year. Cash provided by operating activities and net income declined significantly due to lower revenues. Our average price realizations declined 50% in the second quarter, while our production, which remains unhedged, was down 5%. Distributions, which were lowered in January 2009 in anticipation of lower commodity prices, were maintained at \$0.10 per month.

WTI crude oil prices rose in the second quarter from the lows seen earlier in the year, although the benefit was partly offset by the rise of the Canadian dollar. Freehold also benefited from exceptionally narrow heavy oil price differentials, due to the growing acceptance of heavier crude by North American refiners and high seasonal demand. However, the differential is expected to widen after the peak summer asphalt paving season ends.

With oil prices and heavy oil differentials tracking better than our earlier forecast, we are increasing monthly distributions by 20% to \$0.12 per Trust Unit. The Board of Directors has declared the August distribution of \$0.12 per Trust Unit, which will be paid on September 15, 2009 to Unitholders of record on August 31, 2009 (ex-distribution date August 27, 2009). Including this payment, our 12-month trailing cash distributions total \$2.17 per Trust Unit. We will continue to review our distributions policy monthly and make adjustments, if necessary, to ensure that cash distributions are in line with cash flow.

With supplies high and demand low, natural gas prices have fallen to 10-year lows (trading recently below \$3.00 per thousand cubic feet), causing marginal production to be shut-in and natural gas directed drilling to be curtailed. We believe that lower reinvestment will reduce supply and lead to an eventual price recovery, but the timing of such a recovery remains uncertain. Natural gas in storage, in preparation for winter heating demand, is currently well above the five-year average. In this environment, we are fortunate to have an oil-weighted portfolio.

As anticipated, drilling on our royalty lands reflected the overall decline in industry activity levels. As at June 30, 2009, there were 43 licensed drilling locations on our royalty lands, down from 95 locations at the same time last year. Second quarter drilling on working interest properties was also significantly lower than last year, as our major capital projects were deferred to the second half of 2009. Four (0.4 net) horizontal oil wells were recently drilled at Pembina Cardium Unit #9; these wells will be stimulated using multi-stage fracture technology, with production commencing in the third quarter. Our plans for the balance of the year include two (2.0 net) Bakken oil wells in Southeast Saskatchewan and 11 (2.6 net) Dina oil wells at Hayter, Alberta. Based on reduced activity and delayed projects, our production forecast for the year has been reduced from 7,500 boe per day to 7,300 boe per day (5,095 boe per day of royalty production and 2,205 boe per day of working interest production).

The Alberta Government's short-term stimulus plan to encourage conventional oil and natural gas activity in the province was recently extended for an additional year. All new conventional oil and natural gas wells drilled between April 1, 2009 and March 31, 2011 qualify for drilling credits and Crown royalty reductions. The stimulus plan is expected to have a positive impact on industry activity levels in the coming months, although producers may delay initial production (particularly for natural gas wells) until prices improve.

Although access to credit and capital markets moderately improved in the second quarter, capital investment programs continue to be funded primarily from cash flows. As some producers look to sell non-core oil and gas assets to fund their core exploration and development programs or reduce debt, we believe there may be opportunities for us to acquire additional royalty interests. Excluding any potential acquisitions, we anticipate reducing long-term debt to \$155 million by year end.

In light of the federal government's plan to impose a tax on distributions from certain publicly-traded investment flow-through (SIFT) entities beginning in 2011, many trusts have announced plans to convert to a corporation and some have already done so. However, our current limited ability to generate tax pools make this alternative a less obvious choice for Freehold than it is for many of our peers. Our Corporate SIFT Tax Strategy Committee, which has a mandate to determine the best course of action for Freehold, continues to deliberate. We anticipate a timely recommendation from the committee.

## AVAILABILITY ON SEDAR

Freehold's 2009 second quarter report, including unaudited financial statements and Management's Discussion and Analysis, 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 August 12, 2009, and contains forward-looking statements including our expectations for production, commodity prices, reduced natural gas supply, activity levels, key operating assumptions and acquisition opportunities. These forward-looking statements are provided to allow readers to better understand our business and prospects.

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.

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 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 natural gas successfully to current and new customers; our expectation for the consumption of crude oil and natural gas; our expectation for industry drilling levels; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through acquisitions and our development and acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in our 2009 second quarter report.

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 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.

## 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.

## 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 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 payable, and accrued liabilities. 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 report are based on cash provided by operating activities before changes in non-cash working capital as per the Statements 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.

Net debt to funds generated from operations is calculated as net debt (total debt less positive working capital) as a proportion of funds generated from operations for the previous 12 months.

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

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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