

# Freehold

ROYALTY TRUST

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## NEWS RELEASE

TSX: FRU.UN  
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### Freehold Royalty Trust Announces 2010 First Quarter Results and Corporate Conversion Plans

**CALGARY, ALBERTA, (Marketwire – May 12, 2010) – Freehold Royalty Trust** (Freehold or the Trust) (TSX:FRU.UN) today announced first quarter results ended March 31, 2010 and Corporate Conversion Plans.

RESULTS AT A GLANCE	Three Months Ended		
	March 31		
Financial (\$000s, except as noted)	2010	2009	Change
Gross revenue	36,569	26,618	37%
Net income	7,674	2,391	221%
Per Trust Unit, basic and diluted (\$)	0.13	0.05	169%
Cash provided by operating activities	27,217	21,569	26%
Per Trust Unit (\$)	0.47	0.44	7%
Funds generated from operations (1)	27,745	18,619	49%
Per Trust Unit (\$)	0.48	0.38	26%
Capital expenditures	2,652	2,027	31%
Property and royalty acquisitions (net)	38,399	-	-
Distributions declared	24,265	14,841	63%
Per Trust Unit (\$) (2)	0.42	0.30	40%
Long-term debt, period end	78,000	160,000	-51%
Unitholders' equity, period end	289,351	208,122	39%
Trust Units (000s) (3)	57,700	49,460	17%
<b>Operating</b>			
Average daily production (boe/d) (4)	7,331	7,522	-3%
Average price realizations (\$/boe) (4)	54.45	37.85	44%
Operating netback (\$/boe) (1) (4)	49.44	33.13	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 Conversion of Natural Gas to Barrels of Oil Equivalent (boe).

#### May Distribution Announcement

The Board of Directors has declared the May distribution of \$0.14 per Trust Unit which will be paid on June 15, 2010 to Unitholders of record on May 31, 2010 (ex-distribution date May 27, 2010). Including the June 15 payment, our 12-month trailing cash distributions total \$1.60 per Trust Unit. The regular monthly distribution will remain fixed at \$0.14 per Trust Unit until further notice.

Overall, our results for the first quarter of 2010 reflect improved oil prices, which more than offset a 3% decrease in production volumes. Operating netbacks rose 49%, and cash provided by operating activities and net income were both substantially higher due to higher revenues. Distributions in the first quarter were \$0.42 per Trust Unit, up 40% from the first quarter of last year.

### Royalty Acquisition

As previously announced, on February 17, 2010 we acquired royalty interests on approximately 319,700 gross acres in Alberta, Saskatchewan, and British Columbia, for \$39 million. Reserves were independently evaluated at 1.4 MMboe proved plus probable, and have an estimated reserve life index of just under nine years assuming annualized 2010 production of 435 boe per day. The acquisition was financed through our existing credit facilities and is accretive, on a debt-adjusted per unit basis, to cash flow, production, reserves, and net asset value.

This acquisition involved the creation of new overriding royalties, similar to the \$10 million acquisition we closed on December 21, 2009. We hope to do more of these types of acquisitions in the future as we continue our strategy of focusing on oil and gas royalties.

### Operational Update

In the first quarter of 2010, drilling on our royalty lands increased 43% (on an equivalent net basis). At the end of the first quarter, there were 58 (2.0 equivalent net) licensed drilling locations on our royalty lands, up from 30 (0.9 equivalent net) at the same time last year. The increase in well licences is a positive indicator of future activity on our lands.

We participated in the drilling of five Cardium oil wells at Pembina Cardium Unit #9, where we hold a 9.97% working interest and a 0.6% royalty interest. We also drilled one Bakken oil well in Southeast Saskatchewan on our 100% mineral title lands, which will be completed after spring breakup. Horizontal drilling techniques were employed on all six wells. No production was recorded for these wells during the first quarter.

With our recent acquisitions and production additions from our 2010 capital program, we are forecasting average production of 7,600 boe per day for 2010; royalty interests are expected to account for 70% of this production. We are still on track to invest \$24 million of capital this year, although our expenditures will be weighted more to the last half of the year. Our focus in the third and fourth quarters will be on oil development in Southeast Saskatchewan, Pembina Cardium Unit #9, and Hayter, Alberta.

Cash conserved through the DRIP (expected to be approximately \$24 million for 2010) will allow us to fund our 2010 capital program – with minimal dilutive effect. As we are now issuing DRIP units from treasury, the weighted average number of Trust Units outstanding is expected to be 58.4 million for 2010. Long-term debt at March 31 was \$78 million, up from \$45 million at December 31, as we funded the royalty acquisition in February through our credit facilities. We anticipate reducing debt to \$60 million by year-end.

### Business Environment

We have witnessed a gradual oil price improvement over the past 12 months, although the strength of the Canadian dollar has offset some of the benefit. Heavy oil differential prices have begun to widen in recent weeks; however, markets for heavy oil remain robust due to strong refinery demand for this product type. Export markets for western Canadian natural gas remain weak as U.S. domestic production continues to increase while demand has been slow to recover. As a result, gas storage levels remain high.

On March 11, 2010, the Alberta government completed its competitiveness review and announced changes to the royalty framework, beginning January 1, 2011. The industry's response has been generally favourable, and the improved economics may spur a return of capital investment in the Province of Alberta. Freehold will benefit from any drilling on lands where we have a gross overriding royalty interest, and from offset wells that will be drilled on our mineral title lands adjacent to Crown lands.

Industry drilling was down 29% from this time last year, but activity was the strongest seen in nine months. Another indicator of the improving business environment comes from the Petroleum Services Association of Canada (PSAC), which recently raised its 2010 Canadian industry drilling forecast to 11,250 wells. This represents a 40% increase over their original forecast of 8,000 wells issued in November 2009.

Although economic activity in Canada appears to be strengthening, we believe that the road to full global economic recovery will be long and unpredictable, influenced by many factors, including fluctuations in the U.S. dollar, the debt crisis in Greece (and potentially other countries in the European Union), and ongoing instability in the Middle East. Overall, the outlook for crude oil is more favourable than for natural gas and, with our oil-weighted, unhedged production, Freehold is well positioned to continue to benefit from any further strengthening in oil prices.

### Corporate Conversion Plan

On the recommendation of the Corporate SIFT Tax Strategy Committee (a special committee of independent directors), after a thorough review of the various strategic alternatives available to maximize Unitholder value in light of the new SIFT tax beginning in 2011, our Board has approved moving forward to convert Freehold to a Corporation at the end of this year. The internal reorganization of our legal structure will require Unitholder approval as well as customary court and regulatory approvals. The detailed implementation steps are currently being defined, and we will provide periodic updates as the year progresses. We currently contemplate that the conversion will be effected within frameworks endorsed by the existing tax legislation in Canada that will permit Unitholders to exchange their Trust Units for shares of the new corporation on a non-taxable basis.

Freehold's business model will not change as a result of converting to a corporation. We recognize the strength of our royalties, which have allowed us to maintain a high payout ratio historically, and our intention is to continue on that path. As a corporation, we would expect to continue to allocate our cash flow among capital expenditures, acquisitions, periodic debt repayments, reclamation obligations, and dividends based on after-tax cash flow. Such dividends will continue to be paid on a monthly basis, with the Board reviewing the dividend policy quarterly. We currently expect that Freehold will be able to defer paying current corporate income tax until 2012.

### Availability on SEDAR

Freehold's 2010 first 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 May 12, 2010, and contains forward-looking statements that we believe allow readers to better understand our business and prospects.

Forward-looking statements contained herein and include our expectations for improving economic conditions, drilling activity in Canada, industry drilling and development activity on our royalty lands, reserves and reserve life index from our acquisitions in 2010, participation in the DRIP and use of cash conserved through the DRIP, estimated capital expenditures and the timing thereof, long-term debt, average production and production from royalty land, our outlook for commodity prices including supply and demand factors relating to crude oil heavy oil, and natural gas, acquisition opportunities, future income tax, and our corporate conversion plans.

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, future participation rates in the DRIP and use of cash conserved through the DRIP, 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 development and acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in our discussion of the Business Environment in our 2010 first 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 in this document 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 in this news release 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.

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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