

NEWS RELEASE

TSX: FRU.UN

Freehold Royalty Trust Announces Intention to Convert to a Dividend Paying Corporation

CALGARY, Alberta, October 12, 2010 – Freehold Royalty Trust (“Freehold” or the “Trust”) is pleased to announce that the Board of Directors of Freehold Resources Ltd. has unanimously approved Freehold's conversion (the “Conversion”) from an income trust to a dividend paying, publicly listed corporation under the new name Freehold Royalties Ltd. (“Freehold Royalties” or the “Corporation”). The Conversion will be completed pursuant to a plan of arrangement (the “Arrangement”) under the *Business Corporations Act* (Alberta) and is expected to become effective on December 31, 2010.

Freehold's business model will not change as a result of converting to a corporation. The Conversion will simplify the underlying structure and remove the capital market uncertainty associated with income trusts.

“Our assets and strategies have delivered excellent returns over the past fourteen years, and our intention is to continue on the same path,” said Bill Ingram, President and Chief Executive Officer of Freehold. “The majority of our oil and gas production comes from mineral title lands and gross overriding royalties, which have no associated capital or operating costs; thus we have relatively low capital expenditure requirements. The strength of our royalties has allowed us to preserve a high payout ratio historically and should allow us to maintain a high dividend payout going forward.”

Freehold estimates it will have approximately \$215 million in tax pools at the time of Conversion and does not expect to pay corporate income tax on income earned in 2011. Our ability to generate additional tax pools, which can be used to shelter taxable income, depends on the level of future capital expenditures and acquisitions. Planned capital expenditures will not generate significant new tax pools, and starting in 2012, the Corporation expects to be taxable at a rate of 15% to 20%.

Corporate Dividend Policy

Under our current production, commodity price, and operating assumptions, Freehold Royalties initially expects to pay a monthly dividend of \$0.14 per common share (“Common Share”), which is the same as the distribution per trust unit (“Trust Unit”) currently paid by the Trust. Actual future dividend levels will depend on the cash flow generated by Freehold's assets, which can vary depending on a number of factors, including commodity prices, production volumes, capital expenditures, corporate tax and costs.

The Corporation's dividend policy is intended to be similar to the distribution policy currently in use by the Trust. Such dividends will continue to be paid on a monthly basis, with the Board reviewing the dividend policy quarterly.

Taxable investors in Canada are expected to benefit from the enhanced dividend tax credit for eligible dividends, which will effectively lower their tax rate. Assuming the monthly dividend remains at \$0.14 per Common Share, this should result in a higher after-tax cash yield in 2011 for most taxable Canadian shareholders compared to the current distributions paid by the Trust.

Freehold expects that following the Conversion it will continue to be classified as a passive foreign investment company ("PFIC") under U.S. federal income tax principles. As such, dividends to taxable individual U.S. investors should continue to be subject to the regimes of U.S. federal income taxation applicable to PFICs. Shareholders should discuss with their tax advisors the reporting requirements with respect to owning shares in a PFIC.

The taxable portion (for Canadian income tax purposes) of dividends to U.S. individuals should continue to be subject to a minimum 15% Canadian withholding tax. Where shares are held in a cash account, the full amount of the withholding tax on dividends should be creditable, subject to numerous limitations, for U.S. tax purposes. U.S. individuals holding shares in a qualified retirement account should no longer be subject to the 15% Canadian withholding tax on dividends.

Conversion Rationale and Process

The principal reason for the decision to convert from a trust structure to a corporation is the change in Canadian tax law whereby the Canadian government will begin imposing a tax on the income and distributions (the "SIFT Tax") of certain publicly-traded trusts, such as Freehold, effective January 1, 2011. Under certain other provisions of Canadian federal tax law, conversions from trusts to corporations that occur prior to January 1, 2013 can be structured to occur without any undue tax consequences to Freehold or its Unitholders.

Freehold's Board approved the plan to convert Freehold to a corporation after a thorough review of the various strategic alternatives available to maximize Unitholder value.

Pursuant to the Conversion, holders of Trust Units of the Trust will receive one Common Share of Freehold Royalties for each Trust Unit they hold. The exchange of Trust Units for Common Shares of Freehold Royalties is expected to occur on a tax-deferred basis for purposes of Canadian federal income tax. In addition, subject to individual shareholder considerations, we believe that the exchange should qualify as a tax-deferred reorganization for U.S. tax purposes and as such no gain or loss should be recognized. However, Freehold has not received an IRS letter ruling or a U.S. tax opinion from its tax advisors on this matter. This information is not intended to be tax advice and should not be construed or relied upon as such. Investors in both Canada and the U.S. should consult with their financial, legal and tax advisors regarding the tax consequences of the exchange and any subsequent dividend payments.

The Conversion will result in the Corporation and its subsidiaries holding the assets and business operations previously held and operated by the Trust and its subsidiaries. All directors and officers of Freehold will continue as the directors and officers of Freehold Royalties.

The Conversion will not trigger any change of control or other termination payments pursuant to any employment agreements or arrangements with Freehold, nor will it trigger any payments to Rife Resources Management Ltd. (the "Manager"), with respect to the management agreement in place. In addition, the Conversion will not substantially change any of the Trust's arrangements currently in place. The Manager will continue to provide management services to Freehold Royalties. The compensation arrangements with the Manager will not change.

The details of the Conversion will be contained in an information circular anticipated to be mailed to Unitholders in November 2010. The Conversion is subject to receipt of all required regulatory, stock exchange and Court approvals as well as approval of not less than two-thirds of the votes cast by holders of Trust Units present, in person or by proxy, at a special meeting (the "Special Meeting") of the Unitholders, to be held on December 10, 2010. The record date for this meeting will be November 3,

2010. Subject to receiving all necessary Unitholder, regulatory, stock exchange and Court approvals, the Conversion will be effective on December 31, 2010.

The Board of Directors of Freehold Resources Ltd. retained CIBC World Markets Inc. (“CIBC”) to act as its financial advisor in connection with the Conversion. CIBC provided the Board of Directors with its opinion to the effect that, as of the date thereof and subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by Unitholders pursuant to the Arrangement is fair, from a financial point of view, to such Unitholders. The full text of the opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the opinion, will be attached as a schedule to the information circular.

Unitholders are encouraged to visit the Trust’s website at www.freeholdtrust.com for further information about the Conversion.

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 includes forward-looking statements about our future plans and operations that we believe allow readers to better understand our business and prospects. These forward-looking statements pertain to the proposed Conversion (including the proposed structure, the timing relating to the approval and implementation thereof, the benefits expected therefrom for Freehold and its Unitholders, and the anticipated tax effect on Freehold and its Unitholders), the proposed dividend policy of Freehold Royalties (including the amount of dividend proposed to be paid and our ability to sustain that dividend), the expected tax horizon of the Corporation and the expected compensation arrangements.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Freehold’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, taxation, regulation, changes in tax or other legislation, stock market volatility and ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form, filed on SEDAR. Statements relating to the Conversion and dividend policy of Freehold Royalties are subject to additional risks, including failure to receive all necessary Unitholder, regulatory, stock exchange and Court approvals to complete the Conversion, changes in laws and regulatory regimes (including tax laws), and Freehold’s ability to sustain its production and reserves.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, the ability to complete the Conversion in the manner and timeframe expected, future legislation, 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 preserved 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 second quarter report, filed on SEDAR.

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. 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.

For further information, contact:

Bill Ingram,
President and CEO
(403) 221-0822

Darren Gunderson,
Vice-President Finance and CFO
(403) 221-0811

Karen Taylor,
Manager, Investor Relations & Corporate Secretary
(403) 221-0891

Brian Brockman,
Manager, Tax and Financial Planning
(403) 221-0856

Freehold Royalty Trust
Phone: (403) 221-0802
Fax: (403) 221-0888
Toll free in Canada/U.S. 1-888-257-1873
E-mail: ktaylor@rife.com
Website: www.freeholdtrust.com