

NEWS RELEASE

TSX: FRU

Freehold Royalties Ltd. Enters Into Agreement to Acquire Royalty Production

CALGARY, Alberta, December 23, 2011 – Freehold Royalties Ltd. ("**Freehold**") announces it has entered into a purchase and sale agreement to acquire royalty interests on certain producing and non-producing lands in Alberta, British Columbia, and Saskatchewan for approximately \$50.2 million, prior to normal closing adjustments. Closing is expected to occur on or about January 17, 2012, with an effective date of December 1, 2011, and will be funded through Freehold's existing bank line of credit. The acquisition supports our strategy of focusing on oil and gas royalties and is accretive on a debt-adjusted basis.

Acquisition Highlights:

- Royalty production of approximately 540 barrels of oil equivalent ("**boe**") per day (90% natural gas) from over 400 producing wells.
- Average 4% contractual gross overriding royalty on over 250,000 gross acres (including over 51,000 undeveloped acres valued at \$1.3 million).
- Based on the purchase price (net of undeveloped land value) the cost of acquired production is \$90,576 per boe per day and reserves are \$15.73 per boe.
- The acquisition provides exposure to:
 - the Alberta Deep Basin, with future growth potential from multiple zone gas development that utilizes both vertical and horizontal wells.
 - the British Columbia Montney, characterized by long life gas production from horizontal well development with significant future potential.
 - a diversified package of smaller properties, located primarily in Alberta, with a variety of producing formations and play types, characterized by low risk, established, and consistent production history from over 300 wells.
- Proved plus probable reserves of approximately 3.1 million boe, based on an independent engineering report effective as of November 30, 2011.
- The assets have a long reserve life of 15.8 years on a proved plus probable basis.

Cautionary Statement Regarding Forward-Looking Information – This news release offers our assessment of Freehold's future plans and operations as at December 23, 2011 and contains forward-looking information including, as to the expected completion of the acquisition and Freehold's expectations for reserves, production, and future prospects on the acquired lands. This forward-looking information is provided to allow readers to better understand our business and prospects and may not be suitable for other purposes. By its nature, forward-looking information is 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 Freehold's annual information form for the year ended December 31, 2010 which is available under Freehold's profile on SEDAR at www.sedar.com.

With respect to forward-looking information 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 expectation for industry drilling levels; and our ability to obtain financing on acceptable terms.

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 information or statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by such forward-looking information. 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. Except as required by law, Freehold does not assume any obligation to publicly update or revise any forward-looking information to reflect new events or circumstances.

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.

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

For further information, contact:

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