

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws, and, accordingly, may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act) unless registered under the 1933 Act and applicable state securities laws or in certain transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or its territories or possessions or to a U.S. person. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Freehold Resources Ltd. on behalf of Freehold Royalty Trust, at Suite 400, 144 – 4th Avenue S.W., Calgary, Alberta T2P 3N4, phone number (403) 221-0802, and are also available electronically at www.sedar.com.

New Issue

December 3, 2009

SHORT FORM PROSPECTUS

Freehold

R O Y A L T Y T R U S T

\$100,368,750
6,625,000 Trust Units

Freehold Royalty Trust ("**Freehold**" or the "**Trust**") is hereby qualifying for distribution 6,625,000 trust units ("**Trust Units**") of the Trust at a price of \$15.15 per Trust Unit (the "**Offering**").

The issued and outstanding Trust Units of the Trust are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol FRU.UN. On November 18, 2009, the last completed trading day on which the Trust Units traded prior to announcement of this Offering, the closing price of the Trust Units on the TSX was \$15.81. On December 2, 2009, the closing price of the Trust Units on the TSX was \$15.10. The TSX has conditionally approved the listing of the Trust Units on the TSX. Such listing will be subject to the Trust fulfilling all of the listing requirements of the TSX (on or before February 23, 2010). The offering price of \$15.15 per Trust Unit was determined by negotiation between Freehold Resources Ltd. ("**Freehold Resources**"), on behalf of the Trust, and CIBC World Markets Inc. on its own behalf and on behalf of RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. and Scotia Capital Inc. (collectively, the "**Underwriters**").

Price: \$15.15 per Trust Unit

| | <u>Price to the Public</u> | <u>Underwriters' Fee</u> | <u>Net Proceeds to the Trust⁽¹⁾</u> |
|----------------|----------------------------|----------------------------|--|
| Per Trust Unit | \$15.15 | \$0.7575 | \$14.3925 ⁽²⁾ |
| Total | \$100,368,750 | \$3,863,250 ⁽²⁾ | \$96,505,500 ⁽²⁾ |

Notes:

- (1) Before deducting expenses of the Offering, estimated to be \$400,000, which will be paid from the general funds of the Trust.
- (2) The pension trust funds for employees of Canadian National Railway Company ("**CN Pension Trust Funds**") intends to acquire its pro rata share of the Offering being approximately 23% of the Offering or 1,525,000 Trust Units for which the Underwriters will not be paid a fee. As such, the net proceeds to the Trust for such Trust Units will be \$15.15 per Trust Unit. See "Plan of Distribution".
- (3) The Trust has also granted to the Underwriters an option (the "**Over-allotment Option**") to purchase up to an additional 993,750 Trust Units at a price of \$15.15 per Trust Unit on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, prior to the 30th day after closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Trust Units forming part of the Over-allotment Option acquires those Trust Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases. CN Pension Trust Funds intends to purchase approximately 23% of the total

Trust Units issued pursuant to the Offering, including under the Over-allotment Option, for which the Underwriters will not be paid a fee. If the Over-allotment Option is exercised in full, the total Offering, Underwriters' fee and net proceeds to the Trust (before deducting expenses of the Offering) will be \$115,424,062.50, \$4,442,737.50 and \$110,981,325, respectively. This short form prospectus also qualifies for distribution the issuance of Trust Units pursuant to the exercise of the Over-allotment Option. See "*Plan of Distribution*".

The following table sets forth the number of Trust Units that may be offered by the Trust pursuant to the Over-allotment Option.

| <u>Underwriters' Position</u> | <u>Maximum size or number of securities held</u> | <u>Exercise period</u> | <u>Exercise price</u> |
|-------------------------------|--|--|------------------------|
| Over-allotment Option | 993,750 Trust Units | Any time prior to the 30 th day after the closing of the Offering | \$15.15 per Trust Unit |

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Trust, and Macleod Dixon LLP, counsel to the Underwriters, provided that the Trust Units are listed on a designated stock exchange for the purposes of the Tax Act (as defined herein) (which includes the TSX) on the date of closing of the Offering, and subject to the provisions of any particular registered plan or trust, the Trust Units will, on the date of closing of the Offering, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust which holds Trust Units will be subject to a penalty tax if the holder does not deal at arm's length with the Trust for the purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust with which the Fund does not deal at arm's length for the purposes of the Tax Act. See "*Eligibility for Investment*".

The Underwriters, as principals, conditionally offer the Trust Units, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the Offering on behalf of the Trust by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Macleod Dixon LLP. The Trust has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Trust Units at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

The Underwriters propose to offer the Trust Units initially at the offering price specified above. After a reasonable effort has been made to sell all of the Trust Units at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Trust Units remaining unsold. Any such reduction will not affect the proceeds received by the Trust. See "*Plan of Distribution*".

The head and principal office of the Trust and Freehold Resources is located at Suite 400, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4 and the registered office of Freehold Resources is also located at Suite 400, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4. The head, principal and registered office of Rife Resources Management Ltd. (the "**Manager**") is located at Suite 400, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

Each of CIBC World Markets Inc., RBC Dominion Securities Inc. and TD Securities Inc. are direct or indirect wholly-owned subsidiaries of Canadian chartered banks which are lenders to the Trust and to which the Trust is currently indebted. Consequently, the Trust may be considered to be a connected issuer of these Underwriters for the purposes of securities regulations in certain provinces. A portion of the net proceeds of this Offering may be used to repay a portion of indebtedness to these banks outstanding related to the Trust's credit facilities. See "*Relationship Among the Trust and Certain Underwriters*" and "*Use of Proceeds*".

A return on an investment in Trust Units is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in Trust Units is at risk, and the anticipated return on such investment is based on many performance assumptions. **Although the Trust intends to make distributions of its available cash to holders of Trust Units ("Unitholders"), these cash distributions are not guaranteed and may be reduced or suspended.** The actual amount distributed will depend on numerous factors including: the financial performance of the Trust and Freehold Resources, debt obligations, working capital requirements and future capital requirements. In addition, the market value of the Trust Units may

decline if the Trust's cash distributions decline in the future, and that market value decline may be material. See "*Distributions to Unitholders*".

It is important for an investor to consider the particular risk factors that may affect the industry in which it is investing, and therefore the stability of the distributions that it receives. See "*Risk Factors*".

The after tax return from an investment in Trust Units to Unitholders subject to Canadian income tax can be made up of both a return on capital and a return of capital. That composition may change over time, thus affecting an investor's after tax return. On October 31, 2006, the Department of Finance (Canada) announced proposed changes to the taxation of certain publicly-traded trusts and partnerships and their unitholders. Legislation implementing these proposals was enacted on June 22, 2007 (such legislation and subsequent amendments thereto are collectively referred to as the "**SIFT Rules**"). Subject to the SIFT Rules, returns on capital are generally taxed as ordinary income in the hands of a Unitholder who is resident in Canada for purposes of the Tax Act. Pursuant to the SIFT Rules, commencing January 1, 2011 (provided the Trust only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Trust which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the Trust level. Returns of capital generally are (and under the SIFT Rules will continue to be) tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in the Trust Unit for purposes of the Tax Act). Distributions, whether of income or capital to a Unitholder who is not resident in Canada for purposes of the Tax Act, or that is a partnership that is not a "Canadian partnership" for purposes of the Tax Act, generally will be subject to Canadian withholding tax. Prospective purchasers should consult their own tax advisors with respect to the Canadian income tax considerations applicable in their own circumstances. See "*Canadian Federal Income Tax Considerations*".

Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about December 10, 2009 or such other date not later than December 30, 2009 as the Trust and the Underwriters may agree.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference herein, constitute forward-looking statements. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Freehold Resources believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be.

In addition to the forward-looking statements contained in the documents incorporated by reference herein, this short form prospectus contains, without limitation, forward-looking statements pertaining to the following: the anticipated closing date of the Offering; the estimated expenses of the Offering, the anticipated use of the proceeds from the Offering; and the Trust's distribution policy.

With respect to forward-looking statements contained in this short form prospectus, Freehold Resources has made assumptions regarding, among other things, the Trust's ability to close the Offering on a timely basis and on the terms expected; fulfillment by the Underwriters of their obligations pursuant to the Underwriting Agreement; and the amount of future distributions the Trust intends to pay.

Some of the risks that could affect the Trust's future results and could cause results to differ materially from those expressed in the forward-looking statements include:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling, and processing problems; and
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry and income trusts.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Except as required by law, none of the Trust, Freehold Resources, the Manager nor any of the Underwriters undertakes any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this short form prospectus.

GLOSSARY OF TERMS

In this short form prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**2008 Annual Financial Statements**" means the audited consolidated financial statements of the Trust as at and for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon;

"**2009 Q3 Financial Statements**" means the unaudited consolidated financial statements of the Trust as at and for the three and nine months ended September 30, 2009 and 2008, together with the notes thereto;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquireco**" means the one or more entities, which may be formed by the Trust as wholly owned entities to acquire corporate facilities and other types of oil and natural gas related acquisitions in addition to Canadian Resource Properties;

"**AIF**" means the Annual Information Form of the Trust dated March 17, 2009;

"**Additional Properties**" means working interests in oil and natural gas rights acquired by us from time to time;

"**Additional Royalties**" means royalties (other than the HB Lands Royalties and the Freehold Resources Royalty) in respect of Canadian Resource Properties which are acquired by the Trust or any other individual, partnership, body corporate, association or trust for the direct or indirect benefit of the Trust from time to time;

"**Board**" means the board of directors of Freehold Resources;

"**Canadian GAAP**" means generally accepted accounting principles in Canada;

"**Canadian Resource Property**" has the meaning ascribed thereto in the Tax Act;

"**Canpar**" means Canpar Holdings Ltd., a wholly-owned subsidiary of the CN Pension Trust Funds;

"**CN Pension Trust Funds**" means the pension trust funds for employees of Canadian National Railway Company;

"**Credit Facilities**" has the meaning ascribed to the term Credit Facilities in note (1) to the table set forth in "*Consolidated Capitalization of the Trust*";

"**Debt Service Charges**" means all interest and principal repayments and other costs, expenses and disbursements relating to the borrowing of funds by us;

"**Deferred Purchase Price Obligation**" means the ongoing obligation of the Trust to pay to Freehold Resources, to the extent of the Trust's available funds, an amount equal up to 99% of the cost of, or any amount outstanding in respect of money borrowed by Freehold Resources to acquire, any additional Canadian Resource Property acquired by Freehold Resources and of the cost of, or any amount borrowed by Freehold Resources to fund, certain designated capital expenditures as partial consideration for the Freehold Resources Royalty. See "*Description of Properties – Freehold Resources Royalty – Deferred Purchase Price Obligation*" in the AIF;

"**Deferred Trust Units**" means the deferred trust units of the Trust issued pursuant to the Deferred Trust Unit Plan which are redeemable for Trust Units anytime after the retirement of a director of the Board;

"**Deferred Trust Unit Plan**" means the deferred trust unit plan approved by Unitholders on May 10, 2006 for non-management directors of Freehold Resources whereby fully vested Deferred Trust Units are granted annually and distributions to Unitholders declared by the Trust prior to redemption are assumed to be reinvested on behalf of the directors in notional units on the date of distribution;

"DRIP Plan" means the Trust Unit cash distribution reinvestment plan;

"FCT Trusts" means the FCT1 Trust and the FCT2 Trust, commercial trusts formed under the laws of Alberta, of which the Trust is the sole beneficiary, which acquired the Partnership Interests;

"FCT1 Trust" means Freehold Royalty Acquisition Trust 1, a commercial trust formed under the laws of Alberta, of which the Trust is the sole beneficiary;

"FCT2 Trust" means Freehold Royalty Acquisition Trust 2, a commercial trust formed under the laws of Alberta, of which the Trust is the sole beneficiary;

"Freehold" or the "Trust" means Freehold Royalty Trust, a trust established under the laws of Alberta pursuant to the Trust Indenture and, unless the context otherwise requires, includes its predecessors, subsidiaries, trusts and partnerships;

"Freehold Resources" means Freehold Resources Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;

"Freehold Resources Properties" means the working, royalty or other interest of Freehold Resources from time to time in any oil and natural gas rights, tangibles and miscellaneous interests, including the Working Interest Properties and Additional Properties;

"Freehold Resources Royalty" means the royalty payable by Freehold Resources to the Trust pursuant to the Freehold Resources Royalty Agreement which equals 99% of Freehold Resources Royalty Income;

"Freehold Resources Royalty Agreement" means the agreement regarding the creation and sale of the Freehold Resources Royalty dated November 25, 1996 between Freehold Resources and the Trustee as trustee for and on behalf of the Trust, as amended from time to time;

"Freehold Resources Royalty Income" in respect of any period for which Freehold Resources Royalty Income is calculated means: (a) the amount received in such period in respect of the sale of Petroleum Substances collected from the Freehold Resources Properties (including the share reserved to the Crown) and any other revenue received in such period other than the proceeds from the sale of the Freehold Resources Properties; less (b) the aggregate of the following costs and expenses paid in such period: (i) all costs and expenses (including both operating costs and capital costs) in respect of the Freehold Resources Properties, except to the extent that such costs or expenses are funded by borrowing and in the case of capital costs, except to the extent designated as Deferred Purchase Price Obligations, including, without limitation, the costs of gathering, compressing, processing, transporting and marketing all Petroleum Substances produced from the Freehold Resources Properties and all other amounts paid to third parties which are calculated with reference to production from the Freehold Resources Properties including, without limitation, gross overriding royalties and lessor's royalties, but excepting Crown royalties and other Crown charges; (ii) income, capital and other direct taxes in respect of the Freehold Resources Properties; (iii) Debt Service Charges; (iv) general and administrative costs to the extent not paid from the residual income of Freehold Resources; (v) net contributions to Freehold Resources' reclamation fund; (vi) the amount paid to the Trust to purchase Trust Units to satisfy its obligations under the Management Agreement and (vii) all other costs and expenses relating to the Freehold Resources Properties. Any income derived from Freehold Resources Properties which are not working interests in Canadian Resource Properties, will not be included as Freehold Resources Royalty Income and will be used to defray capital expenditures and other expenses of Freehold Resources;

"HB Lands Royalties" means the royalties representing the right to receive revenue from the lands from which the HB Lands royalties are derived from all formations to the base of the deepest formation which was producing Petroleum Substances or potash at January 1, 1996 with respect to each mineral title or royalty assumption property acquired by us from Canpar pursuant to the Royalty Sale Agreement;

"Information Circular" means the Management Proxy Statement of the Trust dated March 17, 2009 relating to the annual meeting of Unitholders held on May 13, 2009;

"Management Agreement" means the amended and restated agreement dated May 10, 2006 as renewed between the Manager, Freehold Resources and the Trustee for and on behalf of the Trust pursuant to which the Manager provides management services to Freehold Resources and the Trust;

"Management Fees" means the fees payable to the Manager pursuant to the Management Agreement;

"Manager" means Rife Resources Management Ltd.;

"Market Redemption Price" means the price per Unit equal to the lesser of:

- (a) 90% of the market price of the Trust Units, on the TSX or if not trading on the TSX at such time the principal market on which the Trust Units are quoted for trading at such time during the 10 day trading period commencing immediately after the date on which the Trust Units were tendered to the Trust for redemption; and
- (b) 90% of the closing market price on the principal market on which the Trust Units are quoted for trading, on the date that the Trust Units were so tendered for redemption;

"Offering" means the offering of 6,625,000 Trust Units of the Trust pursuant to this short form prospectus;

"Over-allotment Option" means the option granted to the Underwriters to purchase up to an additional 993,750 Trust Units on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, prior to the 30th day after closing of the Offering to cover over-allotments, if any, and for market stabilization purposes;

"Partnership" means Petrovera Resources, a general partnership acquired by the FCT Trusts on May 10, 2005;

"Partnership Acquisition" means the acquisition of the Partnership by the FCT Trusts on May 10, 2005, pursuant to the purchase agreement dated April 20, 2005 between the FCT Trusts and the vendors of the Partnership and the Partnership Interests;

"Partnership Interests" means the royalty, fee simple mineral, working and net profit interests owned by the Partnership;

"Permitted Investments" means (a) obligations issued or guaranteed by the government of Canada or any province of Canada or any agency or instrumentality thereof, (b) term deposits, guaranteed investment certificates, certificates of deposit or bankers' acceptances of or guaranteed by any Canadian chartered bank or other financial institutions (including the Trustee and any Affiliate of the Trustee) the short term debt or deposits of which have been rated at least A or the equivalent by Standard & Poor's Corporation, Moody's Investors Service, Inc., Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited, and (c) commercial paper rated at least A or the equivalent by Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited, in each case maturing within 180 days after the date of acquisition; provided that any investment of the type referred to in Section 4.4 of the Trust Indenture shall not be a Permitted Investment;

"Petroleum Substances" means petroleum, natural gas and related hydrocarbons (except coal) including, without limitation, all liquid hydrocarbons, and all other substances, including sulphur, whether gaseous, liquid or solid and whether hydrocarbon or not, produced in association with such petroleum, natural gas or related hydrocarbons;

"Replacement Properties" means properties, whether Additional Royalties or Additional Properties, which were acquired by us by means of an exchange of properties owned by us or using funds obtained through the prior sale of HB Lands Royalties and/or Freehold Resources Properties;

"Rife" means Rife Resources Ltd., a wholly-owned subsidiary of the CN Pension Trust Funds;

"Royalty Income" means income to the Trust from the HB Lands Royalties, Additional Royalties and the Freehold Resources Royalty;

"**Royalty Interest**" means the percentage of the gross proceeds from the sale of the produced substances, or that same percentage of the produced substances delivered in-kind to the royalty owner as may be provided for by the lease agreement between the royalty owner(s) and the lessee(s);

"**Royalty Lands**" means the lands from which the HB Lands Royalties and the Additional Royalties are derived;

"**Royalty Sale Agreement**" means the purchase and sale agreement between Canpar and the Trust which provided for the purchase by the Trust from Canpar of the HB Lands Royalties;

"**SIFT Rules**" has the meaning ascribed thereto on page iii hereof;

"**Special Resolution**" means a resolution passed by a majority of not less than 66 $\frac{2}{3}$ % of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 $\frac{2}{3}$ % of the Trust Units entitled to be voted on such resolution;

"**Special Voting Units**" means the special voting units of the Trust entitling holders thereof to attend and vote at meetings of Unitholders;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1, 5th Supplement, as amended including the regulations thereunder;

"**Trust Indenture**" means the amended and restated trust indenture dated May 10, 2006 between the Trustee and Freehold Resources as amended from time to time;

"**Trust Unit**" or "**Unit**" means a trust unit of the Trust;

"**Trustee**" means Computershare Trust Company of Canada, or its successor as trustee of the Trust;

"**TSX**" means the Toronto Stock Exchange;

"**Underwriters**" means, collectively, CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. and Scotia Capital Inc.;

"**Underwriting Agreement**" means the agreement dated November 19, 2009 among the Trust, Freehold Resources, the Manager and the Underwriters in respect of the Offering;

"**United States**" or "**U.S.**" means the United States of America;

"**Unitholders**" means the holders from time to time of Trust Units;

"**U.S. GAAP**" means accounting principles generally accepted in the United States; and

"**Working Interest Properties**" means the properties and assets acquired by Freehold Resources from each of Canpar and Rife.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

PRESENTATION OF FINANCIAL STATEMENTS

Unless otherwise indicated, all financial information included and incorporated by reference in this short form prospectus is determined using Canadian GAAP. The financial statements incorporated by reference herein have been prepared in accordance with Canadian GAAP, which differs from U.S. GAAP. Therefore, the comparative consolidated financial statements which are incorporated by reference in this short form prospectus, may not be comparable to financial statements prepared in accordance with U.S. GAAP.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Trust, filed with the various securities commissions or similar authorities in the Provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

1. the AIF;
2. 2008 Annual Financial Statements;
3. the management's discussion and analysis of the financial condition and results of operations of the Trust for the year ended December 31, 2008;
4. 2009 Q3 Financial Statements;
5. the management's discussion and analysis of the financial condition and results of operations of the Trust for the three and nine months ended September 30, 2009;
6. the Information Circular; and
7. the material change report of the Trust dated November 27, 2009 with respect to the Offering.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Trust with the securities commissions or similar authorities in the Provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

FREEHOLD ROYALTY TRUST

General

The Trust is an open-end unincorporated trust governed by the laws of the Province of Alberta and created pursuant to the Trust Indenture. The Trustee of the Trust is Computershare Trust Company of Canada. The Trust, which is currently governed by the Trust Indenture, enables Unitholders to participate in the HB Lands Royalties, the Additional Royalties, the Freehold Resources Royalty derived from Freehold Resources from the Working Interest Properties and any subsequent investments made by the Trust as permitted by the Trust Indenture.

The beneficiaries of the Trust are holders of the Trust Units. The head and principal office of the Trust is located at Suite 400, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

Freehold Resources Ltd.

Freehold Resources was incorporated under the ABCA on June 3, 1996 as 698108 Alberta Ltd., and then changed its name to "Freehold Resources Ltd." on July 24, 1996. All of the issued and outstanding shares of Freehold Resources are held by the Trust. The business of Freehold Resources is restricted to the acquisition, development, exploitation and disposition of oil and natural gas properties, including the Working Interest Properties, and the granting of the Freehold Resources Royalty to the Trust.

The head, principal and registered office of Freehold Resources is located at Suite 400, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

Rife Resources Management Ltd.

The Manager was incorporated under the *Corporations Act* (Ontario) on March 5, 1968 under the name "75-89 Gosford Limited" and continued under the *Canada Business Corporations Act* on April 20, 1979. The Manager changed its name to "Rife Resources Management Ltd." on October 1, 1996. Pursuant to the Management Agreement, the Trust has retained the Manager to administer the Trust on behalf of the Trustee and Freehold Resources has retained the Manager for the purposes of identifying, evaluating and assisting in the acquisition, disposition and ongoing management and administering of the HB Lands Royalties, Additional Royalties, the Freehold Resources Royalty and the Freehold Resources Properties. The head, principal and registered office of the Manager is located at Suite 400, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

Pursuant to an agreement between Rife, a wholly-owned subsidiary of CN Pension Trust Funds, and the Manager, Rife provides the Manager, which is a wholly-owned subsidiary of Rife, on a contract basis, with all necessary personnel, equipment and facilities required to provide management and operational services to the Trust and Freehold Resources on a cost recovery basis. The Trust benefits from the fact that Rife and the personnel utilized by the Manager have in excess of 25 years of experience with the assets underlying the HB Lands Royalties, Freehold Resources Royalty and the Freehold Resources Properties, pre-dating the formation of the Trust. In addition, Rife manages two other private corporations which are engaged in similar business ventures as the Trust and Freehold Resources. To effectively manage these private corporations and the Trust and Freehold Resources, Rife has assembled a larger, more diversified and more experienced staff than the Trust could otherwise retain to manage the assets of Freehold. The Trust believes these organizational and synergistic benefits are advantageous to Unitholders. Rife and the Manager also ensure that the Trust receives priority to consider acquisition opportunities. In addition, the Management Fees paid to the Manager are paid in Trust Units, which the Board believes align the interests of the Manager with the interests of the Unitholders. Based on these factors, the Board believes that maintaining the Trust's relationship with the Manager is in the best interests of the Trust.

FCT Trusts

In connection with the Partnership Acquisition, the Trust formed the FCT Trusts each of which is an unincorporated open-ended trust formed under the laws of the Province of Alberta of which the Trust is the principal beneficiary. Freehold Resources is the trustee of FCT1 Trust and 1163177 Alberta Ltd., a wholly-owned subsidiary of Freehold Resources, is trustee of FCT2 Trust. The head office of both the FCT Trusts is located at Suite 400, 144 – 4th Avenue, S.W., Calgary, Alberta, T2P 3N4.

Petrovera Partnership

The Partnership, which is a general partnership formed under the laws of Alberta, was indirectly acquired by the Trust pursuant to the Partnership Acquisition in 2005. The FCT Trusts are the general partners of the Partnership. The head office of the Partnership is located at Suite 400, 144 – 4th Avenue, S.W., Calgary, Alberta, T2P 3N4.

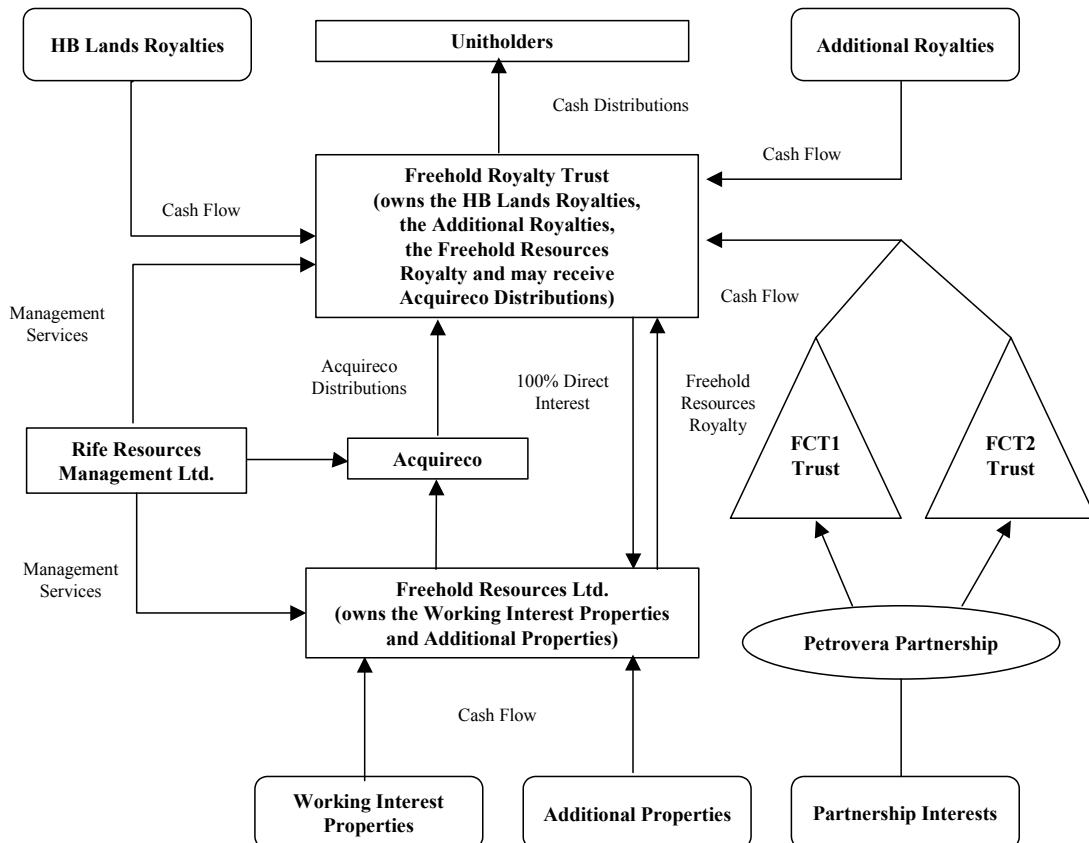
Structure of the Trust

The following table provides the name, the percentage of voting securities owned by the Trust and the jurisdiction of incorporation, continuance or formation of the Trust's subsidiaries, partnerships and trusts either, direct and indirect, as at the date hereof.

| | Percentage of voting securities (directly or indirectly) | Nature of Entity | Jurisdiction of Incorporation/ Formation |
|--------------------------------------|---|---------------------|---|
| Freehold Resources Ltd. | 100% | Corporation | Alberta |
| 1163177 Alberta Ltd. | 100% | Corporation | Alberta |
| Freehold Royalty Acquisition Trust 1 | 100% | Commercial Trust | Alberta |
| Freehold Royalty Acquisition Trust 2 | 100% | Commercial Trust | Alberta |
| Petrovera Partnership | 100% | General Partnership | Alberta |

Organizational Structure of the Trust

The following diagram describes the inter-corporate relationships among the Trust and its material subsidiaries, trusts and partnerships.



DESCRIPTION OF BUSINESS

The Trust is structured as a mutual fund trust under the Tax Act. Subject to the SIFT Rules, this structure enables the Trust to return all or substantially all of its income to Unitholders in a tax-effective manner. The Trust receives revenue from properties as oil, natural gas, and potash are produced, which is paid to Unitholders on a regular basis over the economic life of the reserves. The Trust has a diverse production base, with interests in more than 26,000 oil and natural gas wells throughout western Canada. This includes significant mineral title and gross overriding royalty interests that provide the majority of revenue. Royalties offer the benefit of sharing in production, without exposure to the capital, operating and environmental costs associated with oil, natural gas, and potash production. Oil, natural gas, and potash are finite resources. Over time, reserves are depleted and capital investment is required to sustain production and cash flow.

The Trust was originally created for the purposes of purchasing the HB Lands Royalties from Canpar, purchasing the Freehold Resources Royalty from Freehold Resources and issuing Trust Units to the public. The Trust permits investors to participate in the HB Lands Royalties, the Additional Royalties and the Freehold Resources Royalty derived from the Working Interest Properties. Pursuant to the Deferred Purchase Price Obligation, Unitholders also participate in a royalty of 99% of Royalty Income derived from any Additional Properties and Replacement Properties which Freehold Resources acquires.

The Trust also has the ability to form one or more entities, through which future acquisitions of all forms of oil and natural gas related assets (for example, the shares of an oil and gas company or oil and natural gas related facilities without associated properties) could be affected. To date, only the FCT Trusts have been organized for the purpose of acquiring the Partnership. Future entities may be organized substantially along the lines of Freehold Resources in terms of its relationship with management, the Trust and the Unitholders with the same directors as serve on the Board.

The Trust's current assets consist of Permitted Investments, the HB Lands Royalties, Additional Royalties and the Freehold Resources Royalty. The Freehold Resources Royalty consists of 99% of the Freehold Resources Royalty Income.

See also "*Business of the Trust*", "*Reserves Data and Other Oil and Gas Information*" and "*Description of Properties*" in the AIF.

RECENT DEVELOPMENTS

Board and Management Changes

In the third quarter of 2009, Peter Harrison, one of the directors of Freehold Resources, joined CN Investment Division. Because the Manager of the Trust is a wholly-owned subsidiary of the CN Pension Trust Funds, Mr. Harrison is no longer considered an independent director of Freehold Resources. To maintain the number of Manager-appointed directors at two, Russell Hiscock of CN Investment Division has stepped down from the Board. The Manager-appointed directors are now Peter Harrison and Bill Ingram.

Rodger Tourigny, a new independent director, was appointed to the Board effective November 10, 2009. A Chartered Accountant, Mr. Tourigny is President of Tourigny Management Ltd., a private consulting company providing services to the oil and gas, financial services, and real estate sectors since 1979. Mr. Tourigny was appointed to the Audit, Compensation and Corporate SIFT Tax Strategy committees, and will serve as Chair of the Audit Committee.

Mr. Tourigny was a director of Shenandoah Resources Ltd. ("**Shenandoah**") and resigned on September 17, 2002. Shenandoah was placed into receivership on September 17, 2002. On November 8, 2002 and October 23, 2002, the Alberta Securities Commission and British Columbia Securities Commission issued cease trade orders because Shenandoah had failed to file certain required financial statements. The cease trade orders remain outstanding. The common shares of Shenandoah were suspended from trading on the TSX Venture Exchange on April 24, 2002. In addition, Mr. Tourigny was a director of Probe Exploration Inc. ("**Probe**") and resigned on April 14, 2000. Probe was placed into receivership prior to Mr. Tourigny's resignation. On July 7, 2000 and July 17, 2000, the Alberta Securities Commission and the Ontario Securities Commission issued cease trade orders because Probe had failed to file certain required financial statements. The cease trade orders remain outstanding. The common shares of Probe were delisted from the TSX on March 16, 2001.

Michael Okrusko, Vice-President, Land, has indicated his intention to retire during 2010 after serving for more than 28 years with the Manager. The Board is working with the Manager on the succession planning process to provide for a smooth transition.

DESCRIPTION OF TRUST UNITS

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. As of December 2, 2009, there were 49,679,421 Trust Units issued and outstanding. Each Trust Unit represents an equal fractional undivided beneficial interest in any distributions from, and in any net assets of, the Trust in the event of termination or winding-up of the Trust. All Trust Units are of the same class with equal rights and privileges. Each Trust Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Trust, and distributions on liquidation, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Trust Unit held.

In addition to the Trust Units, the Trust Indenture authorizes the issuance of Special Voting Units entitling the holders thereof to attend at meetings of the Unitholders and to such number of votes at meetings of Unitholders as may be prescribed by the Board in the resolution authorizing the issuance of any such Special Voting Units. Except for the right to attend and vote at meetings of the Unitholders, the Special Voting Units do not confer upon the holders thereof any other rights, and for greater certainty, the holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from the Trust or have any beneficial interest in any assets of the Trust on termination of Trust.

The Trust Indenture, among other things, provides for the calling of meetings of Unitholders, the conduct of business thereof, notice provisions, the appointment and removal of the Trustee and the form of Trust Unit certificates. The Trust Indenture may be amended from time to time. Substantive amendments to the Trust Indenture, including early termination of the Trust and the sale or transfer of the property of the Trust as an entirety or substantially as an entirety requires approval by Special Resolution of the Unitholders.

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Trust, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive the Market Redemption Price per Trust Unit. In addition, the Trust may from time to time purchase for cancellation some or all of the Trust Units (or other securities of Trust which may be issued and outstanding from time to time) in the market or upon any recognized stock exchange on which such Trust Units are traded or pursuant to tenders received by the Trust upon request for tenders addressed to all holders of record of Trust Units.

The Trust Indenture provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Trust's assets. Pursuant to the Trust Indenture, the Trust will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability.

The Trust Indenture provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

The operations of the Trust are conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Trust.

Unitholders also have the benefit of the *Income Trusts Liability Act* (Alberta) which provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustee of an Alberta income trust that arises after the legislation came into force (July 1, 2004).

In order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the Tax Act. Accordingly, the Trust Indenture provides that at no time may non-residents be the beneficial owners of a majority of the Trust Units. If the Trustee becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Trusts Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration

that the person is not a non-resident. Notwithstanding the foregoing, if the Trustee determines that a majority of the Trust units are held by non-residents, the Trustee may send a notice to non-resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and payment of distributions to Unitholders and other rights attached to such Trust Units and shall make any distribution in respect of such Trust Units by depositing such amounts in a separate bank account. Upon such sale, the affected holders shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Trust Units. For additional information respecting the Trust Units, including information respecting Unitholders' limited liability, restrictions on non-resident Unitholders, the redemption right attached to the Units, meetings of Unitholders, and amendments to the Trust Indenture, see "*Trust Units*" in the AIF.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at December 31, 2008, as at September 30, 2009 and as at September 30, 2009 after giving effect to this Offering:

| | As at December 31, 2008 | As at September 30, 2009 | As at September 30, 2009 after giving effect to the Offering ⁽¹⁾⁽²⁾ |
|--|---------------------------------------|---------------------------------------|--|
| | (in thousands, except Trust Units) | | |
| Long-Term Debt ⁽¹⁾⁽²⁾ | \$140,000 | \$147,000 | \$51,000 |
| Trust Units (unlimited) ⁽²⁾⁽³⁾⁽⁴⁾ | \$567,310 (49,459,429 Trust Units) | \$568,922 (49,581,818 Trust Units) | \$665,028 (56,206,818 Trust Units) |

Notes:

- (1) The Trust has a \$195 million extendible revolving term credit facility with a syndicate of three Canadian chartered banks and a \$15 million extendible revolving operating facility (collectively the "**Credit Facilities**"). Borrowing under the Credit Facilities bear interest at the bank's prime lending rate, bankers' acceptance or LIBOR rate plus applicable margins and standby fees. The Credit Facilities are secured with \$300 million demand debentures over the Trust's petroleum and natural gas assets but do not contain any financial covenants. The lenders at any time can request a redetermination of the borrowing base, which may require a repayment to the lenders within 90 days of receiving notice. The Credit Facilities are extendible annually with the latest review completed in May 2009. In the event that the lenders do not consent to an extension, the Credit Facilities would revert to a two-year, non-revolving term facility with equal quarterly principal repayments. The first quarterly payment would commence on January 1 of the year following the end of the revolving period, which is May 2010. Under the Credit Facilities, the Trust is restricted from making distributions if the Trust is or would be in default under the Credit Facilities or if the borrowings thereunder exceed the borrowing base. As at September 30, 2009, the Trust was in compliance with such covenants.
- (2) Based on the issuance of 6,625,000 Trust Units for aggregate proceeds of \$100,368,750 less Underwriters' fees of \$3,863,250 and expenses of the Offering estimated to be \$400,000 with the estimated net proceeds of \$96,105,500 applied against the Credit Facilities. In addition to repaying indebtedness, the Trust may use the net proceeds for general corporate purposes. If the Over-allotment Option is exercised in full, the aggregate gross proceeds, Underwriters' fees, estimated expenses of the Offering and net proceeds will be \$115,424,062.50, \$4,442,737.50, \$400,000 and \$110,581,325, respectively, and if all the proceeds of the Over-allotment Option are applied against the Credit Facilities, the Credit Facilities will be reduced by an additional \$14,475,825.
- (3) A maximum of 200,000 Trust Units have been reserved for issuance pursuant to the Deferred Trust Unit Plan of which 132,530 remain available for issuance. As at September 30, 2009, there were 51,243 Deferred Trust Units outstanding (including additional notional units resulting from distributions) and as of the date hereof there are 52,043 Deferred Trust Units outstanding. For additional information respecting the Deferred Trust Unit Plan, see "*Director Compensation*" in the Information Circular.
- (4) An aggregate of 97,603 Trust Units were issued on November 16, 2009 pursuant to the DRIP Plan of the Trust at an issue price of \$14.91 per Trust Unit for aggregate consideration of approximately \$1.5 million.

PRIOR SALES

The Trust issued the following Trust Units and securities convertible into Trust Units during the 12 month period prior to the date hereof:

1. 15,427 Units on the redemption of 22,038 Deferred Trust Units on the retirement of a director from the Board at a deemed issuance price of \$14.35 per Trust Unit for an aggregate deemed issuance price of approximately \$0.2 million;
2. 142,616 Trust Units pursuant to the Management Fee payable to the Manager at a weighted average issue price of \$12.37 per Trust Unit with an aggregate value of approximately \$1.8 million;
3. 31,015 Deferred Trust Units redeemable to acquire an equal number of Trust Units (less tax withholding) pursuant to the Deferred Trust Unit Plan at a weighted average trading price for the underlying Trust Units of \$11.17 per Trust Unit; and
4. 97,603 Trust Units were issued on November 16, 2009 pursuant to the DRIP Plan at an issue price of \$14.91 per Trust Unit for aggregate consideration of approximately \$1.5 million.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The Trust Units are listed and traded on the TSX. The trading symbol on the TSX for the Trust Units is "FRU.UN". The following sets forth the price range and consolidated trading volume of the Trust Units on the TSX for the periods indicated.

| | Price Range | | Volume |
|----------------|-------------|-------|-----------|
| | High | Low | |
| 2008 | | | |
| January | 16.85 | 14.55 | 1,834,462 |
| February | 16.25 | 14.96 | 1,546,459 |
| March | 19.29 | 15.84 | 3,359,361 |
| April | 20.33 | 17.51 | 2,328,320 |
| May | 21.50 | 18.97 | 2,623,367 |
| June | 24.40 | 20.86 | 4,041,037 |
| July | 24.09 | 20.57 | 2,585,165 |
| August | 24.35 | 21.31 | 3,630,346 |
| September | 23.00 | 16.01 | 4,047,080 |
| October | 18.43 | 12.50 | 4,813,500 |
| November | 15.69 | 12.02 | 2,378,368 |
| December | 13.47 | 9.15 | 3,281,728 |
| 2009 | | | |
| January | 11.76 | 9.39 | 2,800,631 |
| February | 10.15 | 6.87 | 3,170,713 |
| March | 9.85 | 7.09 | 3,338,724 |
| April | 12.99 | 8.70 | 2,520,280 |
| May | 13.82 | 11.07 | 2,701,062 |
| June | 15.18 | 12.75 | 3,534,318 |
| July | 15.10 | 12.75 | 1,863,027 |
| August | 16.50 | 14.90 | 1,664,991 |
| September | 17.00 | 15.01 | 1,602,699 |
| October | 16.28 | 14.63 | 1,880,597 |
| November | 15.89 | 14.02 | 2,453,043 |
| December (1-2) | 15.25 | 15.08 | 206,912 |

DISTRIBUTIONS TO UNITHOLDERS

Distributions to Unitholders consist of Royalty Income and other income received by the Trust less royalties, expenses and withholdings payable by the Trust and less other amounts reasonably determined by Freehold Resources to be retained for the purposes of the Trust.

The Trust retains cash to, among other things, fund capital expenditures or acquisitions and reduce bank indebtedness. The Trust's distribution policy includes withholding a portion of funds generated from operations to contribute to the Trust's reclamation fund to provide a cash reserve for the eventual abandonment of oil and gas properties.

Regular distributions are made to Unitholders on a monthly basis. The Board reviews the distribution policy quarterly and at its discretion, any excess income available for distribution will be directed toward repayment of long-term debt and improvements in working capital.

Pursuant to the provisions of the Trust Indenture, all income earned by the Trust in a fiscal year, not previously distributed in that fiscal year, must be distributed to Unitholders of record on December 31. This excess income, if any, will be allocated to Unitholders of record at December 31 but the right to receive this income, if the amount is not determined and declared payable at December 31, will trade with the Trust Units until determined and declared payable in accordance with the rules of the TSX. To the extent that a Unitholder trades Trust Units in this period they will be allocated such income but will dispose of their right to receive such distribution. The Trust may pay the distribution, in the form of cash, Trust Units (in accordance with Trust Indenture) or notes payable in whole or in part in cash or in Trust Units.

On November 10, 2009 the Trust announced that due to the continued strength of oil prices, the Trust was increasing monthly distributions by 17% and declaring an additional payment for 2009 as the Trust expects to have excess cash from operating activities this year. The regular monthly distribution will be \$0.14 per Trust Unit until further notice. The Board has declared the November distribution of \$0.14 per Trust Unit and an extra distribution of \$0.06 per Trust Unit (for a total of \$0.20 per Trust Unit) to be paid concurrently on December 15, 2009 to Unitholders of record on November 30, 2009 (ex-distribution date November 26, 2009).

Monthly cash distributions are paid to Unitholders of record on the last business day of each calendar month or such other date as may be determined from time to time by Freehold Resources and are paid generally on the 15th day of the following month. The following is a summary of the distributions made by the Trust for the periods indicated.

| 2008 | Distributions per Trust Unit | Payment Date |
|----------------------------|------------------------------|--------------------|
| January 31 | \$0.15 | February 15, 2008 |
| February 29 | \$0.15 | March 15, 2008 |
| March 31 | \$0.15 | April 15, 2008 |
| April 30 | \$0.18 | May 15, 2008 |
| May 31 | \$0.18 | June 15, 2008 |
| June 30 | \$0.25 | July 15, 2008 |
| July 31 | \$0.25 | August 15, 2008 |
| August 31 | \$0.25 | September 15, 2008 |
| September 30 | \$0.25 | October 15, 2008 |
| October 31 | \$0.25 | November 15, 2008 |
| November 30 | \$0.25 | December 15, 2008 |
| December 31 ⁽¹⁾ | \$0.60 | January 15, 2009 |
| 2009 | Distributions per Trust Unit | Payment Date |
| January 31 | \$0.10 | February 15, 2009 |
| February 28 | \$0.10 | March 15, 2009 |
| March 31 | \$0.10 | April 15, 2009 |
| April 30 | \$0.10 | May 15, 2009 |
| May 31 | \$0.10 | June 15, 2009 |
| June 30 | \$0.10 | July 15, 2009 |
| July 31 | \$0.10 | August 15, 2009 |
| August 31 | \$0.12 | September 15, 2009 |
| September 30 | \$0.12 | October 15, 2009 |
| October 31 | \$0.12 | November 15, 2009 |
| November 30 ⁽²⁾ | \$0.20 | December 15, 2009 |

Notes:

- (1) Comprised of a distribution of \$0.25 per Trust Unit plus an extra distribution of \$0.35 per Trust Unit.
- (2) This distribution has not yet been made; however, the Trust announced on November 10, 2009 that a distribution of \$0.14 per Trust Unit plus an extra distribution of \$0.06 per Trust Unit will be payable on December 15, 2009 to Unitholders of record on the close of business on November 30, 2009.

Closing of this Offering is expected to occur on or about December 10, 2009 but in any event not later than December 30, 2009. Subscribers who purchase Trust Units pursuant to the Offering and who continue to hold Trust Units thereafter will be eligible to

receive distributions commencing with the distribution per Trust Unit payable on January 15, 2010 to Unitholders of record on the close of business on December 31, 2009.

For additional information respecting cash distribution payments to the Trust Unitholders, including the factors influencing the amount available for distribution to the Trust Unitholders, see "*Distributions to Unitholders*" in the AIF, "*Liquidity and Capital Resources – Distribution Analysis*" in the management's discussion and analysis of the financial condition and results of operations of the Trust for the year ended December 31, 2008 and "*Liquidity and Capital Resources – Distributions*" in the management's discussion and analysis of the financial condition and results of operations of the Trust for the three and nine months ended September 30, 2009. The historical distributions described above may not be reflective of future distributions, which will be subject to review by the Board taking into account the prevailing circumstances at the relevant time. See "*Risk Factors*" in this short form prospectus, including the summary of risks contained in the AIF.

USE OF PROCEEDS

The net proceeds to the Trust from the Offering are estimated to be \$96,105,500 after deducting the fees of \$3,863,250 payable to the Underwriters and the estimated expenses of the Offering of \$400,000. If the Over-allotment Option is exercised in full, the net proceeds from the sale of the Trust Units hereunder are estimated to be \$110,581,325 after deducting the fees of \$4,442,737.50 payable to the Underwriters and the estimated expenses of the Offering of \$400,000. See "*Plan of Distribution*".

The net proceeds of this Offering will be used to initially reduce bank indebtedness and thereafter for capital expenditures, potential acquisitions and for general corporate purposes. The principal purposes for which the bank indebtedness was incurred was for capital expenditures and operating costs incurred by the Trust in the ordinary course of business and for certain acquisitions, including the acquisitions as discussed under "*General Development of Business - History and Development*" in the AIF.

See also "*Relationship Among the Trust and Certain Underwriters*".

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Trust has agreed to issue and sell an aggregate of 6,625,000 Trust Units to the Underwriters, and the Underwriters have severally agreed to purchase such Trust Units on December 10, 2009 or such other date not later than December 30, 2009 as may be agreed among the parties to the Underwriting Agreement. Delivery of the Trust Units is conditional upon payment on closing of \$15.15 per Trust Unit by the Underwriters to the Trust. The Underwriting Agreement provides that the Trust will pay the Underwriters' fee of \$0.7575 per Trust Unit for Trust Units issued and sold by the Trust, other than Trust Units purchased by CN Pension Trust Funds, for an aggregate fee payable by the Trust of \$3,863,250 in consideration for the Underwriters' services in connection with the Offering. To maintain their existing ownership percentage, CN Pension Trust Funds intends to acquire 1,525,000 Trust Units pursuant to this Offering for which the Underwriters will not be paid a fee.

The Trust has granted to the Underwriters the Over-allotment Option to purchase up to an additional 993,750 Trust Units at a price of \$15.15 per Trust Unit on the same terms and conditions as the Offering, exercisable from time to time, in whole or in part, prior to the 30th day after closing of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-allotment Option is exercised in full, the total Underwriters' fee will be \$4,442,737.50. CN Pension Trust Funds will have the right to purchase approximately 23% of the total Trust Units issued pursuant to the Over-allotment Option for which the Underwriters will not be paid a fee. This prospectus also qualifies for distribution the issuance of Trust Units pursuant to the exercise of the Over-allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase its allotment of the Trust Units, the remaining Underwriters may, but are not obligated to, purchase such Trust Units. The Underwriters are, however, obligated to take up and pay for all of the Trust Units if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Trust, the Manager and Freehold Resources will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The Trust has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Trust Units at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

For a period of 90 days subsequent to the closing date of the Offering, the Trust shall not (a) offer, issue, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly, any Trust Units or securities convertible into or exchangeable for Trust Units (other than pursuant to the Deferred Trust Unit Plan, the DRIP Plan or in payment of the Management Fee); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Trust Units, whether any such transaction described in (a) or (b) above is settled by delivery of Trust Units or other such securities, in cash or otherwise, without the prior written consent of CIBC World Markets Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld.

The Underwriters propose to offer the Trust Units initially at the offering price specified herein. After a reasonable effort has been made to sell all of the Trust Units at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Trust Units remaining unsold. In the event the offering price of the Trust Units is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Trust Units is less than the gross proceeds paid by the Underwriters to the Trust for the Trust Units. Any such reduction will not affect the proceeds received by the Trust.

The TSX has conditionally approved the listing of the Trust Units on the TSX. Such listing will be subject to the Trust fulfilling all of the listing requirements of the TSX (on or before February 23, 2010).

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Trust Units offered herein in the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act, "U.S. persons"). The Trust Units offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, and accordingly may not be offered or sold within the United States or to or for the account or benefit of U.S. persons, except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Trust Units that they have acquired pursuant to the Underwriting Agreement to certain "qualified institutional buyers" in the United States, provided such offers and sales are made in accordance with the exemption from the registration requirements under the 1933 Act provided by Rule 144A. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Trust Units outside the United States only in accordance with Regulation S under the 1933 Act.

The certificates representing the Trust Units which are sold in the United States or to, or for the benefit or account of, U.S. persons will contain a legend to the effect that the Trust Units represented thereby have not been registered under the 1933 Act and may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the 1933 Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Trust Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the 1933 Act.

RELATIONSHIP AMONG THE TRUST AND CERTAIN UNDERWRITERS

Each of CIBC World Markets Inc., RBC Dominion Securities Inc. and TD Securities Inc. are direct or indirect wholly-owned subsidiaries of Canadian chartered banks which are lenders to the Trust pursuant to the Credit Facilities and to which the Trust is currently indebted. Consequently, the Trust may be considered a connected issuer of CIBC World Markets Inc., RBC Dominion Securities Inc. and TD Securities Inc. under applicable securities laws.

As at December 2, 2009, approximately \$143 million was outstanding under the Credit Facilities. The Trust is in compliance with all material terms of the agreement governing the Credit Facilities and none of the lenders under the Credit Facilities has waived any breach by the Trust thereunder since its execution. Freehold has granted security to the lenders under the Credit Facilities. Neither the financial position of the Trust nor the value of the security under the Credit Facilities has changed substantially since the indebtedness under the Credit Facilities was incurred. The net proceeds of this Offering will be used to

repay a portion of indebtedness to these banks outstanding under the Credit Facilities. See "*Consolidated Capitalization of the Trust*" and "*Use of Proceeds*".

The decision to distribute the Trust Units offered hereunder and the determination of the terms of the distribution were made through negotiations primarily between Freehold Resources, on behalf of the Trust, and CIBC World Markets Inc. on its own behalf and on behalf of the other Underwriters. The lenders under the Credit Facilities did not have any involvement in such decision or determination, but have been advised of the issuance and terms thereof. As a consequence of this issuance, CIBC World Markets Inc., RBC Dominion Securities Inc. and TD Securities Inc. will receive their respective share of the Underwriters' fee.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Trust, and by Macleod Dixon LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, and Macleod Dixon LLP, as a group, each own, directly or indirectly, less than 1% of the Units, respectively.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP and Macleod Dixon LLP (collectively, "**Counsel**"), the following summary fairly describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a subscriber who acquires Trust Units pursuant to the Offering and who at all relevant times, for purposes of the Tax Act, holds the Trust Units as capital property and deals at arm's length with the Trust and the Underwriters and is not affiliated with the Trust. Generally speaking, the Trust Units will be considered to be capital property to a holder provided the holder does not hold the Trust Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to: (a) a holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (b) a holder of an interest in which would be a "tax shelter investment" as defined in the Tax Act; (c) a holder that is a "specified financial institution" as defined in the Tax Act; or (iv) a holder whose "functional currency" for the purposes of the Tax Act is the currency of a country other than Canada. Any such holder should consult its own tax advisor with respect to an investment in the Trust Units.

This summary is based upon the provisions of the Tax Act in force as of the date hereof and Counsel's understanding of the current published administrative policies and assessing practices of Canada Revenue Agency ("**CRA**"). Except for specifically proposed amendments to the Tax Act that have been publicly announced by the federal Minister of Finance prior to the date hereof, this summary does not take into account or anticipate changes in the income tax law, whether by legislative, regulatory or judicial action, nor any changes in the administrative or assessing practices of the CRA. This summary is not exhaustive of all of the Canadian federal income tax considerations nor does it take into account or anticipate any provincial, territorial or foreign tax considerations arising from the acquisition, ownership or disposition of Trust Units. Except as otherwise indicated, this summary is based on the assumption that all transactions described herein occur at fair market value.

This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Trust Units and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, prospective holders of Trust Units should consult their own tax advisors with respect to their particular circumstances.

Holders of Trust Units Resident in Canada

This portion of the summary is applicable to a holder of Trust Units who, for the purposes of the Tax Act and at all relevant times, is resident or is deemed to be resident in Canada (a "**Resident Holder**").

Subject to the SIFT Rules, each Resident Holder is required to include in computing income for a particular taxation year the portion of the net income of the Trust, including net taxable capital gains, that is paid or payable to the Resident Holder in that taxation year, whether or not the amount was actually paid to the Resident Holder in that year. Income of a Resident Holder from

the Trust Units will generally be considered to be income from property and not resource income (or "**resource profits**") for purposes of the Tax Act. If appropriate designations are made by the Trust, such portion of the net taxable gains of the Trust and any taxable dividends received from taxable Canadian corporations as are paid or become payable to a Resident Holder will effectively retain their character and be treated as such in the hands of the Resident Holder for purposes of the Tax Act. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, or treated as a loss of a Resident Holder.

Once the Trust becomes subject to the SIFT Rules (which is anticipated to be, subject to the Trust exceeding any "normal growth", deferred until January 1, 2011), taxable distributions from the Trust received by a Resident Holder and paid from the Trust's after tax income will generally be deemed to be received by the Resident Holder as a taxable dividend from a taxable Canadian corporation. Such dividend will be subject to the gross-up and dividend tax credit provisions in respect of Resident Holders that are individuals. Under the SIFT Rules, the dividends deemed to be paid by the Trust will be deemed to be "eligible dividends" and individual Resident Holders would therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act. Such dividends received by corporations resident in Canada will generally be eligible for a deduction on the full dividends received and potentially subject to a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act.

Trust Units issued to a Resident Holder in lieu of a cash distribution will have a cost equal to the fair market value of such Trust Units and will be averaged with the adjusted cost base of all other Trust Units held by the Resident Holder at that time as capital property in order to determine the adjusted cost base of each Trust Unit.

Any amounts paid or payable by the Trust to a Resident Holder in excess of the Resident Holder's share of the income of the Trust and the non-taxable portion of capital gains made payable to Resident Holders in the year will generally not be included in the income of the Resident Holder but will reduce the adjusted cost base of such Resident Holder's Trust Units. To the extent that the adjusted cost base to a holder of a Trust Unit would otherwise be less than nil, the negative amount will be deemed to be a capital gain of the Resident Holder from the disposition of the Trust Unit in the year in which the negative amount arises. The non-taxable portion of capital gains of the Trust that is paid or made payable to the Resident Holder in a year will not be included in computing the Resident Holder's income for the year and will not reduce the adjusted cost base to the Resident Holder of the Trust Units.

An actual or deemed disposition (other than in a tax deferred transaction) of Trust Units by a Resident Holder, whether on a redemption or otherwise, will give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Trust which represents an amount that must otherwise be included in the Resident Holder's income as described above) are greater than (or less than) the aggregate of the adjusted cost base of the Trust Units to the Resident Holder plus any reasonable costs associated with the disposition. One-half of any capital gain realized by a Resident Holder on a disposition of a Trust Unit will be included in the Resident Holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on a disposition of a Trust Unit must be deducted against taxable capital gains realized by the Resident Holder in the year of disposition, and may be deducted in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

Taxable capital gains realized by a Resident Holder who is an individual may give rise to minimum tax depending on such Resident Holder's circumstances. A Resident Holder that throughout the relevant year is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

A redemption of Trust Units in consideration for cash, subsidiary notes or redemption notes, as the case may be, will be a disposition of such Trust Units for proceeds of disposition equal to the amount of such cash or the fair market value of such subsidiary notes or redemption notes, as the case may be, less any portion thereof that is considered to be a distribution out of the income of the Trust. Redeeming Resident Holders will consequently recognize a capital gain, or sustain a capital loss, depending upon whether such proceeds exceed, or are exceeded by, the adjusted cost base of the Trust Units so redeemed. The receipt of subsidiary notes or redemption notes in substitution for Trust Units may result in a change in the income tax characterization of distributions. Holders of subsidiary notes or redemption notes generally will be required to include in income interest that is received or receivable or that accrues (depending on the status of the Resident Holder as an individual, corporation or trust) on the subsidiary notes or redemption notes. The cost to a Resident Holder of any property distributed to a Resident Holder by the Trust will be deemed to be equal to the fair market value of such property at the time of distribution less, in the case of notes, any accrued interest thereon. Resident Holders should consult with their own tax advisors as to the consequences of receiving subsidiary notes or redemption notes on a redemption.

Holders of Trust Units Not Resident in Canada

This portion of the summary applies to a holder of Trust Units who, for the purposes of the Tax Act and any relevant tax treaty, and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Trust Units in, or in the course of, carrying on a business in Canada, and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (a "**Non-Resident**").

Subject to the SIFT Rules, any distribution of income of the Trust to a Non-Resident will generally be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident jurisdiction of residence. A Non-Resident that is resident in the United States who is entitled to claim the benefit of the *Canada-United States Income Tax Convention, 1980* (the "**Canada-US Tax Convention**") will be entitled to have the rate of withholding reduced to 15% of the amount of any income distributed. Based on representations from the Manager, Counsel is of the opinion that a Trust Unit is a Canadian property mutual fund investment, and therefore, the Trust is also obligated to withhold on all distributions to Non-Residents in excess of the income of the Trust at the rate of 15%. Where a Non-Resident sustains a capital loss on a disposition of Trust Units (or other properties that qualify as a Canadian property mutual fund investment) such loss may be utilized to reduce or recover the Non-Resident's tax liability in respect of such distributions in limited circumstances as provided in the Tax Act.

Pursuant to the SIFT Rules, amounts in respect of Trust income payable to Non-Residents that are not deductible to the Trust as a result of the SIFT Rules applying to the Trust will be treated as dividends payable to the Non-Residents. Under existing law, dividends paid to a Non-Resident will be subject to Canadian withholding tax at a rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. A Non-Resident that is resident in the United States who is entitled to claim the benefit of the Canada-US Tax Convention generally will be entitled to have the rate of withholding reduced to 15% of the amount of such dividend.

A disposition or deemed disposition of a Trust Unit, whether on redemption or otherwise, will not give rise to any capital gains subject to tax under the Tax Act to a Non-Resident provided that the Trust Units are not "taxable Canadian property" of the holder for the purposes of the Tax Act. Trust Units will not be considered taxable Canadian property to such a Non-Resident unless: (a) the holder holds or uses, or is deemed to hold or use the Trust Units in the course of carrying on business in Canada; (b) the Trust Units are "designated insurance property" of the holder for purposes of the Tax Act; (c) at any time during the 60 month period immediately preceding the disposition of the Trust Units the holder or persons with whom the holder did not deal at arm's length or any combination thereof, held 25% or more of the issued Trust Units; (d) the Trust is not a mutual fund trust for the purposes of the Tax Act on the date of disposition; or (e) the Trust Units are otherwise deemed to be taxable Canadian property to the Non-Resident for purposes of the Tax Act.

Interest paid or credited on subsidiary notes or redemption notes to a Non-Resident Unitholder who receives subsidiary notes or redemption notes on a redemption of Trust Units will not be subject to Canadian withholding tax.

Status of the Trust

Based upon representations made by the Manager, the Trust presently qualifies as a "mutual fund trust" as defined by the Tax Act, and this summary assumes that the Trust will continue to so qualify. Counsel is advised by the Manager that it is intended that the requirements necessary for the Trust to qualify as a mutual fund trust will continue to be satisfied so that the Trust will continue to qualify as a mutual fund trust at all times throughout its existence. In the event that the Trust were not to so qualify, the income tax considerations would in some respects be materially different from those described herein.

SIFT Rules

Recent changes to the Tax Act pursuant to the SIFT Rules will affect publicly-traded trusts and partnerships and their unitholders. The SIFT Rules apply to trusts that are resident in Canada for purposes of the Tax Act that hold one or more "non-portfolio properties", and the units of which are listed or traded on a stock exchange or other public market (a "**specified investment flow-through trust**" or "**SIFT trust**"). In the case of a trust that was a SIFT trust on October 31, 2006, the SIFT Rules generally will not take effect until January 1, 2011, provided the trust experiences only "normal growth" and no "undue expansion" before then. On December 15, 2006 the Department of Finance issued guidelines with respect to what would be considered "normal growth" for this purpose (as revised December 4, 2008, the "**Guidelines**").

The Trust would be a "SIFT trust" under the SIFT Rules. Pursuant to the SIFT Rules, a SIFT trust will be subject to tax on its income from non-portfolio properties and taxable capital gains from dispositions of non-portfolio properties at a rate comparable to the combined federal and provincial corporate income tax rate, and distributions of such income to unitholders will be treated as eligible dividends paid by a taxable Canadian corporation. The properties owned by the Trust would constitute "non-portfolio properties" under the SIFT Rules, with the result that all or substantially all of the Trust's income would be subject to the new tax. Currently, the SIFT Rules provide that the tax rate will be the federal general corporate income tax rate (which is anticipated to be 16.5% in 2011, and 15% in 2012) plus the provincial SIFT tax rate.

The provincial SIFT tax rate will be based on the general provincial corporate income tax rate in each province in which the Trust has a permanent establishment. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula will be used. It is anticipated that the Trust would be considered to have a permanent establishment only in Alberta, where the provincial tax rate is expected to be 10%, which will result in an effective tax rate of 26.5% in 2011 and 25% in 2012.

As noted, the SIFT Rules are not expected to take effect, generally, until 2011. However, the Trust could become subject to the SIFT Rules sooner than 2011 if it experiences growth other than "normal growth" before then. Under the Guidelines, a SIFT trust will be considered to have experienced only "normal growth" if its issuances of new equity, which includes trust units and debt convertible into trust units, do not exceed certain thresholds measured by reference to the SIFT trust's market capitalization as of the close of trading on October 31, 2006, taking into account only the SIFT trust's publicly-traded units and not any securities, whether or not listed, that are convertible into or exchangeable for units. The permitted expansion thresholds are the greater of (a) \$50 million in any year and (b) a cumulative limit of a SIFT trust's October 31, 2006 market capitalization available as follows: 40% for the period from October 31, 2006 to the end of 2007, 20% for the period January 1, 2008 to December 4, 2008 and the remainder thereafter. The Manager has advised Counsel that the Trust's market capitalization, determined in accordance with the Guidelines, as of October 31, 2006 was approximately \$928.7 million. The Manager has further advised Counsel that the offering of Trust Units pursuant to this short form prospectus (including the Over-allotment Option) will not, in and of itself, cause the Trust to exceed its permitted normal growth threshold under the Guidelines.

It is therefore assumed, for the purposes of this summary, that the Trust will not be subject to the SIFT Rules until January 1, 2011. No assurance can be provided that the SIFT Rules will not apply to the Trust prior to 2011.

Taxation of the Trust

The Trust is required to include in its income for each taxation year all net realized taxable capital gains, dividends, accrued interest and amounts accrued in respect of the Trust's net profit interests held by it. The Trust may deduct in respect of each taxation year an amount not exceeding 20% of the total issue expenses of the Offering and other offerings of its Trust Units or debt obligations (subject to proration for a short taxation year) to the extent that those expenses were not otherwise deductible in a preceding year, and may also deduct reasonable management and administration fees incurred by it in the year. The Trust may also deduct, in computing its income from all sources for a taxation year, an amount not exceeding 10% on a declining balance basis of its cumulative Canadian oil and gas property expense account at the end of that year, prorated for short taxation years.

Subject to the SIFT Rules, to the extent that the Trust has any income for a taxation year after the inclusions and deductions outlined above, the Trust will be permitted to deduct all amounts of income which are paid or become payable by it to Unitholders in the year. An amount will be considered payable to a Unitholder in a taxation year only if it is paid in the year by the Trust or the Unitholder is entitled in the year to enforce payment of the amount. Counsel is advised that the Trust intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. As a result of such deductions from income, it is expected that the Trust will not be liable for any material amount of tax under the Tax Act; however no assurances can be given in this regard.

Once the Trust becomes subject to the SIFT Rules (which is anticipated to be, subject to the Trust exceeding any "normal growth", deferred until January 1, 2011), the Trust will no longer be able to deduct any part of the amounts payable to Unitholders in respect of: (a) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from businesses or non-portfolio properties), and (b) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). A deduction is permitted for dividends received by a SIFT where the dividends could have been deducted if the SIFT were a corporation. "Non-portfolio properties" include: (a) Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT itself, (b) a property that the SIFT (or a non-arm's length person or partnership) uses in the course of carrying on

a business in Canada, and (c) investments in a subject entity that have a fair market value greater than 10% of the subject entity's equity value or a subject entity where the SIFT holds securities of it or its affiliates that have a total fair market value greater than 50% of the equity value of the SIFT. A subject entity includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships. The investments by the Trust in its material subsidiaries will likely be investments in subject entities for this purpose. Income which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax similar to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are paid as returns of capital.

Under the Trust Indenture, income received by the Trust may be used to finance cash redemptions of Trust Units. Further, it is possible that income received by the Trust will be used to repay the principal amount of any outstanding indebtedness (including subsidiary notes and any redemption notes). Accordingly, such income so utilized will not be payable to Unitholders by way of cash distributions. In such circumstances, such income may be payable to Unitholders in the form of additional Trust Units.

ELIGIBILITY FOR INVESTMENT

In the opinion of counsel, provided that the Trust Units are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) on the date of closing of the Offering, and subject to the provisions of any particular registered plan or account, the Trust Units will, on the date of the closing of the Offering, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust which holds Trust Units will be subject to a penalty tax if the holder does not deal at arm's length with the Trust for the purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust which the Trust does not deal at arm's length for the purposes of the Tax Act. See also "*Risk Factors – Investment Eligibility; Mutual Fund Status*" in the AIF.

RISK FACTORS

Prospective purchasers of the Trust Units should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this short form prospectus before purchasing the Trust Units offered hereby. Information regarding the risks affecting the Trust and its business is provided in the documents incorporated by reference in this short form prospectus, including the AIF under the heading "*Risk Factors*".

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Trust Units. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the heading "*Canadian Federal Income Tax Considerations*" would be materially and adversely different in certain respects.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Trust to which the Trust or Freehold Resources is a party or in respect of which any of its respective properties are subject, nor are any such proceedings known by the Trust to be contemplated, except as described elsewhere in this short form prospectus including the AIF incorporated by reference into this short form prospectus.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

To: The Board of Directors of Freehold Resources Ltd.

We have read the short form prospectus dated December 3, 2009 relating to the qualification for distribution of 6,625,000 trust units of Freehold Royalty Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our auditors' report to the unitholders of Freehold Royalty Trust on the consolidated balance sheets of Freehold Royalty Trust as at December 31, 2008 and 2007 and the consolidated statements of income (loss), comprehensive income (loss) and deficit and cash flows for the years then ended. Our report is dated March 11, 2009.

(signed) "*KPMG LLP*"
Chartered Accountants

Calgary, Canada
December 3, 2009

CERTIFICATE OF THE TRUST

Dated: December 3, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada.

FREEHOLD ROYALTY TRUST
By: FREEHOLD RESOURCES LTD.

(signed) "*William O. Ingram*"
President and Chief Executive Officer

(signed) "*Darren G. Gunderson*"
Vice-President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "*D. Nolan Blades*"
Director

(signed) "*Rodger A. Tourigny*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 3, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada.

CIBC WORLD MARKETS INC.

By: (signed) "*Brenda A. Mason*"

RBC DOMINION SECURITIES INC.

By: (signed) "*Robi Contrada*"

TD SECURITIES INC.

By: (signed) "*Gregory B. Saksida*"

BMO NESBITT BURNS INC.

By: (signed) "*Aaron M. Engen*"

NATIONAL BANK FINANCIAL INC.

By: (signed) "*Tom MacInnis*"

SCOTIA CAPITAL INC.

By: (signed) "*Mark Herman*"