

**Freehold Royalty Trust**  
(Toronto Stock Exchange – Symbol FRU.UN)

**Income Tax Information for U.S. Unitholders**

**CANADIAN TAX INFORMATION  
FOR NON-RESIDENT UNITHOLDERS**

**The following information is provided for general information only. Unitholders who are not residents of Canada for income tax purposes are encouraged to seek advice from a qualified tax advisor in their country of residence for the tax treatment of distributions.**

**NR4 Summary and Slips**

For the purposes of preparing the NR4 Return the amount of the distribution considered taxable for Canadian purposes is included in the gross income reported in Box 16 of the NR4 slip. The full amount of the tax withheld is reported in Box 17 of the NR4 slip.

**Non-Resident Withholding Tax**

Monthly income distributions payable to non-residents of Canada are normally subject to a withholding tax of 25% as prescribed by the Income Tax Act (Canada). This withholding tax may be reduced in accordance with reciprocal tax treaties. In the case of the Tax Treaty between Canada and the U.S., the withholding tax for U.S. residents is prescribed at 15%.

**Refund of Excess Part XIII Tax Withheld**

The non-resident Unitholder will have been subject to tax withholdings in excess of that required based on the taxable portion of their distribution for Canadian purposes. A non-resident can apply for a refund of this excess tax paid by completing Form NR7-R, *Application of Refund of Non-Resident Tax Withheld*. This form has to be received by the Canada Revenue Agency (“CRA”) no later than two years from the end of the calendar year in which the tax was remitted.

**UNITED STATES TAX INFORMATION  
FOR UNITHOLDERS RESIDENT IN THE UNITED STATES**

**For U.S. purposes only, Freehold is considered a corporation and therefore the full amount of the distribution is considered a dividend and 100% taxable under U.S. tax law.**

U.S. tax rules state that no portion of the distribution will be considered a tax-deferred return of capital unless the trust computes its current and accumulated earnings and profits in accordance with U.S. income tax principles. **Because a current and accumulated earnings and profits calculation is not performed by Freehold at this time, distributions are 100% taxable to U.S. residents as a dividend. However, such dividends may be eligible for the lower U.S. tax rate allowed on dividends from certain foreign corporations. Please consult your U.S. tax advisor.**

The U.S. Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “Act”) was signed into law on May 28, 2003. The Act effectively reduces the U.S. federal income tax rate on qualified dividend income, received January 1, 2003 through December 31, 2008, to a maximum of 15%. Qualified dividend income is defined as dividends received during the taxation year from domestic U.S. corporations and “qualified foreign corporations”. The term “qualified foreign corporation” excludes, among other things, a passive foreign investment company (“PFIC”). Therefore, dividends from a PFIC are not eligible for the above-noted lower rate of tax. Based on legal and tax advice obtained by Freehold, as the majority of Freehold’s revenue is derived from non-operated royalty interests, Freehold may be considered a PFIC for U.S. tax purposes and therefore may not be a qualified foreign corporation for U.S. federal income tax purposes under the Act. As such, our distributions may not be eligible for the lower U.S. tax rate outlined above.

In the case of the Tax Treaty between Canada and the U.S., the withholding tax for U.S. residents is prescribed at 15%. U.S. taxpayers may be eligible for a foreign tax credit with respect to the Canadian withholding taxes paid. U.S. investors should seek a refund of Canadian withholding tax related to amounts withheld on non-taxable distributions (from a Canadian tax perspective) from Canada Revenue Agency by filing Form NR7-R, Application for Refund of Non-Resident Tax Withheld. Under this circumstance, these taxes should not be claimed as a credit against any U.S. tax liability.

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**2004 DISTRIBUTIONS IN US DOLLARS**

<b>Record Date</b>	<b>Payment Date</b>	<b>Total Distribution Paid in CDN\$</b>	<b>US Exchange Rate</b>	<b>Total Distribution Paid in US\$</b>
December 31, 2003	January 15, 2004	\$0.10	1.2924	\$0.077375
January 31, 2004	February 15, 2004	\$0.10	1.3264	\$0.075392
February 29, 2004	March 15, 2004	\$0.17	1.3401	\$0.126856
March 31, 2004	April 15, 2004	\$0.10	1.3105	\$0.076307
April 30, 2004	May 15, 2004	\$0.10	1.3707	\$0.072955
May 31, 2004	June 15, 2004	\$0.20	1.3634	\$0.146692
June 30, 2004	July 15, 2004	\$0.10	1.3404	\$0.074605
July 31, 2004	August 15, 2004	\$0.10	1.3292	\$0.075233
August 31, 2004	September 15, 2004	\$0.25	1.3167	\$0.189869
September 30, 2004	October 15, 2004	\$0.12	1.2639	\$0.094944
October 31, 2004	November 15, 2004	\$0.12	1.2207	\$0.098304
November 30, 2004	December 15, 2004	\$0.25	1.1904	\$0.210013
<b>Total paid during the 2004 Taxation Year</b>		<b>\$1.71</b>		<b>\$1.318546</b>

The December 31, 2004 distribution was paid on January 15, 2005 (2005 taxation year) and is therefore not included in the 2004 NR4 amounts.

- Distributions are considered a dividend for tax reporting purposes.
- Registered Unitholders will receive a form NR4 from the Transfer Agent, Computershare Trust Company of Canada.
- Non-registered Unitholders (units held by a brokerage firm or other intermediary) will receive a form NR4 from the brokerage firm or other intermediary.

For more information on taxation please contact:

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## Historical Distributions

### 2003 Distributions in U.S. Dollars

RECORD DATE	PAYMENT DATE	Total Distribution Paid in CDN\$	U.S. Exchange Rate	Total Distribution Paid in US\$
December 31, 2002	January 15, 2003	\$0.10	1.5796	\$0.063307
January 31, 2003	February 15, 2003	\$0.10	1.5215	\$0.065725
February 28, 2003	March 15, 2003	\$0.20	1.4871	\$0.134490
March 31, 2003	April 15, 2003	\$0.10	1.4693	\$0.068060
April 30, 2003	May 15, 2003	\$0.10	1.4335	\$0.069759
May 31, 2003	June 15, 2003	\$0.30	1.3708	\$0.218850
June 30, 2003	July 15, 2003	\$0.10	1.3553	\$0.073784
July 31, 2003	August 15, 2003	\$0.10	1.4073	\$0.071058
August 31, 2003	September 15, 2003	\$0.20	1.3851	\$0.144394
September 30, 2003	October 15, 2003	\$0.10	1.3504	\$0.074052
October 31, 2003	November 15, 2003	\$0.10	1.3197	\$0.075775
November 30, 2003	December 15, 2003	\$0.20	1.2973	\$0.154166
Total paid during the 2003 Taxation Year		\$1.70		\$1.213421

### 2002 Distributions in U.S. Dollars

RECORD DATE	PAYMENT DATE	Total Distribution Paid in CDN\$	U.S. Exchange Rate	Total Distribution Paid in US\$
December 31, 2001	January 15, 2002	\$0.10	1.5926	\$0.062790
January 31, 2002	February 15, 2002	\$0.08	1.5923	\$0.050242
February 28, 2002	March 15, 2002	\$0.08	1.6047	\$0.049854
March 31, 2002	April 15, 2002	\$0.08	1.5935	\$0.050204
April 30, 2002	May 15, 2002	\$0.08	1.5678	\$0.051027
May 31, 2002	June 15, 2002	\$0.14	1.5275	\$0.091653
June 30, 2002	July 15, 2002	\$0.10	1.5260	\$0.065531
July 31, 2002	August 15, 2002	\$0.10	1.5763	\$0.063440
August 31, 2002	September 15, 2002	\$0.17	1.5589	\$0.109051
September 30, 2002	October 15, 2002	\$0.10	1.5858	\$0.063060
October 31, 2002	November 15, 2002	\$0.10	1.5603	\$0.064090
November 30, 2002	December 15, 2002	\$0.18	1.5654	\$0.114987
Total paid during the 2002 Taxation Year		\$1.31		\$0.835928

### 2001 Distributions in U.S. Dollars

RECORD DATE	PAYMENT DATE	Total Distribution Paid in CDN\$	U.S. Exchange Rate	Total Distribution Paid in US\$
December 31, 2000	January 15, 2001	\$0.10	1.4963	\$0.066832
January 31, 2001	February 15, 2001	\$0.10	1.5000	\$0.066667
February 28, 2001	March 15, 2001	\$0.20	1.5316	\$0.130582
March 31, 2001	April 15, 2001	\$0.10	1.5774	\$0.063395
April 30, 2001	May 15, 2001	\$0.10	1.5356	\$0.065121
May 31, 2001	June 15, 2001	\$0.23	1.5457	\$0.148800
June 30, 2001	July 15, 2001	\$0.12	1.5177	\$0.079067
July 31, 2001	August 15, 2001	\$0.12	1.5303	\$0.078416
August 31, 2001	September 15, 2001	\$0.17	1.5477	\$0.109840
September 30, 2001	October 15, 2001	\$0.12	1.5790	\$0.075997
October 31, 2001	November 15, 2001	\$0.10	1.5867	\$0.063024
November 30, 2001	December 15, 2001	\$0.10	1.5718	\$0.063621
Total paid during the 2001 Taxation Year		\$1.56		\$1.011363