

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 "U.S. Securities Act") or the securities laws of any state. Accordingly, except pursuant to the exemption from registration afforded by Rule 144A under the U.S. Securities Act, these securities may not be offered or sold within the United States and 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. See "Plan of Distribution".

New Issue

May 3, 2005

SHORT FORM PROSPECTUS

Freehold

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

\$210,002,750

**13,505,000 Subscription Receipts,
each representing the right to receive one trust unit**

Each subscription receipt (a "**Subscription Receipt**") of Freehold Royalty Trust ("**Freehold**" or the "**Trust**") offered hereby (the "**Offering**") will entitle the holder thereof to receive, without payment of additional consideration, one trust unit (a "**Trust Unit**") of the Trust upon completion of the acquisition (the "**Acquisition**"), through two commercial trusts of which the Trust is the principal beneficiary, of Petrovera Resources, a general partnership (the "**Partnership**") which owns certain royalty, fee simple mineral and working interests and other related assets described in more detail under "Acquisition of the Partnership" (the "**Partnership Interests**"). The proceeds from the sale of the Subscription Receipts (the "**Escrowed Funds**") will be held by Computershare Trust Company of Canada, as escrow agent (the "**Escrow Agent**"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending completion of the Acquisition. Upon the Acquisition being completed on or before May 26, 2005, the Escrowed Funds and the interest thereon will be released to the Trust and the Trust Units will be issued to the holders of Subscription Receipts. The Trust will utilize the Escrowed Funds to indirectly pay a portion of the purchase price for the Acquisition.

If the closing of the Acquisition does not take place by 10:00 a.m. (Calgary time) on May 26, 2005, the Acquisition is terminated at any earlier time or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (in any case, the "**Termination Time**"), holders of Subscription Receipts shall be entitled to receive an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest on such amount. The Escrowed Funds will satisfy the payment of such amount.

If the Acquisition closes on or before May 26, 2005 as currently contemplated, holders of Subscription Receipts will become holders of Trust Units ("**Unitholders**") on or before May 26, 2005 and will be entitled, provided they hold the Trust Units received pursuant to the Subscription Receipts on May 31, 2005, to receive the monthly distribution expected to be paid on June 15, 2005 to Unitholders of record on May 31, 2005. Purchasers of Subscription Receipts will not be entitled to receive the distribution to be paid to Unitholders on May 15, 2005. See "Details of the Offering".

In the opinion of Counsel, subject to the qualifications and assumptions discussed under the heading "Canadian Federal Income Tax Considerations", the Subscription Receipts and the Trust Units issuable pursuant to the Subscription Receipts, on the date of closing, will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

The issued and outstanding Trust Units are listed on the Toronto Stock Exchange (the "**TSX**"). On April 19, 2005, the last trading day prior to the public announcement of the Offering, the closing price of the Trust Units on the TSX was \$16.22. The TSX has conditionally approved the listing of the Subscription Receipts and the Trust Units issuable pursuant to the Subscription Receipts. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX on or before July 21, 2005. The offering price of the Subscription Receipts was determined by negotiation between Freehold Resources Ltd. ("**Freehold Resources**") on behalf of the Trust and CIBC World Markets Inc., on its behalf and on behalf of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, the "**Underwriters**").

	<u>Price to the Public</u>	<u>Underwriters' Fee ⁽¹⁾</u>	<u>Net Proceeds to the Trust ⁽²⁾</u>
Per Subscription Receipt	\$15.55	\$0.7775	\$14.7725
Total Offering	\$210,002,750	\$10,500,137.50	\$199,502,612.50

Notes:

- (1) The Underwriters' fee with respect to the Subscription Receipts is payable as to 50% upon the closing of this Offering and 50% on the release of the Escrowed Funds to the Trust. If the Acquisition is not completed, the Underwriters' fee will be reduced to the amount payable upon closing of this Offering.
- (2) Excluding interest, if any, on the Escrowed Funds and before deducting expenses of this Offering estimated to be \$600,000, which will be paid from the general funds of the Trust.

The Underwriters, as principals, conditionally offer the Subscription Receipts, subject to prior sale, if, as and when issued by the Trust and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to this Offering on behalf of the Trust by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Macleod Dixon LLP. The Underwriters may offer the Subscription Receipts at a price lower than that stated above. See "Plan of Distribution".

Each of CIBC World Markets Inc. and RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Trust and Freehold Resources, a wholly-owned subsidiary of the Trust, and to which the Trust and Freehold Resources are currently indebted. Consequently, the Trust may be considered a "connected issuer" of each of these Underwriters within the meaning of applicable Canadian securities legislation. See "Relationship Among the Trust and Certain Underwriters".

There is currently no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.

A return on an investment in the Trust is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in the Trust 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 income to Unitholders, these cash distributions 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 the decline in market value may be material.

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" herein and in the Trust's AIF.

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 and a return of capital. That composition may change over time, thus affecting an investor's after-tax return. Returns on capital are generally taxed as ordinary income in the hands of a Unitholder. Returns of capital are generally tax-deferred (and reduce the Unitholder's cost base in the Trust Unit for tax purposes). See "Canadian Federal Income Tax Considerations".

Subscriptions for Subscription Receipts 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 will occur on or about May 10, 2005 or such other date not later than May 26, 2005 as the Trust and the Underwriters may agree. Definitive certificates representing the Subscription Receipts will be available for delivery at closing. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Subscription Receipts or the Trust Units at levels other than those that might otherwise prevail on the open market. See "Plan of Distribution".

The Subscription Receipts and 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 into this short form prospectus, constitute forward-looking statements. These statements relate to future events or the Trust's 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. The Trust and Freehold Resources believe 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 particular, this short form prospectus and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- the performance characteristics of Freehold's oil and natural gas properties;
- oil and natural gas production levels;
- the size of the oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditures programs.

Freehold's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below, elsewhere in this short form prospectus and documents incorporated by reference herein:

- volatility in market prices for oil and natural gas and foreign exchange;
- 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;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry and income trusts; and
- the other factors discussed under "Risk Factors".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. 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.

NON-GAAP MEASURES

In this short form prospectus and documents incorporated by reference herein, the Trust uses the terms "cash flow", "cash flow from operations" and "cash available for distribution" to refer to the amount of cash available for distribution to Unitholders and as indicators of financial performance. "Cash flow", "cash flow from operations" and "cash available for distribution" are not measures recognized by Canadian generally accepted accounting principles ("**GAAP**") and do not have standardized meanings prescribed by GAAP. Therefore, "cash flow", "cash flow from operations" and "cash available for distribution" of the Trust may not be comparable to similar measures presented by other issuers, and investors are cautioned that "cash flow", "cash flow from operations" and "cash available for distribution" should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Cash available for distribution cannot be assured and future distributions may vary.

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

All oil and natural gas reserve information contained in this short form prospectus, including the documents incorporated by reference, has been prepared and presented in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this short form prospectus and the documents incorporated by reference. The estimated future net revenue from the production of the disclosed oil and natural reserves does not represent the fair market value of these reserves. The Trust has adopted the standard of 6 Mcf:1 boe when converting natural gas to barrels of oil equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

All oil and gas operational information relating to the Partnership Interests contained in this short form prospectus is based on information provided to the Trust by third parties. Trimble Engineering Associates Ltd., independent qualified reserves evaluators, has prepared the oil and gas reserves report dated February 22, 2005 and effective December 31, 2004 in respect of the reserves attributable to the Partnership Interests.

GLOSSARY OF TERMS

"**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 facilities and other types of oil and natural gas related acquisitions in addition to Canadian resource properties;

"**Acquireco Distributions**" means cash distributions made to the Trust from Acquireco, which distributions will be distributed to Unitholders, after deduction of all required deductions;

"**Acquisition**" means the acquisition of the Partnership by FCT1 Trust and FCT2 Trust pursuant to the Purchase Agreement;

"**Acquisition Fee**" means the \$5.175 million fee to be paid by the Trust to the Manager pursuant to the terms of the Management Agreement upon completion of the Acquisition;

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

"**Additional Royalties**" means Royalty Interests in oil and natural gas rights acquired by us from time to time;

"**AIF**" means the Trust's 2004 Annual Information Form dated March 15, 2005;

"**ARC**" means credits and rebates in respect of Crown royalties which are paid or credited by the Crown, including those paid or credited under the *Alberta Corporate Tax Act* which are commonly known as "**Alberta Royalty Credits**";

"**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the City of Calgary are generally open for the transaction of commercial banking business;

"**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 the employees of Canadian National Railway Company;

"**Counsel**" means Burnet, Duckworth & Palmer LLP and Macleod Dixon LLP;

"**Credit Facilities**" means the credit facilities of the Trust, FCT1 Trust and FCT2 Trust with an agent and a syndicate of chartered banks;

"**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" (as defined in the Tax Act) 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";

"**Distribution Record Date**" means the last day of each calendar month or such other dates in any year determined from time to time by the Trustee, except that December 31 shall be a Distribution Record Date;

"**Distributions to Unitholders**" means, for any particular period, the HB Lands Royalties, Additional Royalties, the Freehold Resources Royalty and Acquireco Distributions received by the Trust plus the interest income from Permitted Investments and ARC, if any, received by the Trust less the Trust's share of Crown royalties (other than Crown royalties which are deducted in the computation of the Royalty), expenses and withholding payable by the Trust to Unitholders and less other amounts reasonably determined by Freehold Resources to be retained for the purposes of the Trust;

"**Escrow Agent**" means Computershare Trust Company of Canada or its successor as escrow agent under the Subscription Receipt Agreement;

"**Escrowed Funds**" means the proceeds from the sale of the Subscription Receipts;

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

"**Freehold Resources Notes**" means notes issued in certain circumstances including on a redemption of Trust Units;

"**Freehold Resources Properties**" means the working, royalty or other interests 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" (as defined in the Tax Act), 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;

"**Management Agreement**" means the agreement dated November 25, 1996 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;

"**Manager**" means Rife Resources Management Ltd.;

"**NI 51-101**" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

"**NPI**" means net profit interest;

"**Offering**" means the offering of Subscription Receipts pursuant to this short form prospectus;

"**Partnership**" means Petrovera Resources, a general partnership owned by the Vendors which is to be acquired by the FCT Trusts pursuant to the Purchase Agreement;

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

"Partnership Lands" means all of the lands from which the Partnership Interests are derived;

"Permitted Investments" means: (i) loan advances to Freehold Resources; (ii) interest-bearing accounts of a Canadian chartered bank or the Trustee; (iii) guaranteed investment certificates issued by a Canadian chartered bank or the Trustee; (iv) investment grade money market instruments or funds; (v) Government of Canada Treasury Bills; and (vi) Additional Royalties which are direct royalty interests in petroleum and natural gas rights; provided that an investment will not be a Permitted Investment if it would result in the Trust holding more than 8% of its assets at any particular time in the securities of any person other than the Government of Canada, any province or any municipality;

"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;

"Private Placement" means the acquisition by one of the Vendors of 3,858,520 Trust Units, by way of a private placement, at a price of \$15.55 per Trust Unit, concurrent with the closing of the Acquisition;

"Purchase Agreement" means the partnership interests purchase and sale agreement dated April 20, 2005 between the FCT Trusts and the Vendors with respect to the Acquisition;

"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;

"Subscription Receipt Agreement" means the agreement to be dated the date of closing of the Offering between the Trust, the Underwriters and the Escrow Agent governing the terms of the Subscription Receipts;

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

"Trimble" means Trimble Engineering Associates Ltd., independent qualified reserves evaluators;

"Trimble Report" means the report prepared by Trimble, dated February 22, 2005, evaluating the crude oil, NGLs and natural gas reserves attributable to the Partnership Interests as at December 31, 2004;

"Trust", "us", "we", "our" or "Freehold" means Freehold Royalty Trust, a trust established under the laws of Alberta pursuant to the Trust Indenture. All references to the **"Trust", "us", "we", "our" or "Freehold"**, unless the context otherwise requires, are references to Freehold Royalty Trust, its predecessors, and its subsidiaries;

"Trust Indenture" means the amended and restated trust indenture between Computershare Trust Company of Canada and Freehold Resources made as of May 1, 2002, as amended from time to time;

"Trust Unit" means a unit of the Trust, each unit representing an equal undivided beneficial interest therein;

"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., BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc.;

"**Underwriting Agreement**" means the agreement dated April 22, 2005 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 the Trust Units;

"**Vendors**" means Canadian Natural Resources Limited, a senior Canadian oil and gas production company and certain of its subsidiaries and an affiliated general partnership which are the partners of the Partnership;

"**Working Interest Properties**" means the properties and assets acquired by Freehold Resources from each of Canpar and Rife pursuant to the Working Interest Sale Agreements, and additional working interests acquired; and

"**Working Interest Sale Agreements**" means the purchase and sale agreement between Freehold Resources and Rife and the purchase and sale agreement between Freehold Resources and Canpar which provided for the purchase by Freehold Resources from Rife and Canpar of the Working Interest Properties.

All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

ABBREVIATIONS

Oil and Natural Gas Liquids

bbls	barrels
bbls/d	barrels per day
boe/d	barrels of oil equivalent per day
bopd	barrels of oil per day
Mbbls	thousand barrels
Mboe	thousand barrels of oil equivalent
MMbbls	million barrels
MMboe	million barrels of oil equivalent
Mstb	thousand stock tank barrels
NGLs	natural gas liquids

Natural Gas

Bcf	billion cubic feet
GJ	gigajoule
m ³	cubic metres
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMBtu	one million British Thermal Units

Other

°API	means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.
BOE or boe	means barrels of oil equivalent converting six Mcf of natural gas to one barrel of oil equivalent and one barrel of NGLs to one barrel of oil equivalent. The factor used to convert natural gas and NGLs to oil equivalent is not based on either energy content or prices but on a commonly used industry benchmark. Sulphur volumes are not included.
Mtonne	means one thousand tonnes.
psi	means pounds per square inch.
WTI	means West Texas Intermediate.

CONVERSION

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.4047
hectares	acres	2.471
gigajoules	Mbtu	0.950
MMbtu	gigajoules	1.0526

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with 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 at 400, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4, telephone (403) 221-0802. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of the Corporation at the above mentioned address and telephone number. In addition, copies of the documents incorporated herein by reference may be obtained through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

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 Trust's 2004 Annual Information Form (the "AIF") dated March 15, 2005;
2. the audited comparative consolidated financial statements of the Trust and the notes thereto as at and for the years ended December 31, 2004 and 2003, together with the report of the auditors' thereon;
3. the management's discussion and analysis of the financial condition and operations of the Trust for the years ended December 31, 2004 and 2003;
4. the information circular – management proxy statement of the Trust dated March 15, 2005 relating to the annual meeting to be held on May 11, 2005 (excluding those portions thereof which appear under the headings "Performance Graph" and "Governance"); and
5. the Material Change Report of the Trust dated April 29, 2005, relating to the Acquisition, the Private Placement and the Offering.

Any material change reports (excluding confidential reports), comparative interim financial statements, comparative financial statements for the Trust's most recently completed financial year, together with the accompanying report of the auditor and information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) 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 shall be 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 Trust was a closed-end investment trust created under the laws of the Province of Alberta pursuant to a trust indenture dated September 30, 1996 as amended and restated November 25, 1996 until its conversion to an open-end trust pursuant to an amended and restated trust indenture dated effective May 4, 1999. The trustee of the Trust is Computershare Trust Company of Canada (the "**Trustee**"). The Trust, which is currently governed by the Trust Indenture dated effective May 1, 2002, was created for the purposes of purchasing the HB Lands Royalties from Canpar and the Freehold Resources Royalty from Freehold Resources and issuing Trust Units to the public. The beneficiaries of the Trust are holders of the Trust Units. The head and principal office of the Trust is located at 400, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

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, instead of internalizing management, 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 Resources Ltd. ("**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 20 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. Based on these factors and the fact that the management fees paid to the Manager, other than the Acquisition Fee, are paid in Trust Units, which the board of directors of Freehold Resources believes aligns the interests of the Manager with the interests of the Unitholders, the board of directors of Freehold Resources has decided not to internalize management at this time.

In connection with the 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.

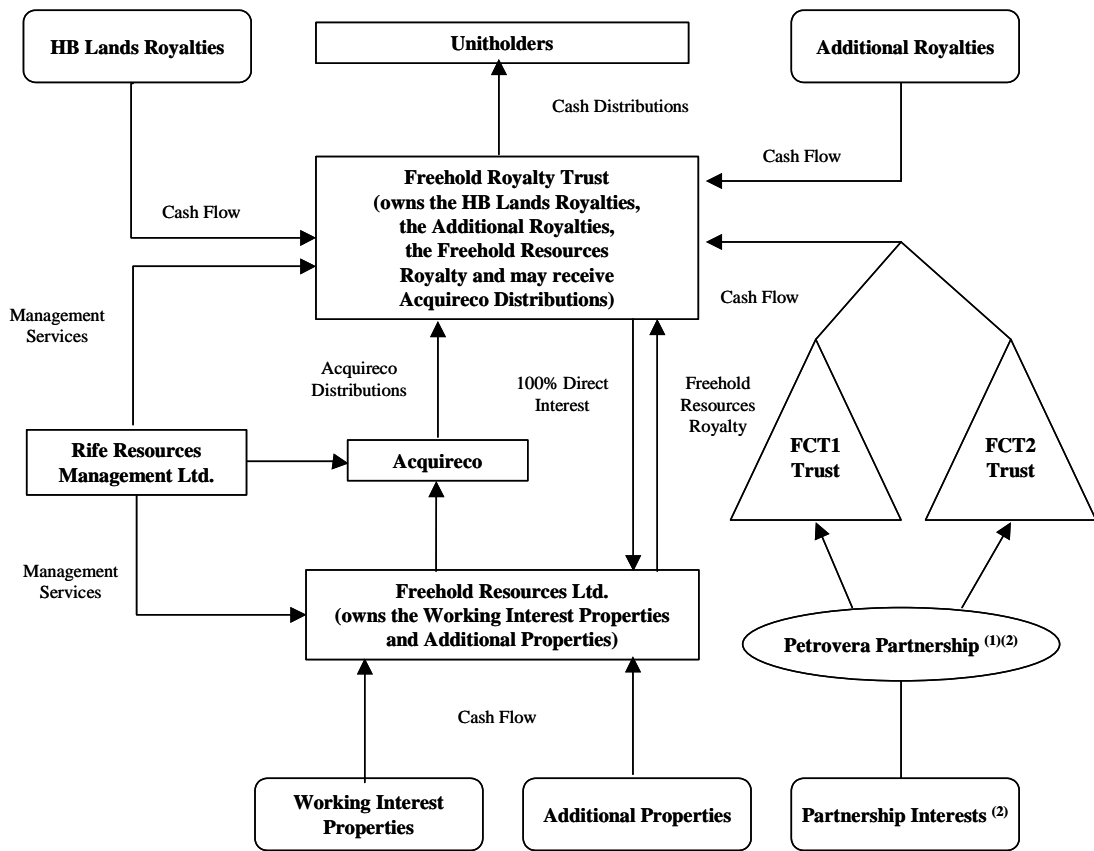
Inter-Corporate Relationships

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

Organizational Structure of the Trust

The following diagram describes the inter-corporate relationships among the Trust and its material subsidiaries, trusts and partnerships, both before and after giving effect to the Acquisition.



Notes:

- (1) Immediately following the Acquisition, the Partnership will be owned by the FCT Trusts.
- (2) After giving effect to the Acquisition. See "Acquisition of the Partnership" and "Information Concerning the Partnership Interests".

DESCRIPTION OF BUSINESS

The Trust is structured as a mutual fund trust under the Tax Act. This enables the Trust to return the majority of its income to Unitholders in a tax-effective manner. The Trust receives revenue from oil and natural gas properties as petroleum, 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 17,000 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. A description of the general development of the business of the Trust, including acquisitions, over its last three completed financial years is contained in the AIF. 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. Upon completion of the Acquisition, Unitholders will also participate in income derived indirectly through the FCT Trusts from the Partnership.

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. Pursuant to the Acquisition, the Partnership will be indirectly acquired by the Trust through the FCT Trusts.

Cash distributions are made on or about the 15th day of each month to Unitholders of record on or about the last calendar day of the immediately preceding month. See "Description of Trust Units – Cash Distributions".

ACQUISITION OF THE PARTNERSHIP

Overview

On April 20, 2005, the FCT Trusts entered into the Purchase Agreement whereby the FCT Trusts have agreed to purchase the Partnership from the Vendors for an aggregate purchase price of approximately \$345 million, after the estimated purchase price adjustments. The Partnership is a general partnership formed under the laws of Alberta. The Partnership acquired the royalty, fee simple mineral and working interests that now comprise the Partnership Interests on March 10, 2005 from the Vendors. The purchase price for the Acquisition will be paid out of the net proceeds from the sale of Subscription Receipts hereunder, the proceeds from the sale, by way of private placement, of \$60 million of Trust Units to one of the Vendors and the Trust's expanded credit facility.

Upon completion of the Acquisition, the FCT Trusts will own the Partnership and the Partnership Interests described in more detail under "Information Concerning the Partnership Interests". The Acquisition is anticipated to be completed on or about May 10, 2005 and will have an effective date of January 1, 2005.

Less than 5% of the Partnership Interests to be acquired by the FCT Trusts pursuant to the Acquisition are subject to "rights of first refusal" in favour of third parties. To the extent such rights are exercised prior to the completion of the Acquisition, the affected assets will be excluded from the Acquisition. To the extent such rights are exercised after the completion of the Acquisition, the affected assets will be sold to the third party by the Partnership, which shall retain the purchase price paid.

Partnership Interests

The Partnership Interests are weighted towards oil, with approximately 55% of 2004 production relating to the Partnership Interests attributable to crude oil, 42% to natural gas and 3% to NGLs. On a reserves basis, the Partnership Interests are weighted approximately 51% to natural gas and NGLs, approximately 12% to light and medium crude oil and approximately 37% to heavy oil. Production in 2004 from the Partnership Interests was approximately 3,663 boe/d consisting of 9.3 MMcf/d of natural gas, 101 bbls/d of NGLs and 2,005 bbls/d of crude oil.

The oil and natural gas reserves attributable to the Partnership Interests were assigned 8.3 MMboe of proved reserves and 12.9 MMboe of proved plus probable reserves in the Trimble Report, consisting of 37.5 Bcf of natural gas, 6.3 MMbbls of crude oil and 0.4 MMbbls of NGLs. See "Information Concerning the Partnership Interests – Reserves Data and Other Oil and Natural Gas Information for the Partnership Interests" herein for additional information regarding the reserves attributable to the Partnership Interests.

The Trust estimates that the properties from which the Partnership Interests are derived have a proved reserve life index of 6.7 years and a proved plus probable reserve life index of 9.6 years. The Partnership Interests also apply to gross undeveloped landholdings of 386,509 acres.

The Partnership Interests also include potash production of 5.4 tonnes/day, which generated approximately \$0.3 million of net operating income in 2004 and a NPI that generated an additional \$2.2 million of net operating income in 2004.

See "Information Concerning the Partnership Interests", the "Unaudited Pro Forma Consolidated Financial Statements" attached hereto in Schedule "A" and the "Schedule of Revenue and Expenses of the Partnership Interests" attached hereto in Schedule "B".

Closing Conditions and Liability Arrangements

Conditions to closing of the Acquisition include the following: (i) the continued accuracy of representations and warranties (except that, in the aggregate, do not have a material adverse effect on the value of the Partnership Interests); (ii) compliance with all covenants and agreements required in the Purchase Agreement; (iii) one of the Vendors acquiring \$60 million of Trust Units by way of private placement, (iv) receipt of customary approvals under the *Competition Act* (Canada); (v) an absence of claims or proceedings that would prohibit the Acquisition; (vi) the FCT Trusts and the Vendors having delivered all necessary closing documents and deliveries; and (vii) the closing occurring on or before May 26, 2005, unless otherwise agreed.

In connection with the Acquisition, the Vendors have agreed to indemnify the Trust and the FCT Trusts in respect of certain liabilities, subject to certain limitations and adjustments as set forth in the Purchase Agreement, arising as a direct result of any act, omission, circumstance or other matter arising out of, resulting from, attributable to or connected with: (i) any default under the Purchase Agreement by the Vendors; (ii) the prior assets of the Partnership; and (iii) certain taxes payable by the Partnership, provided that the Vendors shall not be responsible for any claim for indemnity arising from or in respect of: (a) a breach of a representation, warranty or covenant in the Purchase Agreement; or (b) a reduction in the value of the Partnership Interests arising in connection with any uncured title defects, unless the aggregate value of the indemnified losses from or in respect of the matters set forth in (a) and (b) above exceeds a specified amount, in which event, the Vendors's obligation to indemnify the Trust and the FCT Trusts shall include indemnified losses arising from or in respect of the matters set forth in (a) above only, but shall not include indemnified losses arising from or in respect of uncured title defects. The FCT Trusts have also agreed to indemnify the Vendors in respect of certain liabilities arising as a direct result of any act, omission, circumstance or other matter arising out of, resulting from, attributable to or connected with (whether before, on or after the closing date of the Acquisition): (i) any default under the Purchase Agreement made by the FCT Trusts; (ii) from and after the closing date of the Acquisition, the Partnership Interests and the Partnership; and (iii) from and after the closing date of the Acquisition, all environmental liabilities associated with the Partnership Interests whether occurring or accruing prior to or following the adjustment date for the Acquisition.

Trust Unit Acquisition

One of the Vendors, concurrent with the closing of the Acquisition, has agreed in the Purchase Agreement to acquire, by way of private placement, 3,858,520 Trust Units for an aggregate purchase price of approximately \$60 million. Such Trust Units shall be issued at the same price per Trust Unit as Freehold issues Subscription Receipts hereunder; however, such Trust Units are not qualified by this prospectus and as such will be subject to a statutory four month hold period.

Acquisition Fee

Pursuant to the terms of the Management Agreement, the Manager is entitled to be paid a fee equivalent to approximately \$5.175 million upon closing of the Acquisition. The Acquisition Fee, which is equivalent to 1.5% of the purchase price for the Acquisition, will be paid to the Manager out of the Trust's Credit Facility.

INFORMATION CONCERNING THE PARTNERSHIP INTERESTS

Certain information in this short form prospectus in respect of the Partnership and the Partnership Interests has been taken from information provided by the Vendors.

Description of the Partnership Interests and Partnership Lands

Overview

The Partnership Interests are derived from: (a) lessees under lease agreements from mineral title lands with varying mineral title interests ("leased mineral title lands"); (b) gross overriding royalties from parties in which the mineral title is owned by other parties ("leased gross overriding royalty lands"); and (c) working interests in leases owned by the Partnership.

The FCT Trusts will receive income from the sale of leased substances from the Partnership Lands from which the Partnership Interests are derived with no deduction for the cost or expenses of exploration, development, production, abandonment or reclamation, except in the case of the working interests owned by the Partnership.

The acreage to be acquired by the FCT Trusts includes a diversified aggregation of royalty lands totalling 1,109,922 gross acres of which 994,183 gross acres are leased gross overriding royalty lands, 115,739 gross acres are leased mineral title lands including 23,200 acres of potash title lands and a working interest in the Bashaw D-2L Unit. These lands are situated in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Certain of the lands have been included in 100 oil and natural gas production units. Currently, 386,509 gross acres are undeveloped, which management of the Trust believes will provide opportunities for lessees to continue with drilling and expansion of production volumes and reserves.

The leased gross overriding royalty lands consist of leased developed and undeveloped acreage in which the title is owned by another party, and where the royalty paid is derived contractually. The royalty interest varies from less than 1% to 30%. 370,209 leased gross acres are currently undeveloped.

Leased mineral title lands ownership ranges from 27% to 100%, and the Partnership receives a percentage of the applicable royalty ranging from 10% to 30%. 16,300 gross acres of leased mineral title lands are currently undeveloped which Freehold believes would also offer lessees the opportunity to add production and reserves through continued drilling. All of the potash royalties are leased mineral title lands.

Summary of Partnership Interests and Partnership Lands

The Partnership Interests are highly diverse and are situated in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Royalties are received from the sale of leased oil, natural gas and NGLs from approximately 7,600 wells on the Partnership Lands, of which approximately 4,100 wells are contained within oil and natural gas production units. In addition, royalties are received from the sale of potash from six mines. Royalty production in 2004 was approximately 3,633 boe/d, comprised of 1,981 bopd of oil, 99 bbls/d of natural gas liquids, 9,323 Mcf/d of natural gas, and 5.4 tonnes per day of potash. The working interest production in 2004 was 30 boe/d. The net operating income from the royalties and working interests which comprise the Partnership Interests for the year ended December 31, 2004 was \$48.7 million. In addition, the NPI and potash production which comprises the remainder of the Partnership Interests generated \$2.2 million and \$0.3 million, respectively, of net operating income during 2004, for a total net operating income from the Partnership Interests of approximately \$51.1 million for the year ended December 31, 2004. See Schedule "B" hereto which contains an audited statement of the revenue and expenses of the Partnership Interests for the years ended December 31, 2003 and 2004.

The single largest property located at Hayter, Alberta accounts for 25% of the total net operating income attributable to the Partnership Interests during 2004. The next largest property located at Wainwright, Alberta accounts for 8% of the net operating income derived from the Partnership Interests. Nine of the 118 properties that account for 53% of the 2004 net operating income derived from the Partnership Interests are described below.

The following table summarizes by area the average interest proposed to be acquired by the FCT Trusts, wells drilled, oil and natural gas production in 2004, net reserves, income in 2004 and reserve value related to a portion of the Partnership Lands:

Partnership Lands	Average Royalty or Working Interest (%)	2004 Wells Drilled (gross)	2004 Production (boe/d)	Net Proved Plus Probable Reserves ⁽¹⁾ (Mboe)	2004 Income (\$000s)	Net Present Value of Future Net Revenue Discounted at 10%/year ⁽¹⁾ (\$000s)	Percentage of Royalty or Working Interest Reserve Value (%)
<i>Royalty Interests</i>							
Hayter	16.1	29	1,093	3,111	12,765	44,207	19.8
Wainwright	5.4	18	296	830	3,814	15,242	6.8
Ontario	5.0	n/a	110	889	2,018	14,819	6.6
Mannville	10.7	1	132	449	1,826	8,598	3.8
Pembina	0.4	3	79	205	1,212	3,616	1.6
Lindbergh	7.1	0	103	296	1,189	4,834	2.2
Cyn Pem	8.8	1	83	255	1,422	4,611	2.1
Tangleflags	9.0	0	101	272	1,274	4,620	2.1
St. Paul	8.5	2	98	161	1,151	2,666	1.2
Other	4.2	304	1,538	6,368	21,639	120,571	53.8
Total Royalty Interests	4.9	358	3,633	12,836	48,310	223,784	100.0
<i>Working Interests</i>							
Bashaw D-2L Unit	5.97	0	30	53	345	737	100

Note:

(1) Based on the Trimble Report, using forecast prices and costs.

During 2004, 358 gross wells (16.4 equivalent net wells based on all interests held by the Partnership, including royalty interests) were drilled on the Partnership Lands. See "Information Concerning the Partnership Interests – Drilling Activity". This activity includes 117 wells in which the Partnership has an interest in production units. Freehold believes opportunities exist for lessees to continue with drilling and expansion of production volumes on the Partnership Lands.

The following table summarizes the gross acreage, gross wells and production unit interests proposed to be acquired by the FCT Trusts in the Partnership Lands:

Area	Total Acres	Undeveloped Acres ⁽¹⁾	Non-Unitized		Production Units	Unitized	
			Natural Gas Wells	Oil Wells		Natural Gas Wells	Oil Wells
<i>Royalty Interests</i>							
Hayter	5,682	1,962	3	322	0	0	0
Wainwright	15,400	3,000	28	110	5	0	158
Ontario	332,500	213,465	221	0	0	0	0
Mannville	25,920	0	59	1	1	33	2
Pembina	29,840	3,240	23	65	8	0	591
Lindbergh	12,640	1,760	8	162	0	0	0
Cyn Pem	13,712	1,952	15	10	2	0	8
Tangleflags	7,320	1,000	17	85	0	0	0
St. Paul	24,480	3,080	45	19	0	0	0
Other	642,428	157,050	1,668	622	84	1,054	2,289
Total Royalty Interests	1,109,922	386,509	2,087	1,396	100	1,087	3,048
<i>Working Interests</i>							
Bashaw D-2L Unit	320	0	0	0	1	0	10

Note:

(1) Undeveloped lands are non-producing spacing units on the Partnership Lands.

The Partnership Interests were assigned 8.3 MMboe net proved reserves and 12.9 MMboe net proved plus probable reserves in the Trimble Report. Reserve amounts set forth in the descriptions below are as stated in the Trimble Report as at December 31, 2004, based on forecast cost and price assumptions. Such reserves are set forth on a consolidated basis in the oil, natural gas and NGLs reserve tables herein. See "Information Concerning the Partnership Interests - Reserves Data and Other Oil and Natural Gas Information for the Partnership Interests".

Hayter

The FCT Trusts have agreed to acquire gross overriding royalties averaging 16.1% in 5,682 gross acres (1,962 acres undeveloped) in the Hayter area of east central Alberta, which is located 140 miles east of the City of Edmonton near the Alberta and Saskatchewan border. Production is from the Hayter Dina "B" pool which was discovered in 1963 and covers approximately 3,500 acres. The Trust currently already has participating interests of 23.5% and mineral title interests of 48.5% in 800 acres of this pool. The Dina sand has an average net oil pay of 50 feet. The heavy oil in the Dina "B" pool is supported by an active aquifer. Recent short horizontal drilling of wells up to 650 feet in length on the Trust's current Royalty Lands has increased productivity and recoveries significantly. The Manager expects similar horizontal drilling will occur on the Partnership Lands. Rife is the operator of the Trust's current Royalty Lands in this area and Harvest Energy Trust is the operator of the Partnership Lands in this area.

Production of 814 boe/d in 2005 and proved plus probable reserves of 3,111 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Hayter property generated approximately 25% of the net operating income derived from the Partnership Interests in 2004.

Wainwright

The FCT Trusts have agreed to acquire gross overriding royalties averaging 5.4% in 15,400 gross acres (3,000 acres undeveloped) in the Wainwright area of east central Alberta, which is located 100 miles east of the City of Edmonton.

The Partnership Interests are in 5 production units plus various non-unit lands with the majority of the interests being a 22% gross overriding royalty in approximately 50 percent of the non-unitized Sparky "E" pool. The Wainwright Sparky "E" pool was discovered in 1985 and covers approximately 2,000 acres. The Sparky sand has an average net oil pay of 10 feet and produces heavy oil. Waterflood operations commenced in 1996.

Production of 302 boe/d in 2005 and proved plus probable reserves of 830 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Wainwright property generated approximately 8% of the net operating income derived from the Partnership Interests in 2004.

Ontario

The FCT Trusts have agreed to acquire gross overriding royalties averaging 5% in 332,500 gross acres (213,465 acres undeveloped), including 150 producing wells in the Lake Erie area of southern Ontario. The operator is Talisman Energy Inc. ("Talisman") with 65% of the gross overriding royalty being paid by Talisman and 35% of the gross overriding royalty being paid by NAL Oil & Gas Trust.

Natural gas from this operation received a premium price of approximately \$1.30 per Mcf over the 2004 AECO gas price due to its proximity to major southern Ontario markets.

Production of 672 Mcf/d (112 boe/d) in 2005 and proved plus probable reserves of 5,336 MMcf (889 Mboe) in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Ontario property generated approximately 4% of the net operating income derived from the Partnership Interests in 2004.

Mannville

The FCT Trusts have agreed to acquire gross overriding royalties averaging 10.7% in 25,920 gross developed acres in the Mannville area of east central Alberta, which is located approximately 90 miles east of the City of Edmonton.

The Partnership Interests range from 0.5% to up to 20% in 36 producing natural gas wells from the Lower Cretaceous sands, plus an effective 7.4% interest in the Mannville Gas Unit. Production of 164 boe/d in 2005 and proved plus probable reserves of

449 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Mannville property generated approximately 4% of the net operating income derived from the Partnership Interests in 2004.

Pembina

The FCT Trusts have agreed to acquire gross overriding royalties averaging 0.4% in 29,840 gross acres (3,240 acres undeveloped) and eight oil production units in the Pembina area of central Alberta, which is located 90 miles west of the City of Edmonton.

The Partnership Interests range from 0.1% up to 3.7% in the eight production units and 5.1% in 23 non-unit natural gas wells and 4.9% in 65 non-unit oil wells. A majority of the production is from the Upper Cretaceous formations including the Cardium zone which produces light oil. Production of 55 boe/d in 2005 and proved plus probable reserves of 205 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Pembina property generated approximately 2% of the net operating income derived from the Partnership Interests in 2004.

Lindbergh

The FCT Trusts have agreed to acquire gross overriding royalties averaging 7.1% in 12,640 gross acres (1,760 acres undeveloped) in the Lindbergh area of central Alberta, which is located approximately 90 miles east northeast of the City of Edmonton.

A majority of the production is from the Lower Cretaceous formations including the Lower Grand Rapids and Wabiskaw-McMurray zones which produce oil.

Production of 111 boe/d in 2005 and proved plus probable reserves of 296 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Lindbergh property generated approximately 2% of the net operating income derived from the Partnership Interests in 2004.

Cyn Pem

The FCT Trusts have agreed to acquire gross overriding royalties averaging 8.8% in 13,712 gross acres (1,952 acres undeveloped) and two oil production units in the Cyn Pem area of central Alberta, which is located 100 miles west of the City of Edmonton.

A majority of the production comes from the two oil production units which produce light oil from the Cardium zone and two non-unit natural gas wells producing from the Rock Creek and Jurassic zones. Production of 79 boe/d in 2005 and proved plus probable reserves of 255 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Cyn Pem property generated approximately 3% of the net operating income derived from the Partnership Interests in 2004.

Tangleflags

The FCT Trusts have agreed to acquire gross overriding royalties averaging 9% in 7,320 gross acres (1,000 acres undeveloped) in the Tangleflags area of west central Saskatchewan, which is located approximately 15 miles east of the City of Lloydminster.

The production comes from a large mix of oil and natural gas non-unitized wells from the Mannville formation. The majority of the oil produces from the Sparky, Lloydminster and Waseca zones. Production of 131 boe/d in 2005 and proved plus probable reserves of 272 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the Tangleflags property generated approximately 3% of the net operating income derived from the Partnership Interests in 2004.

St. Paul

The FCT Trusts have agreed to acquire gross overriding royalties averaging 8.5% in 24,480 gross acres (3,080 acres undeveloped) in the St. Paul area of central Alberta, which is located approximately 100 miles east northeast of the City of Edmonton.

A majority of the production comes from several Mannville gas zones and the Lower Grand Rapids formation which produces heavy oil. Production of 71 boe/d in 2005 and proved plus probable reserves of 161 Mboe in this area are estimated in the Trimble Report. The Partnership Interests attributable to the St. Paul property generated approximately 2% of the net operating income derived from the Partnership Interests in 2004.

Partnership's Working Interest

The FCT Trusts have also agreed to acquire a 5.97% participating interest in the Bashaw D-2L unit located in central Alberta. The unit is operated by Viking Energy Ltd. and produces oil from the Nisku formation. Production of 33 boe/d in 2005 and proved plus probable reserves of 53 Mboe are estimated in the Trimble Report.

Net Profit Interest Properties

The Partnership Interests which the FCT Trusts have agreed to acquire include a NPI in four properties of which the property located in the Wild River area of Alberta, approximately 95 miles southeast of the City of Grande Prairie, comprises the majority of these NPIs. During 2003 and 2004 the NPI generated net operating income of approximately \$2.1 million and \$2.2 million, respectively.

Potash

The FCT Trusts have agreed to acquire mineral title lands in Manitoba and Saskatchewan that have been leased to various operators of six potash mines. These leases are included within larger potash units which cover the total mine areas. The royalties derived from the potash leases are calculated in the same manner as royalties payable to the provinces from provincially owned potash rights. Potash is a naturally occurring substance that is mined, processed and then used as an agricultural fertilizer. The potash mines are operated by Potash Corporation of Saskatchewan and IMC Esterhazy Canada Limited Partnership. The Trust already has a royalty interest in these six mines.

Potash production from these Partnership Interests for 2004 was 5.4 tonnes/day, which generated approximately \$0.3 million of net operating income. Due to the immaterial value of the potash reserves, the Trust did not obtain an independent evaluation of the potash reserves.

Reserves Data and Other Oil and Natural Gas Information for the Partnership Interests

The reserves data and other oil and gas information set forth below is dated February 22, 2005. The effective date of such data was December 31, 2004 and the preparation date was April 20, 2005.

The reserves data set forth below (the "**Reserves Data**") for the Partnership Interests is based upon an evaluation by Trimble with an effective date of December 31, 2004 as contained in the Trimble Report. The Reserves Data summarizes the oil, NGLs and natural gas reserves of the Partnership Interests and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The Reserves Data conforms with the requirements of NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity which we believe is important to the readers of this information. The Trust engaged Trimble to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the reserves associated with the Partnership Interests are located in Canada and, specifically, in the provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material.

Reserves Data (Constant Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
CONSTANT PRICES AND COSTS

ROYALTY INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved Producing	0	1,007	0	2,798	0	25,374	0	256
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	0	1,007	0	2,798	0	25,374	0	256
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	0	1,007	0	2,798	0	25,374	0	256
Probable	0	503	0	1,925	0	12,122	0	98
Total Proved Plus Probable	0	1,510	0	4,723	0	37,496	0	354

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
CONSTANT PRICES AND COSTS

ROYALTY INTERESTS

Reserves Category	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Producing	256,465	192,439	155,574	131,571	114,674
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	256,465	192,439	155,574	131,571	114,674
Proved Undeveloped	0	0	0	0	0
Total Proved	256,465	192,439	155,574	131,571	114,674
Probable	132,557	73,706	48,953	36,067	28,370
Total Proved Plus Probable	389,022	266,145	204,527	167,638	143,044

Note:

(1) Includes ARC.

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
CONSTANT PRICES AND COSTS

WORKING INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (MMbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved Producing	35	28	0	0	32	25	3	2
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	35	28	0	0	32	25	3	2
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	35	28	0	0	32	25	3	2
Probable	19	15	0	0	17	14	2	1
Total Proved Plus Probable	54	43	0	0	49	39	5	3

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
CONSTANT PRICES AND COSTS

WORKING INTERESTS

Reserves Category	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Producing	790	712	649	596	552
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	790	712	649	596	552
Proved Undeveloped	0	0	0	0	0
Total Proved	790	712	649	596	552
Probable	450	351	282	232	195
Total Proved Plus Probable	1,240	1,063	931	828	747

Note:

(1) Includes ARC.

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
CONSTANT PRICES AND COSTS

ROYALTY AND WORKING INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved Producing	35	1,035	0	2,798	32	25,399	3	258
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	35	1,035	0	2,798	32	25,399	3	258
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	35	1,035	0	2,798	32	25,399	3	258
Probable	19	518	0	1,925	17	12,136	2	99
Total Proved Plus Probable	54	1,553	0	4,723	49	37,535	5	357

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
CONSTANT PRICES AND COSTS

ROYALTY AND WORKING INTERESTS

Reserves Category	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Producing	257,255	193,151	156,223	132,167	115,226
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	257,255	193,151	156,223	132,167	115,226
Proved Undeveloped	0	0	0	0	0
Total Proved	257,255	193,151	156,223	132,167	115,226
Probable	133,007	74,057	49,235	36,299	28,565
Total Proved Plus Probable	390,262	267,208	205,458	168,466	143,791

Note:

(1) Includes ARC.

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2004
CONSTANT PRICES AND COSTS

Reserves Category	Revenue (M\$)	Royalty Income (M\$)	Royalty Expenses (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Well Abandonment Costs (M\$)	Alberta Royalty Credits (M\$)	Future Net Revenue Before Income Taxes (M\$)
Proved								
Working Interest	1,782	0	(402)	(565)	0	(25)	0	790
Royalty Interest	0	256,465	0	0	0	0	0	256,465
Total	<u>1,782</u>	<u>256,465</u>	<u>(402)</u>	<u>(565)</u>	<u>0</u>	<u>(25)</u>	<u>0</u>	<u>257,255</u>
Proved Plus Probable								
Working Interest	2,744	0	(622)	(857)	0	(25)	0	1240
Royalty Interest	0	389,022	0	0	0	0	0	389,022
Total	<u>2,744</u>	<u>389,022</u>	<u>(622)</u>	<u>(857)</u>	<u>0</u>	<u>(25)</u>	<u>0</u>	<u>390,262</u>

FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2004
CONSTANT PRICES AND COSTS

Reserves Category	Production Group	Future Net Revenue Before Income Taxes ⁽¹⁾ (Discounted at 10%/Year) (\$000s)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	30,645
	Heavy Oil (including solution gas and other by-products)	33,163
	Natural Gas (including by-products but excluding solution gas from oil wells)	92,414
	Total	<u>156,223⁽²⁾</u>
Proved Plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	39,513
	Heavy Oil (including solution gas and other by-products)	46,827
	Natural Gas (including by-products but excluding solution gas from oil wells)	119,117
	Total	<u>205,458⁽²⁾</u>

Notes:

- (1) Includes ARC.
(2) Numbers do not add due to rounding.

Reserves Data (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

ROYALTY INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved Producing	0	1,007	0	2,798	0	25,374	0	256
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	0	1,007	0	2,798	0	25,374	0	256
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	0	1,007	0	2,798	0	25,374	0	256
Probable	0	503	0	1,925	0	12,122	0	98
Total Proved Plus Probable	0	1,510	0	4,723	0	37,496	0	354

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
FORECAST PRICES AND COSTS

ROYALTY INTERESTS

Reserves Category	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Producing	274,450	207,484	169,473	144,813	127,430
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	274,450	207,484	169,473	144,813	127,430
Proved Undeveloped	0	0	0	0	0
Total Proved	274,450	207,484	169,473	144,813	127,430
Probable	154,614	83,150	54,311	39,749	31,244
Total Proved Plus Probable	429,064	290,634	223,784	184,562	158,674

Note:

(1) Includes ARC.

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

WORKING INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved Producing	35	28	0	0	32	25	3	2
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	35	28	0	0	32	25	3	2
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	35	28	0	0	32	25	3	2
Probable	19	15	0	0	17	14	2	1
Total Proved Plus Probable	54	43	0	0	49	39	5	3

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
FORECAST PRICES AND COSTS

WORKING INTERESTS

Reserves Category	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Producing	617	579	545	515	487
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	617	579	545	515	487
Proved Undeveloped	0	0	0	0	0
Total Proved	617	579	545	515	487
Probable	266	224	192	166	146
Total Proved Plus Probable	883	803	737	681	633

Note:

(1) Includes ARC.

SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

ROYALTY AND WORKING INTERESTS

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved Producing	35	1,035	0	2,798	32	25,399	3	258
Proved Non-Producing	0	0	0	0	0	0	0	0
Total Proved Developed	35	1,035	0	2,798	32	25,399	3	258
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	35	1,035	0	2,798	32	25,399	3	258
Probable	19	518	0	1,925	17	12,136	2	99
Total Proved Plus Probable	54	1,553	0	4,723	49	37,535	5	357

NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
BEFORE INCOME TAXES
DISCOUNTED AT (%/YEAR)
FORECAST PRICES AND COSTS

ROYALTY AND WORKING INTERESTS

Reserves Category	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Producing	275,067	208,063	170,018	145,328	127,917
Proved Non-Producing	0	0	0	0	0
Total Proved Developed	275,067	208,063	170,018	145,328	127,917
Proved Undeveloped	0	0	0	0	0
Total Proved	275,067	208,063	170,018	145,328	127,917
Probable	154,880	83,374	54,503	39,915	31,390
Total Proved Plus Probable	429,947	291,437	224,521	185,243	159,307

Note:

(1) Includes ARC.

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

Reserves Category	Revenue (M\$)	Royalty Income (M\$)	Royalty Expenses (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Well Abandonment Costs (M\$)	Alberta Royalty Credits (M\$)	Future Net Revenue Before Income Taxes (M\$)
Proved								
Working Interest	1,605	0	(363)	(596)	0	(29)	0	617
Royalty Interest	0	274,450	0	0	0	0	0	274,450
Total	<u>1,605</u>	<u>274,450</u>	<u>(363)</u>	<u>(596)</u>	<u>0</u>	<u>(29)</u>	<u>0</u>	<u>275,067</u>
Proved Plus Probable								
Working Interest	2,387	0	(540)	(934)	0	(30)	0	883
Royalty Interest	0	429,064	0	0	0	0	0	429,064
Total	<u>2,387</u>	<u>429,064</u>	<u>(540)</u>	<u>(934)</u>	<u>0</u>	<u>(30)</u>	<u>0</u>	<u>429,947</u>

FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2004
FORECAST PRICES AND COSTS

Reserves Category	Production Group	Future Net Revenue Before Income Taxes ⁽¹⁾ (Discounted at 10%/Year) (M\$)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	27,030
	Heavy Oil (including solution gas and other by-products)	51,790
	Natural Gas (including by-products but excluding solution gas from oil wells)	91,198
	Total	<u>170,018</u>
Proved Plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	34,392
	Heavy Oil (including solution gas and other by-products)	73,139
	Natural Gas (including by-products but excluding solution gas from oil wells)	116,990
	Total	<u>224,521</u>

Note:

- (1) Includes ARC.

Definitions and Other Notes

In the tables set forth above in "Reserves Data and Other Oil and Natural Gas Information for the Partnerships Interests" and elsewhere in this short form prospectus the following definitions and other notes are applicable:

- (1) **"Gross"** means:
- in relation to the Partnership's interest in production and reserves, its "Partnership gross reserves", which are the Partnership's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Partnership;
 - in relation to wells, the total number of wells in which the Partnership has an interest; and
 - in relation to properties, the total area of properties in which the Partnership has an interest.
- (2) **"Net"** means:
- in relation to the Partnership's interest in production and reserves, its "Partnership gross reserves", which are the Partnership's interest (operating and non-operating) share after deduction of royalties, plus the Partnership's royalty interest in production or reserves.
 - in relation to wells, the number of wells obtained by aggregating the Partnership's interest in each of its gross wells; and

- (c) in relation to the Partnership's interest in a property, the total area in which the Partnership has an interest multiplied by the interest owned by the Partnership.
- (3) **"Exploration well"** means a well that is not a development well, a service well or a stratigraphic test well.
- (4) **"Development costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
- gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines to the extent necessary in developing the reserves;
 - drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
 - acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - provide improved recovery systems.
- (5) **"Development well"** means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- (6) **"Exploration costs"** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
- costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - dry hole contributions and bottom hole contributions;
 - costs of drilling and equipping exploratory wells; and
 - costs of drilling exploratory type stratigraphic test wells.
- (7) **"Service well"** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
- (8) Definitions used for reserve categories are as follows:

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions (see the discussion of "Economic Assumptions" below).

Reserves are classified according to the degree of certainty associated with the estimates.

- Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Economic Assumptions" will be the prices and costs used in the estimate, namely:

- constant prices and costs as at the effective date of the evaluation (December 31, 2004); and
- forecast prices and costs.

Development and Production Status

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

(9) Forecast prices and costs

Future prices and costs are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which the Vendors are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table under "Pricing Assumptions" below identifies benchmark reference pricing that apply to the Vendors.

(10) Constant prices and costs

Prices and costs used in an estimate that are:

- (a) the Vendors' prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Vendors are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purposes of paragraph (a), the Vendors' prices are the posted prices for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

- (11) Estimated future abandonment costs related to a property have been taken into account by Trimble in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom, there was deducted the reasonable estimated future well abandonment costs. No allowance was made, however, for reclamation of wellsites or the abandonment and reclamation of any facilities.

Year	Alberta Gas Reference Price Plantgate Cdn\$/MMBtu	AECO – C Spot Cdn\$/MMBtu	Aggregator Inter-Alta Cdn\$/MMBtu	Alliance Pipeline Cdn\$/MMBtu	B.C. Average Wellhead Cdn\$/MMBtu	B.C. Westcoast Station 2 Cdn\$/MMBtu	Huntingdon/ Sumas 30 d Spot Cdn\$/MMBtu	Henry Hub Price US\$/MMBtu	Inflation Rate %/Year ⁽¹⁾	Exchange Rate US\$/Cdn\$ ⁽²⁾
2005	6.76	6.97	6.72	6.67	6.37	6.87	7.13	6.74	2.5	0.84
2006	6.45	6.66	6.43	6.36	6.16	6.66	6.92	6.48	2.5	0.84
2007	6.00	6.21	5.97	5.92	5.71	6.21	6.47	6.08	2.5	0.84
2008	5.55	5.73	5.53	5.48	5.23	5.73	5.99	5.70	2.5	0.84
2009	5.21	5.37	5.19	5.17	4.87	5.37	5.63	5.41	1.5	0.84
2010	5.31	5.47	5.29	5.29	4.97	5.47	5.73	5.49	1.5	0.84
2011	5.38	5.57	5.38	5.39	5.07	5.57	5.83	5.58	1.5	0.84
2012	5.48	5.67	5.48	5.49	5.17	5.67	5.93	5.66	1.5	0.84
2013	5.58	5.77	5.58	5.59	5.27	5.77	6.03	5.75	1.5	0.84
2014	5.68	5.87	5.68	5.69	5.37	5.87	6.13	5.83	1.5	0.84
2015	5.79	5.98	5.79	5.80	5.48	5.98	6.24	5.92	1.5	0.84
Thereafter	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year	Escalated at 1.5%/year

Notes:

- (1) Inflation rates for forecasting operating costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Oil, Natural Gas and NGL Production History

The following tables summarize certain quarterly information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below from the Partnership Interests:

	2004				2003			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average Daily Production								
Light and Medium Oil (bbls/d)	264	288	314	328	311	338	346	347
Heavy Oil (bbls/d)	1,666	1,694	1,714	1,753	1,700	1,732	1,606	1,736
Natural Gas (Mcf/d)	8,823	9,306	9,509	9,758	9,974	9,912	10,849	10,954
Natural Gas Liquids (bbls/d)	112	103	99	91	112	149	143	106
Combined (boe/d)	3,513	3,636	3,712	3,798	3,785	3,871	3,903	4,015
Average Price Received								
Light and Medium Oil (\$/bbl)	55.46	55.58	48.78	45.05	36.70	37.59	38.41	48.93
Heavy Oil (\$/bbl)	30.19	38.06	32.49	29.34	24.08	27.29	27.35	34.75
Natural Gas (\$/Mcf)	6.25	6.16	6.74	6.17	5.18	5.59	6.29	7.42
Natural Gas Liquids (\$/bbl)	38.98	35.49	36.12	35.70	26.36	24.35	26.53	38.74
Combined (\$/boe)	35.43	38.89	37.35	34.13	28.26	30.75	33.11	40.51
Royalties Paid⁽¹⁾								
Light and Medium Oil (\$/bbl)	1.14	1.16	0.81	0.84	1.34	1.04	1.18	1.42
Heavy Oil (\$/bbl)	-	-	-	-	-	-	-	-
Natural Gas (\$/Mcf)	-	-	-	-	-	-	-	-
Natural Gas Liquids (\$/bbl)	0.03	0.02	0.01	0.04	0.02	0.02	0.02	0.03
Combined (\$/boe)	0.09	0.10	0.07	0.08	0.12	0.10	0.11	0.13
Operating Expenses⁽¹⁾								
Light and Medium Oil (\$/bbl)	0.69	0.76	0.93	0.64	1.06	0.78	0.78	0.84
Heavy Oil (\$/bbl)	-	-	-	-	-	-	-	-
Natural Gas (\$/Mcf)	-	-	-	-	-	-	-	-
Natural Gas Liquids (\$/bbl)	0.17	0.15	0.21	0.17	0.34	0.19	0.20	0.08
Combined (\$/boe)	0.07	0.07	0.09	0.07	0.11	0.08	0.08	0.08
Netback Received								
Light and Medium Oil (\$/bbl)	53.63	53.66	47.04	43.57	34.30	35.77	36.45	46.67
Heavy Oil (\$/bbl)	30.19	38.06	32.49	29.34	24.08	27.29	27.35	34.75
Natural Gas (\$/Mcf)	6.25	6.16	6.74	6.17	5.18	5.59	6.29	7.42
Natural Gas Liquids (\$/bbl)	38.78	35.32	35.90	35.49	26.00	24.14	26.31	38.63
Combined (\$/boe)	35.27	38.72	37.19	33.98	28.03	30.57	32.92	40.30

Notes:

- (1) Royalties paid and operating expenses arise from the Partnership's working interest properties only.
- (2) Table does not include production related to NPI properties which generated \$2.2 million of net operating income in 2004.

Oil, Natural Gas and NGL Production Estimates

The following table sets out the volume of production from the Partnership Interests estimated by Trimble for the 2005 year in the Trimble Report, which amounts are reflected in the estimate of future net revenue disclosed in the tables contained under "Information Concerning the Partnership Interests - Reserves Data and Other Oil and Natural Gas Information for the Partnership Interests".

2005 Forecast Production	Royalties ⁽¹⁾	Bashaw D-2L Unit ⁽²⁾	Total
Light and Medium Oil (bbls/d)	388	27	415
Heavy Oil (bbls/d)	1,431	0	1,431
Natural Gas (Mcf/d)	10,279	24	10,303
Natural Gas Liquids (bbls/d)	108	2	110
Oil Equivalent (boe/d)	3,640	33	3,673

Notes:

- (1) Represents the Partnership's estimated equivalent net production based on the royalty interests held by the Partnership.
- (2) Represents the Partnership's estimated gross production from the working interests held by the Partnership.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells located on the Partnership Lands in respect of which the Partnership Interests are derived as at December 31, 2004, which were producing or which are considered to be capable of production:

	Oil Wells						Natural Gas Wells					
	Producing			Non-Producing ⁽¹⁾			Producing			Non-Producing ⁽¹⁾		
	Gross ⁽²⁾	Net ⁽³⁾	Equivalent Net ⁽⁴⁾	Gross ⁽²⁾	Net ⁽³⁾	Equivalent Net ⁽⁴⁾	Gross ⁽²⁾	Net ⁽³⁾	Equivalent Net ⁽⁴⁾	Gross ⁽²⁾	Net ⁽³⁾	Equivalent Net ⁽⁴⁾
Alberta	2,428	0.5	109.1	474	0.1	21.2	1,922	0	93.4	312	0	15.2
Saskatchewan	1,230	0.0	76.2	215	0.0	13.3	622	0	18.9	15	0	0.5
Ontario	0	0.0	0.0	0	0.0	0.0	150	0	7.5	71	0	3.6
British Columbia	40	0.0	1.7	26	0.0	1.1	55	0	4.0	27	0	1.9
Manitoba	25	0.0	2.8	6	0.0	0.7	0	0	0.0	0	0	0.0
Total	3,723	0.5	189.8	721	0.1	36.3	2,749	0	123.8	425	0	21.2

Notes:

- (1) "**Non-Producing**" wells means wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation facilities, available markets or other reasons.
- (2) "**Gross**" wells are defined as the total number of wells in which the Partnership has an interest.
- (3) "**Net**" wells are defined as the aggregate of the numbers obtained by multiplying each gross well by the Partnership's percentage working interest therein, excluding royalty interests.
- (4) "**Equivalent Net**" wells are defined as the aggregate of the numbers obtained by multiplying each gross well by the Partnership's percentage interests therein, including royalty interests.

Drilling Activity

The Trust will not be responsible for any drilling or development activity or expenditures with respect to the royalties on Partnership Lands, but will receive appropriate royalty income from successful wells. Drilling activity on the Partnership Lands is anticipated to provide continued new sources of oil and natural gas royalty income from the Partnership Interests in future years, with new wells and production thereon reducing the rate at which production and royalty income would otherwise decline. The extent of drilling and development activity in future years by lessees cannot be predicted.

The following table summarizes the drilling activity conducted by lessees on the Partnership Lands for the two most recently completed fiscal years. During this period 600 unitized and non-unitized wells were drilled.

Gross Wells	Year Ended December 31, 2004		Year Ended December 31, 2003	
	Unitized	Non-unitized	Unitized	Non-Unitized
Oil wells	30	74	49	75
Natural gas wells	86	93	14	84
Service/other wells	1	69	3	10
Dry and abandoned	0	5	0	7
Total	117	241	66	176

The drilling activity on the Partnership Lands in the last two fiscal years may not be indicative of future activity.

EFFECT OF THE ACQUISITION ON THE TRUST

The following table sets out certain operational information for the Trust and the Partnership Interests and certain pro forma combined operational information after giving effect to the Acquisition. Important information concerning the oil and natural gas properties of the Trust and the Partnership Interests is contained in the AIF, in the case of the Trust, and elsewhere in this short form prospectus and the documents incorporated herein by reference. Readers are encouraged to carefully review that information as the information set forth in the table below is a summary only and is qualified in its entirety by the more detailed information referred to in the preceding sentence.

	Freehold Pre-Acquisition	Acquisition	Freehold Pro Forma
Production (year ended December 31, 2004)			
Oil (bbls/d)	3,594	2,005	5,599
NGL (bbls/d)	283	101	384
Natural gas (Mcf/d)	10,270	9,347	19,617
Total (boe/d)	5,588	3,663	9,251
Royalty production (%)	66	99	79
Reserves (as at December 31, 2004) ⁽¹⁾			
Net proved (Mboe)	14,678	8,324	23,002
Net proved plus probable (Mboe)	21,163	12,889	34,052
Reserve life index (net proved plus probable, years)	10.6	9.6	10.2
Royalty lands (as at December 31, 2004)			
Gross acres	867,155	1,109,922	1,892,294 ⁽²⁾
Gross undeveloped acres	246,177	386,509	623,366 ⁽²⁾
Royalty Wells Drilled (year ended December 31, 2004)			
Gross wells	671	358	1,000 ⁽²⁾
Equivalent net wells ⁽³⁾	12.3	16.4	28.7 ⁽²⁾
Net success rate (%)	99.2	98.3	98.9

Notes:

- (1) Based on evaluations prepared by Trimble, effective December 31, 2004.
- (2) Pro forma numbers do not add due to common interests.
- (3) Gross wells multiplied by the percentage interests therein, including royalty interests.

DETAILS OF THE OFFERING

Subscription Receipts

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement.

The Subscription Receipts will be issued at the closing of the Offering pursuant to the Subscription Receipt Agreement. The Escrowed Funds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the closing of the Acquisition. Provided that the closing of the Acquisition occurs by 10:00 a.m. (Calgary time) on May 26, 2005, the Escrowed Funds and the interest earned thereon will be

released to the Trust and the Trust Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration, one Trust Unit for each Subscription Receipt held.

The Escrow Agent will release the Escrowed Funds and interest thereon to the Trust on the closing date of the Acquisition against (i) an irrevocable direction of the Trust: (a) to the Escrow Agent (in its capacity as registrar and transfer agent of the Trust Units) to issue and deliver Trust Units to holders of record of any Subscription Receipts as at the closing date of the Acquisition; (b) to the Escrow Agent to release to the Trust the Escrowed Funds and any interest thereon; (c) to the Escrow Agent to release to the Underwriters that portion of the underwriting fee being held in trust by the Escrow Agent, such amount being \$5,250,068.75; and (ii) a joint notice from the Trust and CIBC World Markets Inc., on behalf of the Underwriters, to the Escrow Agent, confirming that the Acquisition has been satisfactorily completed, in the opinion of the Trust and the Underwriters, in accordance with the terms set forth in the Purchase Agreement (but for the payment of the Escrowed Funds); and (iii) an undertaking from the Trust that upon release of the Escrowed Funds and any interest thereon to the Trust it will loan such amount to the FCT Trusts and cause the FCT Trusts to apply such amount towards the payment of a portion of the purchase price for the Acquisition. The transfer register with respect to the Subscription Receipts shall be closed at the closing date of the Acquisition. The Trust shall, as soon as practicable, issue a press release setting out the expected closing date of the Acquisition and the expected date on which the Subscription Receipt transfer register will close.

If the closing of the Acquisition does not take place by 10:00 a.m. (Calgary time) on May 26, 2005, the Acquisition is terminated at any earlier time or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (in any case, the "**Termination Time**"), holders of Subscription Receipts shall be entitled to receive an amount equal to the full subscription price therefor and their *pro rata* entitlements to interest on such amount. The Escrowed Funds will be used to satisfy such amount. The issuance of a cheque in payment of the subscription price for the Subscription Receipts will require the surrender of the certificate(s) representing the same at the principal office of the Escrow Agent in Calgary, Alberta. If any certificates representing Subscription Receipts have not been surrendered one year after the Termination Time, the Escrow Agent will mail the cheques that the holders thereof are entitled to receive to their last addresses of record.

If the Acquisition closes on or before May 26, 2005 as currently contemplated, holders of Subscription Receipts will become holders of Trust Units on or before May 26, 2005 and will be entitled, provided they hold the Trust Units received pursuant to the Subscription Receipts on May 31, 2005, to receive the monthly distribution expected to be paid on June 15, 2005 to Unitholders of record on May 31, 2005. Purchasers of Subscription Receipts will not be entitled to receive the distribution to be paid to Unitholders on May 15, 2005.

Under the Subscription Receipt Agreement, original purchasers of Subscription Receipts under the Offering will have a contractual right of rescission following the issuance of Trust Units to such purchaser upon the exchange of the Subscription Receipts to receive the amount paid for the Subscription Receipts if this short form prospectus (including documents incorporated by reference) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering.

Holders of Subscription Receipts are not Unitholders. Holders of Subscription Receipts are entitled only to receive Trust Units on surrender of their Subscription Receipts to the Escrow Agent or to a return of the subscription price for the Subscription Receipts together with any payments in lieu of interest or distributions, as applicable, as described above.

DESCRIPTION OF TRUST UNITS

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. As at April 20, 2005, 31,566,736 Trust Units were 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.

Cash Distributions

The board of directors of Freehold Resources intends for the Trust to continue to make monthly Distributions to Unitholders. Distributions to Unitholders are made monthly to the Unitholders of record on the last day of each month (unless such day is not a

Business Day, in which case the date of record shall be the next following Business Day; provided that December 31 shall always be a date of record) (the "**Distribution Record Date**") and are payable on the 15th day of each month or, if such day is not a Business Day, the next following Business Day or such other date as determined from time to time by the Trustee. See "Record of Cash Distributions".

For additional information respecting the Trust Units, including information respecting Unitholders' liability, Distributions to Unitholders, the redemption right attached to the Trust Units, meetings of Unitholders, and amendments to the Trust Indenture, see the AIF.

CONSOLIDATED CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at December 31, 2004 and March 31, 2005, both before and after giving effect to the Offering, the Private Placement and the Acquisition.

Designation (Authorized)	As at December 31, 2004		As at March 31, 2005	
	Before giving effect to the Offering, the Private Placement and the Acquisition	After giving effect to the Offering, the Private Placement and the Acquisition ⁽¹⁾	Before giving effect to the Offering, the Private Placement and the Acquisition	After giving effect to the Offering, the Private Placement and the Acquisition ⁽¹⁾
	(thousands, except unit amounts)			
Bank Debt (\$165 million) ⁽²⁾	\$27,000	\$122,841 ⁽³⁾	\$27,000	\$122,841 ⁽³⁾
Unitholders' Capital Trust Units (unlimited)	\$298,936 (31,544,236 units)	\$557,839 (48,907,756 units)	\$299,298 ⁽⁴⁾ (31,566,736 units)	\$558,201 ⁽⁴⁾ (48,930,256 units)

Notes:

- (1) Based on the issuance of 13,505,000 Subscription Receipts (and the issuance of 13,505,000 Trust Units pursuant thereto) and after deducting the estimated costs of this Offering of \$0.6 million and the Underwriters' fee of \$10.5 million, the entire net proceeds of this Offering will be used by the Trust to indirectly fund a portion of the purchase price of the Acquisition through the FCT Trusts. The remainder of the purchase price will be satisfied through the issuance of Trust Units pursuant to the Private Placement for proceeds of approximately \$60 million and bank debt of approximately \$86.2 million.
- (2) The Trust, FCT1 Trust and FCT2 Trust, as joint and several borrowers, have arranged credit facilities (the "**Credit Facilities**") with two chartered banks to provide a \$15 million extendible revolving operating facility, a \$150 million extendible revolving term credit facility and contemplates that certain swap facilities may be arranged from time to time. The borrowing base is \$65 million before the Acquisition and will be \$165 million concurrent with and after completion of the Acquisition (subject to usual re-evaluations). The Credit Facilities bear interest at the lenders' prime rate, bankers' acceptances or LIBOR rates plus applicable margins ranging from 85 to 140 basis points and standby fees. The Credit Facilities will be secured with \$300 million demand debentures over the petroleum and natural gas assets of the Trust, FCT1 Trust and FCT2 Trust, will be guaranteed by the Partnership and are subject to annual review.
- (3) The Credit Facilities will be used to fund approximately \$96 million of the purchase price for the Acquisition, inclusive of the Acquisition Fee and other estimated transaction costs of the Acquisition of approximately \$9.6 million.
- (4) Includes the issuance of 22,500 Trust Units to the Manager in satisfaction of the management fee payable to the Manager pursuant to the Management Agreement for the first quarter of 2005.
- (5) As at December 31, 2004 and March 31, 2005, the Trust had no options outstanding under its Trust Unit option plan.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The outstanding Trust Units are traded on the TSX under the trading symbol "FRU.UN". The following table sets forth the price range and trading volume of the Trust Units as reported by the TSX for the periods indicated.

Period	High	Low	Volume
2004			
January	16.30	14.52	850,297
February	15.60	14.02	760,334
March	15.49	14.37	788,283
April	15.80	14.65	419,684
May	15.75	14.75	1,794,041
June	15.50	14.85	935,305
July	15.24	14.57	313,003
August	16.97	14.75	989,324
September	16.60	15.00	465,484
October	17.13	15.75	1,706,506
November	18.42	16.25	2,043,336
December	18.40	16.75	501,872
2005			
January	17.75	16.77	381,984
February	18.49	17.10	665,487
March	18.30	15.50	1,370,913
April ⁽¹⁾	17.63	15.20	833,183

Note:

- (1) On April 19, 2005, the day immediately prior to the announcement of the Offering, the closing price of the Trust Units on the TSX was \$16.22.

On May 2, 2005, the closing price of the Trust Units on the TSX was \$15.44.

RECORD OF CASH DISTRIBUTIONS

The AIF sets forth the amount of cash distributions the Trust has paid on the Trust Units during the three most recently completed financial years. The table below sets forth the amount of cash distributions the Trust had paid since December 31, 2004:

Distribution Record Date	Payment Date	Per Trust Unit (\$)
Dec. 31, 2004	Jan. 15, 2005	0.12
Jan. 31, 2005	Feb. 15, 2005	0.12
Feb. 28, 2005	Mar. 15, 2005	0.17 ⁽¹⁾
Mar. 31, 2005	Apr. 15, 2005	0.12

Notes:

- (1) Monthly distributions are supplemented by quarterly top-ups when excess income is available. Payment includes quarterly top up.
 (2) The Trust announced on April 14, 2005 that a monthly distribution of \$0.12 per Trust Unit will be paid on May 15, 2005 to Unitholders of record on April 30, 2005. Purchasers of Subscription Receipts will not be entitled to be paid this distribution.

The Trust intends to make cash distributions on the 15th day of each month (or the first Business Day thereafter) to holders of Trust Units of record on the immediately preceding Distribution Record Date.

USE OF PROCEEDS

The net proceeds to the Trust of the Offering from the sale of the Subscription Receipts hereunder are estimated to be approximately \$198.9 million after deducting the fees of approximately \$10.5 million payable to the Underwriters and the estimated expenses of the Offering of approximately \$0.6 million. The net proceeds of the Offering will be used by the Trust to indirectly fund a portion of the purchase price for the Acquisition. The balance of the purchase price for the Acquisition will be funded from the proceeds of the Private Placement of approximately \$60 million and bank debt incurred under the Credit Facilities of approximately \$86.2 million.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Trust has agreed to issue and sell an aggregate of 13,505,000 Subscription Receipts to the Underwriters, and the Underwriters have severally agreed to purchase such Subscription Receipts on May 10, 2005, or such other date not later than May 26, 2005 as may be agreed among the parties to the Underwriting Agreement. Delivery of the Subscription Receipts is conditional upon payment on closing of \$15.55 per Subscription Receipt by the Underwriters to the Escrow Agent. The Underwriting Agreement provides that the Trust will pay the Underwriters' fee of \$0.7775 per Subscription Receipt for Subscription Receipts issued and sold by the Trust for an aggregate fee payable by the Trust of \$10,500,137.50, in consideration for their services in connection with the Offering. The Underwriters' fee in respect of the Subscription Receipts is payable as to 50% upon the closing of the Offering and 50% upon closing of the Acquisition. If the Acquisition is not completed by May 26, 2005, the Underwriters' fee in respect of the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. The terms of the Offering were determined by negotiation 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 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. The obligations of the Trust and the Underwriters under the Underwriting Agreement to complete the purchase and sale of the Subscription Receipts will terminate automatically if the Acquisition is terminated or the Trust has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition. If an Underwriter fails to purchase the Subscription Receipts that it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Subscription Receipts. The Underwriters are, however, obligated to take up and pay for all Subscription Receipts if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Trust and Freehold Resources will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Definitive certificates representing the Subscription Receipts will be available for delivery at closing.

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 Subscription Receipts or 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.

The Trust has agreed that, subject to certain exceptions, it will not offer or issue, or enter into an agreement to offer or issue, Trust Units or any securities convertible or exchangeable into Trust Units for a period of 90 days subsequent to the closing date of the offering without the consent of CIBC World Markets Inc. on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Trust has applied to list the Subscription Receipts and the Trust Units issuable pursuant to the Subscription Receipts on the TSX. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX.

The Underwriters propose to offer the Subscription Receipts initially at the offering price specified on the cover page of the Prospectus. After the Underwriters have made a reasonable effort to sell all of the Subscription Receipts at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and, as a result of the foregoing, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Subscription Receipts is less than the price paid by the Underwriters to the Trust.

The Subscription Receipts offered hereby and the Trust Units issuable pursuant to the Subscription Receipts (the "**Securities**") have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities 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 U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Securities 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 Rule 144A under the U.S. Securities Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Securities outside the United States only in accordance with Regulation S under the U.S. Securities Act.

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

INTEREST OF EXPERTS

Certain legal matters relating to this Offering will be passed upon by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, on behalf of the Trust, and by Macleod Dixon LLP, Calgary, Alberta, on behalf of the Underwriters. No person or company whose profession or business gives authority to a statement made by such person or company and who is named in this short form prospectus or in a document that is specifically incorporated by reference into this short form prospectus as having prepared or certified a part of this short form prospectus, or a report or valuation described in this short form prospectus or in a document specifically incorporated by reference into this short form prospectus, has received or shall receive a direct or indirect interest in the property of the Trust or of any associate or affiliate of the Trust. 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 beneficially own, directly or indirectly, less than 1% of the securities of the Trust. Further, as of the date hereof, the principals of Trimble, as a group, each beneficially own, directly or indirectly, less than 1% of the securities of the Trust. In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Trust or of any associates or affiliates of the Trust, except for Harry S. Campbell, a director of Freehold Resources, who is Managing Partner at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Trust.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Counsel, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Subscription Receipts pursuant to this Offering and Trust Units acquired thereunder (collectively, the "**Securities**") and who, for purposes of the Tax Act and at all relevant times, holds the Securities as capital property and deals at arm's length with the Trust and the Underwriters. Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities 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 Securities as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a subscriber that is a "financial institution" or a subscriber an interest in which would be a "tax shelter investment" all as defined in the Tax Act. Any such subscriber should consult its own tax advisor with respect to an investment in the Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current published administrative practices of the Canada Revenue Agency. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Securities, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Securities pursuant to this Offering or Trust Units issued pursuant to the Subscription Receipts, having regard to their particular circumstances.

Taxation of Holders of Securities Resident in Canada

This portion of the summary is applicable to holders of Securities who, for the purposes of the Tax Act and at all relevant times, are resident or deemed to be resident in Canada.

Subscription Receipts

No gain or loss will be realized by a holder on the issuance of a Trust Unit pursuant to a Subscription Receipt. The cost of a Trust Unit issued to a holder pursuant to a Subscription Receipt will be equal to the cost of the Subscription Receipt to the holder. The cost of any Trust Units so acquired must be averaged with the cost of any other Trust Units held by the Unitholder at that time as capital property to determine the adjusted cost base of each Trust Unit held.

In the event the Acquisition does not close before the Termination Time or if the Acquisition is terminated at an earlier time, holders of Subscription Receipts will be required to include their proportionate share of interest on the Escrowed Funds in computing their income for purposes of the Tax Act.

A disposition or deemed disposition by a holder of a Subscription Receipt, other than on the exchange thereof for a Trust Unit, but including on the repayment of the issue price thereof by the Trust in the event the Acquisition is not completed before the Termination Time, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. In the event that a holder becomes entitled to the repayment of the issue price of a Subscription Receipt as a consequence of the Acquisition not becoming effective prior to the Termination Time, any amount that is paid to the holder by the Trust as or on account of interest will be included in the holder's income and excluded from the holder's proceeds of disposition.

One-half of any capital gain realized by the holder will be included in the 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 Subscription Receipt may be deducted against taxable capital gains realized by the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

A capital gain realized by a holder who is an individual may give rise to a liability for alternative minimum tax. A holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including interest and taxable capital gains.

Trust Units

The cost to a Unitholder of a Trust Unit will generally include all amounts paid by the Unitholder for the Trust Unit. These amounts will be required to be averaged with the adjusted cost base of all other Trust Units held by the Unitholder at that time as capital property in order to determine the adjusted cost base of each Trust Unit.

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the portion of the net income of the Trust for a taxation year, including taxable dividends and net realized taxable capital gains, that is paid or payable to the Unitholder in that particular taxation year, notwithstanding that any such amount is payable by the issuance of additional Trust Units. Income of a Unitholder from the Trust Units will be considered to be income from property regardless of its source and, in particular, will not be considered resource income (or "resource profits") for the purposes of the Tax Act. Any loss of the Trust for the purposes of the Tax Act cannot be allocated to or treated as a loss of a Unitholder.

Provided that appropriate designations are made by the Trust, such portions of its net taxable capital gains and taxable dividends as are paid or payable to a Unitholder will effectively retain their character as taxable capital gains and taxable dividends, respectively, and shall be treated as such in the hands of the Unitholder for purposes of the Tax Act. The non-taxable portion of net realized capital gains of the Trust that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Trust that is paid or payable by the Trust to a Unitholder in a year will not generally be included in the Unitholder's income for the year. However, where such an amount becomes payable to a Unitholder, other than as proceeds of disposition of Trust Units or fractions thereof, the adjusted cost base of the Trust Units held by such Unitholder will generally be reduced by such amount. To the extent that the adjusted cost base to a Unitholder of a Trust Unit is less than zero at the end of a taxation year, such negative amount will be deemed to be a capital gain of the Unitholder from the disposition of the Trust Unit in that year.

Upon the disposition or deemed disposition by a Unitholder of a Trust Unit, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount which represents an amount that must otherwise be included in the Unitholder's income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Trust Unit and any reasonable costs of disposition. Where Trust Units are redeemed and Freehold Resources Notes are issued to the Unitholder, the proceeds of disposition will include the

fair market value of the Freehold Resources Notes. Where Trust Units are redeemed and Freehold Resources Notes are distributed to the Unitholder in satisfaction of the Redemption Price, the proceeds of disposition to the Unitholder of the Trust Units will generally be equal to the fair market value of the Freehold Resources Notes so distributed. One-half of any capital gain realized by a Unitholder will be included in the Unitholder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized by a Unitholder may be deducted against taxable capital gains realized by the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

A capital loss realized on the disposition of a Trust Unit will generally be reduced by the amount of any non-taxable dividends which are received by the Trust and are payable to the Unitholder and, where the Unitholder is a corporation, the amount of any taxable dividends which are received by the Trust, are payable to such Unitholder and are deductible by the corporation in computing its taxable income. Similar rules apply where the Unitholder is a partnership or a trust.

A capital gain realized by a Unitholder who is an individual may give rise to a liability for alternative minimum tax. A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", (as defined in the Tax Act), may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains.

The adjusted cost base of any Freehold Resources Notes distributed or issued to a Unitholder by the Trust upon a redemption of Trust Units will be equal to the fair market value of the Freehold Resources Note at the time of the distribution or issuance, as the case may be, less any accrued interest thereon. Such a Unitholder will be required to include in income interest on the note thereof in accordance with the provisions of the Tax Act. To the extent that a Unitholder is required to include in income any interest that had accrued to the date of the acquisition of the Freehold Resources Note, an offsetting deduction may be available.

Holders of Securities Not Resident in Canada

This portion of the summary applies to a holder of Securities who, for the purposes of the Tax Act 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, Securities 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** ").

Subscriptions Receipts

No gain or loss will be realized by a Non-Resident holder of a Subscription Receipt on the issuance of a Trust Unit pursuant to the Subscription Receipt.

In the event the Acquisition does not close before the Termination Time or if the Acquisition is terminated at an earlier time, a Non-Resident holder of Subscription Receipts will be subject to withholding tax on such holder's proportionate share of interest on the Escrowed Funds which is paid or credited to such holders at the rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident holder's jurisdiction of residence. A Non-Resident holder of Subscription Receipts 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 generally be entitled to have the rate of withholding reduced to 10% of the amount of any interest paid or credited. If and to the extent the Escrowed Funds are invested in obligations of, or guaranteed by, the Government of Canada, interest on such obligations that is paid or credited to a Non Resident holder of Subscription Receipts will not be subject to Canadian tax.

A disposition or deemed disposition of Subscription Receipts will not give rise to any capital gains subject to tax under the Tax Act to a Non-Resident holder of Subscription Receipts provided that the Subscription Receipts are not "taxable Canadian property" of the Non-Resident holder for the purposes of the Tax Act. Generally, Subscription Receipts will not constitute "taxable Canadian property" to a Non-Resident holder at the time of the disposition or deemed disposition thereof unless (i) the holder uses or holds or is deemed to use or hold the Subscription Receipts in, or in the course of, carrying on a business in Canada, (ii) the Subscription Receipts are "designated insurance property" of the holder for purposes of the Tax Act, (iii) the holder, persons with whom the holder does not deal at arm's length (within the meaning of the Tax Act) or the holder together with such persons owned 25% or more of the Trust Units at any time during the 60-month period immediately preceding the disposition, or (iv) the Trust is not a "mutual fund trust" for the purposes of the Tax Act at the time of disposition. A Non-Resident holder of Subscription Receipts will generally compute the adjusted cost base of Subscription Receipts under the same rules that apply to residents of Canada.

Trust Units

Where the Trust pays or credits, or is deemed to pay or credit, an amount to a Non-Resident Unitholder out of the income of the Trust, such amount will 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 Unitholder's jurisdiction of residence. The rate of withholding is reduced to 15% where such distributions are paid or credited, or deemed to be paid or credited, to Non-Resident Unitholders who are residents of the United States for purposes of the Canada-US Tax Convention. Pursuant to the Proposed Amendments, the Trust will also be required to withhold on all other distributions ("Non-taxable Distribution") to Non-Residents that are not otherwise subject to tax under Part I or Part XIII of the Tax Act, including capital distributions, at a rate of 15%. A capital loss realized on a disposition of a Trust Unit may reduce the Non-Residents tax liability in respect of such Non-taxable Distributions, in the year of distribution, in the three preceding taxation years or in any subsequent taxation year, to the extent and in the circumstances described in the Proposed Amendments.

A capital gain realized by a Non-Resident Unitholder from a disposition or deemed disposition of a Trust Unit will not be subject to tax under the Tax Act provided that the Trust Unit does not constitute "taxable Canadian property" to the particular holder. Trust Units of a Non-Resident Unitholder will generally not constitute "taxable Canadian property" under the Tax Act unless (i) the Unitholder uses or holds or is deemed to use or hold the Trust Units in, or in the course of, carrying on a business in Canada, (ii) the Trust Units are "designated insurance property" of the Unitholder for purposes of the Tax Act, (iii) the holder, persons with whom the holder does not deal at arm's length (within the meaning of the Tax Act) or the Unitholder together with such persons owned 25% or more of the Trust Units at any time during the 60-month period immediately preceding the disposition, or (iv) the Trust is not a "mutual fund trust" for the purposes of the Tax Act at the time of the disposition. A Non-Resident Unitholder will generally compute the adjusted cost base of the Trust Units under the same rules that apply to residents of Canada.

If the Trust ceases to qualify as a mutual fund trust, there may be adverse income tax consequences for Non-Resident Unitholders who acquire Securities.

Status of the Trust

Based on representations of the Manager, the Trust currently qualifies, and will qualify on the date of the closing of this Offering as a "mutual fund trust" as defined in the Tax Act and this summary assumes that the Trust will continue to so qualify thereafter for the duration of its existence.

Should the Trust not qualify as a mutual fund trust, the income tax considerations applicable to the Trust and to holders of Securities would in some respects be materially different than those described in this summary.

Taxation of the Trust

The Trust is required to include in its income for each taxation year all amounts of interest and royalties that accrued to the end of the year or becomes receivable or is received by it before the end of the year and income of the FCT Trusts that is paid or payable to the Trust except to the extent that such amounts were included in its income for a preceding taxation year and may deduct the portion thereof which is paid or payable in the year to Unitholders. An amount will be considered to be 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 that year to enforce payment of the amount. The taxation year of the Trust is the calendar year. Income of a Unitholder from the Trust Units will be considered to be income from property regardless of its source and, in particular, will not be considered resource income (or "resource profits") for the 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 Unitholder.

The Trust will be entitled to deduct, on an annual basis, reasonable current expenses incurred in its ongoing operations. Costs incurred by the Trust on the issuance of Trust Units, including underwriting fees, generally may be deducted by Trust at the rate of 20% per year. The Trust also will be entitled to deduct reasonable current expenses incurred in its ongoing operations. 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 ("COGPE") account at the end of that year.

Under the Trust Indenture, an amount equal to all income of the Trust for each year, together with the taxable and non-taxable portions of any capital gains realized by the Trust in the year (net of the Trust's expenses and amounts, if any, required to be retained to pay any tax liability of the Trust) will be payable to the Unitholders.

For purposes of the Tax Act, 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 income for the year otherwise determined. As a result of such deduction from income, it is expected that the Trust will not be liable for any material amount of tax under the Tax Act, however no assurance can be given in this regard.

Taxation of Partnership and FCT Trusts

The Partnership is not subject to tax under the Tax Act. The fiscal year of the Partnership will end on December 31st of each year. For this purpose, the income of the Partnership will be computed for each fiscal year as if the Partnership were a separate person resident in Canada. In computing the income of the Partnership, deductions will be claimed in respect of its administrative and other expenses and available capital cost allowances on its depreciable properties.

The income or loss of the Partnership for a fiscal year will be allocated to the FCT Trusts who are its partners on the basis of their respective share of such income or loss.

The taxation year of each FCT Trust is the calendar year. Each FCT Trust will be taxable on its income determined under the Tax Act for each year including all amounts allocated to it from the Partnership, except to the extent such income is paid or payable in such taxation year to its unitholder, being the Trust, and is deducted by the FCT Trust in computing its income for tax purposes or is otherwise appropriately designated as income of its unitholder. An amount will be considered to be payable to the Trust in a taxation year if the Trust is entitled in that year to enforce payment of the amount.

Under the respective trust indentures governing the FCT Trusts, all of the income of each FCT Trust for each taxation year, together with the taxable and non-taxable portion of any net capital gains realized by or allocated to such FCT Trust in the taxation year (net of deductions and expenses) will generally be paid or payable in the year to the holder of units of the FCT Trust. Counsel has been advised that each FCT Trust intends to deduct, in computing its income, the full amount available for deduction in each taxation year to the extent of its income for the taxation year otherwise determined. As a result of such deduction from income, it is expected that each FCT Trust will not be liable for any material amount of regular income tax under Part I of the Tax Act, however no assurances can be given in this regard.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, based on representations from the Manager and the Trust as to certain factual matters, and subject to the qualifications and assumptions discussed under the heading "Canadian Federal Income Tax Considerations", the Subscription Receipts and Trust Units issuable pursuant to the Subscription Receipts will, on the date of closing, be qualified investments for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), deferred profit sharing plans ("**DPSP**") and registered education savings plans ("**RESP**") (collectively, "**Exempt Plans**") under the Tax Act as in effect on the date hereof. The Manager has advised Counsel that the cost amount of foreign property of the Trust, if any, has always been and will be less than 30% of the cost amount of all property of the Trust and accordingly the Subscription Receipts and Trust Units will not, on the date of closing, constitute foreign property for such plans. The Federal budget of February 23, 2005 proposes to repeal the restriction on foreign property; however, this proposal has not yet been enacted into law.

RISK FACTORS

There are certain risks inherent in an investment in the Subscription Receipts and Trust Units and in the activities of Freehold. In addition to the risks outlined in the AIF, which risks equally apply to the Partnership Interests, investors should consider the following risks.

General

If the Acquisition is completed, the Trust will, in part, be dependent upon income from the FCT Trusts derived from the Partnership Interests to distribute income to the Trust. The Trust's income from the FCT Trusts and the Partnership Interests is received indirectly from the production of oil and natural gas by third party oil and natural gas companies from existing resource properties and properties subsequently acquired and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally. If the oil and natural gas reserves associated with the Partnership Interests are not supplemented through additional development or the acquisition of additional oil and natural gas properties, the ability of the Trust to distribute income to Unitholders from the Partnership Interests may be adversely affected. Unitholders and potential Unitholders should consider

carefully the information contained or incorporated by reference in this short form prospectus and, in particular, the following risk factors.

Trading Market for Subscription Receipts

The Subscription Receipts comprise a new issue of securities of Freehold for which there is currently no public market. If the Subscription Receipts are traded after their initial issuance, they may trade at a discount from the offering price depending on the market for similar securities, the performance of Freehold and other factors. No assurance can be given as to whether an active trading market will develop or be maintained for the Subscription Receipts. To the extent that an active trading market does not develop, the liquidity and trading prices for the Subscription Receipts may be adversely affected.

Possible Failure to Complete the Acquisition

The Acquisition is subject to normal commercial risk that the Acquisition may not be completed on the terms negotiated or at all. If the closing of the Acquisition does not take place by the Termination Time, the Escrow Agent will repay to the holders of Subscription Receipts commencing on or before the second Business Day following the Termination Time, in the amount equal to the issue price therefor plus a *pro rata* share in the interest earned on the Escrow Funds.

Possible Failure to Realize Anticipated Benefits of the Acquisition

The Trust is pursuing the Acquisition to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings in administering the Partnership Interests. Achieving the benefits of the Acquisition will depend in part on successfully consolidating functions and integrating the Partnership Interests in the Trust's operations and procedures in a timely and efficient manner. The integration of the Partnership Interests will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Trust's ability to achieve the anticipated benefits of the Acquisition.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs, reserves and cash flows to be derived therefrom, including many factors beyond the Trust's control. The reserve and associated cash flow information set forth in the AIF and this short form prospectus represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Trust's actual production, revenues and development and operating expenditures with respect to its reserves from the Partnership Interests will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, Trimble has used both constant and forecast price and cost estimates in calculating reserve quantities for the Trust in relation to the Partnership Interests. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived therefrom will vary from the estimates contained in the Trimble Report. The Trimble Report is based in part on the assumed success of activities third party oil and natural gas companies are expected to undertake in

future years. The reserves and estimated cash flows to be derived therefrom contained in the Trimble Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Trimble Report.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Partnership and the FCT Trusts to incur costs to remedy such discharge. Although management of the Trust believes that the FCT Trusts and the Partnership will be in material compliance with current applicable environmental regulations upon completion of the Acquisition, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the financial condition, results of operations or prospects. There can be no assurance that the Partnership and the FCT Trusts will, if required to do so, be able to satisfy actual future environmental and reclamation obligations.

Debt Service

Amounts paid in respect of interest and principal on debt incurred by the Trust to complete the Acquisition will reduce the Trust's income. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment of Distributions to Unitholders.

The lenders have been provided with security over substantially all of the assets of the Trust and Freehold Resources and on completion of the Acquisition, such security will include the Partnership Interests. If the Trust or Freehold Resources becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lenders may foreclose on or sell all or some of the HB Lands Royalties, the Additional Royalties, Additional Properties, the Working Interest Properties and the Partnership Interests free from or together with the Freehold Resources Royalty.

Nature of Trust Units and Subscription Receipts

The Trust Units and Subscription Receipts 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, 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.

RELATIONSHIP AMONG THE TRUST AND CERTAIN UNDERWRITERS

CIBC World Markets Inc. and RBC Dominion Securities Inc. are, directly or indirectly, wholly-owned subsidiaries of the lenders to the Trust pursuant to the Credit Facilities. Accordingly, the Trust may be considered a "connected issuer" of each of CIBC World Markets Inc. and RBC Dominion Securities Inc., under applicable securities laws.

As at April 20, 2005, approximately \$63 million was outstanding under the Credit Facilities. The Credit Facilities are secured with \$300 million demand debentures over the petroleum and natural gas assets of the Trust, FCT1 Trust and FCT2 Trust, will be guaranteed by the Partnership and are subject to annual review. The Trust and the FCT Trusts are in compliance with all material terms of the agreement governing the Credit Facilities and the lender under the Credit Facilities has not waived any breach by the Trust or the FCT Trusts of that agreement since its execution. 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. See "Consolidated Capitalization of the Trust".

The decision to distribute the Subscription Receipts offered 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 remaining Underwriters. The lenders under the Credit Facilities did not have any direct involvement

in such decision or determination, but have been advised of the issuance and terms thereof. As a consequence of this Offering, the Underwriters will receive their respective share of the underwriting fee.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the Trust in connection with the Offering are as follows:

- (a) the Purchase Agreement referred to under "Acquisition of the Partnership";
- (b) the Underwriting Agreement;
- (c) the Subscription Receipt Agreement referred to under "Details of the Offering – Subscription Receipts"; and
- (d) the agreement between the Trust, FCT1 Trust, FCT2 Trust, the agent and the lenders providing for the Credit Facilities.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Trust to which the Trust is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Chartered Accountants, 1200, 205 – 5th Avenue S.W., Calgary, Alberta T2P 4B9, are the auditors of the Trust.

The transfer agent and registrar for the Trust Units is Computershare Trust Company of Canada at its principal office in Calgary, Alberta, Suite 600, 530 - 8th Avenue SW, Calgary, AB T2P 3S8 since 1993 and will be appointed the transfer agent and registrar of the Subscription Receipts prior to the closing of this Offering.

STATUTORY AND CONTRACTUAL 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, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such 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.

In addition, original purchasers of Subscription Receipts will have the benefit of a contractual right of rescission exercisable following the issuance of Trust Units to such purchasers. See "Details of the Offering – Subscription Receipts".

CONSENT OF KPMG LLP

The Board of Directors of Freehold Resources Ltd.

We have read the short form prospectus of Freehold Royalty Trust (the "Trust") dated May 3, 2005 relating to the sale and issue of 13,505,000 subscription receipts, each representing the right to receive one Trust Unit of the Trust (the "Prospectus"). 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 Prospectus of our report to the unitholders of the Trust on the audited consolidated balance sheets of the Trust as at December 31, 2004 and 2003 and the consolidated statements of operations and accumulated earnings and cash flows for the years then ended. Our report is dated February 16, 2005.

Calgary, Canada
May 3, 2005

(signed) KPMG LLP
Chartered Accountants

CONSENT OF PRICEWATERHOUSECOOPERS LLP

The Board of Directors of Freehold Resources Ltd.

We have read the short form prospectus of Freehold Royalty Trust (the "Trust") dated May 3, 2005 relating to the sale and issue of 13,505,000 subscription receipts, each representing the right to receive one Trust Unit of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Canadian Natural Resources Limited on the audited statement of operations relating to the Royalty Income Properties for the years ended December 31, 2004 and 2003. Our report is dated April 6, 2005.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Canada
May 3, 2005

SCHEDULE A

**UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL STATEMENTS**

**COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL
STATEMENTS**

To the Board of Directors of Freehold Resources Ltd.

We have read the accompanying unaudited pro forma consolidated balance sheet of Freehold Royalty Trust (the "Trust") as at December 31, 2004 and the unaudited pro forma consolidated statements of income for the years ended December 31, 2004 and 2003, and have performed the following procedures:

1. Compared the figures in the columns captioned "Freehold" to the audited consolidated financial statements of the Trust as at December 31, 2004 and for the year then ended, and to the audited consolidated statement of income of the Trust for the year ended December 31, 2003, as restated and described in the audited consolidated financial statements as at and for the year ended December 31, 2004, respectively, and found them to be in agreement.
2. Compared the figures in the columns captioned "Partnership Interests" to the audited statements of operations for the years ended December 31, 2004 and 2003 and found them to be in agreement.
3. Made enquiries of certain officials of the Trust who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the pro forma financial statements comply as to form in all material respects with the published requirements of Canadian securities legislation.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
 - (b) stated that the pro forma consolidated financial statements comply as to form in all material respects with the published requirements of Canadian securities legislation.
4. Read the notes to the pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Freehold" and "Partnership Interests" as at December 31, 2004 and for the year then ended, and for the year ended December 31, 2003, and found the amounts in the column captioned "Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) KPMG LLP
Chartered Accountants

Calgary, Canada
April 22, 2005

FREEHOLD ROYALTY TRUST
Pro Forma Consolidated Balance Sheet

As at December 31, 2004

(\$000s)

(Unaudited)

	Freehold	Pro Forma Adjustments	Pro Forma Consolidated
		(note 2a)	
Assets			
Current assets:			
Cash	\$ 66	\$ -	\$ 66
Accounts receivable	12,797	-	12,797
	12,863	-	12,863
Reclamation fund	1,646	-	1,646
Petroleum and natural gas interests	193,492	354,767	548,259
	\$ 208,001	\$ 354,767	\$ 562,768
Liabilities and Unitholders' Equity			
Current liabilities:			
Distributions payable to Unitholders	\$ 3,785	\$ -	\$ 3,785
Accounts payable and accrued liabilities	4,950	-	4,950
	8,735	-	8,735
Asset retirement obligation	3,937	23	3,960
Long-term debt	27,000	95,841	122,841
Future income tax liability	3,507	-	3,507
Unitholders' equity:			
Unitholders' capital	298,936	258,903	557,839
Accumulated earnings	164,100	-	164,100
Accumulated distributions	(298,214)	-	(298,214)
	\$ 208,001	\$ 354,767	\$ 562,768

See accompanying notes to unaudited pro forma consolidated financial statements.

FREEHOLD ROYALTY TRUST
Pro Forma Consolidated Statement of Income

Year Ended December 31, 2004

(\$000s, Except Per Unit Data)

(Unaudited)

	Freehold	Partnership Interests	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Revenue:					
Royalty income and working interest sales	\$ 78,491	\$ 51,296	\$ -		\$ 129,787
Royalty expense (net of ARC)	(2,977)	(115)	-		(3,092)
	75,514	51,181	-		126,695
Other expenses:					
Operating	5,860	101	-		5,961
General and administrative	3,502	-	-		3,502
Interest on long-term debt	635	-	3,259	2b	3,894
Depletion and depreciation	25,661	-	44,216	2c	69,877
Accretion of asset retirement obligation	232	-	1	2d	233
Management fee	1,428	-	835	2e	2,263
	37,318	101	48,311		87,730
Net income before taxes	38,196	51,080	(48,311)		40,965
Income and capital taxes	1,147	-	-	2f	1,147
Future income tax provision	157	-	-	2f	157
Net income	\$ 36,892	\$ 51,080	\$ (48,311)		\$ 39,661
Net income per Trust Unit, basic and diluted	\$ 1.17			2g	\$ 0.81

See accompanying notes to unaudited pro forma consolidated financial statements.

FREEHOLD ROYALTY TRUST
Pro Forma Consolidated Statement of Income

Year Ended December 31, 2003

(\$000s, Except Per Unit Data)

(Unaudited)

	Freehold	Partnership Interests	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Revenue:					
Royalty income and working interest sales	\$ 73,166	\$ 49,697	\$ -		\$ 122,863
Royalty expense (net of ARC)	(3,197)	(163)	-		(3,360)
	69,969	49,534	-		119,503
Other expenses:					
Operating	5,190	126	-		5,316
General and administrative	2,866	-	-		2,866
Interest on long-term debt	778	-	3,259	2b	4,037
Depletion and depreciation	21,860	-	42,364	2c	64,224
Accretion of asset retirement obligation	214	-	1	2d	215
Management fee	1,235	-	722	2e	1,957
	32,143	126	46,346		78,615
Net income before taxes	37,826	49,408	(46,346)		40,888
Income and capital taxes	443	-	-	2f	443
Future income tax provision	305	-	-	2f	305
Net income	\$ 37,078	\$ 49,408	\$ (46,346)		\$ 40,140
Net income per Trust Unit, basic and diluted	\$ 1.19			2g	\$ 0.83

See accompanying notes to unaudited pro forma consolidated financial statements.

FREEHOLD ROYALTY TRUST

Notes to Pro Forma Consolidated Financial Statements

Years ended December 31, 2004 and 2003.

1. Basis of Presentation

On April 20, 2005, two commercial trusts, of which Freehold Royalty Trust (“Freehold”) is the principal beneficiary, entered into a purchase and sale agreement to acquire a general partnership which owns certain royalty, mineral and working interests (the “Partnership Interests”) in consideration for cash. The acquisition is expected to close on May 10, 2005.

The accompanying unaudited pro forma consolidated financial statements have been prepared by the management of Freehold in accordance with Canadian generally accepted accounting principles. They consist of the pro forma consolidated balance sheet as at December 31, 2004 and the pro forma consolidated statements of income for the years ended December 31, 2004 and 2003. In the opinion of management the pro forma consolidated financial statements include all material adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles.

These unaudited pro forma consolidated financial statements may not be indicative either of the results that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the results which may be obtained in the future.

The unaudited pro forma consolidated financial statements for the years ended December 31, 2004 and 2003 have been prepared from:

-The audited consolidated financial statements of Freehold for the years ended December 31, 2004 and 2003. The 2003 results were restated to reflect a change in accounting policy with respect to asset retirement obligations, as fully described in our audited consolidated financial statements for the year ended December 31, 2004; and

-The audited statement of operations for the Partnership Interests for the years ended December 31, 2004 and 2003.

2. Pro Forma Transactions and Assumptions

The pro forma consolidated financial statements give effect to the following transactions and assumptions as if they had occurred on January 1, 2004 and January 1, 2003, respectively:

- (a) The acquisition of the Partnership Interests by Freehold is for consideration of \$355 million, after giving effect to all estimated adjustments, including costs of the acquisition. The acquisition is being accounted for by the purchase method.

The acquisition is to be financed through the issuance of \$199 million (net of issue costs) of subscription receipts, \$60 million for Trust Units issued through private placement and the remainder with Freehold's credit facilities. Freehold has entered

into an agreement to expand its existing credit facilities from \$65 million to \$165 million with a syndicate of lenders.

- (b) Interest expense has been calculated by applying current lending rates available through Freehold's expanded credit facilities to the increase in bank debt relating to the purchase of the Partnership Interests.
- (c) Depreciation and depletion has been determined using the full cost method of accounting based on proved reserves, production volumes and the costs of acquiring the Partnership Interests.
- (d) Accretion expense has been adjusted to reflect the additional asset retirement obligation associated with the Partnership Interests.
- (e) Management fee expense has been adjusted to reflect the additional units issued pursuant to the prospectus, as per the terms of the management agreement with Freehold's manager, Rife Resources Management Ltd.
- (f) The Partnership Interests will not have a significant effect on Freehold's tax situation. Freehold is exempt from future income taxes because it is contractually committed to distribute all of its income to its Unitholders. The earnings from the Partnership Interests will flow through to Freehold where tax deductions received for the distributions to Unitholders represent an exemption from taxation equivalent to Freehold's earnings.
- (g) Pro forma basic per unit amounts are based on the weighted average number of Freehold units outstanding for the period plus additional units issued pursuant to the prospectus.

SCHEDULE B

SCHEDULE OF REVENUE AND EXPENSES OF THE PARTNERSHIP INTERESTS

Canadian Natural Resources Limited

Statement of Operations
December 31, 2004 and 2003

April 6, 2005

Auditors' Report

To the Directors of Canadian Natural Resources Limited

At the request of **Canadian Natural Resources Limited**, we have audited the statement of operations for the two years ended December 31, 2004 and 2003 relating to the Royalty Income Properties (collectively the "Properties"). This financial information is the responsibility of management. Our responsibility is to express an opinion on this financial information based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In our opinion, the statement of operations presents fairly, in all material respects, the revenue and operating expenses for the Properties as described above for each of the two years ended December 31, 2004 and 2003 in accordance with the basis of accounting disclosed in note 1.

PricewaterhouseCoopers LLP

Chartered Accountants

Canadian Natural Resources Limited

Statement of Operations

For the years ended December 31, 2004 and 2003

	2004	2003
	\$	\$
Royalty revenue	50,734,921	49,020,858
Sales revenue	561,414	675,805
Royalty expense	<u>(114,600)</u>	<u>(163,522)</u>
Net revenue	51,181,735	49,533,141
Operating costs	<u>(101,433)</u>	<u>(125,630)</u>
Net income for the year	<u>51,080,302</u>	<u>49,407,511</u>

Canadian Natural Resources Limited

Notes to Statement of Operations
December 31, 2004 and 2003

1 Basis of presentation

The statement of operations include the operating results relating to the acquired properties that were acquired by Freehold Royalty Acquisition Trust 1 and Freehold Royalty Acquisition Trust 2, under an agreement dated April 20, 2005. The purchase price will be subject to revisions for any exercise of “rights of first refusal” of other parties. The accompanying financial information does not take into account any adjustments that might occur as a result of these possible exercises.

These statements have been derived from financial information provided by the vendor of the properties and relates only to the royalty revenue and working interests in natural gas and petroleum properties which were purchased.

These statements include only those revenues and operating expenses which are directly related to the properties purchased and do not include any expenses related to general and administrative costs, interest, income and capital taxes or any provisions related to depletion, depreciation or future site restoration and abandonment costs.

2 Significant recognition

Revenue recognition

Natural gas and liquids sales are recorded when the commodities are sold.

Royalties

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of individual royalty agreements.

Operating expenses

Operating expenses include all costs related to the lifting, gathering, transporting and processing of oil and natural gas and related products.

CERTIFICATE OF THE TRUST

Dated: May 3, 2005

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. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

**FREEHOLD ROYALTY TRUST
BY: FREEHOLD RESOURCES LTD.**

(signed) David J. Sandmeyer
President and Chief Executive Officer

(signed) Joseph N. Holowisky
Vice President, Finance and Administration and
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) William W. Siebens
Director

(signed) P. Michael Maher
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 3, 2005

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. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC World Markets Inc.

By: (signed) Brenda A. Mason

RBC Dominion Securities Inc.

By: (signed) Robi Contrada

BMO Nesbitt Burns Inc.

By: (signed) Aaron M. Engen

Scotia Capital Inc.

By: (signed) Steven Kroeker

TD Securities Inc.

By: (signed) Kasey Fukada