

**DEFERRED TRUST UNIT PLAN FOR DIRECTORS  
OF FREEHOLD RESOURCES LTD.**

Adopted with effect from January 1, 2006

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## FREEHOLD ROYALTY TRUST

### 1. PREAMBLE AND DEFINITIONS

#### 1.1 Title

The Plan herein described shall be called the "Deferred Trust Unit Plan for Directors of Freehold Resources Ltd".

#### 1.2 Purpose of the Plan

The purpose of the Plan is to promote a greater alignment of interests between Directors and the unitholders of the Trust.

#### 1.3 Definitions

- (a) "**Affiliate**" means an affiliate of the Corporation as the term "affiliate" is defined in paragraph 3 of Canada Customs and Revenue Agency Interpretation Bulletin IT-337R3, Retiring Allowances.
- (b) "**Board**" means the Board of Directors of the Corporation.
- (c) "**Cease Trade Date**" has the meaning ascribed thereto in Section 6.3.
- (d) "**Committee**" means the Governance Committee of the Board.
- (e) "**Corporation**" means Freehold Resources Ltd. and any successor corporation whether by amalgamation, merger or otherwise.
- (f) "**Deferred Trust Unit**" means a bookkeeping entry on the books of the Trust, the value of which on any particular date shall be equal to the Market Value.
- (g) "**Deferred Trust Unit Account**" has the meaning ascribed thereto in Section 5.1.
- (h) "**Director**" means a director of the Corporation who is not an employee of the Corporation or Rife Resources Ltd. otherwise than in his or her capacity as a member of the Board.
- (i) "**Director's Termination Date**" has the meaning ascribed thereto in Section 6.1.
- (j) "**Market Value**" means, with respect to a particular date, the closing price for a Trust Unit on the Stock Exchange on the Trading Day immediately prior to that date or, in the event of the Cease Trade Date, such other value as may be determined pursuant to Section 6.3.
- (k) "**Redemption Date**" has the meaning ascribed thereto in Section 6.1.
- (l) "**Stock Exchange**" means the Toronto Stock Exchange, or if the Trust Units are not listed on the Toronto Stock Exchange, such other stock exchange on which the Trust Units are listed, or if the Trust Units are not listed on any stock exchange, then on the over-the-counter market.
- (m) "**Trading Day**" means any date on which the Stock Exchange is open for the trading of Trust Units and on which one or more Trust Units actually traded.
- (n) "**Trust**" means Freehold Royalty Trust.

- (o) **"Trust Unit"** means a trust unit of the Trust and such other trust unit as is substituted therefore as a result of amendments to the articles of the Trust, reorganization or otherwise, including any rights that form a part of the trust unit or substituted trust unit but not including any other rights that are attached thereto and trade therewith or any other trust unit that is added thereto;

## **2. CONSTRUCTION AND INTERPRETATION**

2.1 In the Plan, references to the masculine include the feminine; references to the singular shall include the plural and vice versa, as the context shall require.

2.2 The Plan shall be governed and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada.

2.3 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

2.4 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

## **3. ELIGIBILITY**

3.1 The Trust is establishing the Plan for Directors, effective on January 1, 2006.

3.2 Nothing herein contained shall be deemed to give any person the right to be retained as a Director of the Corporation or of an Affiliate.

## **4. DEFERRED TRUST UNIT GRANTS**

4.1 Annually the Board (or the Committee) shall authorize, subject to the conditions stated herein, an annual grant of Deferred Trust Units. The participation of a Director in the Plan shall be evidenced by a written agreement between the Corporation and the eligible Director in the form of Schedule A hereto. The first grant of Deferred Trust Units shall be effective January 1, 2006, subject to all necessary stock exchange and unitholder approval. For years following 2006, each such grant of Deferred Trust Units shall, except as otherwise provided in this Section 4.1, be effective January 1st. In the case of a Director who becomes a Director during a calendar year after the grant of Deferred Trust Units for that particular year, Deferred Trust Units shall be granted as of the date of appointment to the Board.

## **5. ACCOUNTS, DISTRIBUTION EQUIVALENTS AND REORGANIZATION**

5.1 An account, to be known as a "Deferred Trust Unit Account" shall be maintained by the Corporation for each Director and will be credited with notional grants of Deferred Trust Units received by a Director from time to time. Unless otherwise provided at the time of grant, Deferred Trust Units will be fully vested upon being credited to a Director's Deferred Trust Unit Account and the Director's entitlement to payment of such Deferred Trust Units at his or her Termination Date shall not thereafter be subject to satisfaction of any requirements as to any minimum period of membership on the Board or other conditions.

5.2 Whenever cash or other distributions are paid on the Trusts Units, additional Deferred Trust Units will be credited to the Director's Deferred Trust Unit Account. The number of such additional

Deferred Trust Units will be calculated by dividing the distributions that would have been paid to such Director if the Deferred Trust Units recorded in the Director's Deferred Trust Unit Account as at the record date for the cash distribution had been Trust Units by the Market Value on the date on which the distributions are paid on the Trust Units. Notwithstanding the foregoing, following a Cease Trade Date, the value of a Trust Unit used to calculate the number of additional Deferred Trust Units under this Section 5.2 shall be the value determined on a reasonable and equitable basis by the Board.

5.3 In the event of any property distribution, unit split, combination or exchange of trust units, merger, arrangement, re-organization, re-capitalization, consolidation, spin-off or other distribution (other than normal cash, note or Trust Unit distributions) of the Trust assets to unitholders, or any other similar changes affecting the Trusts, such proportionate adjustments, to reflect such change or changes shall be made with respect to the number of Deferred Trust Units outstanding under the Plan, all as determined by the Board in its sole discretion.

5.4 For greater certainty, no amount will be paid to, or in respect of, a Director under the Plan or pursuant to any other arrangement, and no additional Deferred Trust Units will be granted to a Director to compensate for a downward fluctuation in the fair market value of the Trust Units, nor will any other form of benefit be conferred upon, or in respect of, a Director for such purpose.

## **6. REDEMPTION ON RETIREMENT OR DEATH**

6.1 The value of the Deferred Trust Units credited to a Director's Deferred Trust Unit Account shall be redeemable by the Director (or, where the Director has died, his or her estate) at the Director's option (or after the Director's death at the option of his or her legal representative) following the event, including death, causing the Director to be no longer any of a Director, or a director of an Affiliate (the "Director's Termination Date"). The Director (or after the Director's death, his or her legal representative) shall, by filing a written notice of redemption in the form of Schedule B hereto with the Secretary of the Corporation, specify a redemption date (the "Redemption Date") which in any event must be after the date on which the notice of redemption is filed with the Corporation and within the period from the Director's Termination Date to December 15 of the first calendar year commencing after the Director's Termination Date.

6.2 The value of the Deferred Trust Units redeemed by or in respect of a Director pursuant to Section 6.1 shall be the Market Value on the Director's Redemption Date and shall be paid to the Director (or, if the Director has died, to his or her estate) in the form of Trust Units in a number equal to the number of Deferred Trust Units redeemed, net of any applicable withholdings as soon as practicable after the Director's Redemption Date, provided that in any event such payment date shall be no later than December 31 of the first calendar year commencing after the Director's Termination Date. The maximum number of Trust Units issuable under the Plan shall be set at 200,000, provided the Board may increase such number of Trust Units subject to all necessary regulatory approvals.

6.3 In the event that the Director's Redemption Date is after the date on which the Trust Units ceased to be traded on the Stock Exchange, provided such cessation in trading is not reasonably expected to be temporary (the "Cease Trade Date"), the value of the Deferred Trust Units redeemed by or in respect of the Director pursuant to Section 6.1 shall be determined in accordance with the following:

- (a) where the Director's Termination Date is before or not more than 365 days after the last Trading Day before the Cease Trade Date, the value of each Deferred Trust Unit credited to the Director's Deferred Trust Unit Account at his or her Redemption Date shall be equal to the Market Value on the last Trading Day before the Cease Trade Date; and

- (b) where the Director's Termination Date is after the date that is 365 days after the last Trading Day before the Cease Trade Date, the value of each Deferred Trust Unit credited to the Director's Deferred Trust Unit Account at his or her Redemption Date shall be based on the fair market value of a trust unit of the Trust or of a corporation related thereto at his or her Redemption Date as is determined on a reasonable and equitable basis by the Board after receiving the advice of one or more independent firms of investment bankers of national repute.

The value of a Director's Deferred Trust Units determined in accordance with paragraph (a) or (b) of this Section 6.3, as applicable, shall be paid to the Director (or, if the Director has died, to his or her estate) in the form of Trust Units, net of any applicable withholdings as soon as practicable after the Director's Redemption Date, provided that in any event such payment date shall be no later than December 31 of the first calendar year commencing after the Director's Termination Date.

## **7. CURRENCY**

- 7.1 All references in the Plan to currency refer to lawful Canadian currency.

## **8. UNITHOLDER RIGHTS**

- 8.1 Deferred Trust Units are not Trust Units or other securities of the Trust and will not entitle a Director to any unitholder rights, including, without limitation, voting rights, distribution entitlement or rights on liquidation.

## **9. ADMINISTRATION**

- 9.1 Unless otherwise determined by the Board, the Plan shall remain an unfunded and unsecured obligation of the Corporation.

- 9.2 Unless otherwise determined by the Board, the Plan shall be administered by the Committee.

- 9.3 The Plan may be amended or terminated at any time by the Board, except as to rights already accrued hereunder by the Directors. Notwithstanding the foregoing, any amendment or termination of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the Income Tax Regulations or any successor provision thereto.

- 9.4 The Trust will be responsible for all costs relating to the administration of the Plan.

## **10. ASSIGNMENT**

- 10.1 The assignment or transfer of the Deferred Trust Units, or any other benefits under this Plan, shall not be permitted other than by operation of law.

**Schedule A**

**Deferred Trust Unit Plan for Directors of  
Freehold Resources Ltd. (the "Plan")**

**PARTICIPATION AGREEMENT – Section 4.1 of the Plan**

I hereby confirm that, as of the date written below, I am a member of the Board of Directors of Freehold Resources Ltd. and acknowledge that I will be granted Deferred Trust Units under Section 4.1 of the Plan on an annual basis subject to and in accordance with the terms of the Plan.

I confirm that:

1. I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.
2. I understand that I will not be able to cause Freehold Resources Ltd. (the "Corporation") to redeem Deferred Trust Units granted under the Plan ("DTUs") until I am no longer either a director of the Corporation or of an Affiliate.
3. I recognize that when DTUs credited pursuant to the Plan are redeemed in accordance with the terms of the Plan after I am no longer either a director of the Corporation or of an Affiliate, income tax and other withholdings as required will arise at that time. Upon redemption of the DTUs, the Corporation will make all appropriate withholdings as required by law at that time.
4. The value of DTUs are based on the value of the trust units of the Corporation from time to time and therefore are not guaranteed.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan text which governs in the case of conflict or inconsistency with this Participation Agreement. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise defined herein.

\_\_\_\_\_   
Date

\_\_\_\_\_   
(Name of Director)

\_\_\_\_\_   
(Signature of Director)

**Schedule B**

**Deferred Trust Unit Plan for  
Directors of Freehold Resources Ltd. (the "Plan")**

**REDEMPTION NOTICE**

Pursuant to Section 6.1 of the Plan, I hereby advise Freehold Resources Ltd. (the "Corporation") that I wish to redeem all the Deferred Trust Units credited to my account under the Plan on \_\_\_\_\_ **[insert Redemption Date, which shall be no later than December 15 of the first calendar year commencing after the year in which the Director ceases to be any of a director or an employee of the Corporation or of an Affiliate].**

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of Director)

\_\_\_\_\_  
(Signature of Director)

If the Redemption Notice is signed by a legal representative, documents providing the authority of such signature must be provided to the Corporation.