

# **FREEHOLD ROYALTY TRUST**

## **Notice of Annual Meeting of Unitholders to be held on May 9, 2007**

TO THE UNITHOLDERS:

NOTICE is hereby given that an Annual Meeting of the holders of Trust Units (the "Unitholders") of Freehold Royalty Trust (the "Trust") and an Annual Meeting of the holder of the Common Shares of Freehold Resources Ltd. ("Freehold Resources") (collectively, the "Meeting"), will be held in the Lecture Theatre, Sun Life Plaza Conference Centre, Plus 15 Level, 140 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta on Wednesday, May 9, 2007 at the hour of 3:30 p.m. (Calgary time) for the following purposes, namely:

- (a) to receive and consider the consolidated financial statements for the fiscal year ended December 31, 2006, together with the Auditors' report thereon;
- (b) to fix the number of directors of Freehold Resources to be elected at the Meeting at seven (7) members;
- (c) to elect the directors of Freehold Resources for the ensuing year;
- (d) to appoint Auditors for the ensuing year; and
- (e) to transact all such other business which may properly be brought before the Meeting or any adjournment thereof.

The specific details of these matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

Unitholders who are unable to attend the Meeting or any adjournment thereof in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided for that purpose. A proxy will not be valid unless it is completed and delivered to the attention of the Trust's Transfer Agent and Registrar, Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours before the Meeting or any adjournment(s) thereof.

Computershare Trust Company of Canada, the Trustee of the Trust, has fixed a record date for the Meeting at the close of business on March 20, 2007 (the "Record Date"). Only Unitholders of record as at that date are entitled to receive notice of the Meeting. Unitholders of record as at the Record Date will be entitled to vote at the Meeting even if the Unitholder has since that time disposed of his or her Trust Units. No Unitholder who became a Unitholder after the Record Date shall be entitled to vote at the Meeting.

DATED at Calgary, Alberta this 21<sup>st</sup> day of March, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF FREEHOLD RESOURCES LTD.**

(signed) JOSEPH N. HOLOWISKY  
Secretary

# **FREEHOLD ROYALTY TRUST**

400, 144 - 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3N4  
Telephone: (403) 221-0802

## **Information Circular – Management Proxy Statement dated March 21, 2007 for the Annual Meeting of Unitholders of Freehold Royalty Trust to be held on May 9, 2007**

### **Solicitation of Proxies**

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Freehold Resources Ltd. (“Freehold Resources”)** for use at the Annual Meeting of holders of Trust Units (the “Unitholders”) of Freehold Royalty Trust (the “Trust”) and at the Annual Meeting of the holder of the Common Shares of Freehold Resources (collectively, the “Meeting”) to be held in the Lecture Theatre of the Sun Life Plaza Conference Centre, Plus 15 Level, 140 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, on May 9, 2007, commencing at 3:30 p.m. (Calgary time) for the purposes set forth in the Notice accompanying this Information Circular. Unless otherwise stated, the information contained herein is given as of March 21, 2007. The costs incurred in the solicitation of proxies and in the preparation and mailing of this Information Circular will be borne by the Trust. Solicitation of proxies by management will be through the mail, in person and by telephone.

For the purpose of this Information Circular unless the context otherwise requires: (i) “Trust Units” shall be any or all of the Trust Units of Freehold Royalty Trust; and (ii) terms defined in the Notice shall have the same meaning herein.

### **Appointment and Revocation of Proxy**

A form of proxy accompanies the Notice and this Information Circular. **The persons named in such form of proxy are directors and officers of Freehold Resources. A person or corporation submitting the proxy shall have the right to appoint a person (who need not be a Unitholder) to be a representative at the Meeting, other than the persons designated in the form of proxy furnished by Freehold Resources. Such appointment may be exercised by inserting the name of the appointed representative in the blank space provided for that purpose.** A form of proxy will not be valid unless it is completed and delivered to the attention of the Trust’s Transfer Agent and Registrar, Computershare Trust Company of Canada (“Computershare”), Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours before the Meeting or any adjournment(s) thereof.

A Unitholder who has given a proxy may revoke it by depositing an instrument in writing executed by such Unitholder (or by an attorney duly authorized in writing) or, if such Unitholder is a corporation, by any officer or attorney thereof duly authorized, either at the registered office of Freehold Resources at any time up to and including the close of business on the last business day preceding the Meeting or any adjournment(s) thereof, or with the Chair of the Meeting on the day thereof or any adjournment(s) thereof.

### **Notice to Beneficial Holders of Trust Units**

The information in this section is of significant importance to many Unitholders as a substantial number of Unitholders do not hold Trust Units in their own name. If you do not hold your Trust Units in your own name, you are considered a “Beneficial Unitholder”. You should note that only proxies deposited by Unitholders whose names appear on the records of the Trust as the registered holders of the Trust Units can be recognized and acted upon at the Meeting. If your Trust Units are listed in an account statement provided to you by a broker, then in almost all cases those Trust Units will not be registered in your name on the records of the Trust. Those Trust Units will more likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of Trust Units are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). The Trust does not know for whose benefit the Trust Units registered in the name of CDS & Co. are held.

Each intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Trust Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to the form of proxy provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholder how to vote on behalf of the Beneficial Unitholder. The majority of brokers in Canada and the United States delegate responsibility for obtaining instructions from clients to ADP Investor Communications (“ADP”). ADP typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Unitholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Unitholder may be given the option to vote by telephone or via the Internet. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Trust Units to be represented at the Meeting.

Trust Units held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, the broker/nominees are prohibited from voting Trust Units for their clients. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of Unitholders’ meetings. **A Beneficial Unitholder receiving a voting instruction form cannot use that voting instruction form to vote Trust Units directly at the Meeting as the voting instruction form must be returned as directed by the intermediary/broker in order to have the Trust Units voted. Accordingly, it is strongly suggested that Beneficial Unitholders return their completed voting instruction forms as directed well in advance of the Meeting.**

### Exercise of Discretion by Proxy

The persons named in the enclosed form of proxy will, if the instructions are certain, vote the Trust Units represented thereby and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the Trust Units will be voted or withheld from voting in accordance with the specification so made. The Trust Units represented by all proxies received by the Trust will be voted to approve each matter to which no specification has been made.

The enclosed form of proxy confers discretionary authority on the persons appointed with respect to amendments or variations of matters identified in the Notice or other matters that may properly come before the Meeting. At the time of printing this Information Circular, management of Freehold Resources is not aware of any such amendments, variations or other matters.

### Voting Units

There are presently issued and outstanding 49,174,197 Trust Units to which are attached voting rights and the registered holders thereof, at the close of business on March 20, 2007, are entitled to attend and vote at the Meeting on the basis of one vote for each Trust Unit held. Only Unitholders of the Trust of record as at that date are entitled to receive notice of the Meeting. Unitholders of record as at the Record Date will be entitled to vote at the Meeting even if the Unitholder has since that time disposed of his or her Trust Units. No Unitholder who became a Unitholder after the Record Date shall be entitled to vote at the Meeting.

### Principal Unitholders

To the best of the knowledge of management of Freehold Resources, the following are the only persons who beneficially own, directly or indirectly, or exercise control or direction over Trust Units carrying more than 10% of the voting rights attached to the issued and outstanding Trust Units of the Trust which may be voted at the Meeting.

Name	Trust Units Beneficially Owned Directly or Indirectly <sup>1</sup>	Percentage of Issued and Outstanding Trust Units
CN Pension Trust Funds (the pension funds for employees of Canadian National Railway Company)	10,948,477 <sup>2</sup>	22.26%

Note:

1 The information as to Trust Units beneficially owned, not being within the knowledge of Freehold Resources, has been derived from sources available to Freehold Resources.

2 Includes 1,950,677 held indirectly.

## **Unanimous Shareholder Agreement**

Pursuant to the amended and restated Unanimous Shareholder Agreement dated December 31, 2004 among Rife Resources Management Ltd. (the “Manager”), Freehold Resources and Computershare Trust Company of Canada as Trustee for and on behalf of the Trust (the “Unanimous Shareholder Agreement”), the Unitholders are entitled to notice of and to attend all meetings of the shareholder of Freehold Resources and, except as set forth below, to direct the manner in which the Trust will vote its shares in Freehold Resources at all such meetings. Prior to the Trust voting its shares in Freehold Resources each Unitholder shall be entitled to vote in respect of the matter on the basis of one vote per Trust Unit held, and the Trust shall be required to vote its shares in Freehold Resources in accordance with the results of the vote of the Unitholders. Unitholders are entitled to direct the Trust as to how to vote in respect of all matters placed before the shareholder of Freehold Resources including, the election of the directors of Freehold Resources (other than the directors of Freehold Resources to be elected by the Manager pursuant to the terms of the Unanimous Shareholder Agreement, which is currently two (2)), approving its financial statements and appointing auditors of Freehold Resources. In addition, Unitholders are entitled to direct the Trust as to how to vote its shares in Freehold Resources on any proposed amendment to the Unanimous Shareholder Agreement, where such amendment is required to be approved by special resolution. The Trust is not entitled, without the direction of Unitholders, to exercise its rights as shareholder of Freehold Resources except as set forth above.

It is a term of the Unanimous Shareholder Agreement that the board of directors of Freehold Resources (the “Board” or “Board of Directors”) shall consist of a minimum of five (5) and a maximum of nine (9) directors. The Unanimous Shareholder Agreement provides that the Unitholders will be entitled to elect a majority of the Board of Directors of Freehold Resources and the Manager is entitled to appoint the balance of the directors.

The Unanimous Shareholder Agreement also provides that Freehold Resources is prohibited from making payment of dividends on its shares.

## **Matters to be Acted on at the Meeting**

### **Fixing Number of Directors**

At the Meeting, it is proposed that the number of directors to be elected at the Meeting to hold office until the next annual meeting of Freehold Resources or until their successors are elected or appointed, subject to the Articles or By-laws of Freehold Resources, be set at seven (7). There are presently seven (7) directors of Freehold Resources, each of whom will retire from office at the Meeting. Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of setting the number of directors to be elected at the Meeting at seven (7).

### **Election of Directors**

The By-laws of Freehold Resources provide that all of the directors of Freehold Resources shall retire from office at each annual meeting but will retain office until the termination of the meeting at which time their successors are elected. The number of directors to be elected at the Meeting has been fixed at seven (7), five (5) of whom will be elected by Unitholders. Pursuant to the Unanimous Shareholder Agreement, the Manager is entitled to appoint the other two (2) directors of Freehold Resources.

The persons named below have been proposed for election as directors of Freehold Resources and it is the intention of the persons named in the enclosed form of proxy, if named as proxy, to nominate and vote for the election of these persons as directors. Management does not contemplate that any of the five (5) proposed nominees will be unable to serve as directors. If any of the proposed nominees do not stand for election or are unable to serve, proxies will not be voted for any other nominee. Each director elected will hold office until the next annual meeting of Unitholders or until his successor is elected or appointed pursuant to the By-laws of Freehold Resources.

The following table sets forth the names and province of residence of the five (5) proposed nominees, the date they were first elected as directors of Freehold Resources, their present principal occupations and the number of Trust Units of the Trust beneficially owned, directly or indirectly, or over which control or direction is exercised by each. The information contained herein as to Trust Units beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to Freehold Resources by the respective nominees.

<b>Name and Province of Residence</b>	<b>Office(s) held with Freehold Resources</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Trust Units</b>
D. Nolan Blades <sup>1, 2, 3, 4</sup> Alberta, Canada	Director	President, Sunny Gables Holdings Ltd. (private holding company)	July 29, 1996	30,000
Harry S. Campbell, Q.C. <sup>2, 4</sup> Alberta, Canada	Director	Managing Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors)	July 29, 1996	2,800
Peter T. Harrison <sup>1, 2, 4</sup> Quebec, Canada	Director	Senior Vice-President, Montrusco Bolton Investments Inc. (investment counsel)	July 29, 1996	22,000
Dr. P. Michael Maher <sup>1, 2, 3</sup> Alberta, Canada	Director	Professor, Haskayne School of Business University of Calgary	July 29, 1996	2,241
William W. Siebens <sup>3</sup> Alberta, Canada	Chair of the Board	President and Chief Executive Officer, Candor Investments Ltd. (private energy and investment corporation)	July 29, 1996	50,000

## Notes:

1 Member of Audit Committee

2 Member of Compensation Committee

3 Member of Governance Committee

4 Member of Reserves Committee

As stated above, pursuant to the Unanimous Shareholder Agreement, the Manager is entitled to elect two (2) members of the Board of Freehold Resources. The Manager intends to elect the following persons as members of the Board of Freehold Resources:

<b>Name and Province of Residence</b>	<b>Office(s) held with Freehold Resources</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Trust Units</b>
Tullio Cedraschi Quebec, Canada	Director	President and Chief Executive Officer, CN Investment Division (manages the pension funds for employees of Canadian National Railway Company)	January 21, 1998	Nil <sup>1</sup>
David J. Sandmeyer Alberta, Canada	President and Chief Executive Officer	President, Rife Resources Ltd. <sup>2</sup> (private oil and gas exploration and production company)	July 29, 1996	20,255

## Notes:

1 CN Pension Trust Funds own 10,948,477 Trust Units (22.26%) of Freehold Royalty Trust.

2 Rife Resources Ltd. is 100% owned by the CN Pension Trust Funds.

### *Corporate Cease Trade Orders or Bankruptcies*

During the past ten (10) years, none of the proposed directors of Freehold Resources is or has been a director or executive officer of any company that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order or an order that denied that company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### *Personal Bankruptcies*

During the past ten (10) years, none of the proposed directors of Freehold Resources has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### **Appointment of Auditors**

The persons named in the form of proxy solicited by management of Freehold Resources will vote the Trust Units represented by proxy for the appointment of KPMG LLP, Chartered Accountants, as Auditors of the Trust and Freehold Resources until the next Annual Meeting of Unitholders of the Trust and Annual Meeting of the shareholder of Freehold Resources at a remuneration to be fixed by the directors of Freehold Resources. KPMG LLP were first appointed Auditors of Freehold Resources on July 29, 1996, and of the Trust on September 30, 1996.

### **Other Matters**

The Manager knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

### **Statement of Executive Compensation**

The Manager, at its head, principal and registered office located at Suite 400, 144 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N4, was established to provide comprehensive oil and gas company management and operational services to the Trust and Freehold Resources. The Manager is a wholly-owned subsidiary of Rife Resources Ltd. (“Rife”), which is wholly-owned by the CN Pension Trust Funds. The Manager has been retained by the Trust and Freehold Resources through the Amended and Restated Management Agreement dated May 10, 2006 (the “Management Agreement”) to manage and administer the business and affairs of the Trust and Freehold Resources. Freehold Resources compensates the Manager for the time expended on the business of the Trust and Freehold Resources in accordance with the terms of the Management Agreement.

### *Management Agreement*

Freehold Resources and the Trustee, as trustee for and on behalf of the Trust, entered into the Management Agreement with the Manager, pursuant to which Freehold Resources and the Trust engaged the Manager for an initial term of five years, which initial term has since automatically renewed for additional three-year terms, the current term of which has renewed to November 25, 2007 to, among other things:

- (a) manage the Trust, subject to the supervision of Freehold Resources;
- (b) administer all matters relating to the royalties held by the Trust and Trust Units, including: (i) determining the total amount owing to the Trust and Freehold Resources from third parties and conducting joint venture audits as required; (ii) determining the total amounts owing to Unitholders and arranging for cash distributions of distributable income, subject to supervision of Freehold Resources; (iii) providing

- Unitholders with periodic reports on the royalties held by the Trust and the properties of Freehold Resources; and (iv) providing Unitholders with financial reports and tax information relating to the royalties held by the Trust and the properties of Freehold Resources;
- (c) provide management services for the economic and efficient exploitation of oil and gas properties;
  - (d) operate oil and gas properties which Freehold Resources is entitled to operate and monitor the activities of third party operators;
  - (e) recommend, carry out and monitor property acquisitions and dispositions and exploitation and development programs for the Trust and Freehold Resources;
  - (f) negotiate and execute on behalf of Freehold Resources all exploitation and development agreements, operating agreements, working agreements, farmin and farmout agreements, leases and other documents relating to the exploitation of the oil and gas properties as may be advisable;
  - (g) recommend and, subject to the supervision of Freehold Resources, negotiate banking arrangements for the Trust and Freehold Resources; and
  - (h) provide office space, office furnishings and equipment and personnel necessary for the proper administration of the assets of the Trust and Freehold Resources.

The amounts payable under the Management Agreement will be allocated between Freehold Resources and the Trust based on the relative services provided.

In exercising its power and discharging its duties under the Management Agreement, the Manager is required to exercise that degree of care, diligence and skill that a reasonably prudent advisor and manager in respect of oil and gas properties in Western Canada would exercise in comparable circumstances.

The Management Agreement will be renewed for successive three year terms following the end its current three year term unless the termination of the Management Agreement at the end of a term has been approved by a special resolution of Unitholders and the Manager is given 12 months written notice of termination or unless the Trustee is given six months written notice of termination by the Manager prior to the end of a term.

The Management Agreement may be terminated by the Trust at any time without the payment of compensation to the Manager if the Manager institutes bankruptcy proceedings, seeks relief under bankruptcy law, consents to the appointment of a receiver, voluntarily suspends transaction of its usual business, is declared bankrupt or insolvent, if a receiver is appointed in respect of the Manager, or if the Manager fails to carry out its material obligations under the Management Agreement and does not commence to cure such failure within 30 days of notice being given.

There may be circumstances in which the interests of the Manager will conflict with those of Unitholders. The Manager provides similar management services to Canpar Holdings Ltd. and Rife and may provide similar management services to others in the future. The Manager may acquire oil and gas properties on its own behalf or on behalf of persons other than the Unitholders. The Manager may manage and administer such additional properties, as well as enter into other types of energy-related management and advisory activities.

In resolving such conflicts, decisions will be made by the Manager on a basis consistent with the objectives and financial resources of each group of interested parties, the time limitations on investment of such financial resources, and on the basis of operating efficiencies having regard to the then current holdings of properties of each group of interested parties all consistent with the duties of the Manager to each such group of persons. The Manager will use all reasonable efforts to resolve such conflicts of interest in a manner which will treat the Trust or Freehold Resources and the other interested party fairly, taking into account all of the circumstances of the Trust or Freehold Resources and such interested party and will act honestly and in good faith in resolving such matters.

The Manager will be indemnified by Freehold Resources in respect of certain damages which it may suffer in discharging its obligations under the Management Agreement, provided that such damages do not arise from the fraud, willful default, negligence or bad faith of the Manager.

The Board of Directors of Freehold Resources and the Trustee will review on an ongoing basis both the nature and extent of the services required of the Manager and the costs of providing the same. All amendments to the Management Agreement must be approved by a majority of independent members of the Board of Directors of Freehold Resources and the Trustee, upon the recommendation of Freehold Resources and the Manager.

### *Compensation*

The Manager is compensated as follows for providing services to the Trust and Freehold Resources.

#### ***Management Fee***

Pursuant to the Management Agreement, the Manager receives quarterly a management fee. In order to align the economic interest of the Manager with the interest of the Unitholders, the management fee has been paid and will continue to be paid in Trust Units, based on the number of issued and outstanding Trust Units at the end of each quarter. The quarterly management fee is currently 35,654 Trust Units. During 2006, the Manager received 142,616 Trust Units as its management fee.

The officers of Freehold Resources do not receive any compensation directly from Freehold Resources for their services. All management services are provided to Freehold Resources by the Manager pursuant to the Management Agreement.

#### ***General and Administrative Costs***

The Manager is also entitled to reimbursement for general and administrative costs. General and administrative costs are deducted in computing royalty income to the extent not paid from the residual income of Freehold Resources. General and administrative costs are generally charged to Freehold Resources and the Trust by the Manager based on time spent and direct costs incurred in fulfilling the obligations of the Manager to Freehold Resources and the Trust pursuant to the Management Agreement.

The Manager was reimbursed \$3.7 million for general and administrative costs incurred for the year ended December 31, 2006.

### *The Manager*

The offices of the Manager are located at Suite 400, 144 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N4. The name, province of residence, position held and principal occupation of each director and officer of the Manager are set forth below:

<b>Name and Province of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
David J. Sandmeyer Alberta, Canada	President and Director	President Rife Resources Ltd.
J. Frank George Alberta, Canada	Vice-President, Exploitation	Vice-President, Exploration Rife Resources Ltd.
Joseph N. Holowsky Alberta, Canada	Vice-President, Finance & Administration, Secretary and Director	Vice-President, Finance & Administration Rife Resources Ltd.
William O. Ingram Alberta, Canada	Vice-President, Production	Vice-President, Production Rife Resources Ltd.
Michael J. Okrusko Alberta, Canada	Vice-President, Land	Vice-President, Land Rife Resources Ltd.

As at March 21, 2007, the directors and senior officers of the Manager as a group beneficially owned, directly or indirectly, or exercised control or direction over, 21,755 Trust Units. Rife owns 100% of the outstanding shares in the capital of the Manager. All of the shares of Rife are owned by the CN Pension Trust Funds.

There were no amounts paid by Freehold Resources or the Trust to any person set forth above during the year ended December 31, 2006.

The executive officers of the Trust are employees of the Manager and receive their remuneration from the Manager. These executive officers do not receive any compensation directly from Freehold Resources or the Trust for their services. The Manager provides management services to the Trust and its controlled entities as well as two other private entities. The Manager maintains a time sheet entry system pursuant to which each employee of the Manager records the amount of time devoted to each entity managed by the Manager. The portion of general and administrative costs allocated to the Trust is based on a ratio of the total time allocated to the Trust's business by all of the Manager's employees divided by the total time allocated to all of businesses managed by the Manager.

The following table provides a summary of compensation information paid to the chief executive officer and the chief financial officer of Freehold Resources (collectively, the "Named Executive Officers") by the Manager relating to services rendered to the Trust for the periods indicated based on the foregoing allocation. The Named Executive Officers also perform functions for two other private entities on behalf of the Manager. The salary and bonus paid to each of the other executive officers of Freehold Resources by the Manager with respect to services provided to the Trust is less than \$150,000.

### Summary Compensation Table

Name and Principal Position	Year	Annual Compensation <sup>1</sup>			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>2</sup>	Awards		Payouts	
					Securities Under Options/SARs Granted <sup>3</sup>	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
David J. Sandmeyer President and Chief Executive Officer	2006	118,800	42,360	5,623	4,211	-	-	-
	2005	118,800		5,465	-	-	-	-
	2004	108,900		5,433	-	-	-	-
Joseph N. Holowisky Vice President, Finance and Admin. and Chief Financial Officer	2006	75,900	30,995	5,405	2,105	-	-	-
	2005	74,250		5,267	-	-	-	-
	2004	68,442		5,176	-	-	-	-

1 Freehold's proportionate share.

2 Freehold's proportionate share of car allowance, parking and club fees.

3 This column includes the Long Term Incentive Plan (the Manager's LTIP) awards issued on January 2, 2006, which are the equivalent of a stock grant with a performance test (see the Manager's LTIP). These LTIP awards vest on January 1, 2009.

The following sets forth information in respect of the Manager's LTIP awards as at December 31, 2006.

### Manager's Long Term Incentive Plan Awards<sup>1</sup>

NEO Name	Securities Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans		
			Threshold (\$ or #)	Target (\$ or #)	Maximum (\$ or #)
David J. Sandmeyer	4,211	January 1, 2009	-	-	-
Joseph N. Holowisky	2,105	January 1, 2009	-	-	-

1 See the Manager's LTIP.

*The Manager's LTIP*

Effective January 1, 2006, the Trust agreed to fund a portion of the costs associated with a long-term incentive compensation plan for employees of Manager (the “Manager’s LTIP”). The Manager’s LTIP uses a combination of the value of phantom shares of the private entities managed by the Manager and notional Trust Units as the basis for rights, which are granted annually at the discretion of the directors of the private entity and vest at the end of a three-year period. The Trust is only responsible for the funding the notional value of the Trust Units underlying the rights at the date of vesting. Distributions to Unitholders declared by the Trust during the vesting period are assumed to be reinvested in notional Trust Units on the date of distribution. Participants in the Manager’s LTIP receive a cash payment on a fixed vesting date based on the intrinsic value of the notional Trust Units, including notional Trust Units received on distribution reinvestment, using the trading price of the Trust Units on the TSX multiplied by a factor based on annual average compounded return on Trust Units from the date of grant to vesting. The factor is determined based on the following annual average compounded return:

<b>Percentage</b>	<b>Factor</b>
>5%	0.25
5% - 10%	0.25 – 1.0
10% - 15% or greater	1.0 – 1.5

**Composition of the Compensation Committee**

In February 2007, a Compensation Committee was established to review and recommend to the Board for approval director compensation; compensation of the Manager (as set out in the Management Agreement); review of compensation of the CEO and other Executive Officers; and Freehold’s participation in the incentive compensation programs for employees of the Manager. The members of the Compensation Committee are Peter T. Harrison (Chair), D. Nolan Blades, Harry S. Campbell, and P. Michael Maher.

Prior to the establishment of the Compensation Committee, the Governance Committee had the responsibility to periodically review and recommend to the Board for approval the remuneration of the directors and any other arrangements pursuant to which monies are payable to a director or a party related to a director. The members of the Governance Committee are D. Nolan Blades, P. Michael Maher, and William W. Siebens. Because compensation of the Manager is specified in the Management Agreement, neither the Governance Committee nor the Board previously reviewed the compensation policies of the Manager.

**Report on Executive Compensation**

On February 26, 2007, the Compensation Committee met with representatives of the Manager to review the Manager's compensation strategy to ensure that management is rewarded appropriately and that the Manager’s executive compensation program is related to the Trust’s financial performance and returns on the Trust’s Units, as well as the performance of the individual executives. The Compensation Committee reviewed the total compensation for the executive officers with the Manager. Compensation was also compared to the total compensation of similar positions for executives of other mid-sized Canadian oil and gas trusts and oil and gas companies with a view to ensuring that such overall compensation packages are competitive. As the Manager is a private company and the executive officers also provide services to two other private companies, the specific details of this review are confidential.

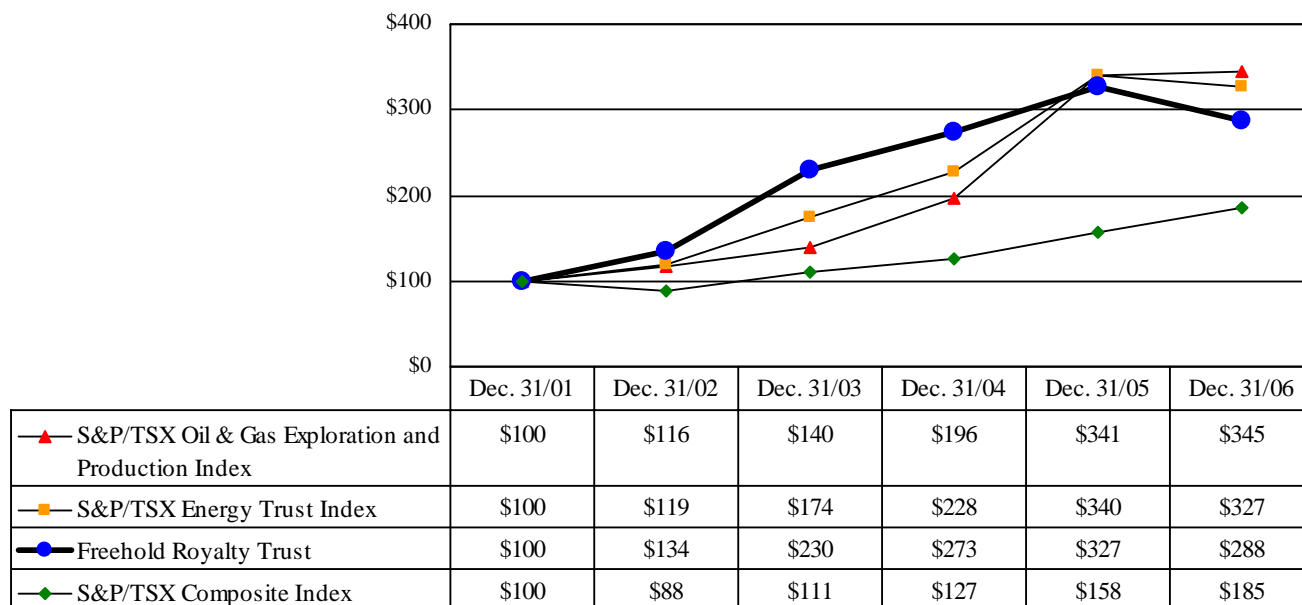
The foregoing report is respectfully submitted to Unitholders by the Compensation Committee, which consists of the following members of the Board:

Peter T. Harrison (Chair)  
D. Nolan Blades  
Harry S. Campbell  
P. Michael Maher

### Performance Chart

The following graph and table illustrates changes during the last five years in the value of \$100 invested on December 31, 2001 in the Trust Units of Freehold Royalty Trust and in the S&P/TSX Composite Index, the S&P/TSX Oil & Gas Exploration and Production Index, and the S&P/TSX Energy Trust Index, assuming reinvestment of all distributions and dividends.

Cumulative Value of a \$100 Investment



### Compensation of Directors

During the financial year ended December 31, 2006, Freehold Resources paid remuneration to its directors in the amount of \$201,500 (excluding expenses). Directors were also reimbursed for expenses incurred for attendance at such meetings.

During 2006, the Chair of the Board of Freehold Resources received an annual retainer of \$30,000 and \$1,000 per meeting attended, plus reimbursement of expenses of attending such meetings. Each of the other directors of Freehold Resources, with the exception of Mr. Sandmeyer who is an employee of the Manager, received an annual retainer of \$20,000 and \$1,000 per meeting attended, plus reimbursement of expenses of attending such meetings. The Audit Committee chair received a supplemental fee of \$7,500 per annum and each of the Reserves Committee and Governance Committee chairs received a supplemental fee of \$5,000 per annum.

The following table sets forth the aggregate compensation paid to each director during 2006. Mr. Sandmeyer was not compensated by Freehold Resources for his services as a director.

	Base Retainer Fee (\$)	Board/Committee Chair Retainer Fee (\$)	Committee Retainer Fee (\$)	Board Attendance Fee (\$)	Committee Attendance Fee (\$)	Total Fees Paid (\$)	Cash Received Under DTU Plan (\$)
D. Nolan Blades	20,000	12,500	-	6,000	7,000	45,500	-
Tullio Cedraschi	20,000	-	-	5,000	-	25,000	-
Harry S. Campbell	20,000	-	-	5,000	1,000	26,000	-
Peter T. Harrison	20,000	-	-	6,000	6,000	32,000	-
P. Michael Maher	20,000	5,000	-	6,000	5,000	36,000	-
William W. Siebens	30,000	-	-	6,000	1,000	37,000	-

A Compensation Committee was established in February 2007. The Compensation Committee chair will receive a supplemental fee of \$5,000 per annum.

#### *Deferred Trust Unit Plan*

At the Annual and Special Meeting of Unitholders held on May 10, 2006, a Deferred Trust Unit Plan (“DTU Plan”) was approved for non-management directors whereby fully vested deferred trust units are granted annually. A maximum of 200,000 Trust Units have been reserved for issuance pursuant to the DTU Plan. The DTU Plan provides a form of directors’ compensation that aligns the interests of Freehold’s non-management directors and Unitholders and will allow Freehold to continue to attract qualified directors.

In 2006, the Board allocated 1,595 deferred trust units to each eligible director and 3,190 deferred trust units to the Chair of the Board. Under the DTU Plan, distributions to Unitholders declared by the Trust prior to redemption are assumed to be reinvested on behalf of the directors in notional units on the date of distribution. As at December 31, 2006, there were 12,559 deferred trust units outstanding (including additional notional units resulting from distributions), which are redeemable for an equal number of Trust Units any time after the director’s retirement.

	Securities, Under Options/SARs Granted <sup>3</sup> (#)	Percent of Total Options/SARs Granted in Financial Year (%)	Exercise or Base Price (\$/unit) <sup>1</sup>	Market Value of Securities Underlying Options/SARs on Date of Grant (\$)	Expiration Date <sup>2</sup>
D. Nolan Blades	1,595	14.3	18.81	30,000	-
Tullio Cedraschi	1,595	14.3	18.81	30,000	-
Harry S. Campbell	1,595	14.3	18.81	30,000	-
Peter T. Harrison	1,595	14.3	18.81	30,000	-
P. Michael Maher	1,595	14.3	18.81	30,000	-
William W. Siebens	3,190	28.5	18.81	60,000	-

1 Based on the closing Trust Unit price on December 29, 2005.

2 Deferred trust units vest upon the director’s retirement from the Board.

3 Represents amounts granted, not including additional notional units resulting from 2006 distributions in the amount of 1,394 deferred trust units as at December 31, 2006.

On January 1, 2007, the Board approved annual grants for 2007 totalling 14,181 deferred trust units, allocating 2,026 to each eligible director and 4,051 to the Chair of the Board. As at March 21, 2007, there were 27,609 deferred trust units outstanding (including additional notional units resulting from distributions).

### Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of Trust Units authorized for issuance under the Trust's equity compensation plans as at December 31, 2006.

Plan Category	Number of Units to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Unitholders			
Deferred Trust Unit Plan	12,559	N/A	187,441
Management Agreement <sup>1</sup>	N/A <sup>1</sup>	N/A	769,323 <sup>1</sup>
Equity compensation plans not approved by Unitholders	N/A	N/A	N/A
<b>Total</b>	<b>12,559</b>	<b>N/A</b>	<b>956,764</b>

Note:

<sup>1</sup> Pursuant to the Amended and Restated Management Agreement dated May 10, 2006, Freehold Resources and the Trust engaged the Manager to provide certain management services as more fully described under the heading "Executive Compensation – Management Agreement". Pursuant to the Management Agreement, the Manager receives a management fee, paid in Trust Units, based on the number of issued and outstanding Trust Units at the end of each quarter. The quarterly management fee was initially 20,000 Trust Units. The management fee is adjusted, based on the total issued and outstanding Trust Units, so that the quarterly management fee is in the same proportion as 20,000 was to the outstanding Trust Units on November 25, 1996, excluding Trust Units issued as a management fee. After giving effect to such adjustments, the quarterly management fee is currently 35,654 Trust Units.

### Directors' and Officers' Liability Insurance

The Trust maintains directors' and officers' liability insurance policies, the total annual premium for which is \$57,600 and is paid for by the Trust. The policies have total limits of \$10,000,000 for each loss, subject to a deductible of \$100,000 for claims by the Trust under the policies.

### Corporate Governance

National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101) sets out requirements for corporate governance disclosure in management information circulars. The following information outlines Freehold's corporate governance practices within the context of NI 58-101.

### Board of Directors

It is a term of the Unanimous Shareholder Agreement that the Board will consist of a minimum of five and a maximum of nine directors. The Unanimous Shareholder Agreement provides that the Unitholders will be entitled to elect a majority of the directors and the Manager is entitled to elect the balance of the directors.

The majority of directors are independent. The Board has determined that five of seven directors are independent within the meaning of 58-101. The five independent directors are: D. Nolan Blades, Harry S. Campbell, Peter T. Harrison, Dr. P. Michael Maher and William W. Siebens. Mr. Campbell is Managing Partner of Burnet, Duckworth & Palmer LLP which, from time to time, provides legal services to the Trust, Freehold Resources, and the CN Pension Trust Funds and their affiliates. The Board of Directors is of the opinion that the business relationship between the Trust and the CN Pension Trust Funds and Mr. Campbell does not interfere with Mr. Campbell's ability to exercise his duty to act in the best interests of Freehold Resources and the Trust. Tullio Cedraschi and David J. Sandmeyer are not independent by virtue of their relationship with the Manager.

The following is a brief description of the backgrounds of the directors, including other boards on which the directors serve.

### ***Independent Directors***

#### *William W. Siebens*

Bill Siebens is President and CEO of Candor Investments Ltd. (Calgary), a private energy and investment corporation. He currently serves as a Director of the Fraser Institute. He brings special expertise to Freehold with his knowledge of Freehold's royalty lands as a portion of these lands were previously owned by Siebens Oil & Gas Ltd.

#### *D. Nolan Blades*

Nolan Blades is President of Sunny Gables Holdings Ltd. (Calgary) and a Professional Engineer with extensive experience in the oil and gas industry. Mr. Blades has obtained significant financial experience and exposure to accounting and financial issues as President and CEO of Pursuit Resources Corp. (1993 to 2000) and as a director of a number of companies. He is currently Chairman of Real Resources Inc., and a director of Gemini Corporation and Canoro Resources Ltd.

#### *Harry S. Campbell, Q.C.*

Harry Campbell is Managing Partner of the law firm Burnet, Duckworth & Palmer LLP (Calgary). He was admitted to the Alberta Bar in 1974 and has extensive experience with Canadian oil and gas transactions and international petroleum and natural gas matters. Mr. Campbell is currently a Director of Delphi Energy Corp., Immersive Media Corp. and The Cathay Investment Fund Limited.

#### *Peter T. Harrison*

Peter Harrison is Senior Vice-President of Montrusco Bolton Investments Inc. (Montreal) and previously managed Canadian Equities for the CN Investment Division. Mr. Harrison has significant financial experience making investments which involve extensive analysis of financial statements. He holds a Bachelor of Commerce degree from McGill University, an MBA from the University of Western Ontario, and is a Chartered Financial Analyst.

#### *Dr. P. Michael Maher*

Michael Maher is a Professor and former Dean of the Haskayne School of Business, University of Calgary. Dr. Maher has conducted and published research on various aspects of corporate governance and the audit function. He currently serves as a Director of EPI Environmental Technologies Inc. and WellPoint Systems Inc. He has a Bachelor of Science degree in Engineering from the University of Saskatchewan, an MBA from the University of Western Ontario, a Ph.D. from Northwestern University, a Doctor of Commerce (honoris causa) degree from St. Mary's University, and is a Professional Engineer.

Effective with the November 9, 2005 Board meeting, the independent directors meet in-camera (without non-independent directors and members of management in attendance) in conjunction with each regularly scheduled Board meeting. The independent directors held six in-camera meetings during 2006.

### ***Management Appointed Directors***

#### *Tullio Cedraschi*

Tullio Cedraschi is President and CEO of the CN Investment Division (Montreal), which manages one of the largest corporate pension funds in Canada. He is currently a Director of the Toronto Stock Exchange and of Helix Investments (Canada) Inc. He is Governor Emeritus of McGill University, and Governor of the National Theatre School of Canada. He holds an MBA from McGill University.

#### *David J. Sandmeyer*

David Sandmeyer is President of Rife Resources Ltd. (Calgary). Prior to joining Rife in 1982, he held senior positions with Amoco Canada Petroleum Company Limited. He is a representative on the Canadian Association of Petroleum Producers (CAPP) Fund Advisory Committee of the Alberta Orphan Well Program, President of the Society, Environment and Energy Development Studies (SEEDS), and a former Governor of CAPP. A graduate of the University of Saskatchewan, he holds a Bachelor of Science degree in Mechanical Engineering and is a Professional Engineer.

## **Mandates**

The Board carries out its mandate directly and through four standing committees of the Board (Audit, Compensation, Governance, and Reserves), and such other committees as it appoints from time to time. Each committee functions according to a written mandate approved by the Board. The Board Mandate, the Audit Committee Mandate, the Compensation Committee Mandate, the Governance Committee Mandate, and the Reserves Committee Mandate are attached to this information circular in Appendix A, Appendix B, Appendix C, Appendix D, and Appendix E, respectively.

## **Chair of the Board**

William W. Siebens, an independent director, is Chair of the Board. The Chair reports to the Board of Directors of Freehold Resources and to the Unitholders, and provides leadership to the Board in matters relating to the effective execution of all Board responsibilities. The Chair will be an independent director.

### *Board Leadership*

The Chair has the responsibility to:

1. Provide leadership in ensuring that the Board works harmoniously as a cohesive team.
2. Facilitate the Board functioning independently of management by meeting regularly without management and engaging outside advisors as required.
3. Provide guidance to the Board and Management to ensure that the responsibilities of the Board are well understood by both the Board and management, and that the boundaries between Board and management responsibilities are clearly understood and respected.
4. Communicate with directors between meetings, as required.
5. Lead in continuous improvement of Board processes, and providing directors with opportunities to increase their knowledge and understanding of the Trust's business.
6. Establish procedures to govern the Board's work including:
  - working with the CEO and Secretary to schedule meetings of the Board and its committees;
  - developing the agenda for Board meetings with input from other directors and management;
  - working with the CEO and Secretary to ensure that proper and timely information is delivered to the Board;
  - working with the CEO to ensure that the conduct of Board meetings provides adequate time for serious discussion of relevant issues;
  - chairing all meetings of the Board, to the full extent possible;
  - encouraging full participation, stimulating debate, facilitating consensus and ensuring clarity regarding decision-making;
  - providing an opportunity for the independent directors to meet in-camera, in conjunction with each meeting of the Board;
  - ensuring that the Board has appropriate administrative support; and
  - addressing complaints, questions and concerns regarding Board matters.

### *Working with Management*

The Chair has the responsibility to:

1. Represent Unitholders and the Board to management, and represent management to the Board and Unitholders.
2. Work with the Board, the Manager, and the CEO to ensure that the Trust is building a healthy governance culture.
3. Assist in effective communication between the Board and management, including follow-up of major items required by management or the Board.
4. Communicate openly and effectively with the CEO regarding strategy, governance matters, performance of the Trust, and feedback from directors.
5. Maintain regular contact with the CEO to keep well informed on the major affairs and operations of the Trust.
6. Serve as advisor to the CEO and other officers.

### *Unitholder Relations*

The Chair has the responsibility to:

1. Chair annual and special meetings of the Unitholders.
2. Receive concerns addressed to the Board from stakeholders about Freehold's governance, business conduct or financial practices. The Chair will inform and consult with the CEO to determine an appropriate response.

*Performance of Chair*

The Chair's performance will be measured against the effectiveness with which the Board functions, including satisfaction of directors regarding the functioning of the Board.

**Board Meeting Attendance**

The following table summarizes the meetings of the Board and its committees held during the year ended December 31, 2006, and the attendance of individual directors as such meetings.

<b>Director</b>	<b>Board of Directors (6 Meetings)</b>	<b>Audit Committee (4 Meetings)</b>	<b>Governance Committee (1 Meeting)</b>	<b>Reserves Committee (2 Meetings)</b>
D. Nolan Blades	6	4	1	2
Harry S. Campbell	5	—	—	1
Tullio Cedraschi	5	—	—	—
Peter T. Harrison	6	4	—	2
Dr. P. Michael Maher	6	4	1	—
David J. Sandmeyer	6	—	—	—
William W. Siebens	6	—	1	—

A Compensation Committee was established effective February 26, 2007.

**Positions Descriptions**

The Board has approved position descriptions for the chair of the Board and the chair of each Board committee, as well as for the CEO. These position descriptions are provided on the Trust's website.

**Orientation and Continuing Education**

The Board is committed to ensuring that directors have the requisite skills, knowledge and understanding to fulfill their duties as directors. A director's manual containing Board and committee mandates, position descriptions, policies, and other information is provided to new directors who are expected to review and become familiar with its contents. In addition, management conducts orientation sessions with new directors to review the Trust's business, current issues and opportunities.

Management provides directors with regular opportunities to increase their knowledge and understanding of the Trust's business. Pre-reading materials are provided in quarterly Board packages sent to directors in advance of regularly scheduled Board meetings. Briefings on strategic issues are conducted annually and typically include reviews of the competitive environment and the Trust's performance relative to its peers. Each year at our annual strategic planning session, we bring in industry experts to brief directors on activity and trends in the oil and gas trust sector including mergers and acquisitions, financings, and market activity. Information on any other developments that could materially affect the Trust's business is provided as developments occur. In addition, the Board is briefed on a regular basis on governance developments and emerging best practices in governance.

**Ethical Business Conduct**

The Board has adopted a written Code of Business Conduct and Conflict of Interest Policy and a Whistleblower Policy. A copy of the code has been filed on SEDAR and a copy of both policies are available on the Trust's website.

Policies and procedures are in place to ensure that:

- the Trust has consistent standards and procedures for communication of both material and non-material information.
- communication of material information to the investing public (whether positive or negative) is timely, factual and accurate, and is broadly disseminated in a non-selective manner in accordance with applicable legal and regulatory guidelines.
- the directors and officers, and the employees of the Manager, comply with the Trust's written standards of business conduct and ethics. The Board must approve any waivers and ensure disclosure of any waivers, if required.

- if any wrongdoing by Freehold or any of its directors or officers, or employees of the Manager or by any of its contractors or suppliers is identified and reported to Freehold, it will be dealt with expeditiously and thoroughly investigated and remedied.
- the directors and officers, and the employees of the Manager, have been given guidelines regarding trading in securities of the Trust, including mandatory blackout periods.

The Board and management monitor compliance with the code. All directors and officers, as well as the employees of the Manager in their capacity of the management of the Trust are required to sign an annual compliance letter and are encouraged to report violations of the code in accordance with the Trust's Whistleblower Policy.

Under the general requirements of the code, a director must disclose the nature and extent of his or her interest, in writing, or request to have that interest entered in the minutes of the meeting of directors at which the contract or transaction is first considered, if he or she is:

- a. a party to a material contract or transaction or proposed material contract or transaction with Freehold;
- b. a director or officer of any entity who is a party to a material contract or transaction or proposed material contract or transaction with Freehold; or
- c. a person who has a material interest in any entity which is a party to a material contract or transaction or proposed material contract or transaction with Freehold.

In addition, the director will retire from the meeting, if required by the Board, while the discussion on the material contract or transaction or proposed material contract or transaction is taking place and will refrain from voting on the subject under consideration. This will not prevent the Board from calling him or her into the meeting to answer any questions regarding the matter under discussion, nor does it release the director from his or her obligation to inform the Board of what he or she knows of the situation and of any concerns.

However, because it may be impractical for a director who serves as a director or officer of another entity or who has a material interest in another entity to know that the entity is entering into a material contract or transaction with the Trust (and therefore to give notice of every such material contract or transaction), it is sufficient for the director to deliver a general notice to the Board, declaring that he or she is a director or officer, or has a material interest in an entity, and is to be regarded as interested in any material contract or transaction made with that entity.

### **Nomination of Directors**

Subject to the Unanimous Shareholder Agreement, the Governance Committee (composed entirely of independent directors) is responsible for proposing nominees, other than nominees of the Manager, for election to the Board as well as reviewing the effectiveness of the Board, its committees and its individual members. The independent directors are nominated annually by the directors of Freehold Resources based on the recommendation of the Governance Committee. At all times, a majority of the directors will be independent, within the meaning of NI 58-101.

### **Compensation of Directors**

A Compensation Committee was established in February 2007. Prior to that date, the Governance Committee was responsible for periodically reviewing and recommending to the Board for approval the remuneration of the directors (including remuneration for chairing or serving on a committee of the Board) and any other arrangements pursuant to which monies are payable to a director or a party related to a director. Because compensation of the Manager is specified in the Management Agreement, neither the Governance Committee nor the Board previously reviewed the compensation policies of the Manager.

### **Assessments**

The Governance Committee is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the Board, the committees of the Board and the individual directors. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Governance Committee deems relevant, the assessments consider the applicable Board or committee mandate and position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board. The assessment process is conducted as a discussion among the members of the Governance Committee around the boardroom table.

### **Indebtedness of Directors and Executive Officers**

There is no indebtedness outstanding from directors or officers of Freehold Resources or directors or senior officers of the Manager or the Trustee to the Trust or Freehold Resources at any time since November 25, 1996, the date of the initial public offering of Trust Units of the Trust.

### **Interest of Informed Persons in Material Transactions**

There were no material interests, direct or indirect, of directors or executive officers of Freehold Resources or the Manager, any Unitholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Trust Units, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year or in any proposed transaction which has materially affected or would materially affect the Trust or Freehold Resources or any of their subsidiaries.

### **Additional Information**

Additional information relating to the Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of the Trust and its affairs is provided in the Trust's annual audited consolidated financial statements for the year ended December 31, 2006 and the related management's discussion and analysis. Freehold Resources' audit committee charter and certain other information relating to the audit committee are disclosed in the Trust's Annual Information Form under the heading "Governance – Audit Committee". Copies of these documents are available upon request from the Trust by contacting the Corporate Secretary, Freehold Royalty Trust, c/o Freehold Resources Ltd., Suite 400, 144 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N4, Telephone (403) 221-0802, or such materials may be accessed via the Trust's website at [www.freeholdtrust.com](http://www.freeholdtrust.com).

## Appendix A

### Board Mandate

#### INTRODUCTION

The governance structure of Freehold Royalty Trust (the Trust) is not the same as for a conventional corporation. The Trust has no directors. The board of directors (the Board) of Freehold Resources Ltd. (Freehold Resources) has a mandate to supervise the management of the business and affairs of the Trust in the best interests of the Trust and Freehold Resources.

The Board is committed to maintaining a high standard of governance. The Board has responsibility for the overall stewardship of the Trust and its controlled entities and discharges its responsibility by reviewing, discussing and approving the Trust's strategic planning and organizational structure, and supervising management, including retention of the Manager, with a view to preserving and enhancing the underlying value of the Trust. Management of the business within this process and structure is the responsibility of the Chief Executive Officer (CEO) and the Manager.

While the Trust technically was not a shareholder of Freehold Resources when the Trust was established, a Unanimous Shareholder Agreement was entered into between Freehold Resources, the Manager and the Trustee with the intention that the Trust and the Unitholders would be given rights substantially equivalent to those which they would have if they were shareholders of Freehold Resources.

#### *Mandate of the Trustee*

Computershare Trust Company of Canada is the Trustee of the Trust and also acts as the transfer agent for the Trust Units. The Trustee's responsibilities include:

- Accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto.
- Maintaining the books and records of the Trust and providing timely reports to holders of Trust Units.
- Paying cash distributions to Unitholders.

The Trust Indenture provides that the Trustee must exercise its powers and carry out its functions as Trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, is to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

#### *Mandate of the Manager*

Rife Resources Management Ltd. is the Manager of the Trust. The Manager operates in accordance with the requirements of the Trust Indenture, the Royalty Agreement and related agreements. When the Trust was established, Freehold Resources and the Trustee entered into a Management Agreement with the Manager. Under this agreement, the Manager is responsible for the day-to-day management of the business of the Trust subject to a supervisory role of the Board. In exercising its powers and discharging its duties under the Management Agreement, the Manager must exercise the degree of care, diligence and skill that a reasonably prudent advisor and manager in respect of petroleum and natural gas properties in western Canada would exercise in comparable circumstances.

Pursuant to the provisions of the Management Agreement, the Manager provides certain administrative and support services to the Trust, including those necessary to:

- Ensure compliance by the Trust with continuous disclosure obligations under applicable securities legislation.
- Provide investor relations services.
- Provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Trust Indenture.
- Call, hold and distribute materials including notices of meetings and information circulars in respect of all necessary meetings of Unitholders.
- Determine the amounts payable from time to time to Unitholders and to arrange for distributions to Unitholders.
- Determine the timing and terms of future offerings of Trust Units, if any.
- Determine the terms and conditions upon which the Trust may acquire additional royalties.
- Determine the terms and conditions upon which the Trust may from time to time borrow money.

The Manager is paid (in Trust Units) for providing its services and is entitled to reimbursement for general and administrative costs incurred.

## **GENERAL**

The Board of Freehold Resources is committed to maintaining a high standard of governance. The Board has responsibility for the overall stewardship of the Trust and its controlled entities and discharges its responsibility by reviewing, discussing and approving the Trust's strategic planning and organizational structure, and supervising management, including retention of the Manager, with a view to preserving and enhancing the underlying value of the Trust.

Management of the business within this process and structure is the responsibility of the Chief Executive Officer (CEO) and the Manager.

## **COMPOSITION OF THE BOARD**

It is a term of the Unanimous Shareholder Agreement that the Board will consist of a minimum of five and a maximum of nine directors. The Unanimous Shareholder Agreement provides that the Unitholders will be entitled to elect a majority of the directors and the Manager is entitled to elect the balance of the directors.

The Board currently consists of seven members, two of whom are to be elected annually by the Manager and five of whom are independent directors. The independent directors are nominated annually by the directors of Freehold Resources based on the recommendation of the Governance Committee. At all times, a majority of the directors will be independent, as defined below.

### *Director Independence*

The Board has determined that an independent director is a director who is not a member of management and who does not have a relationship with the Trust or with management that may affect the director's ability to act with a view to the best interests of the Trust, or be perceived to do so. The Board may adopt other categorical standards for determining whether a director is independent and will review the independence of each of the non-management directors annually.

For Audit Committee purposes only, a director is not independent if he or she does not satisfy the Audit Committee independence requirements contained in any applicable securities legislation, or rules of any stock exchange on which the Trust's securities are listed for trading.

Independent directors and their firms will not be retained for consulting without the approval of the Board.

### *Selection of Chair*

The Chair will be appointed by the Board from among the independent directors. The Chair reports to the Board and to the Unitholders. The Board has approved, and will periodically review, a position description for the Chair.

### *Director Compensation*

The Board has determined that the directors should be compensated in a form and amount that is appropriate and which is customary for comparable entities, having regard to such matters as time commitment, responsibility and trends in director compensation. The Board, based upon recommendations of the Compensation Committee, will periodically review the adequacy and form of directors' compensation, including compensation of the Chair and committee chairs, to ensure that it is competitive and realistically reflects the responsibilities and risks involved in being a director.

Directors appointed by the Manager, who are employees of the Manager, will not receive additional compensation for Board service.

### *Term Limits for Directors*

The Board has determined that fixed term limits for directors should not be established. The Board is of the view that such a policy would have the effect of forcing directors off the Board who have developed, over a period of service, increased insight into the Trust and who, therefore, can be expected to provide an increasing contribution to the Board. At the same time, the Board recognizes the value of some turnover in Board membership to provide ongoing input of fresh ideas and views and annually considers changes to the composition of the Board.

### *Selection of New Director Candidates*

Subject to the Unanimous Shareholder Agreement, the selection of directors and procedures to identify possible nominees, will be determined after giving consideration to:

- the competencies and skills that the Board considers necessary for the Board as a whole to possess,
- the competencies and skills possessed by each current director,
- the competencies and skills each new nominee will bring to the Board, and
- the appropriate size of the Board, with a view to facilitating effective decision-making.

### *Director Qualification Standards*

In nominating an individual to become a director, the Board will consider education, business, governmental and civic experience, communication and interpersonal skills, the diversity of the existing board and the background of the potential candidate, as well as any other matters which are relevant to the Board's objectives.

This review will take into account the desirability of maintaining a reasonable diversity of personal characteristics such as age, gender and geographic residence. However, all directors should possess high personal and professional ethics, integrity and values and be committed to representing the long-term interests of the Unitholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment, outstanding ability in their individual fields of expertise and a willingness to devote necessary time to Board matters.

### *Director Orientation and Education*

The Board is committed to ensuring that directors have the requisite skills, knowledge and understanding to fulfill their duties as directors. A director's manual containing board and committee mandates, position descriptions, policies, and other information is provided to new directors who are expected to review and become familiar with its contents. In addition, management conducts orientation sessions with new directors to review the Trust's business, current issues and opportunities.

Management provides directors with opportunities to increase their knowledge and understanding of the Trust's business. Pre-reading materials are provided in quarterly Board packages sent to directors in advance of regularly scheduled Board meetings. Briefings on strategic issues are conducted annually and typically include reviews of the competitive environment, the Trust's performance relative to its peers, and any other developments that could materially affect the Trust's business. In addition, the Board is briefed on a regular basis on governance developments and emerging best practices in governance.

### **MATTERS REQUIRING BOARD APPROVAL**

Pursuant to the Management Agreement, the Manager has responsibility for the day-to-day operations of the Trust, subject to the Board's general supervision and direction. Any amendment to the Management Agreement requires the approval of the Board.

Certain responsibilities of the Board are sufficiently important to warrant the attention of the full Board and, accordingly, are not delegated or are only delegated in a qualified or partial manner, including:

- Submitting to Unitholders any matter requiring their approval.
- Filling vacancies among the directors or appointing additional directors, other than nominees of the Manager.
- Approving capital structure plans and strategies.
- Approving borrowing and hedging.
- Approving debt or equity securities, declaring distributions or repurchasing Trust Units, and approving related prospectuses or information circulars.
- Approving capital expenditures outside approved budgets.
- Approving acquisition and disposition of properties of the Trust or Freehold Resources within the limits of the Trust Indenture.
- Approving policies relating to material expenditures or assumptions of liability outside of the ordinary course of business, including expenditures for acquisitions, joint ventures, divestitures, leasing transactions, third party loans and other similar transactions.
- Approving management proxy circulars.
- Approving annual and interim financial statements and related management's discussion and analysis.
- Approving the annual statement of reserves data and other oil and gas information and reports thereon.
- Adopting, amending or repealing By-laws.

### *Appointment, Supervision, and Compensation of the Manager and Review of Compensation of the Officers*

The Board is responsible for:

- Succession planning, including appointing the officers, monitoring the Manager, and determining if the Manager's engagement should be extended.
- Reviewing the Manager's compensation strategy and approving the Trust's annual commitment and funding contribution to the Manager's incentive compensation programs.
- Satisfying itself as to the business and professional integrity of the Chief Executive Officer (the CEO) and other officers, as well as the CEO's leadership in the creation of a culture of integrity throughout the organization.

### *Strategic Planning and Risk Management*

The Board is responsible for:

- Approving goals and objectives for the Trust.
- Reviewing, adopting and monitoring the strategic planning process.
- Reviewing the Trust's long-term strategy annually.
- Reviewing and approving the operating budget.
- Considering principal business risks and reviewing and approving risk management strategies, including a quarterly review of risk management and an annual review of insurance coverage.
- Confirming that management processes are in place to address and comply with applicable regulatory, corporate, securities and other compliance matters.
- Approving policies and other protocols and controls and confirming that processes are in place to comply with Freehold Resources' By-laws, codes of conduct, and all other significant policies and procedures.

### *Financial Reporting and Management*

The Board is responsible for:

- Monitoring operating and financial performance and reviewing results relative to established strategy, budgets and objectives.
- Approving financial statements and reviewing and overseeing compliance with applicable audit, accounting and financial reporting requirements.
- Approving annual operating and capital budgets.
- Approving any single capital commitment exceeding \$5 million or any capital commitment that results in expenditures in excess of the approved annual capital expenditure budget.
- Approving cash management plans and strategies and all activities relating to cash accounts and cash investments portfolio, including the establishment and maintenance of bank, investment and brokerage accounts.
- Satisfying itself that management has an appropriate system in place to ensure the integrity of internal control and management information systems, and reviewing the effectiveness of internal control procedures annually.
- Ensuring that a system is in place for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Approving significant changes in accounting practices or policies.

### *Shareholder Communication*

The Board is responsible for:

- Adopting a disclosure policy relating to, among other matters, the confidentiality of business information and the timely reporting of developments that have a significant and material impact on the value of the Trust.
- Confirming that management has established a system for effective communications including disclosure controls and processes for consistent, transparent, regular and timely public disclosure.
- Reporting annually to Unitholders on the Board's stewardship for the previous year.
- Ensuring that a system is in place to receive feedback from Unitholders, including a process to permit stakeholders to communicate with the Board. Any person who has a concern about Freehold Resources' governance, business conduct or financial practices may communicate that concern to the Board. Concerns may be submitted in writing, addressed to the Chair, Freehold Resources Ltd., c/o Burnet, Duckworth & Palmer LLP, Attention: Grant A. Zawalsky, Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The Board believes it is generally a function of management to speak for the Trust in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. The Chair or other individual directors may from time to time be requested by management to assist with such communications.

### *Governance*

The Board, based on the recommendations of the Governance Committee, is responsible for:

- Approving appropriate governance principles and guidelines, including practices to permit the Board to function independently of management.
- Establishing committees and approving their respective mandates and the limits of authority delegated to each committee.
- Establishing a written position description for directors, that describe and communicate performance expectations of directors and provide a benchmark for developing an approach to individual director assessment and evaluation.
- Discussing the Governance Committee's evaluation of the effectiveness of individual directors, each committee, and the Board as a whole.
- Ensuring that adequate orientation programs are in place for new directors and that all directors have access to education programs to maintain and enhance their skills and abilities as directors.
- Determining director qualification standards and approving the nomination of directors.
- Arranging for independent directors to hold regular in-camera sessions, at which non-independent directors and members of management are not in attendance.
- Establishing procedures for monitoring compliance with written standards of business conduct and ethics, and approving any waivers.

The Board, based on the recommendations of the Compensation Committee, is responsible for approving directors' compensation, including compensation to the Chair and committee chairs.

### **POLICIES RELATING TO DISCLOSURE, INSIDER TRADING AND BUSINESS CONDUCT**

The Board will confirm that policies and procedures are in place to:

- Ensure that the Trust has consistent standards and procedures for communication of both material and non-material information.
- Ensure that communication of material information to the investing public (whether positive or negative) is timely, factual and accurate, and is broadly disseminated in a non-selective manner in accordance with applicable legal and regulatory guidelines.
- Ensure that the directors and officers, and the employees of the Manager, comply with the Trust's written standards of business conduct and ethics. The Board must approve any waivers and ensure disclosure of any waivers, if required.
- Ensure that the directors and officers, and the employees of the Manager, have been given guidelines regarding trading in securities of the Trust, including mandatory blackout periods.

### **BOARD OPERATIONS**

#### *Number of Board Meetings*

The Board will meet quarterly, or more frequently as needed for the directors to diligently discharge their responsibilities.

#### *Committees of the Board*

The Board has established four standing committees of its members (Audit, Compensation, Governance and Reserves) to assist it in discharging its responsibilities, and may constitute other committees from time to time. Each committee has a mandate approved by the Board and reviewed annually.

All members of the Audit Committee and the majority of the members of other committees must be independent directors.

Any committee of the Board may retain persons having special expertise or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Freehold without any further approval of the Board.

Notwithstanding the delegation of responsibilities to a committee, the Board as a whole is ultimately responsible for matters assigned to the committees for determination. Except as may be explicitly provided in the mandate of the committee or a resolution of the Board, the role of the committee is to review and make recommendations to the Board with respect to the approval of matters considered by the committee.

#### *Conduct of Meetings*

Board and committee meetings will be conducted in a manner which ensures open communication, meaningful participation and timely resolution of issues.

*Agenda for Board and Committee Meetings*

The Chair and the CEO will propose an agenda for each Board meeting. Each director is free to suggest the inclusion of items on the agenda. The chair of each committee of the Board, in consultation with appropriate members of management, will develop agendas for committee meetings.

*Materials Distributed in Advance of Meetings*

Meeting materials will be distributed to directors before each Board meeting, in sufficient time to ensure adequate opportunity for review. Under some circumstances, due to the confidential nature of matters to be discussed at the meeting, it may not be prudent or appropriate to distribute materials in advance.

*Non-Directors at Board Meetings*

The Board believes there is value in having certain members of management attend each Board meeting to provide information and opinions to assist the directors in their deliberations. Attendance by management will be determined by the CEO with the concurrence of the Chair. Management attendees will be excused for any agenda items that are reserved for discussion among directors only.

*In-Camera Sessions*

The independent directors will hold in-camera sessions in conjunction with every regular meeting of the Board, at which non-independent directors and members of management are not in attendance.

## Appendix B

### Audit Committee Mandate

#### Role and Objective

The Audit Committee (the Committee) is a committee of the board of directors of Freehold Resources Ltd. (the Board) to which the Board has delegated certain responsibilities for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to Freehold Resources and Freehold Royalty Trust (the Trust), hereinafter collectively referred to as Freehold, are as follows:

1. To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Freehold and related matters;
2. To provide better communication between directors and external auditors;
3. To enhance the external auditor's independence;
4. To increase the transparency, credibility and objectivity of financial reporting; and
5. To strengthen the role of the independent directors by facilitating in-depth discussions between directors on the Committee, management and external auditors.

#### Membership of Committee

1. The Committee will be comprised of at least three directors, all of whom are independent (as such term is used in Multilateral Instrument 52-110 – Audit Committees (MI 52-110)).
2. The Board will have the power to appoint the Committee Chair.
3. All of the members of the Committee will be financially literate. The Board has adopted the definition for financial literacy used in MI 52-110.

#### Meetings

1. At all meetings of the Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chair is not entitled to a second or deciding vote.
2. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board.
3. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
4. The Committee will forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.
5. The Committee will meet with the external auditor at least quarterly (in connection with the preparation of the annual and quarterly financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. The Committee will meet with the external reserve evaluator at least once per year (in connection with the preparation of the year end reserves).

#### Mandate and Responsibilities

1. It is the responsibility of the Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.
2. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to Freehold's internal control systems, including:
  - identifying, monitoring and mitigating business risks; and
  - ensuring compliance with legal, ethical and regulatory requirements.
3. It is a primary responsibility of the Committee to review the annual and quarterly financial statements of Freehold prior to their submission to the Board for approval. The process should include but not be limited to:
  - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
  - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
  - reviewing accounting treatment of unusual or non-recurring transactions;
  - reviewing the Trust's status as a mutual fund trust under the *Income Tax Act* (Canada);
  - ascertaining compliance with covenants under loan agreements and Trust Indenture;

- reviewing adequacy of the reclamation fund;
  - reviewing disclosure requirements for commitments and contingencies;
  - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - reviewing unresolved differences between management and the external auditors; and
  - obtaining explanations of significant variances with comparative reporting periods.
4. The Committee is to review the financial statements, prospectuses, management discussion and analysis, annual information forms, earnings news releases, and all public disclosure containing audited or unaudited financial information before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Freehold's disclosure of all other financial information and will periodically access the accuracy of those procedures.
  5. With respect to the appointment of external auditors by the Board, the Committee will:
    - recommend to the Board the appointment of external auditors;
    - recommend to the Board the terms of engagement of the auditor, including the compensation of the auditors and confirmation that the auditors will report directly to the Committee;
    - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
    - review and approve any non-audit services to be provided by the auditors' firm and consider the impact on the independence of the auditors.
  6. The Committee will review with external auditors (and the internal auditor if one is appointed by Freehold) their assessment of the internal controls of Freehold, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their audit plan and, upon completion of the audit, their reports upon the financial statements of Freehold and its subsidiaries.
  7. The Committee must pre-approve all non-audit services to be provided to Freehold or its subsidiaries by the external auditors. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.
  8. The Committee will review, on an annual basis, the risk management policies and procedures of Freehold, including hedging, litigation and insurance.
  9. The Committee will review and approve management's hiring policies regarding current and former partners and employees of the present and former external auditor.
  10. The Committee will establish a procedure for:
    - the receipt, retention and treatment of complaints received by Freehold regarding accounting, internal accounting controls or auditing matters; and
    - the confidential, anonymous submission by employees of Rife Resources Management Ltd. (the Manager) of concerns regarding questionable accounting or auditing matters.
  11. The Committee will have the authority to investigate any financial activity of Freehold. All employees of the Manager are to cooperate as requested by the Committee.
  12. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Freehold without any further approval of the Board.

## Appendix C

### Compensation Committee Mandate

#### Role and Objective

The Compensation Committee (the Committee) is a committee of the board of directors of Freehold Resources Ltd. (the Board), to which the Board has delegated certain responsibilities relating to Board compensation; compensation of the Manager; review of compensation of the Chief Executive Officer (CEO) and other Officers; and Freehold's participation in the incentive compensation programs for employees of the Manager. The responsibilities of the Committee, with respect to Freehold Resources and Freehold Royalty Trust, hereinafter collectively referred to as Freehold, are set out below.

#### Membership of Committee

1. The Committee will be comprised of at least three directors, the majority of whom are independent (as such term is used in Multilateral Instrument 58-101 – Corporate Governance Practices (MI 58-101)).
2. The Board of Directors will have the power to appoint the Committee Chair.

#### Meetings

1. At all meetings of the Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chair is not entitled to a second or deciding vote.
2. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board.
3. Meetings of the Committee should be scheduled to take place at least once per year. Minutes of all meetings of the Committee will be taken.
4. The Committee will forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.

#### Mandate and Responsibilities of Committee

The mandate and responsibilities of the Committee will be as set forth below:

1. Annually review and recommend to the Board for approval the remuneration of the directors (including remuneration for chairing or serving on a committee of the Board) and any other arrangements pursuant to which monies are payable to a director or a party related to a director.
2. Review the adequacy and form of directors' compensation, including compensation to the Chair and committee chairs, to ensure that it is competitive with companies that are similarly situated and realistically reflects the responsibilities and risks involved in being a director. Directors who are employees of the Manager will not be compensated for their services as directors.
3. Propose the terms and awards of equity compensation for directors.
4. Review the Manager's stated compensation strategy periodically to ensure that management is rewarded appropriately and that the Manager's executive compensation program is related to the Trust's financial performance and returns on the Trust's Units, as well as the performance of the individual executives.
5. Review and recommend to the Board for approval Freehold's annual commitment and funding contribution to the Manager's incentive compensation programs.
6. Take reasonable steps to ensure that compensation plans and employee benefit programs of the Manager are administered in accordance with applicable laws, stock exchange policies and stated compensation objectives.
7. Approve the Committee's annual report on executive compensation for inclusion in the Trust's management information circular, in accordance with applicable rules and regulations, and review and approve, prior to publication, the compensation sections of the information circular.
8. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Freehold without any further approval of the Board.

## Appendix D

### Governance Committee Mandate

#### Role and Objective

The Governance Committee (the Committee) is a committee of the board of directors of Freehold Resources Ltd. (the Board), which has been constituted to assist the Board in respect of the development and monitoring of Freehold's approach to corporate governance, the nomination of directors for appointment to the Board and the appointment of directors to committees of the Board. The responsibilities of the Committee, with respect to Freehold Resources and Freehold Royalty Trust, hereinafter collectively referred to as Freehold, are set out below.

#### Membership of Committee

1. The Committee will be comprised of at least three directors, all of whom are independent (as such term is used in Multilateral Instrument 58-101 – Corporate Governance Practices (MI 58-101)).
2. The Board will have the power to appoint the Committee Chair.

#### Meetings

1. At all meetings of the Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chair is not entitled to a second or deciding vote.
2. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board.
3. Meetings of the Committee should be scheduled to take place at least once per year. Minutes of all meetings of the Committee will be taken.
4. The Committee will forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.

#### Mandate and Responsibilities of the Committee

The mandate and responsibilities of the Committee will be as set forth below:

1. Develop for approval by the Board and periodically review Freehold's approach to governance matters.
2. Review and recommend to the Board for approval disclosure and reports concerning Freehold's governance practices as required by regulatory authorities.
3. Make recommendations to the Board as to which directors should be classified as independent directors pursuant to any such report.
4. Act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a Board meeting, including the performance of Rife Resources Management Ltd. (the Manager) or the performance of the Board or individual directors. The Chair of the Committee will be responsible for developing a response to any such concerns.
5. Develop and recommend to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function independently of management.
6. Subject to limitations in the Unanimous Shareholder Agreement, consider, and from time to time make recommendations to the Board as to the appropriate size of the Board.
7. Develop for approval by the Board and periodically review orientation programs for new directors and ongoing education programs for all directors.
8. Develop for approval by the Board and periodically review procedures for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director.
9. Annually review and recommend to the Board the appointments to each committee of the Board and any changes to the mandates of the committees.
10. Review, and report to the Board on matters relating to the nomination of directors, other than nominees of the Manager, and in so doing:
  - a) develop criteria for selection of directors and procedures to identify possible nominees, giving consideration to the competencies and skills that the Board considers necessary for the Board as a whole to possess, the competencies and skills possessed by each current director and the competencies and skills each new nominee will bring to the Board;
  - b) review and assess qualifications of Board nominees, including each nominee's capability to devote sufficient time and resources to Freehold;
  - c) submit to the Board for consideration and decision names of the nominees to be brought forward to the next annual meeting of Unitholders or to be appointed to fill vacancies in between annual meetings;
  - d) through the Chair of the Committee, approach nominees;
  - e) consider and recommend to the Board appropriate retirement ages of directors;

- f) determine if any director's qualifications or credentials since his or her appointment have changed or other circumstances arisen so as to warrant a recommendation that such member resign; and
- g) assess the performance or effectiveness of:
  - the Manager;
  - the Board as a whole;
  - Board committees; and
  - individual directors.

The Committee does not review the CEO or other members of senior management independently of its review of the Manager.

11. Through outside counsel, maintain a summary of the duties and liabilities of directors and periodically update and provide such summary to the directors.
12. Periodically review and monitor Freehold's disclosure policy with a view to determining whether Freehold is communicating effectively with Unitholders, other stakeholders, the investment community and the public generally.
13. Annually review and recommend to the Board the appointment of Freehold's external legal counsel.
14. Review and consider the engagement at the expense of Freehold of professional and other advisors to an individual director(s) when so requested by such director(s).
15. Review such other matters of a governance nature as may be directed by the Board from time to time.
16. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Freehold without any further approval of the Board.

## Appendix E

### Reserves Committee Mandate

#### Role and Objective

The Reserves Committee (the Committee) is a committee of the board of directors of Freehold Resources Ltd. (the Board), which has been constituted to assist the board in discharging its responsibilities with respect to reporting on oil and gas activities, including compliance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101). The responsibilities of the Committee, with respect to Freehold Resources and Freehold Royalty Trust, hereinafter collectively referred to as Freehold, are set out below.

#### Membership of Committee

1. The Committee will be comprised of at least three directors, none of whom are members of management of Freehold and a majority of whom are independent (as such term is used in NI 51-101).
2. The Board will have the power to appoint the Committee Chair, who must be an independent director.

#### Meetings

1. At all meetings of the Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Chair is not entitled to a second or deciding vote.
2. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the board.
3. Meetings of the Committee should be scheduled to take place at least two times per year. Minutes of all meetings of the Committee will be taken. The Vice President, Production will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
4. The Committee will forthwith report the results of meetings and reviews undertaken and any associated recommendations to the board.
5. The Committee will meet with the independent reserves evaluator (the Evaluator) at least once per year (in connection with the preparation of the year end reserves evaluation) and at such other times as the Evaluator and the Committee consider appropriate.

#### Mandate and Responsibilities

The mandate and responsibilities of the Committee will be as set forth below:

1. It is a primary responsibility of the Committee to review the annual reserves report of Freehold prior to its submission to the Board for approval. The process should include but not be limited to:
  - ensuring that management and the Evaluator's processes for estimating and reporting reserves are conducted in compliance with NI 51-101;
  - reviewing management's reporting on internal reserves standards and practices, including the procedures for assembling and reporting other information associated with oil and gas activities;
  - reviewing management's procedures for providing information to the Evaluator;
  - meeting with management and the Evaluator to review the reserves data and the report of the Evaluator, including the reserves estimates methodology, available tax pools and future price/cost assumptions utilized in the analysis, and the reconciliation of changes in reserves and future net revenue;
  - meeting independently with the Evaluator to determine the ability of the Evaluator to report, without reservation, on the reserves of Freehold;
  - recommending to the board the filing of the Evaluator's report;
  - obtaining a signed report and NI 51-101 certificate from the Evaluator and a certificate of compliance from management; and
  - reviewing public disclosure of reserves.
2. With respect to the appointment of the Evaluator by the board, the Committee will:
  - recommend to the board the appointment of the Evaluator;
  - recommend to the board the terms of engagement of the Evaluator, including the appropriateness and reasonableness of the Evaluator's fees; andwhen there is to be a change in Evaluator, review the reasons for the proposed change and whether there have been disputes between the Evaluator and management.