Freehold

ROYALTY TRUST

400, 144 – 4TH AVENUE S.W.
CALGARY, ALBERTA T2P 3N4
TELEPHONE: 403 . 221 . 0802
FAX: 403 . 221 . 0888

NEWS RELEASE

TSX: FRU.UN
CUSIP: 355904103

Freehold Royalty Trust Announces 2008 Second Quarter Results

CALGARY, ALBERTA, (Marketwire – August 13, 2008) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced second quarter results for the period ended June 30, 2008.

Second Quarter Highlights

- Revenues were $61.3 million, up 61% from the second quarter of 2007.
- Net income was $36.2 million ($0.73 per Trust Unit) compared with a loss of $42.5 million ($0.86 per Trust Unit) in the second quarter of 2007 (which included a $54.3 million non-cash provision for future income tax following the enactment of the Canadian income trust taxation legislation).
- Cash provided by operating activities increased 50% to $46.4 million ($0.94 per Trust Unit).
- Funds generated from operations increased 76% to $53.2 million ($1.08 per Trust Unit).
- Distributions declared in the second quarter were 36% higher at $0.61 per Trust Unit.
- Production averaged 7,674 barrels of oil equivalent (boe) per day, down 10%.
- Price realizations averaged $86.43 per boe, 79% higher than the second quarter of 2007.
- Operating netback increased 92% to $81.21 per boe.

On June 12, 2008, we announced a 39% increase in the distribution rate to $0.25 per Trust Unit from $0.18 per Trust Unit effective with the June distribution (payable on July 15, 2008). Our monthly distributions have increased twice this year in response to higher commodity prices. The August distribution of $0.25 per Trust Unit will be paid on September 15, 2008 to Unitholders of record on August 31, 2008 (ex-distribution date August 27, 2008). Including the September 15, 2008 payment, our 12-month trailing cash distributions total $2.18 per Trust Unit.

RESULTS AT A GLANCE	Three Months Ended June 30			Six Months Ended June 30		
Financial ($000s, except as noted)	**2008**	2007	Change	**2008**	2007	Change
Gross revenue	**61,301**	38,015	61%	**109,875**	75,020	46%
Net income (loss)	**36,163**	(42,533)	—	**59,810**	(32,746)	—
Per Trust Unit, basic and diluted ($)	**0.73**	(0.86)	—	**1.21**	(0.67)	—
Cash provided by operating activities	**46,379**	30,829	50%	**80,200**	57,342	40%
Per Trust Unit ($)	**0.94**	0.63	77%	**1.17**	1.19	57%
Funds generated from operations (1)	**53,183**	30,213	76%	**92,365**	58,510	58%
Per Trust Unit ($)	**1.08**	0.61	77%	**1.87**	1.19	57%
Capital expenditures	**2,135**	2,830	-25%	**4,337**	6,306	-31%
Distributions declared	**30,114**	22,151	36%	**52,312**	44,284	18%
Per Trust Unit ($) (2)	**0.61**	0.45	36%	**1.06**	0.90	18%
Long-term debt, period end	**151,000**	100,000	51%	**151,000**	100,000	51%
Unitholders' equity, period end	**260,250**	268,683	-3%	**260,250**	268,683	-3%
Trust Units (000s) (3)	**49,353**	49,210	0%	**49,335**	49,193	0%
Operating						
Average daily production (boe/d)	**7,674**	8,566	-10%	**7,914**	8,565	-8%
Average price realizations ($/boe)	**86.43**	48.21	79%	**74.96**	47.81	57%
Operating netback ($/boe)	**81.21**	42.28	92%	**69.86**	42.17	66%

(1) See Non-GAAP measures.
(2) Based on the number of Trust Units issued and outstanding at each record date.
(3) Weighted average number of Trust Units outstanding during the period, basic.

Buoyed by significantly higher commodity prices, Freehold achieved record revenue, cash flow and earnings for the second quarter of 2008. Revenue rose 61%, cash provided by operating activities rose 50%, and funds generated from operations rose 76% from the second quarter last year. Net income was $36.2 million compared with a loss of $42.5 million in the second quarter 2007. The second quarter loss last year included a $54.3 million non-cash provision for future income tax following the enactment of tax legislation related to Canadian income trusts.

Our average operating netback was $81.21 per boe, reflecting our unhedged production, which received the full benefit of the higher prices. However, these results were marred by lower production volumes, mainly due to wet spring conditions, which hampered drilling and maintenance operations, and the scheduled maintenance at the Hayter facility. Consequently, the full impact of production additions from recent drilling is not yet reflected in our results. Production for the first half of the year was 7,914 barrels of oil equivalent (boe) per day, and our previous guidance of 7,900 boe per day for the full year remains unchanged with production additions in the second half expected to offset natural production declines.

COMMODITY PRICES REMAIN VOLATILE

West Texas Intermediate (WTI) crude oil prices continued to set new records in the second quarter, with the average price up 91% from a year ago. Edmonton Par prices rose 75% and Bow River/Hardisty prices rose 106%. To date in the third quarter, oil prices have remained volatile due to the fluctuating U.S. dollar and political instability in the Middle East and Africa, two key oil-producing regions. Natural gas prices have increased steadily through the first seven months of 2008. With natural gas storage inventories currently below last year's level, weather will be a key factor in determining the rate at which storage is refilled during the summer. We are currently forecasting that WTI prices will average US$116 per barrel for the year and AECO natural gas prices will average $8.90 per Mcf.

DISTRIBUTIONS INCREASED IN 2008 ON HIGHER COMMODITY PRICES

Our monthly distributions have increased twice in 2008 in response to higher commodity prices. On April 21, 2008, we announced a 20% increase in the distribution rate to $0.18 per Trust Unit effective with the April distribution, and on June 12, 2008, we announced a 39% increase in the distribution rate to $0.25 per Trust Unit from $0.18 per Trust Unit effective with the June distribution. Based on our current operating assumptions (as outlined in Management's Discussion and Analysis for the three and six months ended June 30, 2008), we may be required to consider a further adjustment to our monthly distribution rate and/or a special distribution at year-end. However, excess cash from operating activities in the second half of the year might also be used to fund additional acquisitions or increases in our capital program should appropriate opportunities arise. We will continue to monitor prices and activity levels closely, and our guidance will be reviewed and updated quarterly.

COST PRESSURES CONSTRAIN GROWTH IN INDUSTRY ACTIVITY

According to statistics published by the Canadian Association of Oilwell Drilling Contractors, 3,148 wells were drilled in western Canada during the second quarter of 2008, down 3% from the second quarter last year (and down 17% for the year to date). This slowdown was expected, as 2008 drilling budgets were scaled-back in response to low natural gas prices throughout 2007 and uncertainty regarding the Alberta royalty regime. The price rebound of natural gas in the first half of 2008 has raised expectations for higher drilling activity in western Canada. However, spring break-up and wet weather in the second quarter delayed any significant uplift in activity. As well, cost pressures throughout the industry are having an equalizing effect on activity levels, constraining further growth. The Petroleum Services Association of Canada is predicting that, despite higher commodity prices, drilling in the second half of 2008 will remain consistent with the levels experienced in the first half of the year.

Drilling on our royalty lands generally mirrors industry drilling. On an equivalent net basis, royalty drilling was down 6% in the second quarter but was up 8% for the six-month period. There are currently 95 (3.7 equivalent net) licensed drilling locations on our royalty lands, compared with 79 (4.6 equivalent net) locations at this time last year.

DEVELOPMENT ACTIVITIES TO ACCELERATE IN SECOND HALF

Capital expenditures on our working interest properties for the first half of 2008 were $4.3 million. Second quarter drilling was lower in 2008 due to wet weather and timing differences of planned drilling programs, but activity will accelerate in the second half of the year. Capital expenditures are expected to top $6.3 million with the bulk of this directed to our major properties at Hayter, Alberta, and in Southeast Saskatchewan. In the third quarter, we will complete our 2008 development program at Hayter, Alberta, and continue our development program in Southeast Saskatchewan. Since 2006, we have participated in the drilling of 18 (2.8 net) Bakken oil wells. Production from the Bakken trend will increase as more wells are fracture stimulated and new wells are drilled during the second half of 2008.

ACQUISITION SUPPORTS ROYALTY STRATEGY

On July 7, 2008, we acquired certain royalty interests in Alberta for $8.5 million, prior to closing adjustments. The acquisition of these properties supports our strategy of acquiring royalty interests. As there are no operating and capital costs or third party royalties associated with the royalty production acquired, this production receives high netbacks. The properties include royalties in units at Seven Persons, Bellshill Lake, Viking Kinsella, Beaverhill Lake, and Plain, as well as royalty interests in oil and natural gas properties at Medicine Hat, Killam, Wainwright, Viking Kinsella, and Skaro/Redwater. Proved plus probable reserves attributed to the properties were evaluated effective December 31, 2007, by an independent reserves evaluator at 202,000 boe.

CORPORATE SIFT TAX STRATEGY COMMITTEE FORMED

On July 14, 2008, the Department of Finance released draft amendments to the Canadian Income Tax Act to facilitate the conversion of SIFT entities into corporations. We are currently assessing the draft rules as they relate to our particular circumstances. In addition, our board has established a special committee comprised of independent board members with a mandate to determine a course of action that best maximizes Unitholder value when the SIFT tax comes into effect in 2011. In the interim, we plan to retain the flow-through advantages of our current structure.

OFFICER APPOINTMENTS TO FACILITATE SUCCESSION PLANNING

I am pleased to announce a number of officer appointments, effective August 13, 2008. Bill Ingram has been promoted to Executive Vice-President and Chief Operating Officer. Joe Holowisky, who has indicated his intention to retire at the end of this year, has been promoted to Senior Vice-President, Special Projects. Darren Gunderson, formerly our Controller, has been promoted to Vice-President, Finance and Chief Financial Officer. Garry Bieber has been promoted to Vice-President, Production, and Michael Mogan has been promoted to Controller. These appointments were approved by the Board to facilitate management succession for the Trust.

AVAILABILITY ON SEDAR

Freehold's second quarter report, including unaudited financial statements and Management's Discussion & Analysis (MD&A), is being filed today with Canadian securities regulators and will be available on SEDAR at www.sedar.com or on our website.

FORWARD-LOOKING STATEMENTS

This news release offers our assessment of Freehold's future plans and operations as at August 13, 2008, and contains forward-looking statements including our expectations for production, pricing, drilling plans, capital expenditures, and distributions. Such statements are generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions (including the negatives thereof). By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, taxation, royalties, regulation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. Risks are described in more detail in our Annual Information Form, which is available on our website.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding our assets; our ability and the ability of our lessees to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and acquisition activities. Our key operating assumptions with respect to the forward-looking statements referred to above are provided in the Outlook section of our MD&A for the period ended June 30, 2008.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this news release is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

CONVERSION OF NATURAL GAS TO BARREL OF OIL EQUIVALENT (BOE)

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (boe). We use the international standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio approximates an equivalent energy value at the burner tip and does not represent a value equivalency at the wellhead. While the boe ratio is useful for comparative measures and observing trends, it may not accurately reflect individual product values and may be misleading if used in isolation.

NON-GAAP MEASURES

Within this news release, references are made to terms commonly used as key performance indicators in the oil and gas industry. We believe that operating netback and funds generated from operations are useful supplemental measures for management and investors to analyze operating performance, financial leverage, and liquidity, and we use these terms to facilitate the understanding and comparability of our results of operations and financial position. However, these terms do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

Operating netback, which is calculated as average unit sales price less royalties and operating expenses, represents the cash margin for product sold, calculated on a per boe basis. Funds generated from operations is a financial term commonly used in the oil and gas industry. It represents cash provided by operating activities before changes in non-cash working capital and is a key measure of our ability to generate cash, finance operations, and pay monthly distributions. Funds generated from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. The key difference between cash provided by operating activities and funds generated from operations is changes in non-cash working capital, which is affected by accounts receivable. Accounts receivable, and therefore working capital, can fluctuate greatly between reporting periods due to timing of receipt of payments. In the event that commodity prices and/or volumes have changed significantly from the previous reporting period, a significant difference could occur between cash provided by operating activities and funds generated from operations. All references to funds generated from operations throughout this report are based on cash provided by operating activities before changes in non-cash working capital as per the Statement of Cash Flows. Funds generated from operations per Trust Unit is calculated based on the weighted average number of Trust Units outstanding consistent with the calculation of net income per Trust Unit. A reconciliation of cash provided by operating activities to funds generated from operations is provided in our MD&A for the period June 30, 2008.

In addition, we refer to various per boe figures, such as revenues and costs, which are also considered non-GAAP measures but provide meaningful information on our operational performance. We derive per boe figures by dividing the relevant revenue or cost figure by the total volume of oil and gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

FOR FURTHER INFORMATION, PLEASE CONTACT:

David Sandmeyer, President and CEO (403) 221-0848
Karen Taylor, Manager, Investor Relations & Secretary (403) 221-0891

Freehold Royalty Trust
Phone: (403) 221-0802
Fax: (403) 221-0888
(Toll free in Canada/U.S. 1-888-257-1873)
E-mail: ir@freeholdtrust.com
Website: www.freeholdtrust.com