

## NEWS RELEASE

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## Freehold Royalty Trust Announces 2007 First Quarter Results

CALGARY, ALBERTA, (CCNMatthews – May 9, 2007) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced first quarter results for the period ended March 31, 2007.

### FIRST QUARTER HIGHLIGHTS

- Revenue increased 6% to \$37 million.
- Price realizations averaged \$47.40 per boe, 8% higher than the first quarter a year ago.
- Operating netback increased 5% to \$42.06 per boe.
- Production averaged 8,564 barrels of oil equivalent (boe) per day, down 3% year over year, but up 3% from the fourth quarter of 2006.
- Funds generated from operations totalled \$0.58 per Trust Unit, unchanged from the first quarter of 2006.
- Distributions declared in the first quarter amounted to \$0.45 per Trust Unit, 17% lower than last year.

The regular monthly distribution of \$0.15 per Trust Unit will be paid on June 15, 2007 to Unitholders of record on May 31, 2007 (ex-distribution date May 29, 2007). Including the June 15, 2007 payment, 12-month trailing cash distributions total \$1.95 per Trust Unit. Production levels, commodity prices, operating costs, and other expenses remain in line with our expectations, and our distribution guidance for 2007 remains unchanged at \$1.80 per Trust Unit.

Results at a Glance	Three Months Ended		
	March 31		
	2007	2006	Change
<b>Financial</b> (\$000s, except as noted)			
Gross revenue	37,005	35,007	6%
Operating income	32,425	31,802	2%
Net income	9,787	8,766	12%
Per Trust Unit, basic and diluted (\$)	0.20	0.18	11%
Funds generated from operations	28,297	28,198	—
Per Trust Unit (\$)	0.58	0.58	—
Capital expenditures	3,476	1,601	117%
Distributions declared	22,133	26,483	-16%
Per Trust Unit (\$) <sup>(1)</sup>	0.45	0.54	-17%
Long-term debt, period end	99,000	105,000	-6%
Unitholders' equity, period end	332,836	382,449	-13%
Trust Units (000s) <sup>(2)</sup>	49,175	49,032	—
<b>Operating</b>			
Average daily production (boe/d)	8,564	8,794	-3%
Average price realizations (\$/boe)	47.40	43.78	8%
Operating netback (\$/boe)	42.06	40.18	5%

(1) Based on the number of Trust Units issued and outstanding at each record date.

(2) Weighted average number of Trust Units outstanding during the period, basic.

Last year's \$11 million capital program is showing results and we are very pleased with our production performance in the first quarter. While total production was 3% lower year over year, volumes are up 3% from the fourth quarter. As a result of the success of our development programs in Hayter and Southeast Saskatchewan, we have increased our 2007 development budget to \$9.5 million.

Industry drilling declined in the first quarter of 2007 with 21% fewer wells drilled across Canada, a reminder that commodity prices are a key driver for our industry. Drilling on our royalty lands, which generally mirrors industry activity, was level with the first quarter last year on equivalent net basis, although there are currently fewer licensed drilling locations on our lands. Activity levels and production volumes are expected to be lower in the second quarter, due to a prolonged spring break-up and annual maintenance shut-downs. Demand for people and services, particularly in Alberta, remains high, although lower commodity prices have reduced industry activity levels and we believe that costs are beginning to stabilize.

WTI crude oil prices were 8% lower quarter-over-quarter, while the price spread between light and heavy oil narrowed dramatically. Historically, differentials are the widest in the first quarter of the year, yet there was a 41% improvement over the first quarter last year. We believe this improvement may be signalling a fundamental change in the heavy oil price differential, as heavy oil markets continue to benefit from the new pipeline access to U.S. markets that was added in 2006. With roughly 38% of our total production mix being heavy oil, the markets for heavy oil are of particular relevance for us; prices for the benchmark Bow River/Hardisty stream are generally a close proxy for our average oil realizations. On a boe basis, our average price realizations were 8% higher in the first quarter of 2007, as improvements in heavy oil prices more than offset lower natural gas prices.

On March 28, 2007, the Alberta Energy and Utilities Board released Decision 2007-042 regarding ownership of coal bed methane, finding that the natural gas owner, not the coal owner, has the right to produce the natural gas stored in coal (coal bed methane). While the decision has been appealed, the finding is encouraging for the Trust, as we own the petroleum and natural gas rights on our mineral title lands in Central Alberta, which are within the primary coal bed methane fairway.

We continue to monitor the proposed income taxation changes related to income trusts. The federal government released draft legislation as part of the 2007 budget, and Bill C52 received first reading in the House of Commons on March 29, 2007. Assuming the proposed changes are enacted, the new tax will apply to Freehold starting in 2011, reducing the cash available for distribution to Unitholders. Freehold is a member of the Canadian Association of Income Funds ([www.caif.ca](http://www.caif.ca)) and part of the Coalition of Canadian Energy Trusts ([www.canadianenergytrusts.ca](http://www.canadianenergytrusts.ca)). Through these organizations, we are continuing to express our concerns and objections to the federal government regarding the proposed income trust tax changes in order to realize a better solution than what is currently being proposed. We also encourage our Unitholders to become members of the Canadian Association of Income Trust Investors ([www.caiti.info](http://www.caiti.info)). This organization has been formed with a mission to preserve the ongoing viability and sustainability of the Canadian income trust market and is an effective vehicle through which individual investors can voice their opinions regarding trust taxation.

Since inception, we have distributed \$508.3 million (\$14.75 per Trust Unit) to Unitholders. In the first quarter of 2007, Freehold declared distributions of \$22.1 million, or \$0.45 per Trust Unit, representing 78% of funds generated from operations. Production levels, commodity prices, operating costs, and other expenses remain in line with our expectations, and our distribution guidance for 2007 remains unchanged at \$1.80 per Trust Unit based on monthly distributions of \$0.15 per Trust Unit. We will continue to monitor prices and activity levels closely, and our guidance will be reviewed and updated quarterly.

#### **AVAILABILITY ON SEDAR**

Freehold's first quarter report, including unaudited financial statements and Management's Discussion & Analysis, is being filed today with Canadian securities regulators and will be available on SEDAR at [www.sedar.com](http://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 May 9, 2007, and contains forward-looking statements. 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, 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. 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. Except as required by law, we do not undertake to update these forward-looking statements.

## CONVERSION OF NATURAL GAS TO OIL EQUIVALENT

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 it is useful for comparative measures, 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 in the oil and gas industry as key performance indicators. We believe that operating income, netback, and funds generated from operations are useful supplemental measures to analyze operating performance, leverage and liquidity. 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 income, which is gross revenue less royalty expense and operating expense, represents the results of operations before general and administrative, interest, taxes and depletion, accretion and management fees. Operating netback, which is calculated as average unit sales price less royalties and operating expenses; and investor netback, which deducts administrative and interest expense and income and capital taxes, represent the cash margin for product sold, calculated on a per boe basis. Funds generated from operations 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. 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.

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