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NEWS RELEASE & QUARTERLY REPORT

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Freehold Royalty Trust Announces 2005 First Quarter Results, Declares Extra Distribution

CALGARY, ALBERTA, (CCNMatthews – May 11, 2005) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced results for the three months ended March 31, 2005.

FIRST QUARTER HIGHLIGHTS

- **Distributions of $0.41 per Trust Unit ($0.36 regular plus $0.05 top-up related to the fourth quarter of 2004)**
- **Price realizations averaged $39.47 per boe, 13% higher than a year ago**
- **Operating netback was $36.18 per boe, up 16% from last year**
- **Production averaged 5,502 barrels of oil equivalent (boe) per day, down 1% from the first quarter of 2004**
- **Regular monthly distribution remains set at $0.12 per Trust Unit; declared extra distribution related to the first quarter of $0.05 per Trust Unit to be paid on June 15th (record date May 31, 2005)**

Financial results for the first quarter of 2005 were strong, buoyed by oil and gas prices that remain near record highs as Freehold's production remains unhedged. Relative to the first quarter of last year, we achieved substantial gains in revenue, funds generated from operations (cash flow) and net income, despite a significant widening in the differential prices between light and heavy crude oil.

On May 10, 2005, we completed a previously announced acquisition of royalty interests for a purchase price of $354 million ($345 million, net of adjustments and prior to anticipated transaction costs of approximately $10 million) (see Subsequent Events). The Petrovera acquisition doubles our royalty production and solidifies Freehold's position as the only oil and gas trust in Canada focused primarily on royalty interests. The acquisition is expected to be accretive to cash flow, production, reserves and net asset value, on a per Trust Unit basis, in 2005 and future years.

RESULTS AT A GLANCE

	Three Months Ended March 31		%
	2005	2004	Change
Financial			
Gross revenue ($000s)	**19,859**	17,951	+11
Net income ($000s)	**9,368**	7,674	+26
Per Trust Unit, diluted ($)	**0.51**	0.46	+11
Distributions to Unitholders ($000s)	**12,936**	11,640	+11
Per Trust Unit (1) ($)	**0.41**	0.37	+11
Long-term debt ($000s)	**27,000**	18,000	+50
Operating			
Average daily production (boe/d)	**5,502**	5,577	-1
Average price realizations ($/boe)	**39.47**	35.00	+13
Operating netback ($/boe)	**36.18**	31.18	+16

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

Management's Discussion and Analysis (MD&A)

The following discussion is management's opinion about Freehold Resources Ltd. and Freehold Royalty Trust's (the "Trust") (collectively "Freehold"), operating and financial results for the three months ended March 31, 2005 and previous periods, and the outlook for Freehold based on information available as at May 11, 2005. The financial information contained herein has been prepared in accordance with Canadian generally accepted accounting principles (GAAP). All comparative percentages are between the quarters ended March 31, 2005 and March 31, 2004 and all dollar amounts are expressed in Canadian currency, unless otherwise noted. This discussion should be read in conjunction with the Trust's annual MD&A and audited financial statements for the years ended December 31, 2004 and 2003, together with the accompanying notes. These are included on pages 19 through 44 of the Trust's 2004 annual report to Unitholders.

FORWARD-LOOKING STATEMENTS

This MD&A offers our assessment of Freehold's future plans and operations as at May 11, 2005, 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, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. 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. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them.

SUPPLEMENTAL DISCLOSURE

We believe that distributions to Unitholders, cash flow and netback are useful supplemental measures. You are cautioned that distributions to Unitholders should not be construed as an alternate to net income as determined by GAAP. Cash flow, as used in this report, refers to funds generated from operations derived from our Consolidated Statements of Cash Flows. Cash flow represents cash provided by operating activities, before changes in non-cash working capital. We use cash flow to analyze operating performance, leverage and liquidity. 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. Distributions to Unitholders, cash flow and netback do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measure for other entities.

CONVERSION OF NATURAL GAS TO OIL EQUIVALENT

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are mathematically converted to equivalent barrels of oil (boe). We use the international 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.

RESULTS OF OPERATIONS

The table below is a summary of our performance for the first quarter of 2005, with comparative data for the preceding seven quarters. This presentation illustrates the fluctuations in pricing experienced over the past eight quarters, and the resultant effect on our financial results. As oil and gas prices are denominated in U.S. dollars, realized selling prices in Canadian dollars are influenced by currency exchange rates. The Canadian dollar began to strengthen in the second quarter of 2003, reducing Canadian dollar price realizations. Heavy grades of crude oil sell at a discount to light oil. The light/heavy differential price began to widen towards the end of the third quarter of 2004, reaching unprecedented levels in the first quarter of 2005.

Quarterly Results	**2005**		2004				2003	
($000s, except as noted)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue, net of royalty expense	**19,170**	19,204	19,994	19,066	17,250	15,230	16,865	17,070
Funds generated from operations	**16,160**	16,153	17,409	16,428	14,380	12,691	14,714	14,922
Per Trust Unit ($)	**0.51**	0.51	0.55	0.52	0.46	0.40	0.47	0.48
Distributions to Unitholders	**12,936**	15,449	14,808	12,593	11,640	12,575	12,545	15,631
Per Trust Unit ($)	**0.41**	0.49	0.47	0.40	0.37	0.40	0.40	0.50
Payout ratio (%)	**80**	96	85	77	81	99	85%	105
Net income (1)	**9,368**	9,397	10,306	9,515	7,674	5,947	8,868	9,334
Per Trust Unit, diluted ($)	**0.30**	0.30	0.33	0.30	0.24	0.19	0.28	0.30
Long-term debt	**27,000**	27,000	17,000	17,000	18,000	18,000	17,500	18,500
Daily production (boe/d)	**5,502**	5,575	5,447	5,757	5,577	5,768	5,909	5,746
Average selling price ($/boe)	**39.47**	38.37	40.96	37.37	35.00	29.51	32.15	33.49
Operating netback ($/boe)	**36.18**	34.67	36.85	33.57	31.18	25.88	28.61	30.47
Exchange rate (Cdn$/US$)	**0.8150**	0.8195	0.7651	0.7357	0.7590	0.7600	0.7247	0.7158
WTI crude oil (US$/bbl)	**49.84**	48.28	43.88	38.31	35.14	31.18	30.20	28.91
Edmonton Par (Cdn$)	**61.45**	57.70	56.25	50.60	45.60	39.55	40.92	41.12
Bow River/Hardisty (Cdn$/bbl)	**38.97**	36.10	41.96	37.31	34.93	28.53	30.79	31.61
Light/heavy oil differential (Cdn$/bbl)	**22.48**	21.60	14.29	13.29	10.67	11.02	10.13	9.51
AECO natural gas (Cdn$/Mcf)	**6.69**	7.08	6.66	6.80	6.61	5.59	6.29	6.99
Trading Performance								
High ($)	**18.49**	18.42	16.97	15.80	16.30	17.19	13.85	13.48
Low ($)	**15.50**	15.75	14.57	14.65	14.02	13.11	12.81	11.20
Close ($)	**16.10**	17.45	16.25	15.00	14.75	16.35	13.70	13.05
Volume (000s)	**2,418**	4,252	1,768	3,149	2,399	2,506	2,991	2,447

(1) 2003 restated.

DISTRIBUTIONS TO UNITHOLDERS

Distributions to Unitholders for the first quarter of 2005 were $12.9 million or $0.41 per Trust Unit, up 11% from last year. Royalty income contributed 91% of distributions. First quarter distributions represent a payout of 80% of cash flow. Since inception, our payout ratio has averaged 84%.

Analysis of Distributions to Unitholders	Three Months Ended March 31		%
($000s, except as noted)	**2005**	2004	Change
Funds generated from operations	**16,160**	14,380	+12
Deduct:			
Reclamation fund contributions	**(105)**	(104)	+1
Provision for capital expenditures	**(1,650)**	(1,000)	+65
Changes in working capital	**(1,469)**	(1,636)	-10
Distributions to Unitholders	**12,936**	11,640	+11
Per Trust Unit ($)	**0.41**	0.37	+11

NETBACKS

Our first quarter operating netback was $36.18 per boe, up 16% from the first quarter last year. We have consistently delivered a superior netback, relative to our peer group, as we do not incur royalty or operating expenses on our royalty lands. We do not have any commodity price or foreign currency hedges in place.

Operating Netbacks ($/boe)	Three Months Ended March 31 **2005**	2004	% Change
Gross revenue (1)	**40.10**	35.37	+13
Royalty expenses (net of ARC)	**(1.39)**	(1.38)	+1
Operating expenses	**(2.53)**	(2.81)	-10
Operating netback	**36.18**	31.18	+16

(1) Gross revenue includes potash revenue, sulphur revenue and other.

PRODUCTION

In the first quarter of 2005, our boe production was 31% natural gas, 5% natural gas liquids (NGL), 28% light/medium oil and 36% heavy oil. Average daily production volumes were level with the same period last year, as drilling largely offset declines. Production from royalty interest properties rose 2% due to new wells drilled on the royalty lands and acquisitions made during 2004. Two-thirds of the drilling on our royalty lands in 2004 occurred in the last half of the year, which will positively impact 2005. Working interest production declined 7%, primarily due to lower production volumes at Pembina Cardium Unit #9, where 2004 development drilling plans were deferred.

Production from the Petrovera acquisition will contribute approximately 3,700 boe/d, commencing May 10, 2005. As production revenue from January 1 to May 9, 2005 was netted against the purchase price, the annualized 2005 production from this acquisition will be approximately 2,300 boe/d. Freehold's 2005 exit production rate is expected to be 9,300 boe/d. The acquisition also increases both the natural gas and heavy oil components of our production on a boe basis. Our pro forma production profile is approximately 37% natural gas, 5% NGL, 18% light/medium oil and 40% heavy oil.

Average Daily Production	Three Months Ended March 31 **2005**	2004	% Change
Royalty lands			
Oil (bbls/d)	**2,104**	2,192	-4
NGL (bbls/d)	**233**	201	+16
Natural gas (Mcf/d)	**7,981**	7,270	+10
Oil equivalent (boe/d)	**3,667**	3,605	+2
Working interest properties			
Oil (bbls/d)	**1,385**	1,504	-8
NGL (bbls/d)	**63**	47	+34
Natural gas (Mcf/d)	**2,318**	2,527	-8
Oil equivalent (boe/d)	**1,835**	1,972	-7
Total Trust			
Oil (bbls/d)	**3,489**	3,696	-6
NGL (bbls/d)	**296**	248	+19
Natural gas (Mcf/d)	**10,299**	9,797	+5
Oil equivalent (boe/d)	**5,502**	5,577	-1
Number of days in period (days)	**90**	91	-1
Total volumes during period (Mboe)	**495.2**	507.5	-2
Potash (tonnes/d)	**9.4**	6.8	+38

BENCHMARK PRICES

Compared with the first quarter last year, AECO natural gas prices remained level. WTI crude oil prices rose 42%, while Edmonton Par prices rose 35% due to a stronger Canadian dollar. A global surplus of heavy crude and a lack of upgrading capacity caused light/heavy oil price differentials to widen significantly in the first quarter. As a result, the average price for Bow River/Hardisty rose only 12%. The differential averaged $22.48 per barrel in the first quarter, 111% higher than one year ago and 132% higher than the historical average of $9.70 per barrel since inception of the Trust.

Average Benchmark Prices	Three Months Ended March 31 **2005**	2004	% Change
WTI crude oil (US$/bbl)	**49.84**	35.14	+42
Edmonton Par crude oil (Cdn$/bbl)	**61.45**	45.60	+35
Bow River/Hardisty (Cdn$/bbl)	**38.97**	34.93	+12
Light/heavy oil differential (Cdn$/bbl)	**22.48**	10.67	+111
AECO natural gas (Cdn$/Mcf)	**6.69**	6.61	+1
US$/Cdn$ exchange rate	**0.8150**	0.7590	+7

REALIZED PRICES

At $39.47 per boe, our average price realization remains at the high end of the historical range and is 13% higher than the first quarter last year. However, the increase in light/heavy oil differential prices resulted in a lower average price for our production relative to the benchmark WTI price. The differential is significant for Freehold, as approximately 56% of our oil production (36% of our total boe production) is heavy oil. In addition, the cost of purchased condensate, used as a diluent and blending agent for transport of heavy oil, has risen dramatically in the last six months.

Average Selling Prices	Three Months Ended March 31 **2005**	2004	% Change
Oil ($/bbl)	**39.57**	34.04	+16
NGL ($/bbl)	**43.00**	33.28	+29
Oil and NGL ($/bbl)	**39.84**	33.99	+17
Natural gas ($/Mcf)	**6.44**	6.24	+3
Oil equivalent ($/boe)	**39.47**	35.00	+13
Potash ($/tonne)	**202.94**	149.35	+36

DEVELOPMENT ACTIVITIES

ROYALTY LANDS

Industry-wide, the first quarter of 2005 was the busiest first quarter in drilling history, with more than 5,000 wells completed in western Canada. Lessees drilled 287 wells on our royalty lands in the quarter, including 231 unit wells in which we have very small royalty interests. On an equivalent net basis, this is 3.1 net wells, up from 2.2 net wells in the first quarter of 2004. These wells were drilled at no cost to Freehold. There are currently 61 (2.2 equivalent net) licensed drilling locations on our royalty lands, compared with 41 (1.3 equivalent net) locations at this time last year.

Royalty Lands Drilling Summary (includes unitized wells)	Three Months Ended March 31 **2005**	2004	% Change
Gross	**287**	237	+21
Equivalent net [(1)]	**3.1**	2.2	+41

(1) Equivalent net wells are the aggregate of the numbers obtained by multiplying each gross well by the Trust's percentage interest therein, including royalty interests.

WORKING INTEREST PROPERTIES

In the first quarter of 2005, we spent $1.1 million on facilities and the drilling of 25 (0.3 net) wells. This resulted in 18 (0.2 net) natural gas wells and 7 (0.1 net) oil wells, for a 100% success rate.

Working Interest Properties Drilling Summary	Three Months Ended March 31 **2005** **(gross)**	**(net)**	2004 (gross)	(net)
Oil	**7**	**0.1**	9	0.2
Natural gas	**18**	**0.2**	21	0.4
Total	**25**	**0.3**	30	0.6

SUBSEQUENT EVENT

On April 20, 2005, we announced the acquisition of Petrovera Resources (Petrovera), a general partnership owned by Canadian Natural Resources Limited and certain of its subsidiaries and affiliates. The acquisition closed on May 10, 2005. We acquired approximately 3,700 boe per day of royalty interest production, weighted 42% to natural gas and 58% to crude oil and NGLs. These properties generated net operating income of $48.6 million in 2004. The acquisition also includes a net profit interest that generated net operating income of $2.2 million in 2004 and potash production of 5.4 tonnes per day that generated approximately $0.3 million of net operating income in 2004. In aggregate, the Petrovera assets generated net operating income in 2004 of $51.1 million. The properties are located in western Canada and Ontario and include interests in approximately 7,600 wells, of which a total of 3,618 wells overlap with Freehold's current wells and production units. The majority of the overlap (3,370 wells) occurs due to common ownership in 59 of the 100 production units included in the acquisition.

The $354 million purchase price ($345 million, net of adjustments and prior to anticipated transaction costs of approximately $10 million) was funded with a concurrent bought-deal equity financing consisting of 13,505,000 Trust Units at $15.55 per Trust Unit for gross proceeds of approximately $210 million, a private placement of 3,858,520 Trust Units at $15.55 per Trust Unit to Canadian Natural Resources Limited for gross proceeds of approximately $60 million, and the remainder with debt utilizing Freehold's expanded credit facilities (see Liquidity and Capital Resources).

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

Summary of Royalty Wells Drilled Year ended December 31, 2004	Freehold Pre-acquisition	Acquisition	Freehold Pro Forma (2)
Gross wells	671	358	1,000
Equivalent net wells (3)	12.3	16.4	28.7
Net success rate (%)	99.2	98.3	98.9

Summary of Net Reserves Acquired (1) Year ended December 31, 2004	Light and Medium Oil (Mbbls)	Heavy Oil (Mbbls)	Natural Gas (MMcf)	NGL (Mbbls)	Total (Mboe)
Proved					
Producing	1,035	2,798	25,399	258	8,324
Non-producing	0	0	0	0	0
Undeveloped	0	0	0	0	0
Total proved	1,035	2,798	25,399	258	8,324
Probable	518	1,925	12,136	99	4,565
Total proved plus probable	1,553	4,723	37,535	357	12,889

Net Present Values of Future Net Revenue (4) **Before Income Taxes** **Forecast Prices and Costs** **Royalty and Working Interests ($000s)**	Discounted at (% year) 0%	 5%	 10%	 15%	 20%
Proved producing	275,067	208,063	170,018	145,328	127,917
Proved non-producing	0	0	0	0	0
Total proved developed	275,067	208,063	170,018	145,328	127,917
Proved undeveloped	0	0	0	0	0
Total proved	275,067	208,063	170,018	145,328	127,917
Probable	154,880	83,374	54,503	39,915	31,390
Total proved plus probable	429,947	291,437	224,521	185,243	159,307

Notes:

(1) *Reserves based on evaluations by Trimble Engineering Associates Ltd. effective December 31, 2004 (the Trimble Reports).*

(2) *Numbers may not add due to some common interests.*

(3) *Gross wells multiplied by the percentage interests therein, including royalty interests.*

(4) *Net present value of reserves based on evaluations by Trimble Engineering Associates Ltd., using forecast prices and costs, before tax, including Alberta Royalty Credit, discounted at 10%. Pricing assumptions for 2005 contained in the Trimble Reports: WTI crude oil US$44.29/bbl; AECO natural gas $6.97/Mcf; Edmonton light/Hardisty Bow River Medium oil price differential $14.99/bbl; US$/Cdn$ exchange rate 0.84.*

REVENUE

We receive revenue from more than 200 industry operators. Gross revenue of $19.9 million for the first quarter of 2005 was up 11% from a year ago, as higher prices more than offset a 1% decline in production volumes. The accompanying table demonstrates the net effect of price and volume variances on gross revenues.

Gross Revenue Variances ($000s)	Three Months Ended March 31 **2005 vs. 2004**	 2004 vs. 2003
Oil and NGL		
Production increase (decrease)	**(727)**	(83)
Price increase (decrease)	**2,101**	(2,065)
Net increase (decrease)	**1,374**	(2,148)
Natural gas		
Production increase (decrease)	**228**	(608)
Price increase (decrease)	**183**	(1,039)
Net increase (decrease)	**411**	(1,647)
Other	**122**	(8)
Gross revenue increase (decrease)	**1,907**	(3,803)

EXPENSES

ROYALTIES PAID

Royalties are paid on production relating to ownership in working interest production. These expenses, which are directly tied to commodity prices and production volumes, were 7% higher (on a per boe basis) than the first quarter of last year. We do not incur royalty expenses on production from our royalty lands. As the royalty owner, we receive the royalty as income from other companies.

Royalty Expenses (net of ARC)	Three Months Ended March 31 2005	2004	% Change
Working interest properties ($000s)	**689**	701	-2
Per boe ($)	**4.17**	3.91	+7
Total royalty expenses ($000s)	**689**	701	-2
Total Trust (1) ($/boe)	**1.39**	1.38	+1

OPERATING EXPENSES

Operating expenses on our working interest properties were $7.59 per boe for the first quarter, down 5% from the first quarter of 2004. On a total Trust basis, operating costs per boe were 10% lower, as a higher percentage of our production was from royalties, which have no operating costs. Following the Petrovera acquisition, our average operating expenses per boe will decline further, as the assets acquired are primarily royalty interests.

Operating Expenses	Three Months Ended March 31 2005	2004	% Change
Working interest properties ($000s)	**1,254**	1,427	-12
Per boe ($)	**7.59**	7.95	-5
Total operating expenses ($000s)	**1,254**	1,427	-12
Total Trust (1) ($/boe)	**2.53**	2.81	-10

(1) Freehold does not incur operating costs on its royalty lands.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

We incur expenses to administer our interests in more than 17,000 wells in western Canada (21,000 post acquisition). As we do not operate any of our royalty production, our overhead recoveries are minimal. G&A expenses for the first quarter of 2005 were 11% higher on a boe basis than the same period in 2004. The increase in G&A relates to increased staff levels compared with the first quarter of last year and rising costs associated with regulatory compliance, reserve report preparation, and financial reporting.

The systems we have in place to monitor our royalty interests will allow us to integrate the Petrovera assets into our existing operations with minimal staff additions. Synergies and economies of scale resulting from the acquisition are expected to reduce general and administrative costs per boe.

G&A Expenses	Three Months Ended March 31 2005	2004	% Change
G&A expenses ($000s)	**1,263**	1,167	+8
Per boe ($)	**2.55**	2.30	+11
As a percentage of revenue	**6%**	7%	-14

MANAGEMENT FEES

The Manager of the Trust receives its management fee in Trust Units. For the first quarter, the Manager received 22,500 Trust Units, with an ascribed value of $362,250 ($16.10 per Trust Unit) compared with the same number of Trust Units with an ascribed value of $331,875 ($14.75 per Trust Unit) in the first quarter of 2004. The change in the value of management fees reflects the higher market price of the Trust Units at March 31, 2005 versus March 31, 2004. In connection with the Petrovera acquisition, an acquisition fee of $5.3 million will be paid to the Manager.

Management Fees ($000s, except as noted)	Three Months Ended March 31 **2005**	2004	% Change
Management fees (paid in Trust Units)	**362**	332	+9
Acquisition fees (1.5%)	**-**	-	-
Total	**362**	332	+9
Per boe ($)	**0.73**	0.65	+12

NET INCOME AND FUNDS GENERATED FROM OPERATIONS

Higher average selling prices led to an increase in net income and funds generated from operations (cash flow) for the first three months of 2005 relative to the same period in 2004.

Net Income and Funds Generated from Operations ($000s, except as noted)	Three Months Ended March 31 **2005**	2004	% Change
Net income	**9,368**	7,674	+22
Per Trust Unit ($)	**0.30**	0.24	+25
Funds generated from operations	**16,160**	14,380	+12
Per Trust Unit ($)	**0.51**	0.46	+11

LIQUIDITY AND CAPITAL RESOURCES

At the end of the first quarter, we had no short-term debt outstanding and long-term debt was $27.0 million, unchanged from December 31, 2004. Freehold had positive working capital of $6.2 million, resulting in net debt of $20.8 million. For the three months ended March 31, 2005, interest expense was $245,000, up 43% from the same period last year as a result of higher debt to finance a $10 million acquisition completed in December 2004.

In conjunction with the Petrovera acquisition announced April 20, 2005, we expanded our credit facilities from $65 million to $165 million. These credit facilities were used to fund approximately $96 million of the purchase price for the acquisition, inclusive of estimated transaction costs. As at May 10, 2005, long-term debt stood at $112 million.

We have a $15 million extendible revolving operating facility and a $150 million extendible revolving term credit facility. The borrowing base was $65 million before the acquisition and became $165 million concurrent with completion of the acquisition on May 10, 2005. The credit facilities bear interest at the lenders' prime rate, bankers' acceptances or LIBOR rates plus applicable margins ranging from 85 to 140 basis points and standby fees. They are secured with $300 million demand debentures over our petroleum and natural gas assets.

The additional debt assumed as a result of this acquisition will increase Freehold’s exposure to a downturn in commodity prices. Therefore, while it has been Freehold’s policy not to hedge production, the board of directors of Freehold Resources Ltd. may decide in the future to enter into risk management arrangements in order to mitigate this potential risk. The expanded credit facilities contemplate that swap facilities may be arranged from time to time.

CAPITAL EXPENDITURES

The Trust's capital expenditure obligations are deducted from funds generated from operations, prior to the determination of distributions to Unitholders. As we do not incur any capital expenditures relating to our royalty properties, our capital requirements are modest, relative to most energy trusts. Provision for capital expenditures in the first quarter totalled $1.7 million (2004 - $1.0 million). Our capital expenditure estimate for 2005 remains unchanged at $6.6 million, and will be funded from cash flow.

TRUST UNITS OUTSTANDING

As at March 31, 2005, there were 31,566,736 Trust Units outstanding. After giving effect to the bought-deal equity financing (13,505,000 Trust Units at $15.55 per Trust Unit) and private placement to Canadian Natural Resources Limited (3,858,520 Trust Units at $15.55 per Trust Unit) in connection with the Petrovera acquisition, there were 48,930,256 Trust Units outstanding as at May 10, 2005. There are no options outstanding under the Trust Unit option plan.

Trust Units Outstanding	Three months ended March 31 2005	2004	% Change
At period end	**31,566,736**	31,476,736	-
Weighted average	**31,544,486**	31,454,483	-

DISTRIBUTION OUTLOOK

The Petrovera acquisition adds critical mass to enhance stability of distributions over the long term, from royalty interest assets that are a very good fit with our existing portfolio. In 2005, the acquisition will be approximately 7% accretive to production and net operating income per Trust Unit. With the additional equity we have issued, we have a larger market capitalization, which should lead to enhanced liquidity.

The acquisition combined with continued strength in commodity pricing leads us to increase our estimate of cash distributions for 2005 to $1.66 per Trust Unit from our earlier guidance of $1.55 per Trust Unit.

Our assumptions, which are provided below, include average production volumes of 7,900 boe per day for the full year, with contribution of approximately 3,700 boe/d of production from the Petrovera assets from closing on May 10, 2005 (2,300 boe/d annualized for 2005). We have increased our estimate for WTI prices, which is offset by a higher estimate of light/heavy oil differentials. As well, we have assumed $7.0 million in debt repayment during 2005.

For Canadian residents, it is expected that approximately 25% of distributions to Unitholders will be tax-deferred to Unitholders in 2005 and 75% will be taxable as other income.

2005 Distribution Outlook	May 11, 2005	February 16, 2005
Estimated cash distributions ($ per Trust Unit)	**1.66**	1.55
2005 Assumptions		
Average daily production (boe/d)	**7,895**	5,600
Average WTI oil price (US$/bbl)	**49.00**	41.00
Average AECO natural gas price (Cdn$/Mcf)	**7.00**	6.50
Average light/heavy oil price differential (Cdn$/bbl)	**25.00**	17.50
Average exchange rate (Cdn$/US$)	**0.80**	0.80
Capital expenditures ($ millions)	**6.6**	6.6
Long-term debt at year end ($ millions)	**116.6**	27.0

It will take some time to complete the transfer of the lands and interests in some 7,600 wells into our name and to ensure the proper royalty payments are paid directly to Freehold. Therefore, we will be maintaining the current monthly distribution of $0.12 per Trust Unit for the next three months, after which time the board of directors of Freehold Resources Ltd. will re-evaluate the distribution level.

Since the Petrovera properties are royalties, which don't require any capital expenditures, we expect to maintain a payout ratio in line with our historical average. In keeping with our stated practice, a portion of any excess income available for distribution may be directed toward repayment of long-term debt and/or working capital improvement where the board of directors consider it appropriate or necessary, and extra distributions may be declared from time to time at the board's discretion.

Recognizing the cyclical nature of our industry, we caution that significant changes in production rates, commodity prices, interest rates or foreign exchange rates (positive or negative) will result in adjustments to the distribution level. Going forward, Freehold is particularly vulnerable to swings in the light/heavy oil price differential, as approximately 40% of our total boe production is heavy oil. An analysis of the potential impact of key variables on distributable income is provided on page 34 of the Trust's 2004 annual report to Unitholders.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Consolidated Balance Sheets

($000s)	**March 31 2005** (unaudited)	December 31 2004
Assets		
Current assets:		
Cash	**$ 146**	$ 66
Accounts receivable	**13,642**	12,797
	13,788	12,863
Reclamation fund	**1,694**	1,646
Petroleum and natural gas interests, net of accumulated depletion and depreciation of $187,288 (2004 – $180,919)	**188,204**	193,492
	$ 203,686	$ 208,001
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	**$ 3,788**	$ 3,785
Accounts payable and accrued liabilities	**3,829**	4,950
	7,617	8,735
Asset retirement obligation (note 4)	**3,946**	3,937
Long-term debt (note 2)	**27,000**	27,000
Future income tax liability	**3,507**	3,507
Unitholders' equity:		
Unitholders' capital (note 3)	**299,298**	298,936
Accumulated earnings	**173,468**	164,100
Accumulated distributions	**(311,150)**	(298,214)
	161,616	164,822
	$ 203,686	$ 208,001

Consolidated Statements of Income and Accumulated Earnings

(unaudited) ($000s, Except per Unit Data)	Three Months Ended March 31 **2005**	 2004
Revenue:		
Royalty income and working interest sales	**$ 19,859**	$ 17,951
Royalty expense (net of ARC)	**(689)**	(701)
	19,170	17,250
Expenses:		
Operating	**1,254**	1,427
General and administrative	**1,263**	1,167
Interest on long-term debt	**245**	171
Depletion and depreciation	**6,369**	6,293
Accretion of asset retirement obligation	**61**	56
Management fee	**362**	332
	9,554	9,446
Net income before taxes	**9,616**	7,804
Income and capital taxes	**248**	105
Future income tax provision	**-**	25
Net income	**9,368**	7,674
Accumulated earnings – beginning of period	**164,100**	127,208
Accumulated earnings – end of period	**$ 173,468**	$ 134,882
Net income per Trust Unit, basic and diluted	**$ 0.30**	$ 0.24

Consolidated Statements of Cash Flows

(unaudited) ($000s)	Three Months Ended March 31 **2005**	 2004
Cash provided by (used in):		
Operating:		
Net income	**$ 9,368**	$ 7,674
Items not involving cash:		
Depletion and depreciation	**6,369**	6,293
Future income tax provision	**-**	25
Accretion of asset retirement obligation	**61**	56
Trust Units issued in lieu of management fee	**362**	332
Funds generated from operations	**16,160**	14,380
Expenditures on reclamation	**(57)**	(5)
Changes in non-cash working capital	**(1,966)**	(1,749)
	14,137	12,626
Financing:		
Distributions paid	**(12,932)**	(11,638)
	(12,932)	(11,638)
Investing:		
Development expenditures	**(1,077)**	(940)
Increase in reclamation fund	**(48)**	(99)
	(1,125)	(1,039)
Increase (decrease) in cash	**80**	(51)
Cash, beginning of period	**66**	57
Cash, end of period	**$ 146**	$ 6

Notes to Interim Consolidated Financial Statements

For the period ended March 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of Freehold Royalty Trust ("Freehold") have been prepared by management in accordance with Canadian generally accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2004, unless otherwise identified. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Freehold's annual report for the year ended December 31, 2004.

2. LONG-TERM DEBT

Freehold has a $50.0 million committed production facility on which $27.0 million was drawn at March 31, 2005. The facility is structured as a one-year committed revolving credit facility, extendible annually. In the event that the lender does not consent to such extension, the revolving credit facility will revert to a three-year, non-revolving amortizing term loan with equal quarterly principal repayments. At March 31, 2005, the entire amount outstanding under the production facility is presented as long-term based on Freehold's ability to refinance this amount with the undrawn portion of the facility. Borrowings under the facility bear interest at the Bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 90 to 165 basis points.

In addition, Freehold has available a $15.0 million demand operating facility and a U.S. $10.0 million swap facility which was unused at March 31, 2005. Borrowings under these facilities bear interest at the Bank's prime lending rate. As disclosed in Note 7, Freehold's credit facilities were adjusted on May 10, 2005 in connection with the acquisition.

Cash interest paid during the three months ended March 31, 2005 was $246,000 (2004 - $165,000).

3. UNITHOLDERS' CAPITAL

After the issuance of 22,500 Trust Units in the quarter for Freehold's management fee, the total number of Trust Units outstanding at March 31, 2005 was 31,566,736 (2004 – 31,476,736). The weighted average number of Trust Units outstanding for the three months ending March 31, 2005 was 31,544,486 (2004 – 31,454,483).

4. ASSET RETIREMENT OBLIGATION

Freehold has no asset retirement obligations (ARO) on its royalty income properties. Freehold's ARO results from its responsibility to abandon and reclaim its net share of all working interest properties. The net present value of Freehold's total ARO is estimated to be $3.9 million, with the undiscounted value being $9.8 million. Payments to settle the obligations are expected to occur continuously over the next 50 years, with the majority of obligations being over 15 years away. A credit adjusted risk free rate of 6.25% was used to calculate the present value of the ARO.

($000s)	**March 31, 2005**	December 31, 2004
Balance, beginning of period	**$ 3,937**	$ 3,606
Liabilities incurred	**5**	156
Liabilities settled	**(57)**	(57)
Accretion expense	**61**	232
Balance, end of period	**$ 3,946**	$ 3,937

5. RELATED PARTY TRANSACTIONS

During the quarter, the Trust issued 22,500 Trust Units in payment for the management fee to Rife Resources Management Ltd. ("the Manager").

For the three months ended March 31, 2005, the Manager charged the Trust $835,000 in general and administrative costs. At March 31, 2005 there was $537,000 in accounts payable relating to these costs. As well, the Manager earns a fee of 1.5% of the purchase price of oil and gas properties acquired by Freehold, with no fee being charged for the three months ended March 31, 2005.

6. DISTRIBUTIONS TO UNITHOLDERS

(unaudited) ($000s, Except per Unit Data)	Three Months Ended March 31 **2005**	 2004
Funds generated from operations	**$ 16,160**	$ 14,380
Reclamation fund contributions	**(105)**	(104)
Provision for capital expenditures	**(1,650)**	(1,000)
Changes in working capital	**(1,469)**	(1,636)
Distributions to Unitholders	**12,936**	11,640
Accumulated distributions, beginning of period	**298,214**	243,724
Accumulated distributions, end of period	**$ 311,150**	$ 255,364
Distributions per Trust Unit	**$ 0.41**	$ 0.37
Accumulated distributions per Trust Unit, beginning of period	**10.28**	8.55
Accumulated distributions per Trust Unit, end of period	**$ 10.69**	$ 8.92

7. SUBSEQUENT EVENT

On April 20, 2005, two commercial trusts wholly-owned by Freehold entered into a purchase and sale agreement to acquire Petrovera Resources, a general partnership which owns certain royalty, mineral and working interests, for a total consideration of approximately $354 million ($345 million, net of adjustments and prior to anticipated transaction costs of approximately $10 million). The acquisition closed on May 10, 2005. Freehold acquired approximately 3,700 boe per day of royalty interest production, weighted 42% to natural gas and 58% to crude oil and NGLs. These properties generated net operating income of $48.6 million in 2004. The acquisition also includes a net profit interest that generated net operating income of $2.2 million in 2004 and potash production of 5.4 tonnes per day that generated approximately $0.3 million of net operating income in 2004. In aggregate, the Petrovera assets generated net operating income in 2004 of $51.1 million. The properties are located in western Canada and Ontario and include interests in approximately 7,600 wells of which a total of 3,618 wells overlap with Freehold's current wells and production units. The majority of the overlap (3,370 wells) occurs due to common ownership in 59 of the 100 production units included in the acquisition.

The purchase price was funded with a concurrent bought-deal equity financing consisting of 13.5 million Trust Units at $15.55 per Trust Unit for gross proceeds of $210 million, a private placement of 3.85 million Trust Units at $15.55 per Trust Unit to Canadian Natural Resources Limited for gross proceeds of $60 million, and the remainder with debt utilizing Freehold's credit facilities. Freehold has expanded its credit facilities from $65 million to $165 million, which includes a $15 million extendible revolving operating facility and a $150 million extendible revolving term credit facility. The credit facilities bear interest at the lenders' prime rate, bankers' acceptances or LIBOR rates plus applicable margins ranging from 85 to 140 basis points and standby fees. They are secured with $300 million demand debentures over Freehold's petroleum and natural gas assets.

Corporate Information

DIRECTORS

D. Nolan Blades (1)(2)(3)
President
Sunny Gables Holdings Ltd.

Harry S. Campbell, Q.C. (3)
Managing Partner
Burnet, Duckworth & Palmer, LLP

Tullio Cedraschi
President & Chief Executive Officer
CN Investment Division

Peter T. Harrison (1)(3)
Senior Vice-President,
Montrusco Bolton Inc.

Dr. P. Michael Maher (1)(2)
Professor, Haskayne School of Business
University of Calgary

David J. Sandmeyer
President & Chief Executive Officer
Rife Resources Ltd.

William W. Siebens (2)
President & Chief Executive Officer
Candor Investments Ltd.

(1) Audit Committee
(2) Governance & Nominating Committee
(3) Reserves Committee

2005 CASH DISTRIBUTIONS (1)

Record Date	Payment Date	Per Trust Unit
December 31, 2004	January 15, 2005	$0.12
January 31, 2005	February 15, 2005	$0.12
February 28, 2005	March 15, 2005	$0.17(2)
March 31, 2005	April 15, 2005	$0.12
April 30, 2005	May 15, 2005	$0.12
May 31, 2005	June 15, 2005	$0.17(2)

(1) Historical distributions and tax information is available on our website at www.freeholdtrust.com.
(2) Monthly distributions are supplemented by quarterly top-ups, when excess income is available; payment includes quarterly top-up.

OFFICERS

William W. Siebens
Chairman

David J. Sandmeyer
President & Chief Executive Officer

J. Frank George
Vice-President, Exploitation

Darren G. Gunderson
Controller

Joseph N. Holowisky
Vice-President, Finance & Administration
Chief Financial Officer and Secretary

William O. Ingram
Vice-President, Production

Michael J. Okrusko
Vice-President, Land

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WEBSITE

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol: FRU.UN

2005 FIRST QUARTER TRADING SUMMARY

High – $18.49
Low – $15.50
Close – $16.10
Volume – 2,418,384
Trust Units Outstanding – 31.6 million
Market Capitalization – $508 million

TRUSTEE & TRANSFER AGENT

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