

# Freehold

ROYALTY TRUST

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## NEWS RELEASE

TSX: FRU.UN  
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## Freehold Royalty Trust Announces 2009 First Quarter Results

**CALGARY, ALBERTA, (Marketwire – May 13, 2009) – Freehold Royalty Trust** (Freehold or the Trust) (TSX:FRU.UN) today announced first quarter results for the period ended March 31, 2009.

### RESULTS AT A GLANCE

Financial (\$000s, except as noted)	Three Months Ended		
	March 31		
	2009	2008	Change
Gross revenue	26,618	48,574	-45%
Net income	2,391	23,647	-90%
Per Trust Unit, basic and diluted (\$)	0.05	0.48	-90%
Cash provided by operating activities	21,569	33,821	-36%
Per Trust Unit (\$)	0.44	0.69	-36%
Funds generated from operations (1)	18,619	39,182	-52%
Per Trust Unit (\$)	0.38	0.79	-52%
Capital expenditures	2,027	2,202	-8%
Distributions declared	14,841	22,198	-33%
Per Trust Unit (\$) (2)	0.30	0.45	-33%
Long-term debt, period end	160,000	169,000	-5%
Unitholders' equity, period end	208,122	253,395	-18%
Trust Units (000s) (3)	49,460	49,317	–
<b>Operating</b> (per boe) (4)			
Average daily production (boe/d)	7,522	8,152	-8%
Average price realizations (\$)	37.85	64.16	-41%
Operating netback (\$) (1)	33.13	59.18	-44%

(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.

(4) See "Conversion of Natural Gas to Barrels of Oil Equivalent (boe)".

### OVERVIEW

Overall, our results for the first quarter of 2009 reflect lower production and lower selling prices due to the steep decline in commodity prices. Cash provided by operating activities, funds generated from operations, and net income all declined significantly due to lower oil and gas revenues. Our production, which remains unhedged, was down 8% in the first quarter, as drilling activity was insufficient to offset natural production declines.

The oil and gas industry in western Canada continues to experience a difficult business environment. Activity levels have cooled as weak commodity markets, along with restricted access to credit and capital markets, have forced producers to reduce capital budgets. In February, in the midst of the winter drilling season, the Canadian Association of Oilwell Drilling Contractors further downgraded its drilling outlook for 2009 by 22%.

On March 3, 2009, the Alberta Government announced a short-term stimulus plan to encourage conventional oil and natural gas activity in the province. All new conventional oil and natural gas wells drilled between April 1, 2009 and March 31, 2010 qualify for drilling credits and Crown royalty reductions. While the stimulus plan is expected to have a positive impact on industry activity levels in the coming months, its announcement had a negative impact on first quarter drilling, with producers delaying commencement of new wells until after April 1, in order to qualify for the incentives.

Drilling on our royalty lands reflected the overall decline in industry activity levels, particularly in Alberta. The largest decline was in shallow gas areas, where continued investment is uneconomic at today's prices. As at March 31, 2009, there were 30 (2008 – 65) licensed drilling locations on our royalty lands. First quarter drilling on our working interest properties was also significantly lower than last year. We participated in the drilling of three (0.4 net) wells in Saskatchewan and two (0.1 net) wells in Alberta, with a 100% net success rate.

We believe that lower reinvestment will lead to eventual price recoveries, with natural gas recovering more slowly than oil due to a continuing over supply situation in North America. One positive trend for Freehold, given our heavy-oil weighted production profile, is a strengthening in demand for Canadian heavy crude. Producers in western Canada have been able to access U.S. markets via new pipelines added in 2006, and many North American refineries have been retooled to process heavier grades of crude. As a result, heavy oil differentials have narrowed from historical levels.

Our banking syndicate has completed its annual review of our credit facilities with no changes to our \$210 million borrowing base. We currently have \$50 million of available capacity under these facilities.

Based on the key operating assumptions outlined in our 2009 first quarter report, the Board has established a distribution policy of \$0.10 per Trust Unit per month. We will review this policy monthly and make adjustments, if necessary, to ensure that cash distributions are in line with cash flow.

## **MAY DISTRIBUTION DECLARED**

The Board of Directors has declared the May distribution of \$0.10 per Trust Unit, which will be paid on June 15, 2009 to Unitholders of record on May 31, 2009 (ex-distribution date May 27, 2009). Including the June 15, 2009 payment, our 12-month trailing cash distributions total \$2.60 per Trust Unit.

## **AVAILABILITY ON SEDAR**

Freehold's 2009 first quarter report, including unaudited financial statements and Management's Discussion and 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 13, 2009, and contains forward-looking statements including our expectations for commodity prices and activity levels. 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 AIF.

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 expectation for consumption of crude oil and natural gas; our expectation for industry drilling levels; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in our 2009 first quarter report.

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 herein 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 BARRELS 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 industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly 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, funds generated from operations, and net debt to 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 payable, and accrued liabilities. 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 Statements 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.

Net debt to funds generated from operations is calculated as net debt (total debt less positive working capital) as a proportion of funds generated from operations for the previous 12 months.

In addition, we refer to various per boe figures, such as revenues and costs, also considered non-GAAP measures, which 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 natural gas production during the period, with natural gas converted to equivalent barrels of oil as described above.

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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