

## NEWS RELEASE

TSX: FRU.UN  
 CUSIP: 355904103

## Freehold Royalty Trust Announces 2007 Second Quarter Results

CALGARY, ALBERTA, (CCNMatthews – August 9, 2007) – Freehold Royalty Trust (Freehold or the Trust) (TSX:FRU.UN) today announced second quarter results for the period ended June 30, 2007.

### SECOND QUARTER HIGHLIGHTS

- Revenue was \$38.0 million, up slightly from the second quarter of 2006.
- Production averaged 8,566 barrels of oil equivalent (boe) per day, up 4% quarter over quarter.
- Price realizations averaged \$48.21 per boe, 4% lower than the second quarter a year ago.
- Operating netback was \$42.28 per boe, down 10% from last year.
- Funds generated from operations decreased 7% to \$30.2 million (\$0.61 per Trust Unit).
- Net income for the quarter was reduced to a loss of \$42.5 million (\$0.86 per Trust Unit) with the recording of a non-cash \$54.3 million future income tax provision following the passing of the Canadian income trust taxation legislation.
- Distributions declared in the second quarter amounted to \$0.45 per Trust Unit, down 17% compared to the second quarter last year.
- Entered into an agreement to acquire approximately 550 boe per day of royalty production for \$60.7 million, prior to closing adjustments.

The regular monthly distribution of \$0.15 per Trust Unit will be paid on September 15, 2007, to Unitholders of record on August 31, 2007 (ex-distribution date August 29, 2007). Including the September 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			Six Months Ended		
	June 30			June 30		
	2007	2006	Change	2007	2006	Change
<b>Financial</b> (\$000s, except as noted)						
Gross revenue	38,015	37,852	—	75,020	72,859	3%
Operating income	32,954	35,180	-6%	65,379	66,982	-2%
Net income (loss)	(42,533)	14,142	-401%	(32,746)	22,908	-243%
Per Trust Unit, basic and diluted (\$)	(0.86)	0.29	-397%	(0.67)	0.47	-243%
Funds generated from operations	30,213	32,565	-7%	58,510	60,763	-4%
Per Trust Unit (\$)	0.61	0.66	-8%	1.19	1.24	-4%
Capital expenditures	2,830	1,430	98%	6,306	3,031	108%
Distributions declared	22,151	26,502	-16%	44,284	52,985	-16%
Per Trust Unit (\$) <sup>(1)</sup>	0.45	0.54	-17%	0.90	1.08	-17%
Long-term debt, period end	100,000	96,000	4%	100,000	96,000	4%
Unitholders' equity, period end	268,683	371,072	-28%	268,683	371,072	-28%
Trust Units (000s) <sup>(2)</sup>	49,246	49,103	—	49,246	49,103	—
<b>Operating</b>						
Average daily production (boe/d)	8,566	8,212	4%	8,565	8,502	1%
Average price realizations (\$/boe)	48.21	50.27	-4%	47.81	46.93	2%
Operating netback (\$/boe)	42.28	47.08	-10%	42.17	43.53	-3%

(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.

Freehold posted solid results for the second quarter and first half of 2007. While drilling on our royalty lands was down, mirroring the reduction in overall industry activity, drilling on our working interest properties increased by over 200% on a net basis. We are pleased with the success of our programs at Hayter and Southeast Saskatchewan, where drilling over the past year has added production and reserves to our working interest properties.

Gross revenue for the quarter was \$38.0 million, up slightly from a year ago as production increases were largely offset by lower prices. Adjustments to account for the change in the status of two wells from royalty interests to working interests subsequent to payout caused royalty and operating expenses to be higher than normal for the quarter and the year to date.

With the passing of Bill C-52 by the Senate in June, the Canadian income trust taxation legislation has now become law. While Freehold will not be subject to the new tax until 2011, as required by accounting rules, we have recorded an additional future income tax provision of \$54.3 million, which reduced net income to a loss for the second quarter. This provision is a non-cash expense relating to temporary differences between accounting versus tax depreciation rates: it is an accounting entry and has no current impact on our cash flows or our cash available for distribution.

Although the Canadian income trust tax is now law, additional details of the legislation remain to be clarified, and it would be premature to consider major changes to our structure until such clarification is provided. We believe the four-year tax exemption period offers considerable value for our Unitholders and we intend to continue our yield-oriented distribution model while we assess our options for post-2010.

At the end of the quarter, we announced an acquisition that supports our strategy of acquiring royalty interests. We have entered into an agreement to acquire gross overriding royalty interests on 345,000 gross acres of land in Alberta and Saskatchewan for approximately \$60.7 million, prior to closing adjustments. The transaction is expected to close by August 31, 2007 and will be effective March 1, 2007.

Proved plus probable reserves attributed to the properties were evaluated internally at 1.5 million boe (37% natural gas). The properties are expected to add approximately 550 boe per day to our production base effective September 1, 2007. Production is approximately 51% natural gas and 49% light oil and NGL. As there are no operating and capital costs or third party royalties associated with royalty production, this production receives high netbacks. Based on forecast production, the properties have a reserve life index of approximately 7.4 years. Currently 1,200 wells are producing and we anticipate further drilling on the lands. During 2006, 70 gross (2.1 equivalent net) wells were drilled. The cash flow from these properties during 2006 was approximately \$9.5 million.

The acquisition will be funded through our existing credit facilities and, following completion, our long-term debt will be approximately 1.3 times trailing cash flow. While this ratio will still be among the lowest in the sector, given our conservative approach to debt management, we plan to pay down this debt as we are able using cash in excess of our regular monthly distributions.

Our distribution guidance for 2007 remains unchanged at \$1.80 per Trust Unit, with 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 second 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 August 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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