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FREEHOLD **R**OYALTY **T**RUST

NEWS RELEASE

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Freehold 2000 Income Tax Information

CALGARY, Alberta/February 15, 2001/CCN/ - Freehold Royalty Trust ("Freehold") announced that distributions to Unitholders in 2000 were 100% tax deferred.

The following information is intended to assist individual Unitholders of Trust Units of Freehold in the preparation of their 2000 Income Tax Return. This summary is directed to a Unitholder who, for the purposes of the Income Tax Act (Canada) is a resident of Canada and, holds the Trust Units as capital property. Other Unitholders are advised to consult with their tax advisor concerning their circumstances.

Investment returns from royalty trusts are treated advantageously for tax purposes in Canada. A royalty trust like Freehold distributes its cash flow, rather than reinvests it. Depending on the tax position of the trust – how much of its income is sheltered with Canadian Oil and Gas Property Expense or other tax pools – Unitholders may receive all, or a portion of, their distributions as a return *of* capital (tax-deferred) rather than a return *on* capital (taxed as income). Distributions received as a return *of* capital reduce the Adjusted Cost Base of the Trust Units, and the Unitholder may have a capital gain (or capital loss) upon disposition of the Trust Units. All distributions paid to Unitholders by Freehold in 1997, 1998, 1999, and 2000 were considered a return *of* capital (100% tax deferred).

Freehold's cash distributions were fully tax deferred in 2000. Therefore Unitholders are not required to report any cash distributions received from Freehold as taxable income on their personal income tax returns for 2000. During the 2000 taxation year, Freehold Unitholders received a total of \$1.29 in distributions, all of which was sheltered from tax. **We are not sending T3 tax slips to our Unitholders for the 2000 taxation year because there are no taxable distributions for them to declare.** Please note that the December 1999 distribution (\$0.07 per Trust Unit) is included in this table as it was *received* in the 2000 taxation year. As well, the December 2000 distribution (\$0.10 per Trust Unit) is **not** included in this table as it was *received* in the 2001 taxation year.

Record Date	Payment Date	Total Distribution Paid	Taxable Amount	Tax Deferred Amount (Return of Capital)
December 31, 1999	January 15, 2000	\$0.07	\$0.00	\$0.07
January 31, 2000	February 15, 2000	\$0.07	\$0.00	\$0.07
February 29, 2000	March 15, 2000	\$0.13	\$0.00	\$0.13
March 31, 2000	April 15, 2000	\$0.07	\$0.00	\$0.07
April 30, 2000	May 15, 2000	\$0.07	\$0.00	\$0.07
May 30, 2000	June 15, 2000	\$0.17	\$0.00	\$0.17
June 30, 2000	July 15, 2000	\$0.08	\$0.00	\$0.08
July 31, 2000	August 15, 2000	\$0.08	\$0.00	\$0.08
August 31, 2000	September 15, 2000	\$0.15	\$0.00	\$0.15
September 30, 2000	October 15, 2000	\$0.10	\$0.00	\$0.10
October 31, 2000	November 15, 2000	\$0.10	\$0.00	\$0.10
November 30, 2000	December 15, 2000	\$0.20	\$0.00	\$0.20
Total paid during the 2000 Taxation Year		\$1.29	\$0.00	\$1.29

Registered plans: If you hold your Freehold Trust Units in a registered plan – such as a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Deferred Profit Sharing Plan (DPSP) or Registered Educational Savings Plan (RESP) – no amount should be reported on the 2000 individual Income Tax Return (“T1”). Your investments are completely tax-sheltered until you de-register them. Freehold Trust Units are an eligible investment for all these plans.

Adjusted Cost Base for Capital Gains: While Unitholders get a “break” by not having to pay tax on distributions, they may end up facing a capital gain or loss down the road on the disposition of Trust Units. Because Revenue Canada deems the distributions to be a return *of* capital, Unitholders must reduce the “**Adjusted Cost Base**” (“ACB”) of their Trust Units. The Adjusted Cost Base is used in calculating capital gains or losses on the disposition of Trust Units. The Adjusted Cost Base is the original cost of the Trust Unit paid by the Unitholder, less any tax deferred distributions received by the Unitholder. Should a Unitholder’s Adjusted Cost Base reach zero during a taxation year, all subsequent cash distributions are to be reported as a capital gain in the year the distributions are received. That capital gain must be reported on Schedule 3 of your T1 return.

For Freehold investors in the \$10.00 per Trust Unit initial public offering in November 1996, the Adjusted Cost Base of Trust Units still held as at December 31, 2000 is \$6.12 per Trust Unit, taking into account the return of capital of \$0.98 in 1997, \$0.85 in 1998, \$0.76 in 1999, and \$1.29 in 2000.

Withholding tax for non-resident Unitholders: Royalty income in Canada and the United States is treated as ordinary income, and not as dividend income. The Income Tax Act requires the taxable amount of the **income portion** of the cash distribution to be withheld from payments made by a trust to non-residents of Canada. The base withholding rate is 25%, although that is reduced to 15% by the applicable provisions of the Canada-U.S. Convention. In the case of a U.S. resident, a credit would be claimed on the U.S. tax return for the Canadian withholding tax paid. Since Revenue Canada considers Freehold’s 2000 distributions to be a “return *of* capital”, non-residents of Canada were **exempt** from Canadian withholding tax during the year 2000. **Subsequently, no amounts were withheld from source during the 2000 taxation year.** Income tax liability will depend on the jurisdiction in which the Unitholder must file a tax return.

Estimated Taxability for 2001: In the year 2001, the taxability of Freehold’s distributions changed. Due to record cash flows, Freehold now expects that approximately 35% of distributions received in 2001 will be treated as income in the year received, and that approximately 65% will be treated as a tax-deferred return *of* capital. The actual level of taxability is dependent upon commodity prices received and company activities undertaken to year-end. The precise figures will be communicated to Unitholders in February 2002.

For a historical listing of distribution payments per Trust Unit, please refer to Freehold’s Web site (www.freeholdtrust.com). A copy may also be obtained by contacting Freehold.

This summary is of a general nature only and is not intended as legal or tax advice to any particular Unitholder. Unitholders and prospective investors should consult their own tax advisors about their particular circumstances.

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