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NEWS RELEASE

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Freehold Royalty Trust Announces Fourth Quarter and Year End Results; Declares Extra Distribution

CALGARY, Alberta/February 19, 2004/CCN/ - Freehold Royalty Trust today announced financial results for the fourth quarter and year ended December 31, 2003.

Fourth Quarter Highlights

- **Production averaged 5,768 barrels of oil equivalent (boe) per day, down 4%**
- **Price realizations averaged $29.51 per boe, down 6% from a year ago**
- **Operating netback totalled $25.88 per boe, 8% lower than last year**
- **Fourth quarter distributions were $0.40 per Trust Unit ($0.30 regular plus $0.10 top-up related to the third quarter)**
- **Regular monthly distribution remains set at $0.10 per Trust Unit; declared extra distribution related to the fourth quarter of $0.07 per Trust Unit to be paid in March**

Since June 2002, Freehold's monthly distribution rate has been stable at $0.10 per Trust Unit. Regular monthly distributions are supplemented by quarterly top-ups, when excess income is available. Strong price realizations in the fourth quarter have enabled the Board of Directors to declare an extra distribution of $0.07 per Trust Unit payable on March 15, 2004 to Unitholders of record on February 29, 2004. **Combined, the March 15th payment (regular monthly distribution and the top-up for the fourth quarter), will total $0.17 per Trust Unit.** Including the above distribution, the trailing 12-month-distributions paid totals $1.67 per Trust Unit. Since inception in November 1996, the Trust has distributed a total of $8.82 per Trust Unit. A record $1.70 per Trust Unit was paid to Unitholders in 2003. For Canadian tax purposes, cash distributions paid during the 2003 taxation year were 69% taxable (as "other income") and 31% tax deferred ("return of capital").

Highlights	Three Months Ended December 31		%	Twelve Months Ended December 31		%
($000s, except as noted)	**2003**	2002	Change	**2003**	2002	Change
Gross revenue	**15,869**	17,561	-10	**73,166**	63,143	+16
Operating income	**13,728**	15,582	-12	**64,779**	55,755	+16
Royalty lands income	**10,368**	11,856	-13	**49,903**	43,241	+15
Working interest income	**3,360**	3,726	-10	**14,876**	12,514	+19
Net income	**5,890**	7,318	-20	**37,026**	27,557	+34
Per Trust Unit ($) (1)	**0.19**	0.24	-21	**1.19**	0.91	+31
Funds generated from operations	**12,691**	14,495	-12	**60,692**	51,607	+18
Per Trust Unit ($) (1)	**0.40**	0.48	-17	**1.95**	1.71	+14
Distributable income	**12,575**	11,477	+10	**53,149**	39,530	+34
Per Trust Unit ($) (2)	**0.40**	0.38	+5	**1.70**	1.31	+30
Long-term debt	**18,000**	30,000	-40	**18,000**	30,000	-40
Trust Units outstanding	**31,454,236**	30,225,236	+4	**31,454,236**	30,225,236	+4
Weighted average	**31,431,981**	30,202,981	+4	**31,164,161**	30,165,167	+3
Average daily production (boe/d)	**5,768**	6,033	-4	**5,817**	6,004	-3
Total production (boe)	**530,644**	555,024	-4	**2,123,293**	2,191,333	-3
Average price realizations ($/boe)	**29.51**	31.27	-6	**34.01**	28.44	+20

(1) Basic and diluted.
(2) Based on Trust Units issued and outstanding at each record date.

Management's Discussion and Analysis (MD&A)

The following discussion is management's opinion about the operating and financial results of Freehold Resources Ltd. ("Resources") and Freehold Royalty Trust (the "Trust") (collectively "Freehold") for the three months and year ended December 31, 2003 and previous periods, and the outlook for Freehold based on currently available information. This discussion should be read in conjunction with the Trust's annual MD&A and audited combined financial statements for the years ended December 31, 2002 and 2001, together with the accompanying notes. These are included on pages 12 through 38 of the Trust's 2002 annual report to Unitholders.

The financial information contained herein has been prepared in accordance with Canadian GAAP. All comparative percentages are between the quarters and years ended December 31, 2003 and December 31, 2002, and all dollar amounts are expressed in Canadian currency, unless stated otherwise.

Results of Operations

Production – Freehold's royalty production is influenced by the drilling activities of the operators of its properties and the timing of well tie-ins. Royalty volumes, particularly oil production, was lower in 2003, as a result of higher production declines on two heavy oil properties (Baldwinton and Luseland). In addition, volumes reported for the fourth quarter of 2002 included a 237 boe/d positive prior period adjustment. Production from working interest properties rose 4% quarter over quarter, largely due to new wells drilled at Hayter during 2003. For the total Trust, production was down 4% relative to the fourth quarter of 2002 and ended down 3% for the year.

Average Daily Production	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Royalty Lands						
Oil (bbls/d)	**2,261**	2,673	-15	**2,396**	2,657	-10
NGLs (bbls/d)	**206**	200	+3	**228**	211	+8
Natural gas (mcf/d)	**7,721**	7,361	+5	**8,089**	7,707	+5
Oil equivalent (boe/d)	**3,754**	4,100	-8	**3,972**	4,153	-4
Working Interest Properties						
Oil (bbls/d)	**1,479**	1,333	+11	**1,292**	1,268	+2
NGLs (bbls/d)	**87**	96	-9	**89**	75	+19
Natural gas (mcf/d)	**2,685**	3,021	-11	**2,783**	3,039	-8
Oil equivalent (boe/d)	**2,014**	1,933	+4	**1,845**	1,851	–
Total Trust (boe/d)	**5,768**	6,033	-4	**5,817**	6,004	-3
Potash (tonnes/d)	**7.6**	5.9	+29	**7.6**	7.8	-3

Production Reconciliation (boe/d)	Royalty Interest	Working Interest	**Total Trust**
Average daily production rate –- 2002	4,153	1,851	**6,004**
Drilling on royalty lands	177	–	**177**
Development program	–	207	**207**
Acquisitions	36	–	**36**
Natural decline	(394)	(213)	**(607)**
Average daily production rate – 2003	3,972	1,845	**5,817**

Pricing – In the fourth quarter of 2003, benchmark WTI crude oil prices rose 11% and AECO natural gas prices were 2% higher than a year ago. However, Bow River heavy oil prices declined 11% quarter over quarter. For the full year, commodity prices were stronger overall in 2003, compared with 2002.

Average Benchmark Prices	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
WTI crude oil (US$/bbl)	**31.18**	28.14	+11	**31.04**	26.08	+19
Bow River heavy oil (C$/bbl)	**28.53**	32.21	-11	**32.68**	31.67	+3
AECO natural gas (C$/mcf)	**5.59**	5.46	+2	**6.70**	4.07	+65
U.S. dollar exchange rate (C$)	**0.7600**	0.6380	+19	**0.7158**	0.6369	+12

On a boe basis, Freehold's average selling price declined 6% in the fourth quarter, largely due to the 12 cent rise in the Canadian dollar. For the full year, Freehold's average selling price reached a record $34.01 per boe. Natural gas realizations were exceptionally strong in 2003, averaging 62% higher than in 2002. Freehold's oil realizations rose a more modest 5%, reflecting the Trust's product mix and the effects of a stronger Canadian dollar in the last half of 2003. The biggest factor was an increase in the light/heavy oil price differential, which averaged $10.46 per barrel in 2003, versus $8.27 per barrel the previous year. The price differential is significant for Freehold, as approximately 36% of our total boe production is heavy oil. Freehold's production remains unhedged.

Freehold Average Selling Prices (C$)	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Crude oil ($/bbl)	**28.59**	31.89	-10	**32.77**	31.25	+5
NGLs ($/bbl)	**29.45**	29.79	-1	**30.95**	25.09	+23
Oil and NGLs ($/bbl)	**28.66**	31.74	-10	**32.63**	30.83	+6
Natural gas ($/mcf)	**5.25**	5.02	+5	**6.18**	3.81	+62
Oil equivalent ($/boe)	**29.51**	31.27	-6	**34.01**	28.44	+20
Potash ($/tonne)	**141.43**	144.38	-2	**133.36**	143.33	-7

Revenue – The accompanying table demonstrates the net effect of price and volume variances on gross revenues. Gross revenue for the fourth quarter declined 10% to $15.9 million on lower volumes and prices. For the year, revenue of $73.2 million was 16% higher than 2002, despite moderately lower production volumes. Higher natural gas prices contributed 93% ($9.3 million) of the revenue increase in 2003.

Gross Revenue Variances ($000s)	Three Months Ended Dec 31 **2003 vs. 2002**	2002 vs. 2001	Year Ended Dec 31 **2003 vs. 2002**	2002 vs. 2001
Oil and NGLs				
Production increase (decrease)	**(710)**	(230)	**(2,471)**	(163)
Price increase (decrease)	**(1,221)**	5,317	**2,765**	9,170
Net increase (decrease)	**(1,931)**	5,087	**294**	9,007
Natural gas				
Production increase (decrease)	**12**	(298)	**285**	(568)
Price increase (decrease)	**220**	1,872	**9,295**	(7,487)
Net increase (decrease)	**232**	1,574	**9,580**	(8,055)
Other	**7**	120	**149**	306
Gross revenue increase (decrease)	**(1,692)**	6,781	**10,023**	1,258

Royalty Expenses – Royalty expenses, which relate only to working interest production, are directly tied to commodity prices and production volumes. On a boe basis, these expenses were 28% lower than the fourth quarter last year and 18% higher for the full year 2003 compared with 2002. Freehold is a mineral title owner on most of its production and does not incur royalty expenses on production from its royalty lands.

Royalty Expenses ($000s, except as noted)	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Working interest properties	**639**	850	-25	**3,197**	2,709	+18
Per boe ($)	**3.45**	4.78	-28	**4.75**	4.01	+18
Royalty interest properties	–	–	–	–	–	–
Per boe ($)	–	–	–	–	–	–
Total royalty expense (net of ARC)	**639**	850	-25	**3,197**	2,709	+18
Per boe ($)	**1.20**	1.53	-22	**1.51**	1.24	+22

Operating Expenses – Overall operating expenses were $2.83 per boe for the fourth quarter and $2.44 per boe for the year. Operating expenses on working interest properties rose 28% per boe in the fourth quarter and were 11% higher for the year. The increase stems largely from higher electricity and fuel costs in 2003. The industry is also experiencing rising costs as a result of increased competition for oilfield goods and services. Freehold is somewhat sheltered from the effects of increased costs as the majority of the Trust's production comes from its royalty lands, which are not subject to these expenses.

Operating Expenses	Three Months Ended December 31		%	Year Ended December 31		%
($000s, except as noted)	**2003**	2002	Change	**2003**	2002	Change
Working interest properties	**1,502**	1,129	+33	**5,190**	4,679	+11
Per boe ($)	**8.11**	6.35	+28	**7.71**	6.93	+11
Royalty interest properties	–	–	–	–	–	–
Per boe ($)	–	–	–	–	–	–
Total operating expenses	**1,502**	1,129	+33	**5,190**	4,679	+11
Per boe ($)	**2.83**	2.03	+39	**2.44**	2.14	+14

General and Administrative Expenses (G&A) – Freehold incurs expenses to administer its royalty interests in more than 14,000 producing wells in western Canada. G&A expenses for both the fourth quarter and the full year 2003 are virtually unchanged from the prior periods. On a boe basis, G&A expenses were higher in 2003 as a result of lower production volumes.

G&A Expenses	Three Months Ended December 31		%	Year Ended December 31		%
($000s, except as noted)	**2003**	2002	Change	**2003**	2002	Change
G&A expenses	**657**	635	+3	**2,866**	2,823	+2
Per boe ($)	**1.24**	1.14	+9	**1.35**	1.29	+5

Management Fees – The Manager of the Trust receives its management fee in Trust Units. For the fourth quarter of 2003, the Manager received 22,500 Trust Units, with an ascribed value of $368,000 ($16.35 per Trust Unit) versus 22,500 Trust Units with an ascribed value of $245,000 ($10.88 per Trust Unit) in the fourth quarter of 2002. The change in the value of management fees reflects the higher market price of the Trust Units compared with last year. The Manager also received a fee of $52,000 relating to the property acquisitions completed during 2003.

Management Fees	Three Months Ended December 31		%	Year Ended December 31		%
($000s, except as noted)	**2003**	2002	Change	**2003**	2002	Change
Management fees (paid in Trust Units)	**368**	245	+50	**1,235**	971	+27
Acquisition fees (1.5%)	**23**	20	+15	**52**	38	+37
Total	**391**	265	+48	**1,287**	1,009	+28
Per boe ($)	**0.74**	0.48	+54	**0.61**	0.46	+33

Netbacks – Freehold's operating netback for the fourth quarter edged down 8% to $25.88 per boe, driven by lower revenue and higher operating costs. For 2003, the Trust's operating netback rose 20% to average $30.51 per boe. The affect of currency changes in the latter half of 2003 is evident in these variances. Freehold has consistently delivered superior netbacks, as it does not incur royalty or operating expenses on its royalty lands.

Operating Netbacks	Three Months Ended December 31		%	Year Ended December 31		%
($/boe)	**2003**	2002	Change	**2003**	2002	Change
Gross revenue (1)	**29.91**	31.64	-5	**34.46**	28.81	+20
Royalty expenses (net of ARC)	**(1.20)**	(1.53)	-22	**(1.51)**	(1.24)	+22
Operating expenses	**(2.83)**	(2.03)	+39	**(2.44)**	(2.14)	+14
Operating netback	**25.88**	28.08	-8	**30.51**	25.43	+20

(1) includes potash revenue, sulphur revenue & other

Net Income and Funds Generated from Operations – The factors outlined above resulted in lower income and cash flow for the fourth quarter but strong results for the full year. Funds generated from operations climbed to $60.7 million in 2003, the highest in the history of the Trust.

Net Income and Funds Generated from Operations ($000s, except as noted)	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Net income	**5,890**	7,318	-20	**37,026**	27,557	+34
Per Trust Unit ($)	**0.19**	0.24	-21	**1.19**	0.91	+31
Funds generated from operations	**12,691**	14,495	-12	**60,692**	51,607	+18
Per Trust Unit ($)	**0.40**	0.48	-17	**1.95**	1.71	+14

Distributable Income – The Trust's distributable income was 10% higher in the quarter and 34% higher for the year. Distributions for the year represent a payout ratio of 88%, up from 77% last year. Since inception, Freehold has paid out a total of 84% of funds generated from operations. The following table shows the deductions from funds generated from operations to arrive at distributable income.

Distributable Income ($000s, except as noted)	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Funds generated from operations	**12,691**	14,495	-12	**60,692**	51,607	+18
Site reclamation fund contributions	**(79)**	(60)	+24	**(317)**	(240)	+32
Provision for capital expenditures	**(894)**	(394)	+127	**(5,894)**	(2,946)	+100
Income available for distribution	**11,718**	13,889	-16	**54,481**	48,421	+13
Debt addition (repayment)	**500**	(500)	-200	**(1,499)**	(3,000)	-50
Property and royalty acquisitions	**(1,572)**	(1,181)	+33	**(3,386)**	(2,326)	+46
Working capital change	**1,929**	(731)	-364	**3,553**	(3,565)	-200
Distributable income	**12,575**	11,477	+10	**53,149**	39,530	+34
Per Trust Unit ($)	**0.40**	0.38	+5	**1.70**	1.31	+30

Liquidity and Capital Resources – During 2003, Freehold applied a portion of funds generated from operations to reduce long-term debt. As at December 31, 2003, Freehold had no short-term debt outstanding and long-term debt was $18 million, down 40% from $30.0 million at year-end 2002. Freehold's ratio of net debt (long-term debt less positive working capital of $4.4 million) to cash flow ratio remains among the lowest in the energy trust sector. At 0.2:1, this ratio demonstrates the Trust's strong financial health.

Capital Expenditures – As the Trust does not incur capital expenditures to develop its royalty properties, Freehold's capital requirements are modest, relative to most energy trusts. Capital expenditures in the fourth quarter totalled $0.9 million (2002 – $0.4 million) and were $5.9 million (2002 – $2.9 million) for the year. For 2004, capital expenditures are expected to be approximately $4.7 million. Freehold's capital expenditure obligations are deducted from funds generated from operations, prior to the determination of distributable income.

Acquisitions – During the fourth quarter, Freehold acquired approximately 50 boe/d of royalty production in two separate transactions that closed October 31 and December 15. The total cost was approximately $1.6 million. Acquisitions for the full year totalled $3.4 million in 2003, versus $2.3 million in 2002.

Reclamation Fund – Freehold does not incur reclamation expenses on its royalty lands. To fund Freehold's ongoing and future environmental obligations on working interest properties, quarterly cash payments are made to a reclamation fund. For the fourth quarter of 2003, a total of $79,000 (Q4 2002 – $60,000) was paid into the reclamation account and $28,000 in site restoration expense (Q4 2002 – $21,000) was paid from the fund. The balance in the fund at the end of the quarter was $1,289,000.

Future Income Tax Provision – In the fourth quarter, the Trust recorded a future income tax recovery of $0.3 million related to the operations of Freehold Resources Ltd. due to enacted legislation that lowers corporate tax rates over the next five years. This resulted in a future income tax provision of $0.3 million for the year ended December 31, 2003. The future income tax provision does not impact current distributable income of the Trust as it is a non-cash charge.

Development Activities

Activity on our lands remains robust. In 2003, 650 gross wells were drilled, just 13 wells shy of the number drilled in the previous year, which was a record year for Freehold. On a net well basis, the count was 29% higher in 2003.

Wells Drilled	Three Months Ended December 31 **2003**	2002	% Change	Year Ended December 31 **2003**	2002	% Change
Royalty lands (includes unitized wells)	**143**	157	-9	**576**	609	-5
Working interest properties	**6**	6	-	**74**	54	+37
Total wells (gross)	**149**	163	-9	**650**	663	-2
Total wells (net)	**3.8**	4.2	-10	**22.9**	17.7	+29

Royalty Lands – Industry operators drilled 143 (3.1 net) wells on Freehold's royalty lands in the fourth quarter. In 2003, a total of 576 (16.0 net) wells were drilled, all at no cost to Freehold. At year-end, approximately 58% of these wells (on a net basis) had not yet commenced production and the majority are shallow gas wells. There are currently 41 (2.4 net) drilling locations planned on Freehold's royalty lands, compared with 52 (3.7 net) locations at this time last year.

Working Interest Properties – Freehold participated in the drilling of six (0.7 net) wells during the fourth quarter, at a capital cost of $0.9 million. In total, 74 (6.9 net) working interest wells were drilled in 2003. The majority of Freehold's $4.7 million capital program planned for 2004 will be invested on development projects at three properties. Ten (2.6 net) wells are planned for Hayter. In addition, the water handling facilities will be expanded to increase oil production. Up to 25 (2.5 net) wells are forecast for Pembina Cardium Unit #9; and two (1.3 net) wells are planned at Lashburn.

Summary of Reserves

On September 30, 2003, National Instrument 51-101 (NI 51-101) Standards of Disclosure for Oil and Gas Activities came into effect. The Instrument prescribes new standards for the preparation and disclosure of oil and gas reserves and related estimates for Canadian companies. The Trust's oil and gas reserves, as at December 31, 2003, were independently evaluated by Trimble Engineering Associates Ltd. The evaluation was conducted in accordance with NI 51-101. Freehold's Reserves Committee met with the reserve evaluators to review their findings and procedures and the reserve report has been accepted by the Board of Directors.

Summary of Net Interest Reserves	Proved				Proved
as at December 31, 2003	Developed Producing	Developed Non-producing	Undeveloped	Total Proved	Plus Probable
Light and medium oil (mbbls)	4,717	–	12	4,729	6,233
Heavy oil (mbbls)	4,848	–	266	5,114	8,106
Natural gas (mmcf)	27,275	216	8	27,499	38,449
NGLs (mbbls)	1,009	1	1	1,011	1,304
Total (mboe)	15,120	37	280	15,437	22,052
Reserve life index (years)	8.3	–	–	8.3	11.0
Potash [1] (mtonnes)	60,352	–	–	60,352	60,352

(1) Potash reserves, evaluated by Rife Resources Ltd., are not subject to NI 51-101.

The 2003 reserves data is not directly comparable to historical data, due to the new reserves definitions and evaluation methodology under NI 51-101. Previously, reserves were evaluated in accordance with National Policy 2-B. The key differences with respect to the presentation of Freehold's 2003 reserve data are summarized below.

- **Confidence Thresholds in Reserves Definitions** – Under NI 51-101, "proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. "Proved plus probable" reserves are those reserves expected to be recovered. At the corporate reporting level, there must be a 90% probability that at least the estimated proved reserves will be produced. For "proved plus probable" reserves, there must be a 50% probability that at least the estimated reserves will be recovered.

- **Reporting "Proved Plus Probable", not "Established" Reserves** – Probable reserves will no longer be risked by 50% as they are implicitly risked in the estimate. Although the reserve definitions are different, the new proved plus probable reserves are assumed to be similar to the proved plus half probable (i.e. established) reserves reported previously under National Policy 2-B reserves definitions. In this report, reserves are presented as proved plus probable, unless otherwise noted.

- **Reporting Net Interest Reserves** – In this report, Freehold's reserves are reported on a net interest basis (the Trust's share of working interest properties, minus royalties payable; plus royalties receivable). Freehold is somewhat unique in that majority of its assets are royalty interests. The new definition of gross reserves excludes royalty interests. This results in the anomaly of Freehold's gross reserves being lower than net reserves.

- **Truncation of Producing Reserve Life** – A recommended practice under NI 51-101, is that the producing reserve life will be truncated 50 years out. Reserves with extremely long reserve life are affected, however subject to annual review a portion of these reserves may be added back each year. This 50-year cut-off recognizes that the present value of these reserves to be produced in the future is both small and uncertain.

- **Reserve Life Index** - Under NI 51-101, it is recommended that the reserve life index (RLI) be calculated by dividing the evaluators' forecast of 2004 net interest production into the remaining net interest proved plus probable reserves. Previously, RLI was calculated by Freehold based on actual gross production for the year and gross 'established' reserves. The 50-year truncation also has the effect of reducing RLI.

As at December 31, 2003, reserves were assigned to approximately 13,950 wells. Year-over-year, net interest reserves (proved plus probable) declined 13% to 22.0 million boe, as reserve additions did not offset annual production. Before revisions in estimate, reserves added through discoveries, acquisitions and development activities replaced 53% of 2003 production. The average cost of reserve additions was $11.35 per boe.

The application of NI 51-101 resulted in downward revisions in estimates. Approximately 60% (1.4 million boe) of the revisions relate to the new 50-year truncation of the producing life of reserves. This affected reserves primarily in mature areas of western Alberta, where production and decline rates are low, resulting in long reserve lives. The financial impact of the 50-year cut-off is insignificant, since the present value of these reserves is small. Other technical revisions (1.0 million boe) were primarily due to a more conservative approach in estimating and, to a lesser extent, to changes in reservoir performance.

These changes also resulted in a decline in Freehold's reserve life index (RLI) to 11.0 years versus 12.2 years as reported for 2002 (using gross established reserves and 2002 gross production). For comparison purposes, RLI for 2002 under NI 51-101 would have been 11.9 years.

The present value of Freehold's future net revenue, discounted at 10%, is $261.4 million, including $5.6 million for potash evaluated by the Manager. This represents a 7% decline over 2002, which is primarily related to reduced reserve volumes. Future net revenue estimates are based on the January 2004 escalated oil and gas price and exchange rate forecasts by Sproule Associates Limited.

Reconciliation of Net Interest Reserves	Net Proved (mboe)	Net Probable (mboe)	Proved Plus Probable (mboe)	Proved Plus Probable Net Present Value of Future Net Revenue Discounted at 10%, Before Tax ($000s, forecast prices and costs)
December 31, 2002	21,109	4,301	25,410	275,021
Extensions + improved recovery	26	14	40	476
Technical revisons	(4,181)	1,802	(2,379)	(12,136)
Discoveries	460	411	871	19,772
Acquisitions	110	99	209	4,389
Dispositions	(46)	–	(46)	(392)
Economic factors	(9)	(6)	(15)	1,200
2003 Production	(2,032)	(6)	(2,038)	(32,539)
December 31, 2003	15,437	6,615	22,052	255,791
Change over prior year	(5,672)	2,314	(3,358)	(19,230)

Using proved plus probable net interest reserves, Freehold's net asset value before tax as of December 31, 2003 (discounted at 10%) was $8.08 per Trust Unit, compared with $8.74 at year-end 2002. Year over year, the major variances in the composition of asset value were: an increase in the number of Trust Units outstanding, a reduction in bank debt, and the value of oil and gas reserves discussed above.

Net Asset Value, as at December 31, 2003	Discounted at		
($000s, except unit data)	10%	12%	15%
Present value of proved plus probable oil and gas reserves (1)	255,791	232,240	204,999
Present value of potash reserves (2)	5,551	4,832	4,068
Undeveloped land (3)	5,129	5,129	5,129
Reclamation fund	1,289	1,289	1,289
Working capital	4,413	4,413	4,413
Bank debt	(18,000)	(18,000)	(18,000)
Net asset value	254,173	229,903	201,898
Trust units outstanding	31,454,236	31,454,236	31,454,236
Net asset value per Trust Unit	8.08	7.31	6.42

(1) Evaluated by Trimble Engineering Associates Ltd. and includes Alberta Royalty Credit.

(2) Evaluated by Rife Resources Ltd.

(3) Evaluated by Seaton-Jordan & Associates Ltd.

Outlook

Commodity Prices – With WTI oil prices averaging US$31.04 per barrel and natural gas prices $6.70 per mcf in 2003, commodity prices remain at the high end of the historical range. Our higher currency has had a dampening effect on our results because oil is priced in U.S. dollars. However, higher WTI prices during 2003 have helped to offset this impact on Canadian dollar realizations. We continue to believe that oil prices will trend downward as reconstruction in Iraq progresses and its export volumes increase. However, oil prices continue to reflect uncertainty of the timing of increased supply from Iraq as well as increased demand from developing countries such as China. Natural gas prices also remain strong due to the recent cold weather in the eastern United States and uncertainty about the industry's ability to replace withdrawals from storage.

Distributions – With the anticipation of lower commodity price realizations in 2004, we forecast that cash flow and therefore distributable income will be lower than in 2003. Our current estimate is that cash distributions for 2004 will total $1.40 per Trust Unit, based on the following assumptions. This guidance will be updated quarterly throughout the year. For Canadian tax purposes, 2004 distributions are estimated to be 70% taxable.

2004 Distribution Outlook	**February 19, 2004**	November 13, 2003
2004 Assumptions:		
Average daily production (boe/d), excluding acquisitions	**5,755**	5,755
Average WTI oil price (US$/bbl)	**30.00**	27.00
Average AECO natural gas price (C$/mcf)	**5.25**	5.00
Average light/heavy oil price differential (C$/bbl)	**10.00**	10.00
Average Canadian/U.S. dollar exchange rate	**0.76**	0.75
Estimated cash distributions ($ per Trust Unit)	**1.40**	1.30

The monthly distribution rate remains set at $0.10 per Trust Unit. In keeping with our stated practice, a portion of any income in excess of regular distributions may be directed toward repayment of long-term debt and/or working capital improvement. The remainder is distributed to Unitholders in the form of a special quarterly top-up.

We caution that significant changes in production rates, commodity prices or foreign exchange rates (positive or negative) will result in adjustments to the distribution level. Freehold's production is 63% weighted to oil and the Trust is particularly vulnerable to swings in the light/heavy oil price differential, as approximately 57% of our oil production is heavy oil.

Industry drilling activity levels remain high and we expect strong operating momentum to continue through 2004. Freehold should benefit from increased industry activity as drilling on our royalty lands generally mirrors industry levels. Our strong balance sheet enables us to actively seek opportunities to further augment our production and reserves through the purchase of producing properties, in particular royalty assets. And our lower-cost structure – the Freehold advantage – continues to deliver superior netbacks to Unitholders.

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Forward-Looking Statements – Certain information set forth in this document, including management's assessment of Freehold's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Freehold's 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. Readers 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. Freehold's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Freehold will derive therefrom. Freehold disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Supplemental Disclosure – Distributable income, operating income, income available for distribution and cash-on-cash yield are not recognized measures under Canadian generally accepted accounting principles. Management believes that in addition to net income and net income per Trust Unit, distributable income and income available for distribution are useful supplemental measures as they provide investors with information on cash available for distribution. Cash-on-cash yield is a useful and widely used supplemental measure that provides investors with information on cash actually distributed relative to trading price. Investors are cautioned that distributable income, income available for distribution and cash-on-cash yield should not be construed as an alternate to net income as determined by Canadian generally accepted accounting principles. Investors are also cautioned that cash-on-cash yield represents a blend of return **of** investors' initial investment and a return **on** investors initial investment and is not comparable to traditional yield on debt instruments where investors are entitled to full return of the principal amount of debt on maturity in addition to a return on investment through interest payments.

Combined Balance Sheets

($000s)	**December 31 2003**	December 31 2002
Assets		
Current assets:		
Cash	**$ 57**	$ 316
Accounts receivable	**11,629**	13,443
	11,686	13,759
Reclamation fund	**1,289**	1,006
Petroleum and natural gas interests, net of accumulated depletion and depreciation of $154,070 (2002 – $132,399)	**197,165**	209,557
	$ 210,140	$ 224,322
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	**$ 3,145**	$ 3,020
Accounts payable and accrued liabilities	**4,174**	2,819
	7,319	5,839
Provision for future site restoration	**1,773**	1,353
Long-term debt (note 2)	**18,000**	30,000
Future income tax liability	**1,955**	1,650
Unitholders' equity (note 3)	**181,093**	185,480
	$ 210,140	$ 224,322

Combined Statements of Unitholders' Equity

($000s)	**Year Ended December 31 2003**	Year Ended December 31 2002
Unitholders' equity, beginning of period	**$ 185,480**	$ 196,442
Net income	**37,026**	27,557
Distributions to Unitholders (note 4)	**(53,149)**	(39,530)
Issue of new Trust Units	**11,736**	1,011
Unitholders' equity, end of period	**$ 181,093**	$ 185,480

Combined Statements of Income

($000s, Except per Unit Data)	Three Months Ended December 31 2003	Three Months Ended December 31 2002	Year Ended December 31 2003	Year Ended December 31 2002
	(Unaudited)	(Unaudited)		
Revenue:				
Royalty income and working interest sales	**$ 15,869**	$ 17,561	**$ 73,166**	$ 63,143
Royalty expense (net of ARC)	**(639)**	(850)	**(3,197)**	(2,709)
	15,230	16,711	**69,969**	60,434
Expenses:				
Operating	**1,502**	1,129	**5,190**	4,679
General and administrative	**657**	635	**2,866**	2,823
Interest on long-term debt	**175**	286	**778**	1,060
Depletion and depreciation	**6,553**	5,183	**21,671**	21,083
Provision for future site restoration	**171**	99	**455**	346
Management fee	**368**	245	**1,235**	971
	9,426	7,577	**32,195**	30,962
Net income before income taxes	**5,804**	9,134	**37,774**	29,472
Income and capital taxes	**205**	166	**443**	265
Future income tax provision (recovery)	**(291)**	1,650	**305**	1,650
Net income	**$ 5,890**	$ 7,318	**$ 37,026**	$ 27,557
Net income per Trust Unit, basic and diluted	**$ 0.19**	$ 0.24	**$ 1.19**	$ 0.91

Combined Statements of Cash Flows

($000s)	Three Months Ended December 31 **2003**	2002	Year Ended December 31 **2003**	2002
	(Unaudited)	(Unaudited)		
Cash provided by (used in):				
Operating:				
Net income	**$ 5,890**	$ 7,318	**$ 37,026**	$ 27,557
Items not involving cash:				
Depletion and depreciation	**6,553**	5,183	**21,671**	21,083
Future income tax provision (recovery)	**(291)**	1,650	**305**	1,650
Provision for future site restoration	**171**	99	**455**	346
Trust Units issued in lieu of management fee	**368**	245	**1,235**	971
Funds generated from operations	**12,691**	14,495	**60,692**	51,607
Changes in non-cash working capital	**1,713**	(845)	**3,169**	(3,555)
	14,404	13,650	**63,861**	48,052
Financing:				
Trust Units issued upon exercise of options	**—**	—	**10,501**	40
Long-term debt	**500**	(500)	**(12,000)**	(3,000)
Distributions paid	**(12,574)**	(11,479)	**(53,024)**	(39,524)
	(12,074)	(11,979)	**(54,523)**	(42,484)
Investing:				
Property and royalty acquisitions	**(1,572)**	(1,181)	**(3,386)**	(2,326)
Development expenditures	**(864)**	(394)	**(5,894)**	(2,946)
Site reclamation fund contributions	**(79)**	(60)	**(317)**	(240)
	(2,515)	(1,635)	**(9,597)**	(5,512)
Increase (decrease) in cash	**(185)**	36	**(259)**	56
Cash, beginning of period	**242**	280	**316**	260
Cash, end of period	**$ 57**	$ 316	**$ 57**	$ 316

Notes to Interim Combined Financial Statements

For the period ended December 31, 2003 (unaudited)

1) Significant Accounting Policies

The interim combined financial statements of Freehold Royalty Trust "Freehold" have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim combined financial statements have been prepared following the same accounting policies and methods of computation as the combined financial statements for the fiscal year ended December 31, 2002. The interim combined financial statements should be read in conjunction with the combined financial statements and the notes thereto in the Trust's annual report for the year ended December 31, 2002.

2) Long-Term Debt

The Trust has a $50.0 million committed production facility on which $18.0 million was drawn at December 31,
2003. 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 December 31, 2003, the entire amount outstanding under the production facility is presented as long-term based on the Trust'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, the Trust has available a $15.0 million demand operating facility and a US$10.0 million swap facility which was unused at December 31, 2003. Borrowings under these facilities bear interest at the Bank's prime lending rate.

Cash interest paid during the year ended December 31, 2003 was $712,000 (2002 - $1,071,000) and for the current quarter was $175,000 (2002 - $285,000).

3) Unitholders' Equity

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

The total outstanding Trust Units at December 31, 2003 was 31,454,236 (2002 – 30,225,236). The weighted average number of Trust Units outstanding for the year ending December 31, 2003 was 31,164,161 (2002 – 30,165,167) and for the quarter was 31,431,981 (2002 – 30,202,981).

For the year ended December 31, 2003, the Manager charged the Trust $2,274,000 in general and administrative costs, of which $523,000 was for the current quarter. At December 31, 2003, there was $343,000 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 the fee being $52,000 for the year ended December 31, 2003 and $23,000 for the current quarter.

4) Combined Statements of Distributable Income

($000s, Except per Unit Data)	Three Months Ended December 31 **2003**	Three Months Ended December 31 2002	Year Ended December 31 **2003**	Year Ended December 31 2002
	(Unaudited)	(Unaudited)		
Funds generated from operations	**$ 12,691**	$ 14,495	**$ 60,692**	$ 51,607
Deduct:				
Site reclamation fund contributions	**(79)**	(60)	**(317)**	(240)
Provision for capital expenditures	**(894)**	(546)	**(5,894)**	(2,946)
Income available for distribution	**$ 11,718**	$ 13,889	**$ 54,481**	$ 48,421
Debt addition (repayment)	**500**	(500)	**(1,499)**	(3,000)
Property and royalty acquisitions	**(1,572)**	(1,181)	**(3,386)**	(2,326)
Working capital change	**1,929**	(731)	**3,553**	(3,565)
Distributable income	**$ 12,575**	$ 11,477	**$ 53,149**	$ 39,530
Per Trust Unit	**$ 0.40**	$ 0.38	**$ 1.70**	$ 1.31