

FREEHOLD ROYALTY TRUST

400, 144 - 4th Avenue S.W.
Calgary, Alberta T2P 3N4
Telephone: (403) 221-0802
Fax: (403) 221-0888

Notice of Annual and Special Meeting of Unitholders to be held on May 4, 1999

TO THE UNITHOLDERS:

NOTICE is hereby given that an Annual and Special Meeting of the holders of Trust Units (the "Unitholders") of Freehold Royalty Trust (the "Trust") and an Annual Meeting of holders of Common Shares of Freehold Resources Ltd. ("Resources"), will be held in the Lecture Theatre, Sunlife Plaza Conference Centre, Plus 15 Level, 140 - 4th Avenue S.W., Calgary, Alberta on Tuesday, May 4, 1999 at the hour of 3:30 p.m. (Calgary time) for the following purposes, namely:

- (a) to receive and consider the combined financial statements of the Trust and Resources for the fiscal year ended December 31, 1998, together with the Auditors' report thereon;
- (b) to elect the Directors of Resources for the ensuing year;
- (c) to appoint Auditors of the Trust and Resources for the ensuing year;
- (d) to consider and if thought fit, approve a special resolution in the form set forth in Schedule "A" to the Information Circular of the Trust dated March 22, 1999 (the "Information Circular") approving amendments to the Amended and Restated Trust Indenture of the Trust dated November 25, 1996 (the "Trust Indenture"), between the Settlor of the Trust, Montreal Trust Company of Canada (the "Trustee") and Resources, and other relevant agreements in respect of the reorganization of the Trust as an "open-end" investment trust; and
- (e) to transact all such other business which may properly be brought before the Meeting or any adjournment thereof.

The specific details of these matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

Unitholders who are unable to attend the Meeting or any adjournment thereof in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided for that purpose. A form of proxy will not be valid unless it is completed and delivered to the attention of the Trust's Transfer Agent and Registrar, Montreal Trust Company of Canada, 600, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8, not less than 48 hours before the Meeting or any adjournments thereof.

Montreal Trust Company of Canada, the Trustee of the Trust, has fixed a record date for the Meeting at the close of business on March 16, 1999 (the "Record Date"). Only Unitholders of the Trust of record as at that date are entitled to receive notice of the Meeting. Unitholders of record will be entitled to vote at the Meeting prepared as at the Record Date even if the Unitholder has since that time disposed of his or her Trust Units. No Unitholder who became a Unitholder after the Record Date shall be entitled to vote at the Meeting.

DATED at Calgary, Alberta this 22nd day of March, 1999.

**BY ORDER OF THE BOARD OF DIRECTORS
OF FREEHOLD RESOURCES LTD.**

JOSEPH N. HOLOWISKY

Secretary

FREEHOLD ROYALTY TRUST

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Calgary, Alberta T2P 3N4
Telephone: (403) 221-0802
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Information Circular for the Annual and Special Meeting of Unitholders of Freehold Royalty Trust to be held on May 4, 1999

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Freehold Resources Ltd. ("Resources") for use at the Annual and Special Meeting of holders of Trust Units (the "Unitholders") of Freehold Royalty Trust (the "Trust") and at the Annual Meeting of holders of Common Shares of Resources to be held in the Lecture Theatre of the Sunlife Plaza Conference Centre, Plus 15 Level, 140 - 4th Avenue S.W, Calgary, Alberta, on May 4, 1999, commencing at 3:30 p.m. (Calgary time) for the purposes set forth in the Notice accompanying this Information Circular. Information contained herein is given as of March 22, 1999. The costs incurred in the solicitation of proxies and in the preparation and mailing of this Information Circular will be borne by the Trust. Solicitation of proxies by management will be through the mail, in person and by telephone.

For the purpose of this Information Circular unless the context otherwise requires: (i) "Trust Units" shall be any or all of the Trust Units of Freehold Royalty Trust; and (ii) terms defined in the Notice shall have the same meaning herein.

Appointment and Revocation of Proxy

A form of proxy accompanies the Notice and this Information Circular. **The persons named in such form of proxy are directors and officers of Resources. A person or corporation submitting the proxy shall have the right to appoint a person (who need not be a Unitholder) to be a representative at the Meeting, other than the persons designated in the form of proxy furnished by Resources. Such appointment may be exercised by inserting the name of the appointed representative in the blank space provided for that purpose.** A form of proxy will not be valid unless it is completed and delivered to the attention of the Trust's Transfer Agent and Registrar, Montreal Trust Company of Canada, 600, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8, not less than 48 hours before the Meeting or any adjournment thereof.

A Unitholder who has given a proxy may revoke it by depositing an instrument in writing executed by such Unitholder (or by an attorney duly authorized in writing) or, if such Unitholder is a corporation, by any officer or attorney thereof duly authorized, either at the registered office of Resources at any time up to and including the close of business on the last business day preceding the Meeting or any adjournment(s) thereof, or with the Chairman of the Meeting on the day thereof or any adjournment(s) thereof.

Exercise of Discretion by Proxy

The persons named in the enclosed form of proxy will, if the instructions are certain, vote the Trust Units represented thereby and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the Trust Units will be voted in accordance with the specification so made. The Trust Units represented by all proxies received by the Trust will be voted to approve each matter to which no specification has been made.

The enclosed form of proxy confers discretionary authority on the persons appointed with respect to amendments or variations of matters identified in the Notice or other matters that may properly come before the Meeting. At the time of printing this Information Circular, management of Resources is not aware of any such amendments, variations or other matters.

Voting Units

There are presently issued and outstanding 26,568,000 Trust Units to which are attached voting rights and the registered holders thereof, at the close of business on March 16, 1999, are entitled to attend and vote thereat on the basis of one vote for each Trust Unit held. Only Unitholders of the Trust of record as at that date are entitled to receive notice of the Meeting. Unitholders of record will be entitled to vote at the Meeting prepared as at the Record Date even if the Unitholder has since that time disposed of his or her Trust Units. No Unitholder who became a Unitholder after the Record Date shall be entitled to vote at the Meeting.

Principal Unitholders

To the best of the knowledge of management of Resources, the following are the only persons who beneficially own, directly or indirectly, or exercise control or direction over Trust Units carrying more than 10% of the voting rights attached to the issued and outstanding Trust Units of the Trust which may be voted at the Meeting.

Name	Units Beneficially Owned Directly or Indirectly¹	Percentage of Issued and Outstanding Units
CN Pension Fund (the pension fund for employees of the Canadian National Railway Company)	6,691,000	25.18%

¹The information as to Trust Units beneficially owned, not being within the knowledge of Resources, has been derived from sources available to Resources.

Unanimous Shareholder Agreement

Pursuant to the Unanimous Shareholder Agreement dated November 25, 1996 among Rife Resources Management Ltd. (the "Manager"), Resources, the Trustee of the Share Trust and Montreal Trust Company of Canada as Trustee for and on behalf of the Trust, the Unitholders are entitled to notice of and to attend all meetings of shareholders of Resources and except as set forth below, to direct the manner in which the Share Trust will vote its shares in Resources at all such meetings. Prior to the Share Trust voting its shares in Resources each Unitholder shall be entitled to vote in respect of the matter on the basis of one vote per Trust Unit held, and the Share Trust shall be required to vote its shares in Resources in accordance with the results of the vote of the Unitholders. Unitholders are entitled to direct the Share Trust as to how to vote in respect of all matters placed before the shareholders of Resources including, the election of the directors of Resources (other than the directors of Resources to be elected by the Manager pursuant to the terms of the Unanimous Shareholder Agreement, which initially, shall be two), approving its financial statements and appointing auditors of Resources. In addition, Unitholders are entitled to direct the Share Trust as to how to vote its shares in Resources on any proposed amendment to the Unanimous Shareholder Agreement, where such amendment is required to be approved by special resolution. The Share Trust is not entitled, without the direction of Unitholders, to exercise its rights as shareholder of Resources except as set forth above.

It is a term of the Unanimous Shareholder Agreement that the board of directors of Resources shall consist of a minimum of five and a maximum of nine directors, with the initial number of directors set at six. The Unanimous Shareholder Agreement provides that the Unitholders will be entitled to elect a majority of the board of directors of Resources and the Manager is entitled to elect the balance of the directors.

The Unanimous Shareholder Agreement also provides that Resources is prohibited from making payment of dividends on its shares.

Election of Directors

The bylaws of Resources provide that all of the directors of Resources shall retire from office at each Annual Meeting but will retain office until the termination of the meeting at which their successors are elected. The number of directors to be elected at the meeting has been fixed at seven (7), five (5) of whom will be elected by Unitholders.

The persons named below have been proposed for election as directors of Resources and it is the intention of the persons named in the enclosed form of proxy, if named as proxy, to nominate and vote for the election of these persons as directors. Management does not contemplate that any of the five (5) proposed nominees will be unable to serve as directors. If any of the proposed nominees do not stand for election or are unable to serve, proxies will not be voted for any other nominee. Each director elected will hold office until the next annual meeting of Unitholders or until his successor is elected or appointed pursuant to the bylaws of Resources.

The following table sets forth the names and cities of residence of the five (5) proposed nominees, the date they were first elected as directors of Resources, their present principal occupations and the number of Trust Units of the Trust beneficially owned, directly or indirectly, or over which control or direction is exercised by each. The information contained herein as to Trust Units beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to Resources by the respective nominees.

Name and Municipality of Residence	Office(s) held with Resources	Principal Occupation	Director Since	Number of Trust Units
D. Nolan Blades ^{1,2} Calgary, Alberta	Director	President and Chief Executive Officer, Pursuit Resources Corp. (oil and gas exploration and development company)	July 29, 1996	5,000
Harry S. Campbell Calgary, Alberta	Director	Partner, Burnet, Duckworth & Palmer (barristers and solicitors)	July 29, 1996	2,800
P. Michael Maher ^{1,2} Calgary, Alberta	Director	Dean, Faculty of Management, University of Calgary	July 29, 1996	1,000
Peter T. Harrison ¹ Brossard, Quebec	Director	Director and Vice-President, Canadian Equities Montrusco Associates Inc. (investment counsel)	July 29, 1996	2,000
William W. Siebens ² Calgary, Alberta	Chairman of the Board	President and Chief Executive Officer, Candor Investment Ltd. (private energy and investment corporation)	July 29, 1996	50,000

As stated above, pursuant to the Unanimous Shareholder Agreement the Manager is entitled to elect two (2) members of the board of Resources. The Manager intends to elect the following persons as members of the board of Resources:

Tullio Cedraschi Montreal, Quebec	Director	President and Chief Executive Officer, CN Investment Division (the pension fund for employees of the Canadian National Railway Company)	January 21, 1998	nil
David J. Sandmeyer Calgary, Alberta	President and Chief Executive Officer	President, Rife Resources Ltd. (oil and gas exploration and production company)	July 29, 1996	5,000

¹ Member of Audit Committee

² Member of Corporate Governance & Nominating Committee

Each of the proposed nominees has been engaged in his principal occupation or in other capacities with the same firm or organization for the past five years except for: Harry S. Campbell who from April, 1993 to August, 1995 practiced law independently; and Peter T. Harrison who, until December 19, 1997 was Manager, Investments, CN Investment Division.

Appointment of Auditors

The persons named in the form of proxy solicited by management of Resources will vote the Trust Units represented by proxy for the appointment of KPMG LLP, Chartered Accountants, as auditors of the Trust and Resources until the next Annual Meeting of Unitholders of the Trust and Annual Meeting of shareholders of Resources at a remuneration to be fixed by the directors of Resources. KPMG LLP were first appointed Auditors of Resources on July 29, 1996, and of the Trust on September 30, 1996.

Executive Compensation

Report on Executive Compensation

The Manager, at its head, principal and registered office located at 400, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4, was established to provide comprehensive oil and gas company management and operational services to the Trust and Resources. The Manager is a wholly-owned subsidiary of Rife Resources Ltd. ("Rife"), which is wholly-owned by the CN Pension Fund. The Manager has been retained by the Trust and Resources through a Management Agreement to manage and administer the business and affairs of the Trust and Resources and as a result, Resources paid no remuneration to its executive officers for the period ended December 31, 1998.

Management Agreement

Resources and the Trustee, as trustee for and on behalf of the Trust, has entered into the Management Agreement with the Manager, pursuant to which Resources and the Trust will engage the Manager for an initial term of five years to, among other things:

- (a) manage the Trust, subject to the supervision of Resources;
- (b) administer all matters relating to the royalties held by the Trust and Trust Units, including: (i) determining the total amount owing to the Trust and Resources from third parties and conducting joint venture audits as required; (ii) determining the total amounts owing to Unitholders and arranging for cash distributions of distributable income, subject to supervision of Resources; (iii) providing Unitholders with periodic reports on the royalties held by the Trust and the properties of Resources; and (iv) providing Unitholders with financial reports and tax information relating to the royalties held by the Trust and the properties of Resources;
- (c) provide management services for the economic and efficient exploitation of oil and gas properties;
- (d) operate oil and gas properties which Resources is entitled to operate and monitor the activities of third party operators;
- (e) recommend, carry out and monitor property acquisitions and dispositions and exploitation and development programs for the Trust and Resources;
- (f) negotiate and execute on behalf of Resources all exploitation and development agreements, operating agreements, working agreements, farmin and farmout agreements, leases and other documents relating to the exploitation of the oil and gas properties as may be advisable;
- (g) recommend and, subject to the supervision of Resources, negotiate banking arrangements for the Trust and Resources; and
- (h) provide office space, office furnishings and equipment and personnel necessary for the proper administration of the assets of the Trust and Resources.

The amounts payable under the Management Agreement will be allocated between Resources and the Trust based on the relative services provided.

In exercising its power and discharging its duties under the Management Agreement, the Manager is required to exercise that degree of care, diligence and skill that a reasonably prudent advisor and manager in respect of oil and gas properties in Western Canada would exercise in comparable circumstances.

The Management Agreement will be renewed for successive three year terms following the end of its initial five year term unless the termination of the Management Agreement at the end of a term has been approved by a special resolution of Unitholders and the Manager is given 12 months' written notice of termination or unless the Trustee is given six months' written notice of termination by the Manager prior to the end of a term.

The Management Agreement may be terminated by the Trust at any time without the payment of compensation to the Manager if the Manager institutes bankruptcy proceedings, seeks relief under bankruptcy law, consents to the appointment of a receiver, voluntarily suspends transaction of its usual business, is declared bankrupt or insolvent, if a receiver is appointed in respect of the Manager, or if the Manager fails to carry out its material obligations under the Management Agreement and does not commence to cure such failure within 30 days of notice being given.

There may be circumstances in which the interests of the Manager will conflict with those of Unitholders. The Manager provides similar management services to Canpar Holdings Ltd. and Rife and may provide similar management services to others in the future. The Manager may acquire oil and gas properties on its own behalf or on behalf of persons other than the Unitholders. The Manager may manage and administer such additional properties, as well as enter into other types of energy-related management and advisory activities.

In resolving such conflicts, decisions will be made by the Manager on a basis consistent with the objectives and financial resources of each group of interested parties, the time limitations on investment of such financial resources, and on the basis of operating efficiencies having regard to the then current holdings of properties of each group of interested parties all consistent with the duties of the Manager to each such group of persons. The Manager will use all reasonable efforts to resolve such conflicts of interest in a manner which will treat the Trust or Resources and the other interested party fairly, taking into account all of the circumstances of the Trust or Resources and such interested party and will act honestly and in good faith in resolving such matters.

The Manager will be paid the Management Fee for providing all of the management services. See "Compensation" below. The Manager will be indemnified by Resources in respect of certain damages which it may suffer in discharging its obligations under the Management Agreement, provided that such damages do not arise from the fraud, willful default, negligence or bad faith of the Manager.

The board of directors of Resources and the Trustee will review on an ongoing basis both the nature and extent of the services required of the Manager and the costs of providing the same. All amendments to the Management Agreement must be approved by a majority of independent members of the board of directors of Resources and the Trustee, upon the recommendation of Resources and the Manager.

Compensation

The Manager is compensated as follows for providing services to the Trust and Resources.

Management Fee

Pursuant to the Management Agreement, the Manager receives quarterly a Management Fee in order to align the economic interest of the Manager with the interest of the Unitholders. The Management Fee will be paid in Trust Units based on the number of issued and outstanding Trust Units at the end of each quarter. The quarterly Management Fee will initially be 20,000 Trust Units. During 1998, the Manager received 80,000 Trust Units as its Management Fee.

The officers of Resources do not receive any compensation directly from Resources for their services. All management services are provided to Resources by the Manager pursuant to the management agreement described above. Resources does not have any understanding or agreement with any other entity for the purpose of that other entity furnishing compensation to the officers or directors of Resources, other than the management agreement described above.

General and Administrative Costs

The Manager is also entitled to reimbursement for general and administrative costs. General and administrative costs are deducted in computing royalty income to the extent not paid from the residual income of Resources. General and administrative costs are generally charged to Resources and the Trust by the Manager based on time spent and direct costs incurred in fulfilling the obligations of the Manager to Resources and the Trust pursuant to the Management Agreement.

The Manager was reimbursed \$1,323,000 for general and administrative costs for the period ended December 31, 1998.

Acquisition Fees

The Manager will be paid an acquisition fee equal to 1.5% of the purchase price of any Additional Royalties purchased by the Trust or any additional properties acquired by Resources. In the case of property exchanges or swaps, the Manager will receive a 1.5% acquisition fee of the purchase price of the properties acquired. No fees will be payable with respect to the proceeds of any disposition.

The Manager did not receive any acquisition fee in connection with the acquisition of the royalties or the working interest properties acquired on the completion of the initial offering of the Trust on November 25, 1996.

The Manager did not receive any consideration for acquisition fees for the period ended December 31, 1998.

The Manager

The offices of the Manager are located at 400, 144 - 4th Avenue S.W., Calgary, Alberta, T2P 3N4. The names, municipality of residence, positions held and principal occupation of each director and officer of the Manager are set forth below:

Name and Municipality of Residence	Position with the Manager	Principal Occupation
David J. Sandmeyer Calgary, Alberta	President and Director	President Rife Resources Ltd.
J. Frank George Calgary, Alberta	Vice-President, Exploitation	Vice-President, Exploration Rife Resources Ltd.
Joseph N. Holowisky Calgary, Alberta	Vice-President, Finance & Administration, Secretary and Director	Vice-President, Finance & Administration Rife Resources Ltd.
William O. Ingram Calgary, Alberta	Vice-President, Production	Vice-President, Production Rife Resources Ltd.
Michael J. Okrusko Calgary, Alberta	Vice-President, Land	Vice-President, Land Rife Resources Ltd.

As at March 22, 1999, the directors and senior officers of the Manager, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 5,000 Trust Units. Rife owns 100% of the outstanding shares in the capital of the Manager. All of the shares of Rife are owned by the CN Pension Fund.

There were no amounts paid by Resources or the Trust to any person set forth above during the period ended December 31, 1998.

Trust Unit Option Plan

The Trust, the Manager and Resources have adopted a Trust Unit option plan (the "Trust Unit Option Plan") which provides for the issuance of options to acquire Trust Units to the Manager and to directors of Resources.

The purpose of the Trust Unit Option Plan is to encourage ownership of Trust Units by the Manager and directors of Resources. Options may be granted under the Trust Unit Option Plan only to the Manager and to directors of Resources, subject to regulatory approval, as designated from time to time by the board of directors of Resources. The number of Trust Units which may be reserved for issuance under the Trust Unit Option Plan will be limited to 1,980,000 Trust Units provided that such number may be increased from time to time subject to the approval of Unitholders. The exercise price for any options cannot be less than the closing price of the Trust Units, on the stock exchange on which the Trust Units are then listed, on the day immediately preceding the day upon which the option is granted. Options granted under the Trust Unit Option Plan may be exercised during a period not exceeding five years, subject to earlier nomination upon an optionee ceasing to be a director of Resources or upon an optionee retiring, becoming permanently disabled or dying. The options are non-transferable and non-assignable. Options granted to the Manager will terminate upon the earlier of five years from the date of grant and termination of the Management Agreement.

The Trust Unit Option Plan contains provisions for adjustment in the number of Trust Units issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Trust Units, a merger or other relevant changes in the Trust's capitalization.

Options to purchase an aggregate of 1,130,000 Trust Units at a price of \$10.00 per Trust Unit were granted to the Manager and to the directors of Resources not appointed by the Manager on November 25, 1996.

Options to purchase 30,000 Trust Units at a price of \$6.65 per Trust Unit were granted to one director during the year ended December 31, 1998.

The following table sets forth with respect to the independent directors of Resources and the Manager, the number of stock options exercised by the directors during the year ended December 31, 1998, the net value realized, the number of unexercised Trust Unit options and the value of in-the-money Trust Unit options at December 31, 1998.

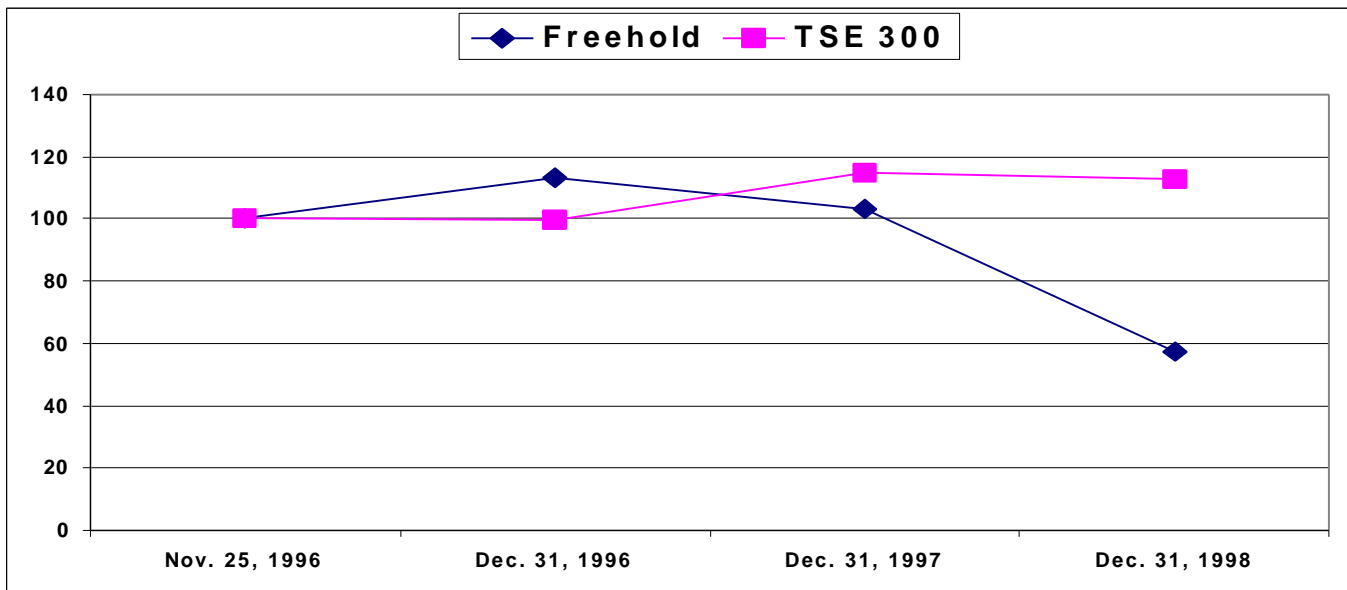
Name	Securities Acquired or Exercised (#)	Aggregated Value Realized (\$)	Unexercised Trust Unit Options at Financial Year End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Trust Units at Financial Year End (\$) ¹ Exercisable/Unexercisable
Independent Directors ²	nil	nil	160,000/nil	nil/nil
Manager	nil	nil	1,000,000/nil	nil/nil

¹ Based on December 31, 1998 close on The Toronto Stock Exchange of \$4.43, less the exercise price.

² Messrs. Cedraschi and Sandmeyer, as inside directors, are not entitled to receive stock options.

Performance Chart

The following graph and table illustrates changes from November 25, 1996 (the date when Freehold Royalty Trust commenced trading) to December 31, 1998 in cumulative total Unitholder return, assuming an initial investment of \$100 in Trust Units with all cash distributions reinvested, compared to the TSE 300 Composite Index, with all dividends reinvested.



	Nov. 25, 1996	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1998
Freehold Royalty Trust	100	113	103	58
TSE 300 Total Return Index	100	100	115	113

Note:

(1) A five-year performance graph cannot be plotted as the initial public offering of Trust Units was not completed until November 25, 1996.

Remuneration of Directors

The Chairman of the Board of Resources is paid an annual retainer of \$10,000 and \$1,000 per meeting attended plus expenses of attending such meetings. Each of the other directors of Resources, with the exception of Mr. Sandmeyer who is an employee of Rife, receive an annual retainer of \$8,000 and \$800 per meeting attended plus expenses of attending such meetings.

During the last completed financial year end, the Corporation paid \$64,000 to six (6) directors for their annual retainer, and \$31,800 to six (6) directors for their attendance at meetings of the board of directors. Mr. Sandmeyer was not compensated by Resources for his services as a director. Directors are also reimbursed for travel expenses incurred for attendance at such meetings.

Indebtedness of Directors and Senior Officers and Others

There is not any indebtedness outstanding from directors or officers of Resources or directors or senior officers of the Manager or the Trustee to the Trust or Resources at any time since November 25, 1996, the date of the initial public offering of Trust Units of the Trust.

Corporate Governance

The corporate governance structure of Freehold Royalty Trust (the "Trust") is not the same as for a conventional corporation. The way in which the Trust is governed reflects its situation as a trust holding a royalty granted by Resources, with certain rights under a Unanimous Shareholder Agreement and a Management Agreement. While the Trust is technically not a shareholder of Resources, when the Trust was established a Unanimous Shareholder Agreement was entered into between Resources, the Manager and Montreal Trust Company of Canada (the "Trustee"), with the intention that the Trust and the Unitholders would be given rights substantially equivalent to those which they would have if they were shareholders in Resources.

The Trust has no directors. The Manager operates in accordance with the requirements of the Trust Indenture, the Royalty Agreement and related agreements. When the Trust was established, Resources and the Trustee entered into a Management Agreement with the Manager. Under this agreement, the Manager is responsible for the day-to-day management of the business of the Trust subject to a supervisory role of the board of directors of Resources. In exercising its powers and discharging its duties under the Management Agreement, the Manager must exercise the degree of care, diligence and skill that a reasonably prudent advisor and manager in respect of petroleum and natural gas properties in Western Canada would exercise in comparable circumstances. The Manager is paid for providing its services and is entitled to reimbursement for general and administrative costs which constitute a deduction in the determination of income.

TSE Guidelines on Corporate Governance

In February 1995 the Toronto Stock Exchange ("TSE") Committee on Corporate Governance in Canada issued a report (the "TSE Report") setting out a series of guidelines for effective corporate governance. The TSE requires that each listed company disclose on an annual basis its approach to corporate governance with reference to the guidelines.

Set out below is a description of the Trust's corporate governance practices, which have been established by the terms of the Trust Indenture, Unanimous Shareholder Agreement and Management Agreement, and as have been approved by the board of directors of Resources.

Management of the Trust

Trustee - Montreal Trust Company of Canada is the initial trustee of the Trust and also acts as the transfer agent for the Trust Units. The Trustee is responsible for, among other things: (a) accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto; (b) maintaining the books and records of the Trust and providing timely reports to holders of Trust Units; and (c) paying cash distributions to Unitholders. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and in the best interests

of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

Resources - Resources currently has a board of directors consisting of seven individuals, two of whom are to be elected annually by the Manager and five of whom are independent directors to be elected annually by the Unitholders. The independent directors are nominated annually by the Corporate Governance & Nominating Committee of Resources. The Chairman of the board of directors of Resources will be one of the independent directors. Unitholders will always be entitled to elect the majority of the board of directors of Resources.

The board of directors of Resources is required to approve all matters referred to below and, in addition, will be required to approve any amendment to the Management Agreement, the HB Lands Royalty Agreement between the Trust and Canpar Holdings Ltd. or the Resources Royalty Agreement between the Trust and Resources.

The Manager - Pursuant to the provisions of the Management Agreement, the Manager will provide certain administrative and support services to the Trust, including those necessary: (a) to ensure compliance by the Trust with continuous disclosure obligations under applicable securities legislation; (b) to provide investor relations services; (c) to provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Trust Indenture; (d) to call, hold and distribute materials including notices of meetings and information circulars in respect of all necessary meetings of Unitholders; (e) to determine the amounts payable from time to time to Unitholders and to arrange for distributions to Unitholders of Distributable Income; (f) to determine the timing and terms of future offerings of Trust Units, if any; (g) to determine the terms and conditions upon which the Trust may acquire additional royalties; and (h) to determine the terms and conditions upon which the Trust may from time to time borrow money.

Mandate of the Board of Directors

The board of directors of Resources has a mandate to supervise the management of the business and affairs of the Trust and Resources and to act with a view to the best interests of the Trust and Resources. Although the Manager will provide certain advisory and management services to the Trust and Resources pursuant to the Management Agreement, the board of directors of Resources will supervise the management of the business and affairs of the Trust and Resources. In particular, significant operational decisions and all decisions relating to: (a) issuances of additional Trust Units; (b) the acquisition and disposition of properties of the Trust or Resources for a purchase price or proceeds in excess of \$5,000,000; (c) capital expenditures outside approved budgets; (d) establishment of credit facilities; and (e) the payment of Distributable Income, will be made by the board of directors of Resources. In addition, any amendment to the Management Agreement, the HB Lands Royalty Agreement or the Resources Royalty Agreement will require the approval of the board of directors of Resources. The board of directors of Resources generally intends to hold regularly scheduled meetings to review the business and affairs of Resources and make any necessary decisions relating thereto.

The board of directors of Resources is responsible in conjunction with the Manager for strategic planning process, identifying the principal business risks of the business and implementing appropriate systems to manage these risks, the communication policy for the Trust, the integrity of internal controls and management information systems of Resources and monitoring senior management.

Composition of the Board

The board of directors of Resources consists of seven (7) members, two (2) of which are considered “inside” and “related” directors as those terms are defined in the TSE Report. The other five (5) members are “outside” directors (i.e. they are not officers or employees of Resources or the CN Pension Fund) and four (4) of the remaining directors are “unrelated” directors as those terms are defined in the TSE Report. The board of directors is of the opinion, however, that the business relationship between the Trust and the CN Pension Fund and the “related” director, Harry S. Campbell, does not interfere with the exercise by Mr. Campbell of his duty to act in the best interests of Resources. Mr. Campbell is a partner in Burnet, Duckworth & Palmer which from time to time provides legal services to the Trust, Resources and CN Pension Fund and its affiliates.

Board Independence

The board of directors of Resources has functioned, and is of the view that it can continue to function, independently of the Manager and the CN Pension Fund. The board has a Chairman who is not an employee of the Manager or the CN Pension Fund and is an “outside” and “unrelated” director.

The board of directors of Resources and any committee can meet in the absence of the Manager at their discretion and any committee of the board may engage outside legal advisors at the expense of Resources in appropriate circumstances.

Committees of the Board

The board of directors has established an audit committee comprised of unrelated directors. The committee's responsibilities include oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for board of director approval, the audited financial statements and other mandatory disclosure releases containing financial information. Resources is in compliance with the TSE Report as the audit committee is composed of all unrelated directors.

During 1997, the Board of Directors of Resources formed a Corporate Governance & Nominating Committee, consisting of Messrs. Blades, Maher and Siebens, all of whom are outside and unrelated directors. The committee's responsibilities include assisting the Board in respect of the development and monitoring of Resource's approach to corporate governance, the nomination of directors for appointment to the Board and the appointment of directors to committees of the Board.

Environmental Obligations - Reclamation Fund

The Trust and Resources are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow. The estimated future environmental and reclamation obligations in respect of the working interest properties are approximately \$2,624,000. A reclamation fund, consisting of cash invested in an interest bearing account, has been established and is funded by quarterly cash payments. For the year 1998, \$215,000 had been deposited or accrued in the reclamation fund, \$34,000 of which has been expended on reclamation projects. As at December 31, 1998, the reclamation fund balance was \$409,000.

Conversion to "Open-End" Trust

The board of directors of Resources has, subject to Unitholder approval of certain amendments to the Trust Indenture by a special resolution, approved a reorganization of the structure of the Trust to convert the Trust to an "open-end" trust that it believes will in the future provide the Manager and the board of directors of Resources with greater flexibility to effect value-enhancing acquisitions and hence to increase future Unitholder distributions.

Background

The Trust is currently a "closed-end" investment trust formed under the laws of the Province of Alberta. The Trust currently and must in the future continue to qualify as a "unit trust" and as a "mutual fund trust" as defined in the *Income Tax Act* (Canada). These definitions require the Trust to restrict its activities to the making of passive investments (such as the ownership of the royalties on Canadian resource properties) and to satisfy at least one of the following two conditions:

- (1) the Unitholders must be entitled to require the Trust to accept, on demand, the surrender of Trust Units at prices determined and payable in accordance with the conditions attached to Trust Units (that is, a retraction right); or
- (2) (a) at least 80% of the assets of the Trust must consist of shares, bonds, mortgages, marketable securities, cash, notes, or similar obligations, Canadian real estate and Canadian resource royalties, and (b) the Trust must not have more than 10% of its assets in shares, bonds or securities of any one corporation or debtor.

As a "closed-end" investment trust, the Trust satisfies the second condition but not the first as the Trust does not currently provide a right of redemption to Unitholders.

The ability of the Trust to increase future Unitholder distributions is dependent upon the ability of the Manager and the board of directors of Resources to effect value-enhancing acquisitions in the future. Management believes that, in addition to the acquisition of Canadian resource properties which may presently be effected, other opportunities exist to effect corporate, facilities and other types of oil and gas related acquisitions that may be value-enhancing to the Trust. As a "closed-end" investment trust, the Manager and the board of directors of Resources are presently effectively prohibited from effecting such acquisitions. A conversion to "open-end" status, on the other hand, would allow the Manager and the board of directors to effect such acquisitions.

Post-Reorganization Structure

A conversion to "open-end" status would result in several amendments to the structure of the Trust.

The business of the Trust would be expanded from the acquisition and holding of royalties on petroleum and natural gas properties and related assets to include the acquisition and holding of all forms of petroleum and natural gas related assets (for example, the shares of an oil and gas company or petroleum and natural gas related facilities without associated properties) that can be reasonably expected to provide long-term returns and increase Unitholder distributions. Upon receiving Unitholder approval, the Trust would become entitled to form one or more corporations, which would initially be wholly-owned subsidiaries of the Trust, through which future non-resource property acquisitions would be effected. Any such corporation would be organized substantially along the lines of Resources in terms of its relationship with the Manager, the Trust and the Unitholders with the same directors as the board of directors of Resources.

Upon closing any acquisition, such corporation (or, if merged with Resources, the merged corporation) will receive cash flow from the operation and ownership of its assets. With the approval of its board of directors and subject to applicable law, it will distribute to the Trust all of its available cash flow, less certain deductions, including, without limitation, ongoing capital expenditures to the extent not funded by debt and subject to retaining such reasonable reserves or funds for the acquisition of replacement assets as may be considered appropriate by its board of directors.

The Trust will make cash distributions of such funds, subject only to required deductions and other deductions similar in nature to those made in respect of the Trust's cash distributions of funds paid to it by Resources. Such cash distributions may be wholly or in part taxable. In approving any future acquisitions, the board of directors will be required to consider the impact that such acquisition would have on anticipated after-tax distributions to Unitholders.

Redemption Right

A conversion to "open-end" status would necessitate an amendment to the Trust Indenture that would add to the rights attached to Trust Units a right of a Unitholder to require the Trust at any time on the demand of the Unitholder to redeem his or her Trust Units. Upon such redemption, all of such Unitholder's rights to and under Trust Units tendered for redemption would be surrendered and the Unitholder would be entitled to receive a price per Unit as determined by a market price formula. The redemption price payable by the Trust would be satisfied by way of a cash payment or, in certain circumstances including where such payment would cause the monthly cash cap of \$100,000 to be exceeded, a distribution of promissory notes of Resources by the Trust (the "Freehold Resources Notes"). As with most other open-end funds, it is anticipated that trading on The Toronto Stock Exchange and/or Montreal Exchange and not the right of redemption would continue as the primary mechanism for Unitholders to dispose of their Trust Units. For more detailed information regarding the right of redemption and the proposed Freehold Resources Notes, see the form of the Open-End Conversion Resolution in Schedule "A" and the discussion set forth in Schedule "B" hereto.

Use of Proceeds of Trust Unit Offerings

The Trust may currently use the proceeds of offerings of Trust Units for only certain limited purposes, including to make Deferred Royalty Purchase Payments, to acquire Additional Royalties and to satisfy the indebtedness and liability of the Trust to any lender (whether as borrower, guarantor or otherwise) or in respect of any swap and to pay costs, fees and expenses associated therewith or incidental thereto. To effect an acquisition on a tax efficient basis, the Trust may need to provide a subsidiary with funds in return for equity and/or debt securities of such subsidiary. For this reason, the "open-end" reorganization would result in an amendment to the Trust Indenture to permit the Trust to use the proceeds of an offering of Trust Units for such purposes related to the acquisition of assets as the board of directors of Resources may determine to be in the best interests of the Unitholders.

Income Tax Considerations

Future acquisitions of Canadian resource properties would result in royalty payments to the Trust and, in turn, distributions to Unitholders that would, under most circumstances, be on the same tax deferred basis as are current distributions. Future acquisitions of corporations, facilities or other forms of oil and gas assets may result in dividend, interest or other forms of payments to the Trust (as opposed to royalty payments) and, in turn, distributions to Unitholders that may be wholly or in part taxable. In approving any future acquisition, the board of directors of Resources would be required to consider the impact that such acquisition would have on anticipated after-tax distributions to Unitholders.

A redemption of Trust Units in consideration for cash or Freehold Resources Notes, as the case may be, will be a disposition of such Trust Units for proceeds of disposition equal to such cash, or Freehold Resources Notes, as the case may be. Redeeming Unitholders will consequently realize a capital gain, or sustain a capital loss, depending upon whether the amount received exceeds, or is exceeded by, the adjusted cost base of the Trust Units so redeemed. The receipt of Freehold Resources Notes in substitution for Trust Units may result in a change in the income tax characterization of distributions, and will require most holders of Freehold Resources Notes to include in their income interest on their Freehold Resources Notes as it accrues no later than each anniversary date of the acquisition of such Freehold Resources Notes.

Open-End Conversion Resolution

At the Meeting, Unitholders will be asked to consider and, if thought fit, to pass a special resolution which is in the form set forth in Schedule "A" hereto approving amendments to the Trust Indenture and other relevant agreements in connection with the reorganization of the Trust as an "open-end" trust.

A special resolution requires the approval of holders of not less than 66 2/3% of the Trust Units represented at the Meeting which are voted in respect of the resolution.

It is the intention of the persons named in the enclosed Instrument of Proxy, if not expressed directly to the contrary in such Instrument of Proxy, to vote such proxy in favor of the special resolution set forth in the attached Schedule "A".

Other Matters

The Manager knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

Approval of Directors

The contents of this Information Circular have been approved by the board of directors of Resources.

Certificate

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED at Calgary, Alberta this 22nd day of March, 1999.

FREEHOLD ROYALTY TRUST
BY FREEHOLD RESOURCES LTD.:

David J. Sandmeyer
President and
Chief Executive Officer

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

SCHEDULE "A"

**SPECIAL RESOLUTIONS OF THE UNITHOLDERS OF
FREEHOLD ROYALTY TRUST**

OPEN-END CONVERSION RESOLUTION

BE IT RESOLVED THAT amendments in substantially the form set forth below be approved to the Amended and Restated Trust Indenture dated as of November 25, 1996, as amended thereafter (the "Trust Indenture") between the Settlor of Freehold Royalty Trust, Montreal Trust Company of Canada (the "Trustee") and Freehold Resources Ltd. ("Resources"):

1. Section 4.2 of the Trust Indenture be deleted and replaced with the following:

The Net Proceeds of Offerings after the Initial Offering by the Trust, if any, shall be used by the Trust for such purposes as the board of directors of Resources may determine to be in the best interest of Unitholders including without limitation:

- a. to make Deferred Royalty Purchase Payments;
- b. to acquire Additional Royalties;
- c. to satisfy the indebtedness and liability of the Trust to any Lender (whether as borrower, guarantor or otherwise) or in respect of any Swap; or
- d. to acquire or to invest in securities of Resources or any other subsidiary of the Trust to fund the acquisition, development, exploitation and disposition of all forms of petroleum and natural gas related assets, including without limitation, facilities of any kind and whether effected through an acquisition of assets or an acquisition of shares or other form of ownership interest in any entity the substantial majority of the assets of which are comprised of like assets,

and to pay costs, fees and expenses associated therewith or incidental thereto (hereinafter collectively referred to as "Subsequent Investments").

2. Article 19 be added to the Trust Indenture as follows:

**ARTICLE 19
REDEMPTION OF TRUST UNITS**

19.1 Right of Redemption

Each Unitholder shall be entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Trust Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided.

19.2 Exercise of Redemption Right

To exercise a Unitholder's right to require redemption under this Article 19, a duly completed and properly executed notice requiring the Trust to redeem Trust Units, in a form approved by the Trustee, shall be sent to the Trust at the head office of the Trust, together with the Trust Unit certificate or Trust Unit certificates representing the Trust Units to be redeemed. No form or manner of completion or execution shall be sufficient unless the same is in all respects satisfactory to Resources and is accompanied by any further evidence that Resources may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon receipt by the Trust of the notice to redeem Trust Units, the Unitholder shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon. Trust Units shall be considered to be tendered for redemption on the date that the Trust has, to the satisfaction of Resources, received the notice, Trust Unit certificates and other required documents or evidence as aforesaid.

19.3 Calculation of Redemption Price Based on Market Price

Subject to Section 19.6, upon receipt by the Trust of the notice to redeem Trust Units in accordance with Section 19.2, the holder of the Trust Units tendered for redemption shall be entitled to receive a price per Trust Unit (hereinafter called the "Market Redemption Price") equal to the lesser of:

- a. 90% of the market price of the Trust Units, on The Toronto Stock Exchange or if not trading on The Toronto Stock Exchange at such time the principal market on which the Trust Units are quoted for trading at such time (the "Principal Market"), during the 10 day trading period commencing immediately after the date on which the Trust Units were tendered to the Trust for redemption; and
- b. 90% of the closing market price on the Principal Market on which the Trust Units are quoted for trading, on the date that the Trust Units were so tendered for redemption.

For the purposes of subsection 19.3(a), the market price shall be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the Principal Market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the Principal Market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the Principal Market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the Principal Market provides only the highest and lowest prices of Trust Units traded on a particular day.

For the purposes of subsection 19.3(b), the closing market price shall be: an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of Trust Units if there was trading and the Principal Market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and last ask prices if there was no trading on the date.

19.4 Cash Payment of Market Redemption Price

Subject to Section 19.5, the Market Redemption Price, payable in respect of the Trust Units tendered for redemption during any calendar month shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to or to the order of the Unitholder who exercised the right of redemption on the last day of the calendar month following the month in which the Trust Units were tendered for redemption. Payments made by the Trust of the Market Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage pre-paid envelope addressed to the former Unitholder unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in respect of the Trust Units so redeemed.

19.5 Limitation Regarding Cash Payment of Market Redemption Price

Section 19.4 shall not be applicable to Trust Units tendered for redemption by a Unitholder if the total amount payable by the Trust pursuant to Section 19.4 in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month exceeds \$100,000; provided that Resources may, in its sole discretion, waive such limitation in respect of any calendar month. If this limitation is not so waived for such calendar month, the Market Redemption Price payable in respect of the Trust Units tendered for redemption in such calendar month shall be paid on the last day of the calendar month following such month by the Trust distributing Freehold Resources Notes having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption.

Upon such distribution of Freehold Resources Notes, the Trust shall be discharged from all liability to the former Unitholder in respect of the Trust Units so redeemed.

19.6 Calculation of Redemption Price in Certain Other Circumstances

Section 19.3 shall not be applicable to Trust Units tendered for redemption by a Unitholder, if:

- a. at the time the Trust Units are tendered for redemption, the outstanding Trust Units of the Trust are not listed for trading on The Toronto Stock Exchange or Montreal Exchange and are not traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Trust Units; and
- b. the normal trading of the outstanding Trust Units of the Trust is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date that such Trust Units tendered for redemption were tendered to the Trust for redemption or for more than five trading days during the 10 day trading period commencing immediately after the date on which such Trust Units tendered for redemption were tendered to the Trust for redemption,

and in either such case, such Unitholder shall, instead of the Market Redemption Price, be entitled to receive a price per Trust Unit (herein referred to as the "Appraised Redemption Price") equal to 90% of the fair market value thereof as determined by Resources as at the date upon such Trust Units were tendered for redemption. The Appraised Redemption Price payable in respect of Trust Units tendered for redemption in any calendar month shall be paid on the last day of the third calendar month following the month in which such Trust Units were tendered for redemption, by at the option of the Trust:

- (i) cash payment, in which case the provisions of Section 19.4 shall apply mutatis mutandis; or
- (ii) in the manner provided for in Section 19.5, in which case the provisions of Section 19.5 shall apply mutatis mutandis.

19.7 Cancellation of Certificates for all Redeemed Trust Units

All certificates representing Trust Units which are redeemed under this Article 19 shall be canceled and such Trust Units shall no longer be outstanding and shall not be reissued.

3. To add or replace the following definitions in or to Section 1.1 of the Trust Indenture as follows:

"Freehold Resources Notes" means promissory notes issued by Resources in series pursuant to a note indenture in the principal amount of the Market Redemption Price or Appraised Redemption Price of the Trust Units to be redeemed in consideration for a portion of the royalty having a fair market value equal to such principal amount on the following terms and conditions:

- a. unsecured and bearing interest at the lessor of: (a) the interest paid on 2 year Government of Canada bonds minus 2 percent, or (b) 6 percent per annum payable monthly in arrears on the 20th day of the next following month;
- b. subordinate to all senior indebtedness which includes all indebtedness for borrowed money or owing in respect of property purchases on any default in payment of any such senior indebtedness, and to all trade debt of Resources or any subsidiary of Resources or the Trust on any creditor proceedings such as bankruptcy, liquidation or insolvency;
- c. subject to earlier prepayment, being due and payable on the 15th anniversary of the date of issuance;
- d. in an aggregate principal amount not exceeding \$500 million,

and such other terms and conditions as may be approved by the board of directors of Resources;

"Material Contracts" means the HB Lands Agreement, the Resources Royalty Agreement, the Management Agreement, the Unanimous Shareholders Agreement and the Financing Commitment each as amended or replaced from time to time, and any Underwriting Agreement and any management agreement, unanimous shareholder agreement or other agreement entered into for the purpose of making any Subsequent Investment;

4. Section 8.2 of the Trust Indenture be amended by adding to the matters delegated to Freehold Resources Ltd. as follows:

"all matters relating to the redemption of Trust Units"
5. To add subclause "ac", "ad" and "ae" to Section 7.2 of the Trust Indenture as follows:
 - ac. to form any subsidiary for the purpose of making any Subsequent Investment and entering into or amending any unanimous shareholders agreement, management agreement or other agreement on such terms as may be approved by the board of directors of Freehold Resources;
 - ad. to hold Freehold Resources Notes issued by Freehold Resources; and
 - ae. to distribute Freehold Resources Notes as provided in Article 19.
6. The Trustee and board of directors of Resources are hereby authorized to effect all such further and consequential amendments to the Trust Indenture and other relevant agreements and to cause all such further agreements to be entered into and such further documents to be executed or amended as they may consider necessary or desirable to give effect to and fully carry out the intent of the foregoing resolutions.

SCHEDULE "B"

RIGHT OF REDEMPTION

Trust Units will be redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Trust, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Trust Unit ("Market Redemption Price") equal to the lesser of: (i) 90% of the market price of the Trust Units on The Toronto Stock Exchange or if not trading on The Toronto Stock Exchange at such time the principal market on which the Trust Units are quoted for trading at such time (the "Principal Market") during the 10 trading day period commencing immediately after the date on which the Trust Units are surrendered for redemption; and (ii) 90% of the "closing market price" on the Principal Market on which the Trust Units are quoted for trading on the date that the Trust Units are surrendered for redemption.

The aggregate cash Market Redemption Price payable by the Trust in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for retraction in the same calendar month shall not exceed \$100,000 provided that such limitation may be waived at the discretion of the board of directors of Freehold Resources Ltd. ("Resources") in respect of any calendar month; (ii) at the time such Trust Units are tendered for retraction the outstanding Trust Units of the Trust shall be listed for trading on a stock exchange or traded or quoted on any other market which the board of directors of Resources consider, in its sole discretion, provides representative fair market value prices for the Trust Units and on which market price can be calculated; or (iii) the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the date that the Trust Units are tendered for retraction or for more than five trading days during the ten day trading period commencing immediately after the date on which the Trust Units are tendered for retraction.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then the Market Redemption Price for such Trust Units shall be paid on the last day of the following month by: (i) the Trust distributing Freehold Resources Notes having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption but not redeemed as provided above.

If at the time Trust Units are tendered for redemption by a Unitholder the outstanding Trust Units are not listed for trading on The Toronto Stock Exchange or Montreal Exchange and are not traded or quoted on any other stock exchange or market which Resources considers in its sole discretion, provides representative fair market values for the Trust Units or trading of the outstanding Trust Units is suspended or halted on the date such Trust Units tendered for redemption or for more than five trading days during the 10 trading days commencing immediately after the date such Trust Units were tendered for redemption then such Unitholder shall, instead of the Market Redemption Price, be entitled to receive a price per Unit (the "Appraised Redemption Price") equal to 90% of the fair market value thereof as determined by Resources as at the date upon which such Trust Units were tendered for redemption. The aggregate Appraised Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in any calendar month shall be paid on the last day of the third following month by, at the option of the Resources: (i) a cash payment; or (ii) a distribution of Freehold Resources Notes.

The Freehold Resources Notes are proposed to be created and issued by Resources to the Trust pursuant to a note indenture and are to be unsecured and bear interest from the date of issue at the lesser of: (a) the interest paid on 2 year Government of Canada bonds minus 2 percent, or (b) 6 percent per annum. A new series of Freehold Resources Notes will be created and issued for each monthly redemption of Trust Units, if any. The Freehold Resources Notes are due and payable on maturity on the 15th anniversary of the date of issuance.

The holder of the Freehold Resources Notes of a particular series (equal in principal amount to the Market Redemption Price or Appraised Redemption Price, as the case may be, of one Trust Unit for a particular series) will be paid interest and principal, if any, monthly, in arrears on the 20th day of the next following month (and interest and principal will only be due and payable to the extent of the amount calculated hereunder) in an amount calculated in accordance with the following formula:

$$\frac{\text{RUU}}{\text{All RUU} + \text{All OS}} \quad \times \quad \text{Distributable Income}$$

where:

RUU	means the number of the redeeming Unitholder's Units tendered for redemption.
All RUU	means the aggregate of the number of the redeeming Unitholders' Units tendered for redemption.
All OS	means all of the issued and outstanding Units.
Distributable Income	means the amounts held by the Trust which are to be actually distributed to Unitholders for the applicable month.

All amounts paid will be applied firstly to interest and then to principal. Any interest not paid when due will not bear interest but will be carried forward to the next interest payment date.

The Freehold Resources Notes may be prepaid at any time without notice, bonus or penalty at the discretion of the board of directors of Resources and will be prepaid to the extent the sale of resource properties increases Distributable Income. The Freehold Resources Notes will be paid in full in cash or in specie prior to any distributions to Unitholders in the event of the dissolution or winding-up of the Trust.

The Freehold Resources Notes will be in default and become immediately due and payable on the occurrence of the following events of default: (i) default in payments of principal or interest when due and payable for a period of three months, (ii) default by Resources on indebtedness exceeding \$10,000,000, (iii) certain events of insolvency, bankruptcy, winding-up or receivership, (iv) taking of possession of all or substantially all of the property of Resources by an encumbrancer, or (v) breach of any material term of the note indenture for a period of 30 days after notice of breach.

The Freehold Resources Notes will be unsecured debt obligations of the Trust and will be subordinate to any "senior indebtedness" which includes all indebtedness for borrowed money (or for the purchase of property) on any default in payment of any such senior indebtedness and to all trade debt of the Trust or Resources or any subsidiary of either of them or any creditor proceedings such as bankruptcy, liquidation or insolvency.

It is anticipated that this retraction right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Freehold Resources Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in the Freehold Resources Notes. Freehold Resources Notes may be subject to resale restrictions under applicable securities laws. Freehold Resources Notes so distributed may be qualified investments for trusts governed by registered retirement savings plans, registered retirement income trusts and deferred profit sharing plans.