

Freehold
ROYALTY TRUST

Since June 2002, Freehold's regular monthly distributions have been set at \$0.10 per Trust Unit. The Board of Directors has declared an extra distribution of \$0.10 per Trust Unit relating to the third quarter, which will be paid to Unitholders in December.

Quarterly Report for the period ended September 30, 2003

Third Quarter Highlights

- ◆ Production averaged 5,909 barrels of oil equivalent (boe) per day
- ◆ Price realizations averaged \$32.15 per boe, 8% higher than the third quarter of 2002
- ◆ Operating netback rose to \$28.61 per boe, up 7% from \$26.78 last year
- ◆ Distributions of \$0.40 per Trust Unit (\$0.30 regular plus \$0.10 top-up related to the second quarter), were up 8% compared with the third quarter of 2002
- ◆ Regular monthly distribution remains set at \$0.10 per Trust Unit; declared extra distribution related to the third quarter of \$0.10 per Trust Unit to be paid in December

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 third quarter have enabled the Board of Directors to declare an extra distribution of \$0.10 per Trust Unit payable on December 15, 2003 to Unitholders of record on November 30, 2003. **Combined, the December 15th payment (regular monthly distribution and the top-up for the third quarter), will total \$0.20 per Trust Unit.** Including the above distribution, the trailing 12-month-distributions paid totals \$1.70 per Trust Unit. Since inception in November 1996, the Trust has distributed a total of \$8.45 per Trust Unit. Freehold currently estimates that approximately 75% of 2003 distributions will be taxable as ordinary income in the hands of Unitholders due to high commodity prices to date in 2003.

Highlights (\$000s, except as noted)	Three Months Ended			Nine Months Ended		
	September 30 2003	2002	% Change	September 30 2003	2002	% Change
Gross revenue	17,688	16,503	+7	57,297	45,582	+26
Operating income	15,553	14,590	+7	51,051	40,173	+27
Royalty lands income	11,936	11,139	+7	39,534	31,385	+26
Working interest income	3,617	3,451	+5	11,517	8,788	+31
Net income	8,863	8,016	+11	31,136	20,239	+54
Per Trust Unit (\$) ⁽¹⁾	0.28	0.27	+4	1.00	0.67	+49
Funds generated from operations	14,714	13,684	+8	48,001	37,112	+29
Per Trust Unit (\$) ⁽¹⁾	0.47	0.45	+4	1.54	1.23	+25
Income available for distribution	12,434	12,724	-2	42,763	34,532	+24
Per Trust Unit (\$) ⁽¹⁾	0.40	0.42	-5	1.38	1.15	+20
Distributable income	12,545	11,169	+12	40,574	28,053	+45
Per Trust Unit (\$) ⁽²⁾	0.40	0.37	+8	1.30	0.93	+40
Long-term debt	17,500	30,500	-43	17,500	30,500	-43
Trust Units outstanding	31,431,736	30,202,736	+4	31,431,736	30,202,736	+4
Weighted average	31,335,024	30,180,481	+4	31,073,906	30,152,423	+3
Average daily production (boe/d)	5,909	5,922	-	5,834	5,994	-3
Total production (boe)	543,604	544,806	-	1,592,649	1,636,309	-3
Average price realizations (\$/boe)	32.15	29.81	+8	35.50	27.48	+29

(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 Freehold Resources Ltd. ("Resources") and Freehold Royalty Trust's (the "Trust") (collectively "Freehold"), operating and financial results for the three months ended September 30, 2003 and previous periods, and the outlook for Freehold based on currently available information. All comparative percentages are between the quarters ended September 30, 2003 and September 30, 2002, unless stated otherwise. 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.

Results of Operations

Production – Average daily production was flat for the third quarter relative to the previous year and down 3% year to date. Freehold's royalty production is influenced by the drilling activities of the operators of its properties. Production from working interest properties rose 3% quarter over quarter, largely due to new wells drilled at Hayter during 2003, which were all on stream in September. During the quarter, the Trust acquired minor royalty interests in Elswick, Saskatchewan for \$0.3 million. On October 31, 2003, Freehold acquired 45 boe of royalty production in Loon, Alberta for \$1.3 million (net).

Average Daily Production	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
Royalty Lands						
Oil (bbls/d)	2,424	2,603	-7	2,442	2,652	-8
NGLs (bbls/d)	252	211	+19	235	215	+9
Natural gas (mcf/d)	7,946	7,520	+6	8,214	7,823	+5
Oil equivalent (boe/d)	4,000	4,067	-2	4,046	4,171	-3
Working Interest Properties						
Oil (bbls/d)	1,357	1,280	+6	1,229	1,246	-1
NGLs (bbls/d)	86	79	+9	90	69	+30
Natural gas (mcf/d)	2,799	2,977	-6	2,816	3,046	-8
Oil equivalent (boe/d)	1,909	1,855	+3	1,788	1,823	-2
Total Trust (boe/d)	5,909	5,922	-	5,834	5,994	-3
Potash (tonnes/d)	5.4	7.6	-29	7.6	8.4	-10

Pricing – In the third quarter of 2003, benchmark WTI crude oil prices rose 7% and AECO natural gas prices increased 94%. As a result of higher light/heavy oil price differentials mainly due to the Canadian/U.S. dollar exchange rate, the benchmark price for Bow River heavy oil declined 14%. Commodity prices have demonstrated considerable strength for the year to date compared with the first nine months of last year.

Average Benchmark Commodity Prices*	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
WTI crude oil (US\$/bbl)	30.20	28.27	+7	30.99	25.39	+22
Bow River heavy oil (C\$/bbl)	30.64	35.80	-14	33.95	31.49	+8
AECO natural gas (C\$/mcf)	6.29	3.25	+94	7.07	3.67	+93

* Source: Canadian Association of Petroleum Producers

Freehold's average selling price increased 8% for the third quarter and 29% for the year to date, reflecting strong natural gas prices in 2003. Freehold's production remains unhedged.

Freehold Average Selling Prices (C\$)	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
Oil (\$/bbl)	31.37	34.64	-9	34.20	31.02	+10
NGLs (\$/bbl)	28.91	25.77	+12	31.40	23.44	+34
Oil and NGLs (\$/bbl)	31.17	34.03	-8	33.98	30.51	+11
Natural gas (\$/mcf)	5.73	3.29	+74	6.47	3.42	+89
Oil equivalent (\$/boe)	32.15	29.81	+8	35.50	27.48	+29
Potash (\$/tonne)	122.66	134.22	-9	130.64	143.08	-9

Revenue – Gross revenue for the third quarter increased \$1.2 million to \$17.7 million on the strength of higher natural gas prices. For the first nine months, revenue of \$57.3 million was \$11.7 million higher than the same period last year, despite moderately lower production volumes. The accompanying table demonstrates the net effect of price and volume variances on gross revenues.

Gross Revenue Variances (\$000s)	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2003 vs. 2002	2002 vs. 2001	2003 vs. 2002	2002 vs. 2001
Oil and NGLs				
Production (decrease) increase	(156)	(1,155)	(1,731)	59
Price (decrease) increase	(1,096)	1,373	3,957	3,861
Net (decrease) increase	(1,252)	218	2,226	3,920
Natural gas				
Production increase (decrease)	130	(123)	283	(307)
Price increase (decrease)	2,357	201	9,065	(9,322)
Net increase (decrease)	2,487	78	9,348	(9,629)
Other	(49)	121	141	185
Gross revenue increase (decrease)	1,186	417	11,715	5,524

Royalty Expenses – Royalty expenses, which relate only to our working interest production, were 15% higher on a boe basis than the third quarter last year and 40% higher than the first nine months of 2002. These expenses are directly tied to commodity prices and production volumes. 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			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
Working interest properties	823	697	+18	2,558	1,859	+38
Per boe (\$)	4.69	4.08	+15	5.24	3.74	+40
Royalty interest properties	0	0	-	0	0	-
Per boe (\$)	0	0	-	0	0	-
Total royalty expense (net of ARC)	823	697	+18	2,558	1,859	+38
Per boe (\$)	1.52	1.28	+19	1.61	1.14	+41

Operating Expenses – Overall operating expenses were \$2.41 per boe for the third quarter and \$2.32 per boe for the year to date. Operating expenses on working interest properties rose 5% per boe in the third quarter and were 6% higher for the first nine months. The increase is primarily due to higher electricity and fuel costs in 2003, particularly in the first quarter of this year. 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 (\$000s, except as noted)	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
Working interest properties	1,312	1,216	+8	3,688	3,550	+4
Per boe (\$)	7.47	7.12	+5	7.56	7.13	+6
Royalty interest properties	0	0	-	0	0	-
Per boe (\$)	0	0	-	0	0	-
Total operating expenses	1,312	1,216	+8	3,688	3,550	+4
Per boe (\$)	2.41	2.23	+8	2.32	2.17	+7

General and Administrative Expenses (G&A) – Freehold incurs expenses to administer its royalty interests in more than 15,000 producing wells in western Canada. G&A expenses for the third quarter of 2003 were 1% lower on a boe basis. Year to date, G&A expenses of \$1.39 per boe were 4% higher than the first nine months of 2002.

G&A Expenses (\$000s, except as noted)	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002	Change	2003	2002	Change
G&A expenses	580	587	-1	2,209	2,188	+1
Per boe (\$)	1.07	1.08	-1	1.39	1.34	+4

Management Fees – The Manager of the Trust receives its management fee in Trust Units. For the third quarter of 2003, the Manager received 22,500 Trust Units, with an ascribed value of \$308,000 (\$13.70 per Trust Unit) versus 22,500 Trust Units with an ascribed value of \$251,000 (\$11.17 per Trust Unit) in the third 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 \$29,000 relating to the property acquisitions completed to September 30, 2003.

Management Fees (\$000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
Management fees (paid in Trust Units)	308	251	+23	867	726	+19
Acquisition fees (1.5%)	4	18	-78	29	18	+61
Total	312	269	+16	896	744	+20
Per boe (\$)	0.57	0.49	+16	0.56	0.45	+24

Netbacks – Freehold's operating netback for the third quarter rose 7% to \$28.61 per boe, driven by higher average selling prices. Since Freehold's production remains unhedged, the Trust received the full benefit of higher commodity prices in both the third quarter and year to date. Freehold has consistently delivered a superior netback as it does not incur royalty or operating expenses on its royalty lands. For the first nine months of 2003, the Trust's operating netback was 31% higher, at \$32.05 per boe.

Operating Netbacks (\$/boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
Gross revenue *	32.54	30.29	+7	35.98	27.86	+29
Royalty expenses (net of ARC)	1.52	1.28	+19	1.61	1.14	+41
Operating expenses	2.41	2.23	+8	2.32	2.17	+7
Operating netback	28.61	26.78	+7	32.05	24.55	+31

* includes potash revenue, sulphur revenue & other

Net Income and Funds Generated from Operations – Net income increased 11% to \$8.9 million versus \$8.0 million in the third quarter of 2002. In the first nine months of 2003, net income totalled \$31.1 million, up 54%. In the third quarter, funds generated from operations rose 8% to \$14.7 million. Year to date, funds generated from operations increased 29%.

Net Income and Funds Generated from Operations (\$000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
Net income	8,863	8,016	+11	31,136	20,239	+54
Per Trust Unit (\$)	0.28	0.27	+4	1.00	0.67	+49
Funds generated from operations	14,714	13,684	+8	48,001	37,112	+29
Per Trust Unit (\$)	0.47	0.45	+4	1.54	1.23	+25

Distributable Income – For the third quarter, the Trust's distributable income was \$12.5 million or \$0.40 per Trust Unit, up 8% from last year. For the nine months ended September 30, 2003, distributable income was \$40.6 million or \$1.30 per Trust Unit, 40% higher than a year ago. The increase in the Canadian/U.S. dollar exchange rate for the nine months ended September 30, 2003 has reduced distributable income by \$0.12 per Trust Unit. Distributions for the year to date represent a payout ratio of 85%, up from 76% last year. Since inception, Freehold has paid out a total of 83% of funds generated from operations.

Distributable Income (\$000s, except as noted)	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
Income available for distribution	\$12,434	\$12,724	-2	\$42,763	\$34,532	+24
Per Trust Unit	\$0.40	\$0.42	-5	\$1.38	\$1.15	+20
Debt repayment	(1,000)	-	-	(3,200)	(2,500)	+28
Property and royalty acquisitions	(292)	(1,145)	-74	(1,814)	(1,145)	+58
Working capital change	1,403	(410)	-442	2,825	(2,834)	-200
Distributable income	12,545	11,169	+12	40,574	28,053	+45
Per Trust Unit	\$0.40	\$0.37	+8	\$1.30	\$0.93	+40

Liquidity and Capital Resources – Interest expense of \$186,000 in the third quarter was 35% lower due to lower debt levels. As at September 30, 2003, Freehold had no short-term debt outstanding and long-term debt was \$17.5 million, down 42% from \$30.0 million on December 31, 2002. Freehold's ratio of net debt (long-term debt less positive working capital) to trailing funds generated from operations remains among the lowest in the energy trust sector. At 0.2:1, this ratio demonstrates the Trust's healthy financial condition.

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. Freehold's 2003 development expenditures for working interest properties will be roughly \$5.9 million. Capital expenditures in the third quarter totalled \$2.8 million (2002 - \$1.5 million) and were \$5.0 million (2002 - \$2.6 million) for the year to date. 2004 capital expenditures are expected to be approximately \$4.7 million.

Reclamation Fund – Freehold does not incur reclamation expenses on its royalty lands. To fund Freehold's ongoing environmental obligations on working interest properties, quarterly cash payments are made to a reclamation fund. For the third quarter of 2003, a total of \$80,000 (Q2 2002 – \$60,000) was paid into the reclamation account and \$3,000 in site restoration expense (Q2 2002 – \$30,000) was paid from the fund. The balance in the fund at the end of the quarter was \$1,237,000.

Future Income Tax Provision – The Trust recorded a future income tax provision related to the operations of Freehold Resources Ltd. of \$0.2 million for the third quarter and \$0.6 million for the nine months ended September 30, 2003. The future income tax provision does not impact current distributable income of the Trust as it is a non-cash charge.

Development Activities

Royalty Lands – Industry operators drilled 122 (6.3 net) wells on Freehold's royalty lands in the third quarter. Year to date a total of 433 (12.9 net) wells have been drilled, all at no cost to Freehold. There are currently 34 (1.7 net) drilling locations planned on Freehold's royalty lands, compared with 38 (1.4 net) locations at this time last year.

Working Interest Properties – Freehold had a very active third quarter spending \$2.8 million on facilities and the drilling of 21 (3.6 net) wells. Seven (1.6 net) wells were drilled at Hayter, where Freehold owns 48.5% of the mineral title as well as a 23.5% working interest. This completes the 2002-2003 infill drilling program at Hayter, with a total of 9 (2.1 net) wells drilled this year. Ten (1.0 net) infill wells were drilled at Pembina Cardium Unit #9 (PCU #9), where Freehold has a 0.6% royalty interest and a 9.9% working interest. Of the 27-well program approved at PCU #9 for 2003, 2 wells remain to be drilled during the last quarter of the year. Two (0.3 net) wells were drilled at Ribstone. One (0.6 net) well was drilled at Lashburn and one gas well (0.1 net) was drilled at Rowley. One well was farmed out. One (0.6 net) well is planned for Lashburn during the fourth quarter. With the majority of our 2003 working interest projects completed during the third quarter, capital expenditures in the fourth quarter will be approximately \$0.9 million. Freehold estimates its capital requirements for 2004 will be approximately \$4.7 million

Wells Drilled	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2003	2002		2003	2002	
Royalty lands (includes unitized wells)	122	124	-2	433	452	-4
Working interest properties	21	19	+11	68	48	+42
Total wells (gross)	143	143	-	501	500	-
Total wells (net)	9.9	6.8	+50	19.1	13.4	+42

Outlook

Commodity Prices – Tight crude oil inventories and continued uncertainty of supply recovery from Iraq contributed to a US\$2.46 per barrel increase in average WTI prices between the second and third quarters of this year. Prices began to trend lower in September but increased sharply in response to OPEC's announcement of a quota reduction. We continue to believe that oil prices will trend downward as reconstruction in Iraq progresses and its export volumes increase. However, at the time of this writing, oil prices continue to reflect uncertainty of the timing of increased supply from Iraq. With the WTI price averaging US\$30.35 in October, we expect the fourth quarter average will be about US\$29.50 and US\$30.65 for the year. We estimate that the Trust's light/heavy oil differential will average \$11.00 per barrel in 2003.

Natural gas prices, which were very strong in the first half of the year, weakened somewhat during the third quarter, as lower than expected summer demand resulted in increased injection of natural gas into storage. We continue to believe that the price of natural gas will average \$6.00 per mcf for 2003.

Currency Exchange Rates – The Canadian dollar continues to show strength versus the U.S. dollar. For the year to date, the exchange rate has averaged \$0.707 Canadian per U.S. dollar. The current rate is even higher, at \$0.75 versus the 2002 average of \$0.637. Our higher currency has dampened the impact of strong oil prices this year because oil is priced in U.S. dollars. Some analysts believe that the Canadian dollar will continue to strengthen. We have assumed an average exchange rate of \$0.76 Canadian per U.S. dollar for the remainder of 2003.

Distributions – Based on the assumptions above, and average production volumes of 5,800 boe per day for the year, we estimate that cash distributions for 2003 will total \$1.70 per Trust Unit, up slightly from our earlier guidance. It is expected that approximately 75% of distributable income will be taxable to Unitholders in 2003.

For 2004, we estimate cash distributions of \$1.30 per Trust Unit, based on the following assumptions. The board of directors will evaluate the distribution outlook throughout the year and we will provide additional guidance as warranted.

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

Regular monthly cash distributions have been stable for the past 18 months. The monthly rate remains set at \$0.10 per Trust Unit. In keeping with our stated practice, a portion of any excess income available for distribution may be directed toward repayment of long-term debt and/or working capital improvement where the board of directors consider it appropriate or necessary, and extra distributions may be declared from time to time at the discretion of the board of directors. We again 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 is particularly vulnerable to swings in the light/heavy oil price differential, as approximately 35% of our total boe production is heavy oil. An analysis of the potential impact of key variables on distributable income is provided on page 25 of the Trust's 2002 annual report to Unitholders.

On September 30, 2003, National Instrument 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. We do not yet know whether the modifications to reserve reporting criteria will have any impact on Freehold's reported reserves, which will be independently evaluated at year-end.

Industry drilling activity levels remain high and we expect strong operating momentum to continue through the fourth quarter. 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 of 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.

On behalf of the Board of Directors
of Freehold Resources Ltd.,

(Signed)
David J. Sandmeyer
President & Chief Executive Officer

November 13, 2003

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)	September 30 2003	December 31 2002
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 242	\$ 316
Accounts receivable	12,583	13,443
	12,825	13,759
Reclamation fund	1,237	1,006
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$147,517 (2002 – \$132,399)	201,282	209,557
	\$ 215,344	\$ 224,322
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	\$ 3,143	\$ 3,020
Accounts payable and accrued liabilities	3,415	2,819
	6,558	5,839
Provision for future site restoration	1,630	1,353
Long-term debt (note 2)	17,500	30,000
Future income tax liability	2,246	1,650
Unitholders' equity (note 3)	187,410	185,480
	\$ 215,344	\$ 224,322

Combined Statements of Unitholders' Equity

(\$000s)	Nine Months Ended September 30 2003	Year Ended December 31 2002
	(Unaudited)	
Unitholders' equity, beginning of period	\$ 185,480	\$ 196,442
Net income	31,136	27,557
Distributions to Unitholders	(40,574)	(39,530)
Issue of new Trust Units	11,368	1,011
Unitholders' equity, end of period	\$ 187,410	\$ 185,480

Combined Statements of Income

(\$000s, Except per Unit Data)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Royalty income and working interest sales	\$ 17,688	\$ 16,503	\$ 57,297	\$ 45,582
Royalty expense (net of ARC)	(823)	(697)	(2,558)	(1,859)
	16,865	15,806	54,739	43,723
Other expenses:				
Operating	1,312	1,216	3,688	3,550
General and administrative	580	587	2,209	2,188
Interest on long-term debt	186	287	603	774
Capital taxes and other	73	32	238	99
	2,151	2,122	6,738	6,611
Funds generated from operations	14,714	13,684	48,001	37,112
Depletion and depreciation	5,193	5,330	15,118	15,900
Provision for future site restoration	105	87	284	247
Management fee	308	251	867	726
Net income before income taxes	9,108	8,016	31,732	20,239
Future income tax provision	245	—	596	—
Net income	\$ 8,863	\$ 8,016	\$ 31,136	\$ 20,239
Net income per Trust Unit, basic and diluted	\$ 0.28	\$ 0.27	\$ 1.00	\$ 0.67

Combined Statements of Cash Flows

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operating:				
Net income	\$ 8,863	\$ 8,016	\$ 31,136	\$ 20,239
Items not involving cash:				
Depletion and depreciation	5,193	5,330	15,118	15,900
Future income tax provision	245	—	596	—
Provision for future site restoration	105	87	284	247
Trust Units issued in lieu of management fee	308	251	867	726
Funds generated from operations	14,714	13,684	48,001	37,112
Changes in non-cash working capital	912	6	1,456	(2,710)
	15,626	13,690	49,457	34,402
Financing:				
Trust Units issued upon exercise of options	1,201	—	10,501	40
Long-term debt	(1,000)	—	(12,500)	(2,500)
Distributions paid	(12,529)	(11,166)	(40,450)	(28,045)
	(12,328)	(11,166)	(42,449)	(30,505)
Investing:				
Property and royalty acquisitions (note 4)	(292)	(1,145)	(1,814)	(1,145)
Development expenditures	(2,806)	(1,476)	(5,030)	(2,552)
Site reclamation fund contributions	(80)	(60)	(238)	(180)
	(3,178)	(2,681)	(7,082)	(3,877)
Increase (decrease) in cash	120	(157)	(74)	20
Cash, beginning of period	122	437	316	260
Cash, end of period	\$ 242	\$ 280	\$ 242	\$ 280

Notes to Interim Combined Financial Statements

For the period ended September 30, 2003 (Unaudited)

1) Significant Accounting Policies

The interim combined financial statements of Freehold Royalty Trust "the Trust" 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 \$17.5 million was drawn at September 30, 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 September 30, 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 undrawn at September 30, 2003. Borrowings under these facilities bear interest at the Bank's prime lending rate.

Interest paid during the nine months ended September 30, 2003 was \$537,000 (2002 - \$786,000) and for the current quarter was \$181,000 (2002 - \$309,000).

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"). Also during the quarter, 130,000 Trust Unit options were exercised at \$9.24, leaving no remaining options outstanding at September 30, 2003. There was no significant impact on the current period financial statements as a result of the Trust Unit Option Plan.

The total outstanding Trust Units at September 30, 2003 was 31,431,736 (2002 - 30,202,736). The weighted average number of Trust Units outstanding for the nine months ending September 30, 2003 was 31,073,906 (2002 - 30,152,423) and for the quarter was 31,335,024 (2002 - 30,180,481).

For the nine months ended September 30, 2003, the Manager charged the Trust \$1,752,000 in general and administrative costs, of which \$552,000 was for the current quarter. At September 30, 2003 there was \$181,000 in accounts payable relating to these costs. The Manager also earns a fee of 1.5% of the purchase price of oil and gas properties acquired by Freehold, which totalled \$29,000 for the nine months ended September 30, 2003 and \$4,000 for the third quarter.

4) Property and Royalty Acquisition

On June 23, 2003 the Trust completed an acquisition of producing overriding royalty and working interest properties for \$1,650,000 (\$1,522,000 net of purchase price adjustments), and on August 29, 2003 the Trust completed an acquisition of a producing overriding royalty property for \$295,000 (\$292,000 net of purchase price adjustments).

5) Combined Statements of Distributable Income

(\$000s, Except per Unit Data)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Funds generated from operations	\$ 14,714	\$ 13,684	\$ 48,001	\$ 37,112
Deduct:				
Site reclamation fund contributions	(80)	(60)	(238)	(180)
Provision for capital expenditures	(2,200)	(900)	(5,000)	(2,400)
Income available for distribution	\$ 12,434	\$ 12,724	\$ 42,763	\$ 34,532
Per Trust Unit	\$ 0.40	\$ 0.42	\$ 1.38	\$ 1.15
Debt repayment	(1,000)	—	(3,200)	(2,500)
Property and royalty acquisitions	(292)	(1,145)	(1,814)	(1,145)
Working capital change	1,403	(410)	2,825	(2,834)
Distributable income	\$ 12,545	\$ 11,169	\$ 40,574	\$ 28,053
Per Trust Unit	\$ 0.40	\$ 0.37	\$ 1.30	\$ 0.93

Corporate Information

Directors

D. Nolan Blades^{1, 2}
President
Sunny Gables Holdings Ltd.

Harry S. Campbell, Q.C.
Managing Partner
Burnet, Duckworth & Palmer, LLP

Tullio Cedraschi
President & C.E.O.
CN Investment Division

Peter T. Harrison¹
Senior Vice-President,
Montrusco Bolton Inc.

Dr. P. Michael Maher^{1, 2}
Professor, Haskayne School of Business
University of Calgary

David J. Sandmeyer
President
Rife Resources Ltd.

William W. Siebens²
President & C.E.O.
Candor Investments Ltd.

¹ Audit Committee
² Corporate Governance &
Nominating Committee

Unitholder Services

Registered Unitholders should contact the Transfer Agent regarding distribution payments, Trust Unit certificates, change of address/duplicate mailings, and Unitholder Plans (direct deposit, distribution reinvestment, and U.S. currency payments):

Computershare Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telephone: 1-888-267-6555
Fax: (403) 267-6598
Contact: Laura Leong
Email: laura.leong@computershare.com
Website: www.computershare.com

2003 Cash Distributions

Record Date	Payment Date	Per Trust Unit
December 31, 2002	January 15, 2003	\$0.10
January 31, 2003	February 15, 2003	\$0.10
February 28, 2003	March 15, 2003	\$0.20*
March 31, 2003	April 15, 2003	\$0.10
April 30, 2003	May 15, 2003	\$0.10
May 31, 2003	June 15, 2003	\$0.30*
June 30, 2003	July 15, 2003	\$0.10
July 31, 2003	August 15, 2003	\$0.10
August 31, 2003	September 15, 2003	\$0.20*
September 30, 2003	October 15, 2003	\$0.10
October 31, 2003	November 14, 2003	\$0.10
November 30, 2003	December 15, 2003	\$0.20*

* Monthly distributions are supplemented by quarterly top-ups, when excess income is available. Payment includes quarterly top-up.

Taxability of 2003 Distributions

Freehold estimates that approximately 7% of distributions paid in 2003 will be taxable to Unitholders.

Officers

William W. Siebens
Chairman

David J. Sandmeyer
President & C.E.O.

J. Frank George
Vice-President, Exploitation

Darren Gunderson
Controller

Joseph N. Holowisky
Vice-President, Finance/Administration
& C.F.O. and Secretary

William O. Ingram
Vice-President, Production

Michael J. Okrusko
Vice-President, Land

Head Office

Freehold Resources Ltd.
Freehold Royalty Trust
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Investor Relations

Karen C. Taylor
Manager, Investor Relations
Direct: (403) 221-0891
Fax: (403) 221-0888
Toll Free: 1-888-257-1873
Email: ir@freeholdtrust.com

Website

www.freeholdtrust.com

Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol: FRU.UN

Third Quarter Trading Summary

High – \$13.85
Low – \$12.81
Close – \$13.70
Volume – 2,991,000
Market Capitalization – \$430.6 million

Trustee & Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Legal Counsel

Burnet Duckworth & Palmer, LLP
Calgary, Alberta

Auditors

KPMG, LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

Trimble Engineering Associates Ltd.
Calgary, Alberta

