



Quarterly Report for the period ended December 31, 2002

Fourth Quarter Highlights

- ◆ **Production averaged 6,033 barrels of oil equivalent (boe)* per day**
- ◆ **Average price realizations up 67% to \$31.27 per boe**
- ◆ **Completed royalty acquisitions of 55 boe per day for \$1.2 million**
- ◆ **Declared distributions of \$11.5 million (\$0.38 per Trust Unit)**
- ◆ **Monthly distribution remains set at \$0.10 per Trust Unit; declared extra distribution of \$0.10 per Trust Unit relating to the fourth quarter**

Freehold's monthly distribution rate is currently fixed at \$0.10 per Trust Unit. The Board of Directors has declared an extra distribution of \$0.10 per Trust Unit payable on March 15, 2003 to Unitholders of record on February 28, 2003. Combined, the regular monthly distribution for February (\$0.10) and the extra distribution (\$0.10) to be paid on March 15, 2003, will total \$0.20 per Trust Unit. Including the above distributions, the trailing 12-month-distributions paid is \$1.45 per Trust Unit, representing a 12.8% cash-on-cash yield at current Trust Unit prices. Since inception in November 1996, the Trust has distributed a total of \$7.15 per Trust Unit. Cash distributions paid in the 2002 taxation year were 58% taxable ("other income") and 42% tax deferred ("return of capital"). It is anticipated that approximately 60% to 65% of distributions will be taxable to Unitholders in 2003.

Highlights (\$000s, except as noted)	Three Months Ended December 31			Twelve Months Ended December 31		
	2002	2001	% Change	2002	2001	% Change
Gross revenue	17,561	10,780	+63	63,143	61,885	+2
Operating income	15,582	9,244	+69	55,755	53,988	+3
Royalty lands income	11,856	7,373	+61	43,241	41,755	+4
Working interest income	3,726	1,871	+99	12,514	12,233	+2
Net income	7,318	2,430	+201	27,557	27,299	+1
Per Trust Unit (\$)	0.24	0.08	+200	0.91	0.95	-4
Funds generated from operations	14,495	8,325	+74	51,607	49,829	+4
Per Trust Unit (\$)	0.48	0.28	+71	1.71	1.73	-1
Income available for distribution	13,889	7,823	+78	48,421	46,597	+4
Per Trust Unit (\$)	0.46	0.26	+77	1.61	1.62	-1
Distributable income	11,477	9,034	+27	39,530	45,264	-13
Per Trust Unit (\$)	0.38	0.30	+27	1.31	1.56	-16
Long-term debt	30,000	33,000	-9	30,000	33,000	-9
Trust Units outstanding	30,225,236	30,129,236		30,225,236	30,129,236	
Weighted average	30,202,981	30,106,981		30,165,167	28,839,216	
Average daily production (boe/d)	6,033	6,219	-3	6,004	6,086	-1
Total production (boe)	555,024	572,156	-3	2,191,333	2,221,492	-1
Average price realizations (\$/boe)	31.27	18.69	+67	28.44	27.63	+3

* In this report, references to barrels of oil equivalent (boe) use the 6:1 ratio.

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 and year ended December 31, 2002 and previous periods, and the outlook for Freehold based on currently available information. This discussion should be read in conjunction with the Trust's annual MD&A and audited combined financial statements for the years ended December 31, 2001 and 2000, together with the accompanying notes. These are included on pages 15 through 32 of the Trust's 2001 annual report to Unitholders.

Results of Operations

Production – Daily production for the fourth quarter and year ended December 31, 2002 remained stable, averaging 6,033 and 6,004 boe per day, respectively. For the quarter, royalty production was 5% lower due to production declines experienced in Southeast Saskatchewan, and working interest production was 1% higher due to successful drilling at Hayter and PCU#9. During the fourth quarter, Freehold completed royalty acquisitions for \$1.2 million (net of adjustments), adding 55 boe per day to royalty volumes. For the full year, royalty production was 1% higher due to acquisitions, development and drilling activity, and working interest production was 6% lower due to normal production declines.

Average Daily Production	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Royalty Lands						
Oil (bbls/d)	2,673	2,791	-4	2,657	2,512	+6
NGLs (bbls/d)	200	236	-15	211	278	-24
Natural gas (mcf/d)	7,361	7,667	-4	7,707	7,917	-3
Oil equivalent (boe/d)	4,100	4,305	-5	4,153	4,109	+1
Working Interest Properties						
Oil (bbls/d)	1,333	1,281	+4	1,268	1,360	-7
NGLs (bbls/d)	96	73	+32	75	77	-3
Natural gas (mcf/d)	3,021	3,359	-10	3,039	3,237	-6
Oil equivalent (boe/d)	1,933	1,914	+1	1,851	1,977	-6
Total Trust (boe/d)	6,033	6,219	-3	6,004	6,086	-1
Potash (tonnes/d)	5.9	5.3	+11	7.8	7.9	-1

Pricing – In the fourth quarter of 2002, benchmark commodity prices were significantly stronger than one year ago. AECO natural gas increased 65% and WTI crude oil rose 38%. Bow River heavy oil improved 78% reflecting a narrowing in the price differential for heavy oil from \$12.98 in the fourth quarter of 2001 to \$10.23 in the fourth quarter of 2002. Year-over-year, average WTI prices were relatively flat, Bow River prices improved 26% and AECO prices were 35% lower. The differential for 2002 narrowed to \$8.18 per barrel compared with \$14.11 in 2001.

Average Benchmark Commodity Prices*	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
WTI crude oil (US\$/bbl)	28.14	20.42	+38	26.08	25.90	+1
Bow River heavy oil (C\$/bbl)	32.21	18.14	+78	31.67	25.07	+26
AECO natural gas (C\$/mcf)	5.46	3.30	+65	4.07	6.30	-35

* Source: Canadian Association of Petroleum Producers

As Freehold's production is unhedged, average selling prices reflect the swings in benchmark pricing and the Trust's product mix, which is 37% heavy oil. On a per boe basis, fourth quarter realizations rose 67%, while year-over-year, realizations were 3% higher.

Freehold Average Selling Prices (C\$)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Oil (\$/bbl)	31.89	18.35	+74	31.25	24.42	+28
NGLs (\$/bbl)	29.79	21.20	+41	25.09	29.91	-16
Oil and NGLs (\$/bbl)	31.74	18.55	+71	30.83	24.88	+24
Natural gas (\$/mcf)	5.02	3.17	+58	3.81	5.64	-32
Oil equivalent (\$/boe)	31.27	18.69	+67	28.44	27.63	+3
Potash (\$/tonne)	144.38	153.19	-6	143.33	153.98	-7

Revenue – Gross revenue for the fourth quarter increased 63% to \$17.6 million. Year-over-year, revenue was 2% higher at \$63.1 million. The accompanying table demonstrates the net effect of price and volume variances on gross revenues.

Gross Revenue Variances (\$000s)	Three Months Ended Dec 31		Year Ended Dec 31	
	2002 vs. 2001	2001 vs. 2000	2002 vs. 2001	2001 vs. 2000
Oil and NGLs				
Production increase (decrease)	(230)	1,083	(163)	4,881
Price increase (decrease)	5,317	(3,565)	9,170	(10,885)
Net increase (decrease)	5,087	(2,482)	9,007	(6,004)
Natural gas				
Production increase (decrease)	(298)	(6)	(568)	143
Price increase (decrease)	1,872	(4,211)	(7,487)	3,797
Net increase (decrease)	1,574	(4,217)	(8,055)	3,940
Other	120	(136)	306	(551)
Gross revenue increase (decrease)	6,781	(6,835)	1,258	(2,615)

Royalty Expenses – Royalty expenses were \$1.53 per boe for the fourth quarter and \$1.24 per boe for the year. Royalty expenses are sensitive to commodity prices and reflect price fluctuations during the comparable periods. Higher royalty rates are a direct result of higher revenues.

Royalty Expenses (\$000s, except as noted)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Working interest properties	850	369	+130	2,709	3,482	-22
Per boe (\$)	4.78	2.09	+129	4.01	4.83	-17
Royalty interest properties*	-	-	-	-	-	-
Per boe (\$)	-	-	-	-	-	-
Total royalty expense (net of ARC)	850	369	+130	2,709	3,482	-22
Per boe (\$)	1.53	0.64	+139	1.24	1.57	-21

* As Freehold is a mineral title owner on most of its production, no royalty expense is incurred on the Trust's share of production from its royalty lands.

Operating Expenses – Operating expenses on working interest properties declined 4% per boe for the fourth quarter. Increased power costs, one-time adjustments in the second quarter and a 6% decline in working interest production in 2002 all contributed to a 13% increase in unit operating expenses year over year. On a total Trust basis, operating expenses per boe were 8% higher in 2002.

Operating Expenses (\$000s, except as noted)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Working interest properties	1,129	1,167	-3	4,679	4,415	+6
Per boe (\$)	6.35	6.63	-4	6.93	6.12	+13
Royalty interest properties*	-	-	-	-	-	-
Per boe (\$)	-	-	-	-	-	-
Total operating expenses	1,129	1,167	-3	4,679	4,415	+6
Per boe (\$)	2.03	2.04	-	2.14	1.99	+8

* Freehold does not incur operating expenses on its royalty lands.

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 fourth quarter of 2002 rose 11% on a boe basis due to higher staffing levels as a result of significant acquisitions completed in 2001. For the full year, G&A averaged \$1.29 per boe, up 28%. As a majority of Freehold's assets are royalty properties, Freehold does not operate any of these properties and is unable to net such costs against overhead recoveries.

G&A Expenses (\$000s, except as noted)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
G&A expenses	635	588	+8	2,823	2,244	+26
Per boe (\$)	1.14	1.03	+11	1.29	1.01	+28

Management Fees – The Manager of the Trust receives its management fee in Trust Units, which is relatively unique in the trust sector. For the fourth quarter of 2002, the Manager received 22,500 Trust Units, with an ascribed value of \$245,000 and an acquisition fee of \$19,980 relating to acquisitions during the quarter. For the full year 2002, the Manager received a total of 90,000 Trust Units and an acquisition fee of \$37,980. The issuance of 3.3 million Trust Units in May of 2001 resulted in a pro-rata increase in the management fee of 2,500 Trust Units per quarter. The change in the value of management fees year-over-year is related to the increase in the number of Trust Units issued and also reflects the higher market price of the Trust Units in 2002.

Management Fees (\$000s, except as noted)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Management fees (paid in Trust Units)	245	207	+18	971	776	+25
Acquisition fees (1.5%)	20	68	-71	38	483	-92
Total	265	275	-4	1,009	1,259	-20
Per boe (\$)	0.48	0.48	-	0.46	0.57	-19

Netbacks – Freehold’s operating netback for the fourth quarter was \$28.08 per boe, up 74% as higher average selling prices more than offset the increase in royalty expenses. For 2002, operating netbacks totalled \$25.43 per boe, 5% higher than in 2001.

Operating Netbacks (\$/boe)	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Gross revenue*	31.64	18.84	+68	28.81	27.86	+3
Royalty expenses (net of ARC)	1.53	0.64	+139	1.24	1.57	-21
Operating expenses	2.03	2.04	-	2.14	1.99	+8
Operating netback	28.08	16.16	+74	25.43	24.30	+5

* Includes potash, sulphur and other revenue.

Net Income, Cash Flow and Distributable Income – Despite fluctuating commodity prices throughout 2002, Freehold maintained stable distributions. Net income in the fourth quarter totalled \$7.3 million versus \$2.4 million in the same period last year. Funds generated from operations (cash flow) rose 74%. Income available for distribution totalled \$13.9 million (\$0.46 per Trust Unit), compared with \$7.8 million (\$0.26 per Trust Unit). After deducting \$0.5 million for debt repayment, acquisition costs of \$1.2 million and working capital changes totalling \$0.7 million, the Trust’s distributable income to Unitholders was \$11.5 million (\$0.38 per Trust Unit). Year-over year, net income was up 1%, while cash flow and income available for distribution were 4% higher, primarily reflecting a 3% increase in average price realizations. Distributable income for the full year 2002 was \$39.5 million (\$1.31 per Trust Unit), down 13% from \$45.3 million (\$1.56 per Trust Unit) in 2001. Royalty lands provided 86% of distributable income for the year.

Unitholder Taxation – The Trust paid \$1.31 per Trust Unit as cash distributions in 2002. For Canadian tax purposes, 58% of these distributions (\$0.7598 per Trust Unit) will be taxable to Unitholders as other income and 42% (\$0.5502 per Trust Unit) is a tax-deferred return of capital. It is expected that approximately 60% to 65% of distributable income will be taxable to Unitholders in 2003.

Liquidity and Capital Resources – Interest expenses of \$1.1 million in 2002 were 42% lower due to lower borrowing rates combined with a \$3.0 million reduction in long-term debt. As at December 31, 2002, long-term debt was \$30.0 million and Freehold had no short-term debt outstanding. Working capital at the end of the year totalled \$7.9 million, resulting in net debt obligations of \$22.1 million. The Trust’s healthy financial condition is best demonstrated by the ratio of net debt to trailing cash flow, which at 0.4:1, is among the lowest in the trust sector.

Capital Expenditures – As the Trust does not incur capital expenditures to develop its royalty properties, Freehold’s operating capital requirements are relatively modest. Freehold’s 2002 development expenditures for working interest properties totalled \$2.9 million, funded entirely from cash flow. Capital expenditures in the fourth quarter totalled \$0.4 million. Based on current planned activities on working interest properties, Freehold’s provision for capital expenditures in 2003 is \$4.6 million, a 59% increase from 2002.

Reclamation Fund – To fund Freehold’s ongoing environmental obligations on working interest lands, quarterly cash payments are made to a reclamation fund. For the fourth quarter of 2002, a total of \$60,000 (Q4 2001 – \$60,000) was paid into the reclamation account and \$21,000 in site restoration expense (Q4 2001 – \$24,000) was paid from the fund. The balance in the fund at the end of the quarter was \$1,006,000. No reclamation expenses are incurred on the royalty lands.

Development Activities

While drilling activity in western Canada declined 19% year-over-year, drilling on Freehold’s lands increased 15% (26% on a net basis), reflecting the Trust’s favourable land position. Fourth quarter drilling on Freehold’s royalty lands was the most active fourth quarter in the history of the Trust. This drilling will help to sustain our production and reserves in 2003.

Royalty Lands – Industry operators drilled 157 (3.5 net) wells on Freehold’s royalty lands in the fourth quarter, at no cost to the Trust. For the full year 2002, drilling on royalty lands increased 16% with the Saskatchewan Heavy Oil and Bashaw/Leduc areas contributing the highest production additions from development and drilling activity. There are currently 52 drilling locations licensed on Freehold’s royalty lands.

Wells Drilled	Three Months Ended			Year Ended		
	December 31		%	December 31		%
	2002	2001	Change	2002	2001	Change
Royalty lands (includes unitized wells)	157	148	+6	609	525	+16
Working interest properties	6	6	-	54	50	+8
Total wells (gross)	163	154	+6	663	575	+15
Total wells (net)	4.2	2.5	+68	17.7	14.0	+26

Working Interest Properties – Freehold has working interests in 72 properties which in aggregate produced 1,933 boe/d in the fourth quarter, up 1% over the same period last year. Two properties, Hayter and Pembina Cardium Unit No. 9 (PCU #9), accounted for 44% of these volumes. During the fourth quarter, Freehold participated in the drilling of six (0.7 net) wells at PCU #9 and Ribstone, Alberta. A total of 54 (4.9 net) wells were drilled during the full year 2002.

Freehold owns 48.5% of the mineral title as well as a 23.5% working interest at Hayter, a heavy oil property located in east central Alberta. During the year 2002, a total of 10 wells (2.352 net) were drilled at Hayter.

At PCU #9, a light oil property located in central Alberta, a total of 18 (1.8 net) infill wells were drilled during 2002. Freehold has a 0.6% royalty and a 9.9% working interest at PCU #9.

The majority of Freehold’s \$4.6 million capital program planned for 2003 will be invested on development projects at Hayter and PCU #9, and at Lashburn in Saskatchewan. Up to 10 wells are planned at Hayter, two of which are to be drilled in the first quarter. We are also expanding water injection facilities at Hayter to return shut-in wells to production. Thirteen wells are planned at PCU #9 during the first and second quarters, and seven wells at Lashburn are included in the 2003 budget.

Reserves

The Trust’s oil and gas reserves are independently evaluated by Trimble Engineering Associates Ltd. on an annual basis. At year-end 2002, established reserves (proven plus risked probable) totalled 26.8 mboe (.887 boe per Trust Unit), down 5% from the previous year. In 2002, before revisions, Freehold replaced 55% (2001 – 175%) of annual production through acquisitions and development activities. The average cost of reserve additions was \$4.40 per boe, compared with \$8.40 in 2001.

Reserves (as at December 31, 2002)	Proven	Probable	Established ¹
Oil (mnbbls)	13,365	3,008	16,373
NGLs (mnbbls)	2,129	225	2,354
Natural gas (mmcf)	40,607	7,915	48,522
Total (mboe)	22,262	4,551	26,813
Reserve life index (years)			12.2
Potash (mtonnes)	63,162	n/a	63,162

1 Proven plus half probable

Including the potash reserves (evaluated by the Manager at \$4.9 million), the present value of Freehold's future net revenue, discounted at 12%, totalled \$254 million. This represents a 14% increase over 2001, which is primarily price-related. Future net revenue estimates are based on the January 2003 escalated oil and gas price forecasts by Sproule Associates Limited. Freehold's net asset value as of December 31, 2002 (based on a 12% discounted present value) was \$7.87 per Trust Unit, up from \$6.64 at year-end 2001. At December 31, 2002, the Trust had a reserve life index of 12.2 years, compared with 12.7 years at December 31, 2001.

Reserves Reconciliation	Oil and NGLs (mbbls)		Natural Gas (mmcf)		Combined Equivalent (mboe)		
	Proven	Probable ¹	Proven	Probable ¹	Proven	Probable ¹	Established
January 1, 2002	15,880	3,273	44,335	9,811	23,269	4,909	28,177
Reserve additions	269	437	1,508	47	520	444	965
Acquisitions	211	15	40	9	218	17	234
Revisions	722	(478)	(864)	(1,946)	578	(803)	(225)
Dispositions	(50)	(14)	(490)	(6)	(131)	(15)	(147)
Production	(1,538)	—	(3,922)	—	(2,191)	—	(2,191)
January 1, 2003	15,494	3,232	40,607	7,915	22,262	4,552	26,813
Change over prior year	(386)	(41)	(3,728)	(1,896)	(1,007)	(357)	(1,364)

1 Probable reserves are risked at 50%

Production Reconciliation (boe/d)	Royalty Interest	Working Interest	Total Trust
Average daily production rate - 2001	4,109	1,977	6,086
Drilling on royalty lands	77	-	77
Development program	-	151	151
Acquisitions	13	-	13
Natural decline	(46)	(277)	(323)
Average daily production rate - 2002	4,153	1,851	6,004

Outlook

For 2003, drilling levels in western Canada are expected to be near the record set in 2001 and we anticipate a strong year for Freehold as operators continue with drilling programs on our royalty lands. Our own capital program for our working interest properties has been expanded to \$4.6 million, with approximately 30 wells planned. This activity will help to sustain our production and reserves in 2003.

Clearly, our industry will continue to be affected by fluctuations in commodity prices, shifts in the supply and demand for crude oil and natural gas and other forces beyond our control. Early indications from policy commitments are that Canada's ratification of the Kyoto Protocol will not significantly penalize the oil and gas industry. Consequently, we do not expect ratification of the accord to have a material effect on our performance in 2003. While current world events have caused commodity prices to spike, we anticipate some weakening in oil prices toward the last half of 2003. We believe that natural gas, as a North American commodity has greater stability in terms of short term pricing. The price outlook for heavy oil is positive as a result of a return to supply/demand balance.

In the absence of acquisitions, we expect that due to normal declines production volumes will decline modestly in 2003 to average 5,800 boe per day for the year. We anticipate that cash distributions will total \$1.40 per Trust Unit for 2003, based on the following assumptions.

Distribution Outlook	Revised February 20, 2003	Previous November 13, 2002
2003 Assumptions		
Average daily production (boe/d), excluding acquisitions	5,800	5,800
Average WTI oil price (US\$/bbl)	25.00	23.00
Average AECO natural gas price (C\$/mcf)	5.00	4.30
Average light/heavy oil price differential (C\$/bbl)	8.00	9.00
Average Canadian/US dollar exchange rate	0.638	0.635
Estimated cash distributions (\$ per Unit)	1.40	1.30

The regular monthly distribution remains at \$0.10 per Trust Unit. The Board of Directors will evaluate the distribution outlook throughout the year and we will provide additional guidance as warranted. As in the past, a portion of any excess income available for distribution may be directed toward repayment of long-term debt and/or working capital improvement and extra distributions may be declared from time to time at the discretion of the Board of Directors. We caution that significant changes in production rates or commodity prices (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 37% of our total boe production is heavy oil. An analysis of the potential impact of key variables on distributable income can be found on page 27 of the Trust's 2001 annual report to Unitholders.

Our lower-cost structure continues to provide superior netbacks to Unitholders. Our recent acquisitions, while small, demonstrate our efforts to pursue opportunities to add high quality assets to the Trust. This will continue to be our main priority in 2003. Our bias remains towards acquisitions of royalty interest properties, however suitable working interest properties will be considered. It is important that we maintain a strong balance sheet to be in a position to take advantage of opportunities as they arise.

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

David J. Sandmeyer
President & Chief Executive Officer

February 20, 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. These include the impact of general economic conditions, industry conditions and activity levels, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates and uncertainty of drilling success, depletion rates and recoverability of reserves. Risks, uncertainties and other factors are discussed in Freehold's public filings with Canadian securities regulatory authorities. 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. The forward-looking statements contained in this document are management's views as of February 20, 2003 and are subject to change after this date. 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 and income available for distribution 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. Investors should be cautioned that distributable income and income available for distribution should not be construed as an alternate to net income as determined by Canadian generally accepted accounting principles.

Combined Balance Sheets

(\$000s)	December 31 2002	December 31 2001
Assets		
Current assets:		
Cash	\$ 316	\$ 260
Accounts receivable	13,443	9,074
	13,759	9,334
Reclamation fund	1,006	884
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$132,399 (2001 – \$111,316)	209,557	225,367
	\$ 224,322	\$ 235,585
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	\$ 3,020	\$ 3,013
Accounts payable and accrued liabilities	2,819	2,005
	5,839	5,018
Provision for future site restoration	1,353	1,125
Long-term debt (note 3)	30,000	33,000
Future income tax liability (note 4)	1,650	-
Unitholders' equity (note 5)	185,480	196,442
	\$ 224,322	\$ 235,585

Combined Statements of Unitholders' Equity

(\$000s)	Year Ended December 31 2002	Year Ended December 31 2001
Unitholders' equity, beginning of year	\$ 196,442	\$ 183,029
Net income	27,557	27,299
Distributions to Unitholders	(39,530)	(45,264)
Issue of new Trust Units	1,011	31,378
Unitholders' equity, end of year	\$ 185,480	\$ 196,442

Combined Statements of Income

(\$000s, Except per Unit Data)	Three Months Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)		
Revenue:				
Royalty income and working interest sales	\$ 17,561	\$ 10,780	\$ 63,143	\$ 61,885
Royalty expense (net of ARC)	(850)	(369)	(2,709)	(3,482)
	16,711	10,411	60,434	58,403
Other expenses:				
Operating	1,129	1,167	4,679	4,415
General and administrative	635	588	2,823	2,244
Interest on long-term debt	285	283	1,044	1,797
Other interest	1	1	16	17
Capital taxes and other	166	47	265	101
	2,216	2,086	8,827	8,574
Funds generated from operations	14,495	8,325	51,607	49,829
Depletion and depreciation	5,183	5,604	21,083	21,402
Provision for future site restoration	99	84	346	352
Management fee	245	207	971	776
Net income before income taxes	8,968	2,430	29,207	27,299
Future income tax provision (note 4)	1,650	-	1,650	-
Net income	\$ 7,318	\$ 2,430	\$ 27,557	\$ 27,299
Net income per Trust Unit, basic and diluted	\$ 0.24	\$ 0.08	\$ 0.91	\$ 0.95

Combined Statements of Cash Flows

(\$000s)	Three Months Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)		
Cash provided by (used in):				
Operating:				
Net income	\$ 7,318	\$ 2,430	\$ 27,557	\$ 27,299
Items not involving cash:				
Depletion and depreciation	5,183	5,604	21,083	21,402
Future income tax provision	1,650	-	1,650	-
Provision for future site restoration	99	84	346	352
Trust Units issued in lieu of management fee	245	207	971	776
Funds generated from operations	14,495	8,325	51,607	49,829
Changes in non-cash operating working capital	(845)	3,949	(3,555)	2,412
	13,650	12,274	48,052	52,241
Financing:				
Issue of new Trust Units	-	-	-	31,845
Issue cost of new Trust Units	-	-	-	(1,343)
Trust Units issued upon exercise of options	-	-	40	100
Long-term debt	(500)	2,000	(3,000)	(5,000)
Distributions paid	(11,479)	(9,634)	(39,524)	(44,924)
	(11,979)	(7,634)	(42,484)	(19,322)
Investing:				
Property and royalty acquisitions (note 6)	(1,181)	(4,307)	(2,326)	(29,707)
Development expenditures	(394)	(452)	(2,946)	(2,992)
Site reclamation fund contributions	(60)	(60)	(240)	(240)
	(1,635)	(4,819)	(5,512)	(32,939)
Increase (decrease) in cash	36	(179)	56	(20)
Cash, beginning of period	280	439	260	280
Cash, end of period	\$ 316	\$ 260	\$ 316	\$ 260

Notes to Interim Combined Financial Statements

For the period ended December 31, 2002

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, 2001. 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, 2001.

2) Change in Accounting Policy

Effective January 1, 2002 the Trust adopted the new Canadian Accounting standard on the reporting of stock-based compensation and other stock-based payments. The new standard requires additional disclosure for options granted to employees, officers and directors and that a compensation cost be recorded for the fair value of options granted to non-employees. There has been no impact on the current period financial statements as a result of this change in accounting policy.

3) Long-Term Debt

The Trust has a \$50.0 million committed production facility on which \$30 million was drawn at December 31, 2002. The facility is structured as a one-year committed revolving credit facility, extendible annually. In the event that the lender does not consent to such extension, the revolving credit facility will revert to a three-year, non-revolving amortizing term loan with equal quarterly principal repayments. At December 31, 2002, the entire amount outstanding under the production facility is presented as long-term based on the Trust’s ability to refinance any current 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 U.S. \$10.0 million swap facility which was unused at December 31, 2002. Borrowings under these facilities bear interest at the Bank’s prime lending rate.

4) Income Taxes

Resources uses the liability method of accounting for income taxes. The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Trust’s earnings before income taxes. This difference results from the following items:

Years ended December 31 (\$000s)	2002	2001
Earnings before income taxes and capital taxes	\$ 29,472	\$ 27,400
Combined federal and provincial tax rate	42.6%	42.6%
Computed “expected” income tax expense	\$ 12,537	\$ 11,672
Increase (decrease) in income tax resulting from:		
Non-taxable earnings of the Trust	(10,153)	(11,285)
Non-deductible Crown charges	9	13
Resource allowance	(547)	(359)
Changes in enacted tax rates	-	27
Other	(3)	(4)
Future income tax expense	1,843	64
Change in valuation allowance	(193)	(64)
Income taxes	\$ 1,650	\$ -
Capital taxes	\$ 143	\$ 101

The components of Resources' future income taxes at December 31 are as follows:

(\$000s)	2002	2001
Future income tax liabilities:		
Oil and natural gas properties	\$ 2,080	\$ 355
Future income tax assets:		
Abandonment costs	(430)	(359)
Loss carryforwards	-	(189)
Valuation allowance	-	193
Future income taxes	\$ 1,650	\$ -

5) Unitholders' Equity

During the quarter the Trust issued 22,500 Trust Units in payment for the management fee to Rife Resources Management Ltd., bringing the total outstanding Trust Units at December 31, 2002 to 30,225,236. The weighted average number of Trust Units outstanding for the year ended December 31, 2002 was 30,165,167 (2001 – 28,839,216) and for the quarter was 30,202,981 (2001 – 30,106,981).

As at December 31, 2002, options to purchase 1,139,000 Trust Units were outstanding and vested. 1,130,000 of the outstanding options are priced at \$9.24, with an expiry date of November 14, 2006. The remaining 9,000 of the outstanding options are priced at \$6.65, with an expiry date of August 12, 2003.

For the year ended December 31, 2002, the Manager charged the Trust \$2,035,000 in general and administrative costs, of which \$459,000 was for the current quarter. At December 31, 2002 there was \$148,000 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. During the year the manager was paid \$38,000 (4th quarter – \$20,000) relating to the acquisitions described in Note 5. This fee is charged to capital assets as part of the properties acquired.

6) Property and Royalty Acquisitions

	Acquisition September 20, 2002	Acquisition October 22, 2002	Total
Purchase price	\$1,200,000	\$1,332,000	\$2,532,000
Net acquisition cost	\$1,124,000	\$1,202,000	\$2,326,000

7) Distributable Income

(\$000s, Except per Unit Data)	Three Months Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)		
Funds generated from operations	\$ 14,495	\$ 8,325	\$ 51,607	\$ 49,829
Deduct:				
Site reclamation fund contributions	(60)	(60)	(240)	(240)
Provision for capital expenditures	(546)	(442)	(2,946)	(2,992)
Income available for distribution	\$ 13,889	\$ 7,823	\$ 48,421	\$ 46,597
Per Trust Unit	\$ 0.46	\$ 0.26	\$ 1.61	\$ 1.62
Debt repayment	(500)	(2,306)	(3,000)	(4,594)
Property and royalty acquisitions	(1,181)	-	(2,326)	-
Working capital change	(731)	3,517	(3,565)	3,261
Distributable income	\$ 11,477	\$ 9,034	\$ 39,530	\$ 45,264
Per Trust Unit	\$ 0.38	\$ 0.30	\$ 1.31	\$ 1.56

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

Officers

William W. Siebens
Chairman

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

J. Frank George
Vice-President, Exploitation

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
400, 144 - 4th Avenue S.W.
Calgary, Alberta T2P 3N4
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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

Fourth Quarter Trading Summary

High – \$11.33

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

2002 Cash Distributions

Record Date	Payment Date	Per Trust Unit
December 31, 2001	January 15, 2002	\$0.10
January 31, 2002	February 15, 2002	\$0.08
February 28, 2002	March 15, 2002	\$0.08
March 31, 2002	April 15, 2002	\$0.08
April 30, 2002	May 15, 2002	\$0.08
May 31, 2002	June 15, 2002	\$0.14
June 30, 2002	July 15, 2002	\$0.10
July 31, 2002	August 15, 2002	\$0.10
August 31, 2002	September 15, 2002	\$0.17
September 30, 2002	October 15, 2002	\$0.10
October 31, 2002	November 15, 2002	\$0.10
November 30, 2002	December 15, 2002	\$0.18

2003 Cash Distributions (ytd)

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

Low – \$10.00
Close – \$10.88
Volume (000's) – 1,494

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