



Quarterly Report for the period ended June 30, 2002

Second Quarter Highlights

- ◆ **Production stable at 6,015 barrels of oil equivalent (boe)* per day**
- ◆ **Average price realizations up slightly to \$29.27 per boe**
- ◆ **Declared distributions of \$9.7 million (\$0.32 per Trust Unit)**
- ◆ **Monthly distribution remains set at \$0.10 per Trust Unit; declared extra distribution for August of \$0.07 per Trust Unit**

Freehold's monthly distribution rate is currently fixed at \$0.10 per Trust Unit. Improved price realizations in the second quarter have enabled the Board of Directors to declare an extra distribution of \$0.07 per Trust Unit payable on September 15, 2002 to Unitholders of record on August 31, 2002. Combined, the regular monthly distribution for August (\$0.10) and the extra distribution (\$0.07) to be paid on September 15, 2002, will total \$0.17 per Trust Unit. Including the above distributions, the trailing 12-month-distributions paid is \$1.25 per Trust Unit, representing a 12% cash-on-cash yield at current Trust Unit prices. Since inception in November 1996, the Trust has distributed a total of \$6.37 per Trust Unit. It is anticipated that approximately 50% to 55% of distributions will be taxable to Unitholders in 2002.

Highlights (\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2002	2001	% Change	2002	2001	% Change
Gross revenue	16,235	16,019	+1	29,079	35,020	-17
Operating income	14,290	14,063	+2	25,583	30,674	-17
Royalty lands income	11,447	10,583	+8	20,245	23,103	-12
Working interest income	2,843	3,480	-18	5,338	7,571	-29
Net income	7,703	7,418	+4	12,223	17,772	-31
Per Trust Unit (\$)	0.26	0.26	—	0.41	0.64	-36
Funds generated from operations	13,318	12,984	+3	23,428	28,374	-17
Per Trust Unit (\$)	0.44	0.46	-4	0.78	1.03	-24
Income available for distribution	12,358	12,524	-1	21,808	26,754	-18
Per Trust Unit (\$)	0.41	0.44	-7	0.72	0.97	-26
Distributable income	9,653	13,199	-27	16,884	23,893	-29
Per Trust Unit (\$)	0.32	0.45	-29	0.56	0.85	-34
Long-term debt	30,500	31,000	-2	30,500	31,000	-2
Trust Units outstanding	30,180,236	30,084,236	—	30,180,236	30,084,236	—
Weighted average	30,146,927	28,386,365	+6	30,138,162	27,561,874	+9
Average daily production (boe/d)	6,015	6,050	-1	6,030	5,880	+3
Total production (boe)	547,344	550,586	-1	1,091,503	1,064,352	+3
Average price realizations (\$/boe)	29.27	28.84	+1	26.32	32.64	-19

* 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 ended June 30, 2002 and previous periods, and the outlook for Freehold based on currently available information. All comparative percentages are between the quarters ended June 30, 2002 and June 30, 2001, 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, 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 – Average daily production for the second quarter of 2002 was essentially unchanged from the same period a year ago. Production from royalty properties rose 5%, primarily as a result of acquisitions completed during 2001 and development on royalty lands. Southeast Saskatchewan production is exceeding expectations due to drilling activity at Midale. Working interest production declined 12%, mainly due to lack of development drilling at Hayter, Alberta in 2001. Drilling has resumed at Hayter, which will bolster third quarter working interest production. Year-to-date production averaged 6,030 boe per day, up 3% over the same period in 2001.

Average Daily Production	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001	Change	2002	2001	Change
Royalty Lands						
Oil (bbls/d)	2,597	2,454	+6	2,677	2,248	+19
NGLs (bbls/d)	214	255	-16	217	252	-14
Natural gas (mcf/d)	8,611	7,975	+8	7,977	7,968	–
Oil equivalent (boe/d)	4,246	4,038	+5	4,224	3,828	+10
Working Interest Properties						
Oil (bbls/d)	1,186	1,350	-12	1,229	1,409	-13
NGLs (bbls/d)	68	90	-24	64	80	-20
Natural gas (mcf/d)	3,085	3,431	-10	3,081	3,379	-9
Oil equivalent (boe/d)	1,769	2,012	-12	1,806	2,052	-12
Total Trust (boe/d)	6,015	6,050	-1	6,030	5,880	+3
Potash (tonnes/d)	9.8	11.3	-13	8.8	10.0	-12

Pricing – In the second quarter of 2002, benchmark WTI crude oil prices averaged US\$26.25 per barrel, down 6% and AECO natural gas prices averaged C\$4.42 per mcf, down 37%. More importantly for Freehold, the benchmark price for Bow River heavy oil increased 23%, reflecting a significant narrowing in the price differential for heavy oil. Light/heavy oil differentials improved to C\$7.74 per barrel from C\$15.85 a year ago. As a result, Freehold's oil price averaged \$32.98 per barrel, up 39%. Even so, lower natural gas prices largely offset the improvement in oil prices and Freehold's average realization rose only 1% quarter over quarter. For the six months ended June 30, 2002, Freehold's selling price averaged \$26.32 per boe, down 19% from last year. In keeping with management's philosophy, Freehold has not hedged any of its production.

Benchmark Commodity Prices*	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001	Change	2002	2001	Change
WTI crude oil (US\$/bbl)	26.25	27.95	-6	23.95	28.34	-15
Bow River heavy oil (C\$/bbl)	32.41	26.33	+23	29.34	26.09	+12
AECO natural gas (C\$/mcf)	4.42	7.06	-37	3.88	8.98	-57

* Source: Canadian Association of Petroleum Producers

Freehold Average Selling Prices (C\$)	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001	Change	2002	2001	Change
Oil (\$/bbl)	32.98	23.79	+39	29.20	24.36	+20
NGLs (\$/bbl)	24.48	38.70	-37	22.22	34.05	-35
Natural gas (\$/mcf)	3.80	6.15	-38	3.48	8.11	-57
Oil equivalent (\$/boe)	29.27	28.84	+1	26.32	32.64	-19
Potash (\$/tonne)	146.24	159.08	-8	146.97	158.73	-7

Revenue – Gross revenue for the second quarter increased modestly to \$16.2 million. Revenue for the first half of 2002 declined 17% to \$29.0 million. The accompanying table demonstrates the net effect of price and volume variances on gross revenues.

Gross Revenue Variances (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2002 vs. 2001	2001 vs. 2000	2002 vs. 2001	2001 vs. 2000
Oil and NGLs				
Production increase (decrease)	(248)	726	1,031	1,748
Price increase (decrease)	2,728	(3,041)	2,671	(5,519)
Net increase (decrease)	2,480	(2,315)	3,702	(3,771)
Natural gas				
Production increase (decrease)	100	293	(182)	447
Price increase (decrease)	(2,438)	2,323	(9,525)	9,573
Net increase (decrease)	(2,338)	2,616	(9,707)	10,020
Other	74	(157)	64	(322)
Gross revenue increase (decrease)	216	144	(5,941)	5,927

Royalty Expenses – Royalty expenses, which are price-sensitive, are down 34% for the second quarter and 49% for the first half, reflecting lower natural gas prices in 2002. 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. Royalty expenses on working interest properties totaled \$4.03 per boe for the second quarter and \$3.55 per boe for the first half.

Royalty Expenses (\$000s, except as noted)	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001	Change	2002	2001	Change
Working interest properties	649	981	-34	1,162	2,282	-49
Per boe (\$)	4.03	5.36	-25	3.55	6.14	-42
Royalty interest properties	0	0	-	0	0	-
Per boe (\$)	0	0	-	0	0	-
Total royalty expense (net of ARC)	649	981	-34	1,162	2,282	-49
Per boe (\$)	1.18	1.78	-34	1.06	2.14	-50

Operating Expenses – As Freehold does not incur operating expenses on its royalty lands, operating expenses averaged \$2.37 per boe in the second quarter. Operating expenses on working interest properties rose 33% (51% per boe), reflecting the effect of fixed costs on lower working interest production and to a greater extent, one-time prior period adjustments at Pouce Coupe, Hayter and Pembina Cardium Unit #9. Operating expenses for the six months ended June 30, 2002 averaged \$2.14 per boe, up 10% from the same period in 2001. Freehold expects operating expenses on working interest properties to be lower in the second half of 2002.

Operating Expenses (\$000s, except as noted)	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001	Change	2002	2001	Change
Working interest properties	1,296	975	+33	2,334	2,064	+13
Per boe (\$)	8.05	5.33	+51	7.14	5.56	+28
Royalty interest properties	0	0	-	0	0	-
Per boe (\$)	0	0	-	0	0	-
Total operating expenses	1,296	975	+33	2,334	2,064	+13
Per boe (\$)	2.37	1.77	+34	2.14	1.94	+10

General and Administrative Expenses (G&A) – Freehold incurs administrative expenses to administer its royalty interests in more than 15,000 producing wells in western Canada. G&A expenses for the second quarter of 2002 rose 30% on a boe basis due to increased staff requirements. Year-to-date G&A averaged \$1.47 per boe, up 36%.

G&A Expenses (\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2002	2001	% Change	2002	2001	% Change
G&A expenses	690	534	+29	1,601	1,148	+39
Per boe (\$)	1.26	0.97	+30	1.47	1.08	+36

Management Fees – The Manager of the Trust receives its management fee in Trust Units. For the second quarter of 2002, the Manager received 22,500 Trust Units, with an ascribed value of \$244,000. The issuance of 3.3 million Trust Units in May of 2001 resulted in a pro-rata increase in the management fee, from 20,000 Trust Units per quarter to 22,500 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 and also reflects the higher market price of the Trust Units year-over-year.

Management Fees (\$000s, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2002	2001	% Change	2002	2001	% Change
Management fees	244	191	+28	475	369	+29
Per boe (\$)	0.45	0.35	+29	0.43	0.35	+23

Netbacks – Freehold’s operating netback for the second quarter was \$26.11 per boe, up 2% as higher average selling prices and lower royalty expenses offset higher operating expenses. For the first half of 2002, operating netbacks declined 19%, reflecting lower revenues and higher operating expenses.

Operating Netbacks (\$/boe)	Three Months Ended June 30			Six Months Ended June 30		
	2002	2001	% Change	2002	2001	% Change
Gross revenue *	29.66	29.09	+2	26.64	32.90	-19
Royalty expenses (net of ARC)	1.18	1.78	-34	1.06	2.14	-50
Operating expenses	2.37	1.77	+34	2.14	1.94	+10
Operating netback	26.11	25.54	+2	23.44	28.82	-19

* includes potash revenue, sulphur revenue & other

Net Income, Cash Flow and Distributable Income – Net income increased 4% to \$7.7 million versus \$7.4 million in the second quarter of 2001. Funds generated from operations (cash flow) rose 3%. Income available for distribution was \$12.4 million (\$0.41 per Trust Unit), 7% lower on a per unit basis due to an increased provision for capital expenditures. The Trust’s distributable income to Unitholders was \$9.7 million (\$0.32 per Trust Unit) in the second quarter of 2002, down 29% on a per unit basis. The reduction in distributable income results from working capital changes and a \$2.8 million acquisition deposit refunded in the second quarter of 2001, which increased distributable income in the prior period. Royalty lands provided 93% of distributable income for the quarter. In the first six months of 2002, net income was down 31%, cash flow decreased 17% and income available for distribution was 18% lower than the same period last year, primarily reflecting lower natural gas prices.

Liquidity and Capital Resources – Interest expenses declined 53% to \$249,000, reflecting lower interest rates combined with a \$2.5 million reduction in long-term debt since the end of 2001. As at June 30, 2002, Freehold had no short-term debt outstanding and long-term debt was \$30.5 million. Working capital at the end of the first half totaled \$7.2 million, resulting in net debt obligations of \$23.3 million. The Trust’s healthy financial condition is best demonstrated by the ratio of net debt to trailing cash flow, which is 0.5:1, among the lowest in the energy trust sector.

Capital Expenditures – As the Trust does not incur capital expenditures to develop of its royalty properties, Freehold’s operating capital requirements are relatively modest. Freehold’s 2002 capital expenditures will be roughly \$3.3 million, funded entirely from cash flow. Capital expenditures in the second quarter totaled \$0.5 million (\$1.1 million year-to-date) and related to working interest properties. In the second half, Freehold anticipates spending approximately \$1.3 million at Hayter and \$0.9 million at Pembina Cardium Unit #9.

Reclamation Fund – To fund Freehold’s ongoing environmental obligations on working interest lands, quarterly cash payments are made to a reclamation fund. For the second quarter of 2002, a total of \$60,000 (Q2 2001 – \$60,000) was paid into the reclamation account and \$38,000 in site restoration expense (Q2 2001 – \$22,000) was paid from the fund. The balance in the fund at the end of the quarter was \$937,000. No reclamation expenses are incurred on the royalty lands.

Development Activities

Royalty Lands – Industry operators drilled 104 (2.7 net) wells on Freehold’s royalty lands in the second quarter, at no cost to the Trust. Year-to-date, drilling on royalty lands is up 36%. Including an increase in the number of shallow gas locations in Saskatchewan, there are currently 60 (3.2 net) drilling locations planned on Freehold’s royalty lands, up 100% over last year.

Wells Drilled	Three Months Ended			Six Months Ended		
	June 30		%	June 30		%
	2002	2001		2002	2001	
Royalty lands (includes unitized wells)	104	116	-10	328	242	+36
Working interest properties	4	2	+100	29	33	-12
Total wells (gross)	108	118	-8	357	275	+30
Total wells (net)	3.7	4.7	-21	6.8	8.1	-16

Working Interest Properties – Freehold has working interests in 72 properties that in aggregate produced 1,769 boe per day in the second quarter. Two properties, Hayter, a heavy oil property located in east central Alberta, and Pembina Cardium Unit No. 9, a light oil property located in central Alberta, accounted for approximately 38% of these volumes. Production from working interest properties declined 12% in the second quarter, largely due to the lack of development activity at Hayter last year, pending the sale of the operator’s interest in the property.

Rife Resources Ltd. (affiliated with the Manager of Freehold), took over as operator of the Hayter property late last year and began an active development program in the second quarter, drilling 4 (0.9 net) wells with a 100% success rate. So far in the third quarter, an additional 6 (1.4 net) wells have been drilled, with up to 5 (1.2 net) wells planned for the remainder of the year. Freehold owns 48.5% of the mineral title as well as a 23.5% working interest at Hayter. At Pembina Cardium Unit #9, where Freehold has a 0.6% royalty interest and a 9.9% working interest, a multi-year drilling program is continuing. Fifteen (1.5 net) infill wells are planned for the second half of 2002. At Pouce Coupe, Alberta (25.56%) a previously-suspended well was stimulated and is currently producing approximately 70 (18 net) barrels of oil per day.

Outlook

We continue to pursue opportunities to add high quality assets to Freehold and we have the balance sheet strength to do so. However, in the first half of 2002, we have not found quality assets available that meet our investment criteria, in particular royalty assets.

Drilling activity in western Canada for the first six months of 2002 has declined 30% year over year. However drilling on Freehold’s lands on a net basis has only decreased 16%, reflecting the favourable land position of the Trust. This drilling will help to sustain our production and reserves.

As reported in our first quarter report, we continue to estimate that cash distributions for 2002 will be approximately \$1.24 per Trust Unit, based on certain assumptions relating to volumes and prices. We have an active second quarter drilling program and remain confident that our volumes will average 6,000 boe per day for the year. Global events provide continued pricing uncertainty. We will evaluate our distribution outlook throughout the year and provide additional guidance as warranted. The regular monthly distribution remains at \$0.10 per Trust Unit. As in

the past, a portion of any excess income available for distribution will 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 reiterate that significant changes in production rates or commodity prices (positive or negative) will result in adjustments to the distribution level. As evidenced by Freehold's second quarter results, the Trust's revenues are greatly influenced by fluctuations in the light/heavy oil price differential, as approximately 35% of total boe production is heavy oil.

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

David J. Sandmeyer
President & Chief Executive Officer

August 14, 2002

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 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)	June 30 2002	December 31 2001
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 437	\$ 260
Accounts receivable	12,024	9,074
	12,461	9,334
Reclamation fund	937	884
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$121,886 (2001 – \$111,316)	215,873	225,367
	\$ 229,271	\$ 235,585
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	\$ 3,018	\$ 3,013
Accounts payable and accrued liabilities	2,239	2,005
	5,257	5,018
Provision for future site restoration	1,218	1,125
Long-term debt	30,500	33,000
Unitholders' equity	192,296	196,442
	\$ 229,271	\$ 235,585

Combined Statements of Unitholders' Equity

(\$000s)	Six Months Ended June 30 2002	Year Ended December 31 2001
	(Unaudited)	
Unitholders' equity, beginning of period	\$ 196,442	\$ 183,029
Net income	12,223	27,299
Distributions to Unitholders	(16,884)	(45,264)
Issue of new Trust Units	515	31,378
Unitholders' equity, end of period	\$ 192,296	\$ 196,442

Combined Statements of Income

(\$000s, Except per Unit Data)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Royalty income and working interest sales	\$ 16,235	\$ 16,019	\$ 29,079	\$ 35,020
Royalty expense (net of ARC)	(649)	(981)	(1,162)	(2,282)
	15,586	15,038	27,917	32,738
Other expenses:				
Operating	1,296	975	2,334	2,064
General and administrative	690	534	1,601	1,148
Interest on long-term debt	249	529	485	1,120
Other interest	—	3	2	10
Capital taxes and other expenses	33	13	67	22
	2,268	2,054	4,489	4,364
Funds generated from operations	13,318	12,984	23,428	28,374
Depletion and depreciation	5,291	5,285	10,570	10,052
Provision for future site restoration	80	90	160	181
Management fee	244	191	475	369
Net income	\$ 7,703	\$ 7,418	\$ 12,223	\$ 17,772
Net income per Trust Unit, basic and diluted	\$ 0.26	\$ 0.26	\$ 0.41	\$ 0.64

Combined Statements of Cash Flows

(\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
Cash provided by (used in):				
Operating:				
Net income	\$ 7,703	\$ 7,418	\$ 12,223	\$ 17,772
Items not involving cash:				
Depletion and depreciation	5,291	5,285	10,570	10,052
Provision for future site restoration	80	90	160	181
Trust Units issued in lieu of management fee	244	191	475	369
Funds generated from operations	13,318	12,984	23,428	28,374
Changes in non-cash operating working capital	(907)	(1,028)	(2,716)	(1,587)
	12,411	11,956	20,712	26,787
Financing:				
Issue of new Trust Units	–	31,845	–	31,845
Issue cost of new Trust Units	–	(1,343)	–	(1,343)
Trust Units issued upon exercise of options	40	100	40	100
Long-term debt	(2,500)	(7,000)	(2,500)	(7,000)
Distributions paid	(9,046)	(12,265)	(16,879)	(22,956)
	(11,506)	11,337	(19,339)	646
Investing:				
Property and royalty acquisitions	–	(25,890)	–	(25,890)
Development expenditures	(516)	(393)	(1,076)	(1,477)
Deposit on acquisition	–	2,763	–	–
Site reclamation fund contributions	(60)	(60)	(120)	(120)
	(576)	(23,580)	(1,196)	(27,487)
Increase (decrease) in cash	329	(287)	177	(54)
Cash, beginning of period	108	513	260	280
Cash, end of period	\$ 437	\$ 226	\$ 437	\$ 226

Notes to Interim Combined Financial Statements

For the period ended June 30, 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 \$30.5 million was drawn at June 30, 2002. 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.

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 June 30, 2002, 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.

4) Unitholders’ Equity

During the quarter the Trust issued 39,236 Trust Units in payment for the management fee to Rife Resources Management Ltd. (22,500 related to the current quarter and 16,736 completed the payment for the first quarter). In addition, 6,000 Trust Unit options were exercised during the quarter, bringing the total outstanding Trust Units at June 30, 2002 to 30,180,236. The weighted average number of Trust Units outstanding for the six months ending June 30, 2002 was 30,138,162 (2001 – 27,561,874) and for the quarter was 30,146,927 (2001 – 28,386,365).

As at June 30, 2002, options to purchase 1,139,000 Trust Units were outstanding with 9,000 vested. 1,130,000 of the outstanding options are priced at \$9.24, with a vesting date of November 14, 2002 and an expiry date of November 14, 2006. The remaining 9,000 options are fully vested and priced at \$6.65, with an expiry date of August 12, 2003.

For the six months ending June 30, 2002, the Manager charged the Trust \$1,079,000 in general and administrative costs, of which \$507,000 was for the current quarter. At June 30, 2002 there was \$166,000 in accounts payable relating to these costs.

5) Distributable Income

(\$000s, Except per Unit Data)	Three Months Ended June 30		Six Months Ended June 30	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
Funds generated from operations	\$ 13,318	\$ 12,984	\$ 23,428	\$ 28,374
Deduct:				
Site reclamation fund contributions	(60)	(60)	(120)	(120)
Provision for capital expenditures	(900)	(400)	(1,500)	(1,500)
Income available for distribution	\$ 12,358	\$ 12,524	\$ 21,808	\$ 26,754
Per Trust Unit	\$ 0.41	\$ 0.44	\$ 0.72	\$ 0.97
Debt repayment	(2,500)	(2,288)	(2,500)	(2,288)
Deposit on acquisition	–	2,763	–	–
Working capital change	(205)	200	(2,424)	(573)
Distributable income	\$ 9,653	\$ 13,199	\$ 16,884	\$ 23,893
Per Trust Unit	\$ 0.32	\$ 0.45	\$ 0.56	\$ 0.85

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

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

Income Tax Information

Cash distributions received in 2001 were 38% taxable to Unitholders as other income and 62% were tax deferred (return of capital). Freehold estimates that 50% – 55% of distributions will be taxable to Unitholders in 2002. Further information regarding the tax treatment of distributions is available on Freehold's website or by contacting Freehold.

Freehold Royalty Trust

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
Telephone: (403) 221-0802
Fax: (403) 221-0888

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

Second Quarter Trading Summary

High – \$10.95
Low – \$9.58
Close – \$10.85
Volume – 1,571,745

Trustee

Computershare Trust Company of Canada
Calgary, Alberta

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

Grant Trimble Engineering Ltd.
Calgary, Alberta

