



Quarterly Report for the period ended March 31, 2002

First Quarter Highlights

- ◆ **Production up 6% to 6,046 barrels of oil equivalent (boe)* per day**
- ◆ **Average price realizations down 36% to \$23.35 per boe**
- ◆ **Declared distributions of \$7.2 million (\$0.24 per Trust Unit)**
- ◆ **Monthly distribution increased to \$0.10 per Trust Unit; declared extra distribution for May of \$0.04 per Trust Unit**

Freehold's monthly distribution rate is being increased from \$0.08 per Trust Unit to \$0.10 per Trust Unit effective with the May distribution payable on June 15, 2002 to Unitholders of record on May 31, 2002. Following a review of first quarter results, the Board of Directors has declared an extra distribution of \$0.04 per Trust Unit payable on June 15, 2002 to Unitholders of record on May 31, 2002. Combined, the regular monthly distribution for May (\$0.10) and the extra distribution (\$0.04) to be paid on June 15, 2002, will total \$0.14 per Trust Unit. Including the above distributions, the trailing 12-month-distributions paid is \$1.29 per Trust Unit, representing a 13% cash-on-cash yield at current Trust Unit prices. Since inception in November 1996, the Trust has distributed a total of \$6.00 per Trust Unit.

Highlights (\$000s, except as noted)	Three Months Ended March 31		%
	2002	2001	
Gross revenue	12,844	19,001	-32
Operating income			
Royalty lands income	8,798	12,520	-30
Working interest income	2,495	4,091	-39
Net income	4,520	10,354	-56
Per Trust Unit (\$)	0.15	0.39	-62
Funds generated from operations	10,110	15,390	-34
Per Trust Unit (\$)	0.34	0.58	-41
Income available for distribution	9,450	14,230	-34
Per Trust Unit (\$)	0.31	0.53	-42
Distributable income	7,231	10,693	-32
Per Trust Unit (\$)	0.24	0.40	-40
Long-term debt	33,000	38,000	-13
Trust Units outstanding	30,135,000	26,748,000	+13
Weighted average	30,129,300	26,728,222	+13
Average daily production (boe/d)	6,046	5,709	+6
Total production (boe)	544,158	513,766	+6
Average price realizations (\$/boe)	23.35	36.70	-36

* 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") operating and financial results for the three months ended March 31, 2002 and previous periods, and the outlook for the Trust based on currently available information. All comparative percentages are between the quarters ended March 31, 2002 and March 31, 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 first quarter of 2002 increased 6%. Production from royalty properties rose 16%, primarily as a result of acquisitions completed during 2001. Working interest production declined 12%, mainly attributable to lack of development drilling at Hayter in 2001.

Average Daily Production	Three Months Ended		
	March 31		%
	2002	2001	Change
Royalty Lands			
Oil (bbls/d)	2,758	2,040	+35
NGLs (bbls/d)	222	250	-11
Natural gas (mcf/d)	7,337	7,961	-8
Oil equivalent (boe/d)	4,202	3,617	+16
Working Interest Lands			
Oil (bbls/d)	1,273	1,469	-13
NGLs (bbls/d)	58	68	-15
Natural gas (mcf/d)	3,075	3,326	-8
Oil equivalent (boe/d)	1,844	2,092	-12
Total Trust (boe/d)	6,046	5,709	+6
Potash (tonnes/d)	7.7	8.7	-11

Pricing – Freehold's average natural gas price decreased by a dramatic 69% from \$10.12 per mcf in the first quarter of 2001 to \$3.11 per mcf in the first quarter of 2002. During this period, Benchmark West Texas Intermediate (WTI) oil prices averaged US\$21.61 per barrel, down 25% from US\$28.72. However, the light/heavy oil price differential, an important factor for Freehold, narrowed to C\$7.35 per barrel from C\$17.11 per barrel, which resulted in an 11% increase in Freehold's oil price to \$25.61 for the first quarter of 2002. The lower natural gas price more than offset the improvement in the light/heavy oil price differential, resulting in Freehold's overall price realization declining 36% to \$23.35 per barrel of oil equivalent.

Average Selling Prices (C\$)	Three Months Ended		
	March 31		%
	2002	2001	Change
Oil (\$/bbl)	25.61	23.17	+11
NGLs (\$/bbl)	19.91	43.80	-55
Natural gas (\$/mcf)	3.11	10.12	-69
Oil equivalent (\$/boe)	23.35	36.70	-36
Potash (\$/tonne)	147.91	158.34	-7

Revenue – Gross revenue for the first quarter declined 32%, as lower realized prices more than offset increased revenue from higher production volumes. Potash revenues for the quarter totaled \$103,000, down 17% on lower volumes and prices.

The accompanying table demonstrates the net effect of price and volume variances on gross revenues.

Gross Revenue Variances (\$000s)	Three Months Ended March 31	
	2002 vs. 2001	2001 vs. 2000
Oil and NGL		
Production increase	1,099	1,019
Price increase (decrease)	123	(2,475)
Net increase (decrease)	1,222	(1,456)
Natural gas		
Production (decrease) increase	(245)	75
Price (decrease) increase	(7,124)	7,329
Net (decrease) increase	(7,369)	7,404
Other	(10)	(165)
Gross revenue (decrease) increase	(6,157)	5,783

Royalties – Royalty expense on working interest properties totaled \$0.94 per boe for the first quarter, down 63%. As Freehold is a mineral title owner on most of its production, no royalties are paid to others on the Trust's share of production from royalty lands (Freehold receives the royalty from other companies).

Royalty Expenses (\$000s, except as noted)	Three Months Ended		
	March 31		%
	2002	2001	Change
Royalty expense (net of ARC)	513	1,301	-61
Per boe (\$)	0.94	2.53	-63

Operating Expenses – Operating expenses averaged \$1.91 per boe in the first quarter, down 10%. Lower expenses reflect a higher proportion of royalty production and lower electrical costs compared with the first quarter last year. Freehold does not incur operating expenses on its royalty lands.

Operating Expenses (\$000s, except as noted)	Three Months Ended		
	March 31		%
	2002	2001	Change
Working interest properties	1,038	1,089	-5
Per boe (\$)	6.26	5.79	+8
Royalty interest properties	-	-	-
Per boe (\$)	-	-	-
Total operating expenses	1,038	1,089	-5
Per boe (\$)	1.91	2.12	-10

General and Administrative Expenses (G&A) – G&A expenses for the first quarter of 2002 rose 39% on a boe basis, due to additional administration costs as a result of acquisitions completed during 2001, and a timing difference related to certain expense categories that were recorded in the actual period that they were incurred.

G&A Expenses (\$000s, except as noted)	Three Months Ended		
	March 31		%
	2002	2001	Change
G&A expenses	911	614	+48
Per boe (\$)	1.67	1.20	+39

Management Fees – The Manager of the Trust receives its management fee in Trust Units. For the first quarter of 2002, the Manager received 22,500 Trust Units, with an ascribed value of \$231,000. The issuance of 3.3 million Trust Units in May of 2001 resulted in a pro-rata increase in the management fee, in accordance with the management contract.

Management Fees	Three Months Ended		
	March 31		%
(\$000s, except as noted)	2002	2001	Change
Management fees	231	178	+30
Per boe (\$)	0.42	0.35	+20

Netbacks – Freehold’s operating netback for the first quarter was \$20.75 per boe, down 36%. The decline is attributable to lower commodity prices, partially offset by lower operating and royalty expenses.

Operating Netbacks	Three Months Ended		
	March 31		%
(\$/boe)	2002	2001	Change
Gross revenue	23.60	36.98	-36
Royalty expenses (net of ARC)	(0.94)	(2.53)	-63
Operating expenses	(1.91)	(2.12)	-10
Operating netback	20.75	32.33	-36

Reclamation Fund – To fund Freehold’s ongoing environmental obligations on working interest lands, quarterly cash payments are made to a reclamation fund. For the first quarter of 2002, a total of \$60,000 (Q1 2001 – \$60,000) was paid into the reclamation account and \$29,000 in site restoration expense (Q1 2001 – \$56,000) was paid from the fund. No reclamation expenses are incurred on the royalty lands. The balance in the fund at the end of the quarter was \$915,000.

Unitholder Taxation – 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.

Net Income, Cash Flow and Distributable Income – Net income fell 56% to \$4.5 million versus \$10.4 million in the first quarter of 2001. Funds generated from operations (cash flow) declined 34%. The decline in net income and cash flow reflects lower commodity prices, which overshadowed the increase in production volumes. As a result, Freehold distributed \$7.2 million (\$0.24 per Trust Unit) to Unitholders in the first quarter of 2002, down 40% on a per unit basis from last year. Royalty lands provided 90% of distributable income for the quarter.

Liquidity and Capital Resources – Interest expenses declined 60% to \$238,000, reflecting lower interest rates combined with a \$5.0 million reduction in long-term debt since the first quarter of 2001. As at March 31, 2002, long-term debt was \$33.0 million, unchanged from year-end. Working capital at the end of the quarter totaled \$6.4 million, resulting in net debt obligations of \$26.6 million. The ratio of net debt to trailing cash flow of 0.6:1 continues to reflect the Trust’s healthy financial condition.

Capital Expenditures – The Trust anticipates a modest \$2.4 million capital program in 2002. In the first quarter, capital expenditures totaled \$560,000, down from \$1.1 million a year ago. All capital expenditures related to working interest properties and were funded entirely from cash flow.

Development Activities

Royalty Lands – Industry operators drilled 224 (2.5 net) wells on Freehold royalty lands in the first quarter, at no cost to the Trust. The Trust has royalty interests in more than 15,000 producing wells throughout western Canada.

Wells Drilled	Three Months Ended		
	March 31		%
	2002	2001	Change
Royalty lands (includes unitized wells)	224	126	+78
Working interest properties	25	31	-19
Total wells (gross)	249	157	+59
Total wells (net)	3.0	3.4	-12

Working Interest Properties – Freehold has working interests in 72 properties that in aggregate produced 1,844 boe/d in the first quarter. Two properties (Hayter and Pembina Cardium Unit No. 9) accounted for approximately 40% of these volumes. Production from working interest properties declined 12% in the first quarter, largely due to the lack of development activity at Hayter last year, pending sale of the operator’s interest in the property. Rife Resources Ltd. (the Manager of Freehold) has taken over as operator and development drilling will commence early in the third quarter of 2002. 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, an active infill-drilling program is nearing completion. Over the past two years, a total of 33 (3.3 net) wells have been drilled, including 5 (0.5 net) wells in the first quarter of 2002. Two locations remain to be drilled this year. Production at Pembina increased 22% in the first quarter, due to the success of this infill-drilling program.

Outlook

In our fourth quarter report, we estimated that cash distributions for 2002 would total \$1.00 per Trust Unit, based on certain assumptions relating to volumes and prices. Since February, commodity prices have risen and continue to demonstrate strength; however, global events provide continued uncertainty. Improved realizations have enabled the Trust to increase the regular monthly distribution to \$0.10 per Trust Unit and declare an extra distribution of \$0.04 per Trust Unit for the month of May. In light of the current outlook for commodity prices, Freehold is revising its distribution estimate for 2002, as summarized in the following table.

Distribution Outlook	Revised (May 1, 2002)	Previous (February 21, 2002)
2002 Assumptions		
Average daily production (boe/d)	6,000	6,000
Average WTI oil price (US\$/bbl)	22.80	19.30
Average AECO natural gas price (C\$/bbl)	3.50	3.00
Average light/heavy oil price differential (C\$/bbl)	7.00	8.00
Average Canadian/US dollar exchange rate	0.628	0.628
Estimated cash distributions (\$ per Unit)	1.24	1.00

We will evaluate our distribution outlook throughout the year and provide additional guidance as warranted. The regular monthly distribution is currently fixed 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. 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 can be found on page 27 of the Trust’s 2001 annual report to Unitholders.

Over the past five years, our strategy has remained consistent, regardless of commodity price cycles. Our low cost structure continues to provide superior netbacks and returns to Unitholders. As evidenced by our first quarter results, the new properties acquired in 2001 have been strong contributors to the performance of the Trust. Our goals in 2002 are to pursue opportunities to add high quality assets to the Trust, striving to achieve the highest level of distributable income for our Unitholders.

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

David J. Sandmeyer
President & Chief Executive Officer

May 1, 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)	March 31 2002	December 31 2001
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 108	\$ 260
Accounts receivable	11,203	9,074
	11,311	9,334
Reclamation fund	915	884
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$116,595 (2001 – \$111,316)	220,649	225,367
	\$ 232,875	\$ 235,585
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	\$ 2,411	\$ 3,013
Accounts payable and accrued liabilities	2,497	2,005
	4,908	5,018
Provision for future site restoration	1,177	1,125
Long-term debt (note 3)	33,000	33,000
Unitholders' equity (note 4)	193,790	196,442
	\$ 232,875	\$ 235,585

Combined Statements of Unitholders' Equity

(\$000s)	Three Months Ended March 31 2002	Year Ended December 31 2001
	(Unaudited)	
Unitholders' equity, beginning of period	\$ 196,442	\$ 183,029
Net income	4,520	27,299
Distributions to Unitholders	(7,231)	(45,264)
Issue of new Trust Units	59	31,378
Unitholders' equity, end of period	\$ 193,790	\$ 196,442

Combined Statements of Income

(\$000s, Except per Unit Data)	Three Months Ended March 31	
	2002	2001
	(Unaudited)	(Unaudited)
Revenue:		
Royalty income and working interest sales	\$ 12,844	\$ 19,001
Royalty expense (net of ARC)	(513)	(1,301)
	12,331	17,700
Other expenses:		
Operating	1,038	1,089
General and administrative	911	614
Interest on long-term debt	236	591
Other interest	2	7
Capital taxes and other expenses	34	9
	2,221	2,310
Funds generated from operations	10,110	15,390
Depletion and depreciation	5,279	4,767
Provision for future site restoration	80	91
Management fee	231	178
Net income	\$ 4,520	\$ 10,354
Net income per Trust Unit, basic and diluted	\$ 0.15	\$ 0.39

Combined Statements of Cash Flows

(\$000s)	Three Months Ended March 31	
	2002	2001
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating:		
Net income	\$ 4,520	\$ 10,354
Items not involving cash:		
Depletion and depreciation	5,279	4,767
Provision for future site restoration	80	91
Trust Units issued in lieu of management fee	231	178
Funds generated from operations	10,110	15,390
Changes in non-cash operating working capital	(1,809)	(559)
	8,301	14,831
Financing:		
Distributions paid	(7,833)	(10,691)
	(7,833)	(10,691)
Investing:		
Development expenditures	(560)	(1,084)
Deposit on acquisition	-	(2,763)
Site reclamation fund contributions	(60)	(60)
	(620)	(3,907)
Increase (decrease) in cash	(152)	233
Cash, beginning of period	260	280
Cash, end of period	\$ 108	\$ 513

Notes to Interim Combined Financial Statements

For the period ended March 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 \$33.0 million was drawn at March 31, 2002. Borrowings under the facility bear interest at the Bank’s prime lending rate, bankers’ acceptance or LIBOR rates plus applicable margins, ranging from 75 to 150 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 March 31, 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

The only transaction affecting outstanding units in the quarter ending March 31, 2002 is the issuance of 5,764 Trust Units in partial payment of the management fee to Rife Resources Management Ltd. (the Manager of the Trust). The remaining management fee of \$172,000 is included in accounts payable and accrued liabilities, and will be paid through the issuance of 16,736 Trust Units in the next accounting period.

During the quarter, the Manager charged the Trust \$572,000 in general and administrative costs. At March 31, 2002 there was \$349,000 in accounts payable relating to these costs.

As at March 31, 2002, options to purchase 1,145,000 Trust Units were outstanding with 15,000 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 15,000 of the outstanding options are fully vested and priced at \$6.65, with an expiry date of August 12, 2003.

The weighted average number of Trust Units outstanding for the quarter ending March 31, 2002 was 30,129,300 (2001 – 26,728,222).

5) Distributable Income

(\$000s, Except per Unit Data)	Three Months Ended March 31	
	2002	2001
	(Unaudited)	(Unaudited)
Funds generated from operations	\$ 10,110	\$ 15,390
Deduct:		
Site reclamation fund contributions	(60)	(60)
Provision for capital expenditures	(600)	(1,100)
Income available for distribution	\$ 9,450	\$ 14,230
Per Trust Unit	\$ 0.31	\$ 0.53
Deposit on acquisition	-	(2,763)
Working capital change	(2,219)	(774)
Distributable income	\$ 7,231	\$ 10,693
Per Trust Unit	\$ 0.24	\$ 0.40

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, Faculty of Management
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: (403) 267-6555
Fax: (403) 267-6592
Toll Free: 1-888-267-6555
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

Income Tax Information

Information regarding tax treatment of distributions is available on Freehold's website or by contacting Freehold directly.

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

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Website

www.freeholdtrust.com

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: FRU.UN

First Quarter Trading Summary

High – \$10.35
Low – \$9.00
Close – \$10.25
Volume – 1,828,600

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