



Quarterly Report for the period ended September 30, 2001

**Third Quarter Highlights**

- ◆ Production up 12% to 6,359 barrels of oil equivalent per day
- ◆ Distributable income up 24% to \$0.41 per Trust Unit
- ◆ Commodity prices down 19% to \$27.26 per barrel of oil equivalent

	Three Months Ended September 30			Nine Months Ended September 30		
	2001	2000	% Change	2001	2000	% Change
<b>Financial</b>						
<i>(\$000s except per Trust Unit)</i>						
Total revenue	15,254	16,897	-10	47,992	44,622	+8
Royalty lands income	11,279	10,492	+8	34,382	28,820	+19
Working interest sales (net of royalties)	3,975	6,405	-38	13,610	15,802	-14
Less: operating expenses	1,184	1,124	+5	3,248	3,119	+4
Working interest income	2,791	5,281	-47	10,362	12,683	-18
Operating income	14,070	15,773	-11	44,744	41,503	+8
Funds generated from operations	13,130	14,472	-9	41,504	37,541	+11
Per Trust Unit	0.44	0.54	-19	1.46	1.41	+4
Income available for distribution	12,020	12,812	-6	38,774	33,161	+17
Per Trust Unit	0.40	0.48	-17	1.37	1.24	+10
Distributable income	12,337	8,809	+40	36,230	24,541	+48
Per Trust Unit	0.41	0.33	+24	1.26	0.92	+37
<b>Operating</b>						
Production						
Crude oil (Bbls/d)	4,098	3,465	+18	3,806	3,329	+14
NGLs (Bbls/d)	443	337	+31	369	328	+13
Natural gas (Mmcf/d)	10.9	11.2	-3	11.2	11.1	+1
Oil equivalent (Boe/d) *	6,359	5,671	+12	6,042	5,500	+10
Potash (Tonnes/d)	6.3	6.8	-7	8.8	11.9	-26
Average prices (\$Cdn.)						
Crude oil (\$/Bbl)	31.57	36.29	-13	26.61	34.78	-23
NGLs (\$/Bbl)	23.03	33.01	-30	32.34	30.22	+7
Natural gas (\$/Mcf)	3.09	4.82	-36	6.47	3.83	+69
Oil equivalent (\$/Boe) *	27.26	33.66	-19	30.73	30.56	+1
Potash (\$/Tonne)	139.61	156.28	-11	154.16	145.72	+6

\* Most Canadian companies have now adopted the international standard of converting natural gas to equivalent barrels of oil at a ratio of six thousand cubic feet to one barrel (6:1). This ratio more closely reflects the relative energy content of natural gas. In this report, references to barrels of oil equivalent (Boe) use the 6:1 ratio.

## Report to Unitholders

### Distribution Update

As announced on October 15, 2001, Freehold's monthly distribution rate is currently fixed at \$0.10 per Trust Unit. Following a review of third quarter results and commodity prices to date in the fourth quarter, the Board of Directors has determined that no extra distribution will be paid for the third quarter 2001. Including the distribution for the month of November (payable December 15 to Unitholders of record on November 30, 2001), the trailing 12-month-distribution is \$1.66 per Trust Unit, representing a 17.8% cash-on-cash yield at current Trust Unit prices. Since its inception in November 1996, the Trust has distributed a total of \$5.44 per Trust Unit.

### Management's Discussion and Analysis (MD&A)

The following discussion is management's opinion about Freehold Resources Ltd. ("Resources") and Freehold Royalty Trust (the "Trust") operating and financial results for the three months and nine months ended September 30, 2001 and previous periods, and the outlook for the Trust 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, 2000 and 1999, together with the accompanying notes. These are included on pages 17 through 26 of the Trust's 2000 annual report to Unitholders.

### Results of Operations

**Production** – Average daily production for the third quarter of 2001 increased 12% from the third quarter of 2000. Production from royalty properties was 28% higher, primarily as a result of the acquisition in Southeast Saskatchewan. Working interest production declined 13%, as the operator at Hayter cancelled its development activity.

#### Average Daily Production

	Three Months Ended			Nine Months Ended		
	September 30 2001	2000	% Change	September 30 2001	2000	% Change
<b>Royalty Lands</b>						
Crude oil and NGLs (Bbls/d)	<b>3,123</b>	2,230	+40	<b>2,710</b>	2,183	+24
Natural gas (Mmcf/d)	<b>8.1</b>	7.6	+7	<b>8.0</b>	7.8	+3
Oil equivalent (Boe/d)	<b>4,467</b>	3,497	+28	<b>4,044</b>	3,475	+16
<b>Working Interest Lands</b>						
Crude oil and NGLs (Bbls/d)	<b>1,419</b>	1,573	-10	<b>1,465</b>	1,474	-1
Natural gas (Mmcf/d)	<b>2.8</b>	3.6	-22	<b>3.2</b>	3.3	-3
Oil equivalent (Boe/d)	<b>1,892</b>	2,174	-13	<b>1,998</b>	2,025	-1
<b>Total Trust (Boe/d)</b>	<b>6,359</b>	5,671	+12	<b>6,042</b>	5,500	+10

**Pricing** – For the third quarter of 2001, Benchmark West Texas Intermediate (WTI) oil prices averaged US\$26.49 per barrel, down 16% from last year. For the year to date, WTI averaged US\$27.72 per barrel, 7% lower than the first nine months of 2000. The third quarter also saw a widening of the light/heavy oil price differential, which affects one-third of the Trust's total production. As a result, Freehold's third quarter crude oil and natural gas liquids realization averaged C\$30.74 per barrel, 15% lower than the third quarter last year. North American natural gas prices continued to slide lower during the third quarter, as a cooler than usual summer resulted in increased injections to natural gas storage.

#### Average Prices

(\$Cdn.)	Three Months Ended			Nine Months Ended		
	September 30 2001	2000	% Change	September 30 2001	2000	% Change
Crude oil (\$/Bbl)	<b>31.57</b>	36.29	-13	<b>26.61</b>	34.78	-23
NGLs (\$/Bbl)	<b>23.03</b>	33.01	-30	<b>32.34</b>	30.22	+7
Natural gas (\$/Mcf)	<b>3.09</b>	4.82	-36	<b>6.47</b>	3.83	+69
Oil equivalent (\$/Boe)	<b>27.26</b>	33.66	-19	<b>30.73</b>	30.56	+1

**Revenue** – Total revenue for the third quarter of 2001 was down 10% from the prior year as revenue from higher production volumes was offset by Freehold’s lower realized prices. However, for the year to date, revenue was 8% higher than the first nine months of last year. Royalty interest revenue was up 8% for the quarter and up 19% for the first nine months, compared with the same periods last year. Revenue from working interest properties declined 38% from the third quarter of 2000 and 14% year-over-year.

### Gross Revenue Variances

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2001 vs. 2000	2000 vs. 1999	2001 vs. 2000	2000 vs. 1999
Crude oil and NGL				
Production increase	<b>2,089</b>	1,951	<b>3,737</b>	4,285
Price (decrease) increase	<b>(1,840)</b>	3,229	<b>(7,259)</b>	13,549
Net increase (decrease)	<b>249</b>	5,180	<b>(3,522)</b>	17,834
Natural gas				
Production (decrease) increase	<b>(87)</b>	180	<b>176</b>	(148)
Price (decrease) increase	<b>(1,777)</b>	2,171	<b>7,981</b>	4,734
Net (decrease) increase	<b>(1,864)</b>	2,351	<b>8,157</b>	4,586
Gross revenue (decrease) increase	<b>(1,615)</b>	7,531	<b>4,635</b>	22,420

**Royalties** – 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 expense on working interest properties totaled \$0.9 million for the third quarter, unchanged from the same period a year ago. On a year-over-year basis, total royalties were 43% higher compared with the first nine months of 2000, reflecting the price sensitive rate structure of these royalties. As a percentage of gross revenue, royalties were 4% higher than the third quarter last year, but 16% lower on a barrel of oil equivalent basis due to higher production volumes in the third quarter of 2001.

### Royalty Expenses

	Three Months Ended September 30			Nine Months Ended September 30		
	2001	2000	% Change	2001	2000	% Change
Total royalties, net (\$000s)	<b>0.9</b>	0.9	-	<b>3.3</b>	2.3	+43
As a percentage of gross revenue	<b>5.5%</b>	5.3%	+4	<b>6.4%</b>	5.1%	+25
Per oil equivalent (\$/Boe)	<b>1.50</b>	1.78	-16	<b>1.97</b>	1.56	+26

**Operating Costs** – Operating costs averaged \$2.02 per barrel of oil equivalent in the third quarter, down 6% from the same period in 2000. Freehold does not incur operating costs on its royalty lands. Operating costs for working interest properties rose 9% from the third quarter of 2000 (21% on a per barrel of oil equivalent basis), primarily due to the affect of fixed costs on lower working interest production volumes. Operating costs for the nine months ended September 30, 2001 were 5% lower than the same period last year, reflecting higher royalty production volumes year-over-year.

### Operating Costs

	Three Months Ended September 30			Nine Months Ended September 30		
	2001	2000	% Change	2001	2000	% Change
Working interest (\$000s)	<b>1.2</b>	1.1	+9	<b>3.2</b>	3.1	+3
Per oil equivalent (\$/Boe)	<b>6.80</b>	5.62	+21	<b>5.96</b>	5.62	+6
Royalty interest (\$000s)	-	-	-	-	-	-
Per oil equivalent (\$/Boe)	-	-	-	-	-	-
Total operating costs (\$000s)	<b>1.2</b>	1.1	+9	<b>3.2</b>	3.1	+3
Per oil equivalent (\$/Boe)	<b>2.02</b>	2.15	-6	<b>1.97</b>	2.07	-5
As a percentage of revenue	<b>7.5%</b>	6.3%	+19	<b>6.3%</b>	6.7%	-6

**Cash Flow** – In the third quarter of 2001, funds generated from operations were 9% lower than the same period last year, a function of the current weak commodity price environment. Royalty lands provided 82% of cash flow for the quarter. For the nine months ended September 30, 2001, funds generated from operations increased 11% from the same period in 2000. The year-over-year increase results from higher royalty production from acquisitions and higher prices in the first half of 2001. On a barrel of oil equivalent basis, funds from operations for the quarter were \$22.44, down 19% from \$27.73 a year ago.

**Netbacks** – Freehold’s operating netback for the third quarter decreased 20% to \$24.06 per barrel of oil equivalent from \$30.24 for the same period in 2000. The decline is attributable to lower commodity prices, including an increase in the price differential between light and heavy oil during the third quarter of 2001. For the nine months ended September 30, 2001, the Trust’s operating netback was \$27.13 per barrel of oil equivalent, relatively flat compared with \$27.55 for the same period last year.

### Operating Netbacks

(\$/Boe)	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2001	2000	Change	2001	2000	Change
Oil and gas sales	<b>27.26</b>	33.66	-19	<b>30.73</b>	30.56	+1
Royalty and mineral taxes	<b>(1.58)</b>	(1.79)	-12	<b>(2.11)</b>	(1.58)	+34
ARC and other income	<b>0.40</b>	0.52	-23	<b>0.48</b>	0.64	-25
Total revenues	<b>26.08</b>	32.39	-19	<b>29.10</b>	29.62	-2
Operating costs	<b>(2.02)</b>	(2.15)	-6	<b>(1.97)</b>	(2.07)	-5
Operating netback	<b>24.06</b>	30.24	-20	<b>27.13</b>	27.55	-2

**General and Administrative Expenses** – General and administrative (G&A) expenses for the third quarter of 2001 were unchanged year over year, but 15% lower on a barrel of oil equivalent basis. This improvement is attributable to higher production volumes compared with last year.

### G&A Expenses

	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2001	2000	Change	2001	2000	Change
G&A expenses (\$000s)	<b>0.5</b>	0.5	-	<b>1.7</b>	1.6	+6
As a percentage of revenue	<b>3.2%</b>	3.0%	+7	<b>3.3%</b>	3.5%	-6
Per oil equivalent (\$/Boe)	<b>0.87</b>	1.02	-15	<b>1.00</b>	1.07	-7
Per Trust Unit (\$)	<b>0.017</b>	0.020	-15	<b>0.058</b>	0.061	-5

**Management Fees** – The Manager of the Trust continues to receive its management fee in Trust Units. During the third quarter of 2001, the Manager received 22,500 Trust Units as the management fee. For the nine months ended September 30, 2001, 63,736 Trust Units were issued as payment of the management fee. The issuance of 3.3 million Trust Units in May resulted in a pro-rata increase in the management fee in accordance with the Management Contract.

### Management Fees

	Three Months Ended			Nine Months Ended		
	September 30		%	September 30		%
	2001	2000	Change	2001	2000	Change
Management fees (\$000s)	<b>0.2</b>	0.2	0	<b>0.6</b>	0.5	+20
As a percentage of revenue	<b>1.3%</b>	1.0%	+30	<b>1.1</b>	1.0	+10
As a percentage of distributable revenue	<b>1.6%</b>	1.9%	-16	<b>1.6</b>	1.8	-11
Per oil equivalent (\$/Boe)	<b>0.34</b>	0.33	+3	<b>0.35</b>	0.30	+17
Per Trust Unit (\$)	<b>0.007</b>	0.006	+17	<b>0.020</b>	0.017	+18

**Net Income** – Net income for the third quarter of 2001 was \$7.1 million (\$0.24 per Trust Unit), compared with \$9.2 million (\$0.34 per Trust Unit) in the third quarter of 2000. The decrease in net income reflects lower prices, partially offset by higher production volumes, compared with the third quarter last year. Net income for the first nine months of 2001 increased 11% to \$24.9 million (\$0.88 per Trust Unit) compared with \$22.3 million (\$0.84 per Trust Unit) in the same period in 2000. The year-over-year increase is attributable to higher natural gas prices in the first quarter of 2001 and higher production volumes in 2001 compared with the first nine months of 2000.

**Reclamation Fund** – To fund Freehold’s ongoing environmental obligations on working interest lands, quarterly cash payments are made to a reclamation fund. For the third quarter of 2001, a total of \$60,000 (Q3 2000 - \$60,000) was paid into the reclamation account and no site restoration expenses (Q3 2000 - \$22,000) were paid from the fund. The balance in the fund at end of the quarter was \$848,000. No reclamation expenses are incurred on the royalty lands.

**Unitholder Taxation** – By utilizing available tax deductions, cash distributions in the Trust’s initial years were sheltered from income tax. Over time, an increasing percentage of the annual distributions will become taxable. It is estimated that approximately 50% to 55% of distributable income will become taxable in 2001. Unitholders will be advised after completion of accounting for the year as to the exact portion of year 2001 distributions that are taxable (information to be available in mid February 2002).

**Distributable Income** – Freehold distributed \$12.3 million (\$0.41 per Trust Unit) to Unitholders during the third quarter of 2001. On a per unit basis, these distributions are 24% higher than the third quarter of 2000. In the first nine months of 2001, Freehold distributed \$36.2 million (\$1.26 per Trust Unit), a 37% increase per Trust Unit over the same period last year, despite the issuance of 3.3 million new Trust Units in 2001.

Reconciliation of Distributable Income Change (2001 vs. 2000)	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2001
Distributable income for the period ended September 30, 2000	\$ 0.3300	\$ 0.9200
Impact of changes in commodity prices	(0.0820)	0.0210
Effect of changes in production	0.0456	0.0819
Impact of interest, expenses and other charges	0.0060	0.0124
Capital expenditures and site reclamation contributions	0.0125	0.0480
Working capital change	0.0979	0.1767
Distributable income for the period ended September 30, 2001	\$ 0.4100	\$ 1.2600

**Capital Expenditures** – Freehold’s provision for capital expenditures (excluding acquisitions) during the third quarter of 2001, totaled \$1.1 million, down from \$1.2 million for the same period last year. All capital expenditures were related to working interest properties and were funded entirely from cash flow. Freehold has spent \$2.5 million on capital expenditures year-to-date. Capital expenditures in the fourth quarter are anticipated to be approximately \$0.7 million, which would bring total capital expenditures for 2001 to \$3.2 million.

**Liquidity and Capital Resources** – Freehold’s long-term debt outstanding at September 30, 2001 was \$31.0 million, down \$7.0 million from December 31, 2000. Working capital at the end of the third quarter totaled \$7.8 million, resulting in net debt obligations of \$23.2 million. The ratio of net debt to trailing cash flow of 0.4:1 reflects the Trust’s strong financial condition.

## Developments

**Drilling Activity** – A total of 146 wells (3.4 net) were drilled on Freehold’s lands during the third quarter of 2001 compared with 120 wells (5.8 net) in the third quarter of 2000. In the first nine months of this year, a total of 421 wells (11.5 net) were drilled, compared with 424 (14.9 net) during the same period in 2000.

**Activity on Royalty Lands** – Industry operators drilled a total of 135 (1.9 net) royalty wells (including unitized wells) on Freehold lands in the third quarter of 2001 versus 104 (3.4 net) in the same period of 2000. In the first nine months of 2001, a total of 377 royalty wells (8.3 net) were drilled.

**Activity on Working Interest Properties** – Freehold participated in the drilling of 11 working interest wells (1.5 net) during the quarter, down from 16 (2.4 net) wells drilled in the third quarter of 2000. In the quarter, working interest production declined by 200 barrels of oil equivalent at Hayter, Alberta (100 barrels of oil equivalent year-to-date) due to the lack of development activity this year. Before year-end, Rife Resources Ltd. (the Manager of the Trust) will take over as operator of the Hayter property, in which the Trust owns a 23.52% working interest. This change will ensure continuity in the future development of this property.

The infill drilling program at Pembina Cardium Unit #9 in Alberta has been increased to 36 wells (3.6 net). To the end of the third quarter, 29 wells (2.9 net) have been drilled. The remaining 7 wells (0.7 net) will be drilled in early 2002.

## **Subsequent Event**

Effective November 1, 2001, Freehold acquired approximately 140 barrels of oil equivalent per day of royalty production in the Hayter property and 20 barrels of oil equivalent per day of miscellaneous royalty and working interest production in proximal properties. The acquired production was purchased from Rife Resources Ltd. for \$4.2 million. This acquisition will be funded through Freehold's existing bank facilities.

## **Industry Outlook**

The tragedy of the terrorist attacks in the United States on September 11 and subsequent global events have dramatically affected our lives, from both a personal and economic perspective. The events exacerbated the business slowdown that was already underway in North America. We have seen an immediate impact in most sectors of the economy. Business activity has dropped dramatically and job losses are in the hundreds of thousands.

In the energy sector, crude oil and natural gas markets are expected to remain depressed in the short term, with global events contributing to economic uncertainty. Light/heavy oil price differentials have recently increased to the C\$15.00 per barrel range, negatively affecting the Trust's current netbacks for heavy oil. However, we remain convinced that this differential will improve during 2002.

While industry drilling activity has slowed in the fourth quarter, 2001 will still be a record or near record year for drilling in Western Canada. Lower anticipated commodity prices in 2002 will reduce industry cash flows and thus the amount of capital for reinvestment. The Canadian Association of Oilwell Drilling Contractors is forecasting a 20% reduction in drilling activity in 2002.

Freehold's royalty properties and the assets acquired earlier this year continue to strengthen the performance of your Trust. At the end of the third quarter, the ratio of net debt to trailing cash flow was 0.4:1, among the lowest in our peer group. This balance sheet strength will enable Freehold to capitalize on potential acquisition opportunities. However, even without an acquisition, we expect to maintain production levels at or above 6,000 barrels of oil equivalent (6:1 basis) through 2002.

## **Distribution Outlook**

For the fourth quarter of 2001, Freehold is assuming a WTI oil price of US\$21.40 per barrel and an AECO natural gas price of C\$3.50 per thousand cubic feet. Based on these assumptions and a production forecast for the fourth quarter of 6,400 barrels of oil equivalent per day (6:1 basis), Freehold estimates approximately \$1.56 per Trust Unit will be distributed to Unitholders in 2001.

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

David J. Sandmeyer  
President & Chief Executive Officer

November 14, 2001

## Combined Balance Sheets

(\$000s)	September 30 2001	December 31 2000
	(Unaudited)	
<i>Assets</i>		
Current assets:		
Cash	\$ 439	\$ 280
Accounts receivable	13,228	12,261
	13,667	12,541
Reclamation fund	848	745
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$105,712 (2000 - \$89,914) (note 2)	226,212	214,070
	\$ 240,727	\$ 227,356
<i>Liabilities and Unitholders' Equity</i>		
Current liabilities:		
Distributions payable to unitholders	\$ 3,613	\$ 2,673
Accounts payable and accrued liabilities	2,210	2,780
	5,823	5,453
Provision for future site restoration	1,065	874
Long-term debt	31,000	38,000
Unitholders' equity (note 3)	202,839	183,029
	\$ 240,727	\$ 227,356

## Combined Statements of Unitholders' Equity

(\$000s, Except Unit Data)	September 30 2001		December 31 2000	
	Units	Dollars	Units	Dollars
	(Unaudited)			
Unitholders' equity, beginning of period	26,728,000	\$ 183,029	26,648,000	\$ 185,938
Net income	-	24,869	-	31,692
Distributions to unitholders	-	(36,230)	-	(35,226)
Issue of new Trust Units (note 3)	3,300,000	31,845	-	-
Issue cost of new Trust Units	-	(1,343)	-	-
Trust Units issued upon exercise of options	15,000	100	-	-
Trust Units issued in lieu of management fee	63,736	569	80,000	625
	30,106,736	\$ 202,839	26,728,000	\$ 183,029

## Combined Statements of Income

(\$000s, Except per Unit Data)	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Royalty income	\$ 11,279	\$ 10,492	\$ 34,382	\$ 28,820
Working interest sales (net of royalties)	3,975	6,405	13,610	15,802
Operating expenses	1,184	1,124	3,248	3,119
Working interest income	2,791	5,281	10,362	12,683
	<b>14,070</b>	15,773	<b>44,744</b>	41,503
Other expenses:				
Administrative	508	530	1,656	1,616
Interest on long-term debt	394	728	1,514	2,025
Other interest	6	-	16	26
Capital taxes and other expenses	32	43	54	295
	<b>940</b>	1,301	<b>3,240</b>	3,962
Funds generated from operations	<b>13,130</b>	14,472	<b>41,504</b>	37,541
Depletion and depreciation	5,746	5,036	15,798	14,499
Site restoration	87	102	268	280
Management fee	200	170	569	451
Net income	<b>\$ 7,097</b>	\$ 9,164	<b>\$ 24,869</b>	\$ 22,311
Net income per Trust Unit, basic and diluted	<b>\$ 0.24</b>	\$ 0.34	<b>\$ 0.88</b>	\$ 0.84

## Combined Statements of Distributable Income

(\$000s, Except per Unit Data)	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Funds generated from operations	\$ 13,130	\$ 14,472	\$ 41,504	\$ 37,541
Deduct:				
Site reclamation fund contributions	(60)	(60)	(180)	(180)
Provision for capital expenditures	(1,050)	(1,600)	(2,550)	(4,200)
Income available for distribution	\$ 12,020	\$ 12,812	\$ 38,774	\$ 33,161
Income available for distribution per Trust Unit	\$ 0.40	\$ 0.48	\$ 1.37	\$ 1.24
Debt repayment	-	(1,414)	(2,288)	(3,764)
Working capital change	317	(2,589)	(256)	(4,856)
Distributable income	<b>\$ 12,337</b>	\$ 8,809	<b>\$ 36,230</b>	\$ 24,541
Distributable income per Trust Unit	<b>\$ 0.41</b>	\$ 0.33	<b>\$ 1.26</b>	\$ 0.92

## Combined Statements of Cash Flows

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operating:				
Net income	\$ 7,097	\$ 9,164	\$ 24,869	\$22,311
Items not involving cash:				
Depletion and depreciation	5,746	5,036	15,798	14,499
Site restoration	87	102	268	280
Trust Units issued in lieu of management fee	200	170	569	451
Funds generated from operations	13,130	14,472	41,504	37,541
Changes in non-cash operating working capital	50	(2,053)	(1,537)	(3,592)
	13,180	12,419	39,967	33,949
Financing:				
Issue of new Trust Units	-	-	31,845	-
Issue cost of new Trust Units	-	-	(1,343)	-
Trust Units issued upon exercise of options	-	-	100	-
Bank indebtedness	-	-	-	(2,350)
Long-term debt	-	(1,414)	(7,000)	3,712
Distributions paid	(12,334)	(8,272)	(35,290)	(23,734)
	(12,334)	(9,686)	(11,688)	(22,372)
Investing:				
Property and royalty acquisitions (note 2)	490	(200)	(25,400)	(5,326)
Development expenditures	(1,063)	(1,214)	(2,540)	(3,378)
Site reclamation fund contributions	(60)	(60)	(180)	(180)
	(633)	(1,474)	(28,120)	(8,884)
Increase in cash	213	1,259	159	2,693
Cash, beginning of period	226	1,502	280	68
Cash, end of period	\$ 439	\$ 2,761	\$ 439	\$ 2,761

## NOTES TO INTERIM COMBINED FINANCIAL STATEMENTS

For the period ended September 30, 2001

### 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, 2000. 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, 2000.

### 2) PROPERTY AND ROYALTY ACQUISITION

On April 30, 2001, the Trust completed an acquisition of producing mineral title and gross overriding royalty properties and undeveloped land for \$27.6 million. After purchase price adjustments, including \$0.5 million in the third quarter of 2001, the net acquisition cost to the Trust was \$25.4 million.

### 3) ISSUANCE OF NEW TRUST UNITS

On May 17, 2001, the Trust closed the issuance of 3.3 million new Trust Units at a price of \$9.65 per Trust Unit for gross proceeds of \$31.8 million (net of issuance costs - \$30.5 million). Proceeds of the offering were used to repay debt.

## Unitholder Information

Trust Unit Information	Three Months Ended			
	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000
<b>Trust Unit Prices</b>				
High	\$9.64	\$10.10	\$10.00	\$9.15
Low	\$8.00	\$8.50	\$8.35	\$8.00
Close	\$8.90	\$9.00	\$8.90	\$8.70
Volume (TSE) (000's)	2,077	2,801	1,430	1,364
Trust Units Outstanding	30,106,736	30,084,236	26,748,000	26,728,000

2001 Distributions	Record Date	Payment Date	Per Trust Unit
January, 2001	Jan. 31, 2001	Feb. 15, 2001	\$0.10
February, 2001	Feb. 28, 2001	Mar. 15, 2001	\$0.10
<b>Extra Distribution</b>	<b>Feb. 28, 2001</b>	<b>Mar. 15, 2001</b>	<b>\$0.10</b>
March, 2001	Mar. 31, 2001	Apr. 15, 2001	\$0.10
April, 2001	Apr. 30, 2001	May 15, 2001	\$0.10
May, 2001	May 31, 2001	June 15, 2001	\$0.12
<b>Extra Distribution</b>	<b>May 31, 2001</b>	<b>June 15, 2001</b>	<b>\$0.11</b>
June, 2001	June 30, 2001	July 15, 2001	\$0.12
July, 2001	July 31, 2001	Aug. 15, 2001	\$0.12
August, 2001	Aug. 31, 2001	Sept. 15, 2001	\$0.12
<b>Extra Distribution</b>	<b>Aug. 31, 2001</b>	<b>Sept. 15, 2001</b>	<b>\$0.05</b>
September, 2001	Sept. 30, 2001	Oct. 15, 2001	\$0.12
October, 2001	Oct. 31, 2001	Nov. 15, 2001	\$0.10
November, 2001	Nov. 30, 2001	Dec. 15, 2001	\$0.10
<b>2001 Year-To-Date Total</b>			<b>\$1.46</b>
<b>Year-To-Date Since Inception</b>			<b>\$5.44</b>

### Income Tax Information

Unitholders can obtain information on the tax treatment of distributions from Freehold's website at [www.freeholdtrust.com](http://www.freeholdtrust.com) or by contacting Freehold.

**Forward-Looking Statements** – Certain information regarding Freehold set forth in this document, including management's assessment of Freehold's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain 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. 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.

## Corporate Information

### Directors

**D. Nolan Blades**<sup>1, 2</sup>  
Independent Businessman

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

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

**Peter T. Harrison**<sup>1</sup>  
Senior Vice-President,  
Montrusco Bolton Inc.

**Dr. P. Michael Maher**<sup>1, 2</sup>  
Professor, Faculty of Management  
University of Calgary

**David J. Sandmeyer**  
President  
Rife Resources Ltd.

**William W. Siebens**<sup>2</sup>  
President & C.E.O.  
Candor Investments Ltd.

<sup>1</sup> Audit Committee

<sup>2</sup> 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 – 8<sup>th</sup> 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](mailto:laura.leong@computershare.com)  
Website: [www.computershare.com](http://www.computershare.com)

### Officers

**William W. Siebens**  
Chairman of the Board

**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 - 4<sup>th</sup> 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](mailto:ir@freeholdtrust.com)

### Website

[www.freeholdtrust.com](http://www.freeholdtrust.com)

### Stock Exchange Listing

The Toronto Stock Exchange  
Trading Symbol: FRU.UN

### Trustee

Montreal 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