

Q4

report

FREEHOLD ROYALTY TRUST

Interim Report for the period ended December 31, 2000

Fourth Quarter Highlights

- ◆ Funds generated from operations rose 49% to \$14.4 million
- ◆ Production increased 12% to 4,852 barrels of oil equivalent per day
- ◆ Distributable income was 29% higher at \$10.7 million (\$0.40 per Trust Unit)
- ◆ \$5.0 million applied to debt reduction

	Three Months Ended			Year Ended		
	Dec. 31, 2000	Dec. 31, 1999	% Change	Dec. 31, 2000	Dec. 31, 1999	% Change
Financial						
(\$000s except per Trust Unit)						
Total Revenue	16,572	11,484	+44	61,194	35,270	+74
Royalty lands income	11,167	7,516	+49	39,987	22,075	+81
Working interest sales (net of royalties)	5,405	3,968	+36	21,207	13,195	+61
Less: Operating expenses	962	866	+11	4,080	3,555	+15
Working interest income	4,443	3,102	+43	17,127	9,640	+78
Operating income	15,610	10,618	+47	57,114	31,715	+80
Funds generated from operations	14,401	9,696	+49	51,943	27,350	+90
Income available for distribution	13,381	8,958	+49	46,542	26,207	+78
per Trust Unit	0.50	0.34	+47	1.74	0.98	+78
Distributable income	10,685	8,256	+29	35,226	20,757	+70
per Trust Unit	0.40	0.31	+29	1.32	0.78	+69
Operating						
Production						
Crude oil and NGL's (Bbls/d)	3,747	3,251	+15	3,680	3,223	+14
Natural gas (Mmcf/d)	11.0	10.9	+1	11.0	11.2	-2
Barrels of oil equivalent (Boe/d)	4,852	4,340	+12	4,785	4,338	+10
Average Prices (\$Cdn.)						
Crude oil and NGL's (\$/Bbl)	28.89	28.53	+1	32.97	21.37	+54
Natural gas (\$/Mcf)	7.32	3.06	+139	4.71	2.48	+90
Barrels of oil equivalent (\$/Boe)	38.97	29.05	+34	36.22	22.25	+63

RESERVES (as at December 31, 2000)	Proven	Probable (1)	Established
Oil and NGLs (Mbbbls)	15,064	3,311	18,375
Natural Gas (Mmcf)	50,746	7,905	58,651
Total (Mboe) (2)	20,139	4,102	24,240
Potash (Mtonnes)	68,857	-	68,857

(1) Probable reserves risked at 50%

(2) 10 mcf = 1 barrel of oil equivalent

Report to Unitholders

Financial Results

Funds generated from operations increased 49% to \$14.4 million in the fourth quarter of 2000, as compared to \$9.7 million in 1999. For the year ended December 31, 2000, funds from operations were \$51.9 million, up 90% over \$27.4 million during 1999. These record financial results reflect the impact of strong commodity prices and higher production volumes year-over-year. During the fourth quarter, the West Texas Intermediate (WTI) price of oil averaged U.S.\$31.86 per barrel versus U.S.\$24.51 per barrel in the fourth quarter of 1999. However, Freehold's average crude oil and natural gas liquids price averaged \$28.89 per barrel of oil equivalent as a result of the price differential between light and heavy oil. The price differential increased 203% in the fourth quarter of 2000 to average \$20.06 per barrel as compared to \$6.63 per barrel in the fourth quarter of 1999. The differential averaged \$9.97 per barrel for the full year 2000, up 145% over 1999's average of \$4.02 per barrel. Freehold's natural gas price increased 139% to average \$7.32 per thousand cubic feet during the fourth quarter, versus \$3.06 per thousand cubic feet in the fourth quarter of 1999.

Operating expenses for 2000 were \$2.33 per barrel of oil equivalent, up 4% from the 1999 average of \$2.24. General and administrative costs for the full year 2000 were basically unchanged at \$1.20 per barrel of oil equivalent versus \$1.19 in 1999. Management fees were \$0.35 per barrel of oil equivalent as compared to \$0.28 in 1999. This resulted in overall costs of \$3.88 per barrel of oil equivalent, compared to \$3.71 in 1999.

After deducting royalty expenses on the working interest properties of \$2.39 per barrel of oil equivalent and overall operating costs of \$2.15 per barrel of oil equivalent from income available for distribution, Freehold established a record netback of \$34.97 per barrel of oil equivalent during the fourth quarter of 2000.

Cash Distributions

Freehold distributed \$10.7 million (\$0.40 per Trust Unit) to Unitholders during the fourth quarter of 2000, up 29% from \$8.3 million (\$0.31 per Trust Unit) distributed in the fourth quarter of 1999. During the year the Trust had \$46.5 million (\$1.74 per Trust Unit) available for distribution and distributed \$35.2 million (\$1.32 per Trust Unit) to Unitholders, up 70% over \$20.8 million (\$0.78 per Trust Unit) in 1999.

The Board of Directors has declared a distribution of \$0.20 per Trust Unit, which will be paid on March 15, 2001 to all Unitholders of record on February 28, 2001. This represents the regular monthly distribution for the month of February of \$0.10 per Trust Unit, plus an extra distribution of \$0.10 per Trust Unit related to fourth quarter performance. The extra amount being paid is in accordance with the Trust's policy of paying a portion of cash available for distribution in excess of regular monthly distributions to Unitholders at the end of each quarter, and utilizing a portion to reduce debt. The monthly distribution is fixed at \$0.10 per Trust Unit until further notice.

Reconciliation of Distributable Income Change (2000 vs. 1999)	Three Months Ended Dec. 31	Year Ended Dec. 31
Distributable income for the period ended December 31, 1999	\$0.3100	\$0.7800
Impact of higher commodity prices	0.1369	0.7694
Effect of increased production	0.0533	0.2058
Impact of interest, production and other charges	(0.0142)	(0.0551)
Capital expenditures and site reclamation contributions	(0.0115)	(0.1607)
Debt re-payment and working capital change	(0.0745)	(0.2194)
Distributable income for the period ended December 31, 2000	\$0.4000	\$1.3200

Operating Results

Production for the fourth quarter rose 12% to average 4,852 barrels of oil equivalent compared to 4,340 barrels of oil equivalent in the fourth quarter of 1999. Production for the full year averaged 4,785 barrels of oil equivalent, up 10% over 4,338 barrels of oil equivalent in 1999. This increase reflects production added from acquisitions, as well as additions from new drilling. Approximately 77% of Freehold's production is crude oil and natural gas liquids and 23% is natural gas. During the fourth quarter of 2000, a total of 80 wells (3.7 net) were drilled on Freehold's properties as compared to 101 wells (4.3 net) in the fourth quarter of 1999. During the year 2000 a total of 504 wells (18.6 net) were drilled, compared to 319 wells (11.8 net) in 1999.

Royalty Lands – Royalty production increased 12% to 3,021 barrels of oil equivalent in the fourth quarter of 2000, compared to 2,694 barrels of oil equivalent in the fourth quarter of 1999. Full year royalty production averaged 2,974 barrels of oil equivalent up 13% from 2,634 barrels of oil equivalent in 1999. Industry operators drilled 66 gross wells on Freehold's lands during the fourth quarter, resulting in 2.0 net royalty wells. A total of 433 wells (10.0 net) were drilled during the full year 2000, as compared to 287 wells (10.8 net) in 1999.

Working Interest Properties – Working interest production rose 12% during the fourth quarter of 2000 to 1,831 barrels of oil equivalent versus 1,646 barrels of oil equivalent in the fourth quarter of 1999. Full year working interest production averaged 1,811 barrels of oil equivalent, up 6% from 1,704 barrels of oil equivalent in 1999. Freehold participated in the drilling of 14 working interest wells (1.7 net) during the quarter, as compared to five (0.9 net) in the fourth quarter of 1999. For the full year 2000, a total of 71 working interest wells (8.6 net) were drilled, up significantly from 32 wells (1.0 net) the prior year. The majority of this drilling took place at Hayter, Ribstone and Pembina Cardium Unit #9.

Reserves

Through acquisitions and development activities, Freehold replaced 114% of its annual production in 2000. The average cost of reserve additions during 2000 was \$5.28 per barrel of oil equivalent, compared to \$0.92 in 1999 as no acquisitions were completed during 1999. The three year average reserve replacement cost is \$3.53 per barrel of oil equivalent (\$5.07 per barrel of oil equivalent net of revisions). At year-end 2000 the Trust had a reserve life index of 13.8 years, one of the longest among the conventional oil and gas royalty trusts. At year-end 2000, established (total proven plus one-half probable) reserves, as determined by the independent engineering firm Grant Trimble Engineering Ltd., were approximately 24.2 million barrels of oil equivalent (using a ratio of ten thousand cubic feet of gas to one barrel of oil), down 3% from the previous year. Negative revisions of probable reserve estimates resulted in established reserves being reduced by 1.0 million barrels of oil equivalent. The present value of Freehold's established reserves, discounted at 12%, increased 36% from year-end 1999 to \$238 million at year-end 2000.

Outlook

Freehold exited the year 2000 with production rates at 4,984 barrels of oil equivalent per day, a 15% increase over the 1999 average. Strong industry drilling activity is expected to continue, which reflects positively on Freehold's results.

Freehold has entered into an agreement to purchase approximately 500 barrels of medium to light oil royalty production and an interest in 137,000 gross acres of undeveloped mineral title and royalty lands in southeast Saskatchewan. The total purchase price is \$27.6 million. According to the independent reserve report prepared by Sproule Associates Limited, the acquisition represents 1.5 million barrels of oil equivalent of established reserves with an economic life of over 20 years and an established reserve life index of 8.2 years. The Manager of Freehold believes the acquisition will be accretive to Unitholders. The acquisition has an effective date of January 1, 2001, and is expected to close on or about April 30, 2001 subject to normal closing conditions. Including production to be added from this acquisition upon closing, Freehold estimates 2001 production to average approximately 5,000 barrels of oil equivalent per day.

As a result of OPEC's strategy to increase production when oil prices were greater than U.S. \$28.00 per barrel, we anticipate some moderation in oil prices this year. Prices for natural gas are expected to remain at high levels throughout the year. Freehold has entered 2001 in a strong financial position with growth opportunities on both the high netback royalty properties and its working interest properties.

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

David J. Sandmeyer
President & Chief Executive Officer

February 14, 2001

Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	DECEMBER 31, 2000	DECEMBER 31, 1999
<i>Assets</i>		
Current assets:		
Cash	\$ 280	\$ 68
Accounts receivable	12,261	8,838
	12,541	8,906
Reclamation fund	745	566
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$89,914 (1999 - \$70,657)	214,070	222,840
	\$ 227,356	\$ 232,312
<i>Liabilities and Unitholders' Equity</i>		
Current liabilities:		
Distributions payable to Unitholders	\$ 2,673	\$ 1,865
Accounts payable and accrued liabilities	2,780	2,305
Bank indebtedness	-	2,350
	5,453	6,520
Provision for future site restoration	874	566
Long-term debt	38,000	39,288
Unitholders' equity	183,029	185,938
	\$ 227,356	\$ 232,312

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	DECEMBER 31, 2000		DECEMBER 31, 1999	
	Units	Dollars	Units	Dollars
Unitholders' equity, beginning of period	26,648,000	\$ 185,938	26,568,000	\$ 197,474
Net income	-	31,692	-	8,783
Distributions to Unitholders	-	(35,226)	-	(20,757)
Trust Units issued in lieu of management fee	80,000	625	80,000	438
	26,728,000	\$ 183,029	26,648,000	\$ 185,938
Unitholders' equity, end of period	26,728,000	\$ 183,029	26,648,000	\$ 185,938

Combined Statements of Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)		
Revenues:				
Royalty income	\$ 11,167	\$ 7,516	\$ 39,987	\$ 22,075
Working interest sales (net of royalties)	5,405	3,968	21,207	13,195
Operating expenses	962	866	4,080	3,555
Working interest income	4,443	3,102	17,127	9,640
	15,610	10,618	57,114	31,715
Other expenses:				
Administrative	481	326	2,097	1,882
Interest on long-term debt	647	550	2,672	2,155
Other interest	2	32	28	255
Capital taxes and other expenses	79	14	374	73
	1,209	922	5,171	4,365
Funds generated from operations	14,401	9,696	51,943	27,350
Depletion and depreciation	4,758	4,460	19,257	17,926
Site restoration	88	84	369	203
Management fee	174	119	625	438
Net income	\$ 9,381	\$ 5,033	\$ 31,692	\$ 8,783
Net income per Trust Unit, basic and diluted	\$ 0.35	\$ 0.19	\$ 1.19	\$ 0.33

Combined Statements of Distributable Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)		
Funds generated from operations	\$ 14,401	\$ 9,696	\$ 51,943	\$ 27,350
Deduct:				
Site reclamation fund contributions	(60)	(84)	(240)	(203)
Provision for capital expenditures	(960)	(654)	(5,161)	(940)
Income available for distribution	\$ 13,381	\$ 8,958	\$ 46,542	\$ 26,207
Income available for distribution per Trust Unit	\$ 0.50	\$ 0.34	\$ 1.74	\$ 0.98
Debt repayment	(5,000)	-	(8,964)	(3,150)
Working capital change	2,304	(702)	(2,352)	(2,300)
Distributable income	\$ 10,685	\$ 8,256	\$ 35,226	\$ 20,757
Distributable income per Trust Unit	\$ 0.40	\$ 0.31	\$ 1.32	\$ 0.78

Combined Statements of Cash Flows

(STATED IN THOUSANDS OF DOLLARS)	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)		
Cash provided by (used in):				
Operating:				
Net income	\$ 9,381	\$ 5,033	\$ 31,692	\$ 8,783
Items not involving cash:				
Depletion and depreciation	4,758	4,460	19,257	17,926
Site restoration	88	84	369	203
Trust Units issued in lieu of management fee	174	119	625	438
Funds generated from operations	14,401	9,696	51,943	27,350
Changes in non-cash operating working capital	644	(743)	(2,948)	(2,853)
	15,045	8,953	48,995	24,497
Financing:				
Bank indebtedness	-	-	(2,350)	(3,150)
Long-term debt	(5,000)	-	(1,288)	-
Distributions paid	(10,683)	(8,255)	(34,418)	(20,220)
	(15,683)	(8,255)	(38,056)	(23,370)
Investing:				
Property and royalty acquisitions	-	-	(5,326)	-
Development expenditures	(1,783)	(654)	(5,161)	(940)
Site reclamation fund contributions	(60)	(84)	(240)	(203)
	(1,843)	(738)	(10,727)	(1,143)
Increase (decrease) in cash	(2,481)	(40)	212	(16)
Cash, beginning of period	2,761	108	68	84
Cash, end of period	\$ 280	\$ 68	\$ 280	\$ 68

Unitholder Information

Trust Unit Trading Information	Quarter Ended			
	Dec. 31, 2000	Sept. 30, 2000	June 30, 2000	Mar. 31, 2000
High	\$9.15	\$9.50	\$8.00	\$6.70
Low	\$8.00	\$7.25	\$6.00	\$5.60
Close	\$8.70	\$8.50	\$7.95	\$6.10
Volume	1,362,516	1,902,942	1,552,502	1,933,646
Trust Units Outstanding	26,728,000	26,708,000	26,688,000	26,668,000
Market Capitalization (\$MM)	\$233	\$227	\$212	\$163

2000 Distributions

Record Date	Payment Date	Payment Per Trust Unit	Taxable Amount	Tax Deferred Amount (Return of Capital)
January 31, 2000	February 15, 2000	\$0.07	\$0.00	\$0.07
February 29, 2000	March 15, 2000	\$0.13	\$0.00	\$0.13
March 31, 2000	April 15, 2000	\$0.07	\$0.00	\$0.07
April 30, 2000	May 15, 2000	\$0.07	\$0.00	\$0.07
May 31, 2000	June 15, 2000	\$0.17	\$0.00	\$0.17
June 30, 2000	July 15, 2000	\$0.08	\$0.00	\$0.08
July 31, 2000	August 15, 2000	\$0.08	\$0.00	\$0.08
August 31, 2000	September 15, 2000	\$0.15	\$0.00	\$0.15
September 30, 2000	October 15, 2000	\$0.10	\$0.00	\$0.10
October 31, 2000	November 15, 2000	\$0.10	\$0.00	\$0.10
November 30, 2000	December 15, 2000	\$0.20	\$0.00	\$0.20
December 31, 2000	January 15, 2001	\$0.10	\$0.00	\$0.10
Total 2000 Paid		\$1.32	\$0.00	\$1.32

2001 Distributions (year-to-date)

January 31, 2001	February 15, 2001	\$0.10	tba	tba
February 28, 2001	March 15, 2001	\$0.20	tba	tba
Total declared 2001 Year-to-Date		\$0.30	tba	tba

2000 Income Tax Information

Freehold announced that distributions to Unitholders in 2000 were 100% tax deferred. Unitholders may request a copy of the “2000 Income Tax Information for Unitholders”, which has been prepared to provide assistance in preparing 2000 income tax returns. This may be obtained from our Web site (www.freeholdtrust.com) or by contacting Freehold directly.

2001 Taxability

In the year 2001, the taxability of Freehold’s distributions changed. Freehold expects that approximately 35% of distributions received in 2001 will be taxable in 2001. The actual level of taxability is dependent upon commodity prices received and company activities undertaken to year-end.

The income tax liability of each Unitholder will depend on the Unitholder’s specific circumstances and, accordingly, each Unitholder should obtain independent advice regarding their specific income tax status.

Corporate Information

Directors

D. Nolan Blades^{1, 2}
Independent Businessman

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

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 Trustee and 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):

Montreal Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telephone: (403) 267-6555
Fax: (403) 267-6592
Toll Free: 1-800-558-0046
Email: leong@montrealtrust.com
Website: www.montrealtrust.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 - 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

The Toronto Stock Exchange
Trading Symbol: FRU.UN

Trustee and Transfer Agent

Montreal Trust Company of Canada
Calgary, Alberta

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

Note:

This report contains forward-looking information. Actual results may differ. The risks, uncertainties and other factors which could influence actual results are described in other documents previously filed with regulatory authorities.