

Q3

report

FREEHOLD ROYALTY TRUST

Interim Report for the period ended September 30, 2000

Third Quarter Highlights

- ◆ Funds generated from operations rose 83% to a record \$14.5 million
- ◆ Production increased 15% to 4,923 barrels of oil equivalent per day
- ◆ Distributable income was 65% higher at \$8.8 million (\$0.33 per Trust Unit)
- ◆ \$1.4 million applied to debt reduction (\$0.05 per Trust Unit)

	Three Months Ended			Nine Months Ended		
	Sept. 30, 2000	Sept. 30, 1999	% Change	Sept. 30, 2000	Sept. 30, 1999	% Change
Financial						
<i>(\$000s except per Trust Unit)</i>						
Total Revenue	16,897	10,029	+68	44,622	23,786	+88
Royalty lands income	10,492	6,130	+71	28,820	14,559	+98
Working interest sales <small>(net of royalties)</small>	6,405	3,899	+64	15,802	9,227	+71
Less: Operating expenses	1,124	1,015	+11	3,119	2,689	+16
Working interest income	5,281	2,884	+83	12,683	6,538	+94
Operating income	15,773	9,014	+75	41,503	21,097	+97
Funds generated from operations	14,472	7,887	+83	37,541	17,654	+113
Income available for distribution	12,812	7,798	+64	33,161	17,249	+92
per Trust Unit	0.48	0.29	+66	1.24	0.65	+91
Distributable income	8,809	5,323	+65	24,541	12,501	+96
per Trust Unit	0.33	0.20	+65	0.92	0.47	+96
Operating						
Production						
Crude oil and NGL's (Bbls/d)	3,803	3,213	+18	3,657	3,214	+14
Natural gas (Mmcf/d)	11.2	10.8	+4	11.1	11.2	-1
Barrels of oil equivalent (Boe/d)	4,923	4,294	+15	4,763	4,338	+10
Average Prices (\$Cdn.)						
Crude oil and NGL's (\$/Bbl)	36.00	25.08	+44	34.37	18.92	+82
Natural gas (\$/Mcf)	4.82	2.63	+83	3.83	2.29	+67
Barrels of oil equivalent (\$/Boe)	38.77	25.39	+53	35.28	19.95	+77

Report to Unitholders

Financial Results

Funds generated from operations increased 83% to a record \$14.5 million in the third quarter of 2000, as compared to \$7.9 million in 1999. For the nine months ended September 30, 2000, funds from operations were \$37.5 million, up 112% over \$17.7 million during the same period in 1999. These record financial results reflect the impact of strong commodity prices and higher production volumes year-over-year. During the third quarter, the West Texas Intermediate (WTI) price of oil averaged U.S.\$31.58 per barrel versus U.S.\$21.72 per barrel during the comparable period last year. Freehold's average crude oil and natural gas liquids price of \$36.00 per barrel was 44% higher than the \$25.08 per barrel received in the third quarter of 1999. Natural gas prices averaged \$4.82 per thousand cubic feet during the third quarter, or 83% higher than \$2.63 per thousand cubic feet in the third quarter last year.

Operating expenses of \$2.48 per barrel of oil equivalent decreased 3% from \$2.57 per barrel of oil equivalent in the same period last year. G&A expenses declined 12% for the quarter to \$1.17 per barrel of oil equivalent from \$1.33 per barrel of oil equivalent in the third quarter of 1999.

Freehold does not incur any capital expenditures, operating costs or environmental costs on its royalty lands, resulting in superior netbacks, which maximizes the income distributed to our Unitholders. After deducting from income available for distribution, royalty expenses on the working interest properties of \$1.99 per barrel of oil equivalent and overall operating costs of \$2.48 per barrel of oil equivalent, Freehold established a record netback of \$34.82 per barrel of oil equivalent for the quarter.

Cash Distributions

Freehold distributed \$8.8 million (\$0.33 per Trust Unit) to Unitholders during the third quarter of 2000, up 65% from \$5.3 million (\$0.20 per Trust Unit) distributed in the third quarter of 1999. During the first nine months of the year the Trust had \$33.2 million (\$1.24 per Trust Unit) available for distribution and distributed \$24.5 million (\$0.92 per Trust Unit) to Unitholders, 96% higher than the first nine months of last year.

The Board of Directors has declared a distribution of \$0.20 per Trust Unit, which will be paid on December 15, 2000 to all Unitholders of record on November 30, 2000. This represents the regular monthly distribution for the month of November of \$0.10 per Trust Unit, plus an extra distribution of \$0.10 per Trust Unit. 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 applying the balance against debt. The distribution for the month of December has also been declared at \$0.10 per Trust Unit, payable January 15, 2001 to Unitholders of record on December 31, 2000. This brings the total distributions declared during the year 2000 to \$1.32 per Trust Unit, up 69% from \$0.78 declared during the year 1999. 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 Sept. 30	Nine Months Ended Sept. 30
Distributable income for the period ended September 30, 1999	\$0.2000	\$0.4700
Impact of higher commodity prices	0.1788	0.6398
Effect of increased production	0.0798	0.1458
Impact of interest, production and other charges	(0.0126)	(0.0413)
Capital expenditures and site reclamation contributions	(0.0588)	(0.1492)
Debt re-payment and working capital change	(0.0572)	(0.1451)
Distributable income for the period ended September 30, 2000	\$0.3300	\$0.9200

Operating Results

Production for the third quarter rose 15% to average 4,923 barrels of oil equivalent compared to 4,294 barrels of oil equivalent in the third quarter of 1999. This increase reflects production added from the Luseland acquisition, as well as additions from new drilling. A total of 120 wells (5.8 net) were drilled on Freehold's properties during the third quarter as compared to 90 wells (4.7 net) in the third quarter of 1999. Year-to-date 424 wells (14.9 net) have been drilled, compared to 218 wells (7.5 net) in the first nine months of 1999.

Drilling Summary (Number of Wells Drilled)	Nine Months Ended September 30, 2000		Nine Months Ended September 30, 1999	
	Gross	Net	Gross	Net
Royalty lands				
Hudson's Bay (HB) Royalty Lands	105	6.7	98	7.1
Unitized wells and acquired royalty lands	262	1.3	93	0.3
Total royalty lands	367	8.0	191	7.4
Working interest properties	57	6.9	27	0.1
TOTAL	424	14.9	218	7.5

Royalty Lands – Drilling continues its positive trend on the royalty lands. Royalty production increased 16% to 2,990 barrels of oil equivalent in the third quarter of 2000, compared to 2,572 barrels of oil equivalent in the third quarter of 1999. Industry operators drilled 104 gross wells on Freehold's lands during the third quarter, resulting in 3.4 net royalty wells. There are currently 34 wells (1.3 net) licensed to be drilled on the Trust's royalty lands.

Working Interest Properties – Working interest production rose 12% during the third quarter of 2000 to 1,933 barrels of oil equivalent versus 1,722 barrels of oil equivalent in the third quarter of 1999. Freehold participated in the drilling of 16 working interest wells (2.4 net) during the quarter, as compared to one (0.001 net) in the third quarter of 1999. A total of 11 wells (2.6 net) have been drilled at Hayter, Alberta during the first nine months of 2000, with an additional six wells (1.6 net) approved for the fourth quarter. At Ribstone, Alberta, 18 wells (3.0 net) were drilled in the first nine months of the year. Production facilities and a waterflood program at Ribstone will be completed during the fourth quarter, which will allow new production to come on stream early in 2001. At Pembina Cardium Unit #9 in Alberta, six wells (0.6 net) have been drilled this year. Seven additional wells (0.7 net) have been approved for the fourth quarter and first quarter next year. One horizontal well (0.3 net) was drilled at Pouce Coupe, Alberta.

Outlook

We expect to exit the year 2000 with production rates at 4,900 barrels of oil equivalent, a 13% increase over last year's average. Record level industry drilling activity is expected to continue, which reflects positively on Freehold's results. Freehold estimates 2001 production to average 4,700 barrels of oil equivalent, excluding acquisitions.

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 next year. The Trust will have a lower capital expenditure requirement in 2001 (approximately \$2.4 million versus \$5.2 million in 2000) as a number of wells deferred in 1998 and 1999 were drilled on the working interest properties during 2000. The Trust's short-term debt now stands at zero as \$2.4 million was re-paid during the year. Freehold will enter 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

November 16, 2000

Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(Unaudited)	
<i>Assets</i>		
<i>Current assets:</i>		
Cash	\$ 2,761	\$ 68
Accounts receivable	12,679	8,838
	15,440	8,906
Reclamation fund	713	566
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$85,156 (1999 - \$70,657)	217,045	222,840
	\$ 233,198	\$ 232,312
<i>Liabilities and Unitholders' Equity</i>		
<i>Current liabilities:</i>		
Distributions payable to unitholders	\$ 2,671	\$ 1,865
Accounts payable and accrued liabilities	2,554	2,305
Bank indebtedness	-	2,350
	5,225	6,520
Provision for future site restoration	814	566
Long-term debt	43,000	39,288
Unitholders' equity	184,159	185,938
	\$ 233,198	\$ 232,312

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	SEPTEMBER 30, 2000		DECEMBER 31, 1999	
	Units	Dollars	Units	Dollars
	(Unaudited)			
Unitholders' equity, beginning of period	26,648,000	\$ 185,938	26,568,000	\$ 197,474
Net income	-	22,311	-	8,783
Distributions to unitholders	-	(24,541)	-	(20,757)
Trust Units issued in lieu of management fee	60,000	451	80,000	438
Unitholders' equity, end of period	26,708,000	\$ 184,159	26,648,000	\$ 185,938

Combined Statements of Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Royalty income	\$ 10,492	\$ 6,130	\$ 28,820	\$ 14,559
Working interest sales (net of royalties)	6,405	3,899	15,802	9,227
Operating expenses	1,124	1,015	3,119	2,689
Working interest income	5,281	2,884	12,683	6,538
	15,773	9,014	41,503	21,097
Other expenses:				
Administrative	530	526	1,616	1,556
Interest on long-term debt	728	528	2,025	1,604
Other interest	-	55	26	224
Capital taxes and other expenses	43	18	295	59
	1,301	1,127	3,962	3,443
Funds generated from operations before non-cash expenses	14,472	7,887	37,541	17,654
Depletion and depreciation	5,036	4,473	14,499	13,466
Site restoration	102	40	280	119
Management fee	170	120	451	319
Net income	\$ 9,164	\$ 3,254	\$ 22,311	\$ 3,750
Net income per Trust Unit	\$ 0.34	\$ 0.12	\$ 0.84	\$ 0.14

Combined Statements of Distributable Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Funds generated from operations	\$ 14,472	\$ 7,887	\$ 37,541	\$ 17,654
Deduct:				
Site reclamation fund contributions	(60)	(40)	(180)	(119)
Provision for capital expenditures	(1,600)	(49)	(4,200)	(286)
Income available for distribution	12,812	7,798	33,161	17,249
Income available for distribution per Trust Unit	0.48	0.29	1.24	0.65
Debt repayment	(1,414)	(1,450)	(3,764)	(3,150)
Working capital change	(2,589)	(1,025)	(4,856)	(1,598)
Distributable income	\$ 8,809	\$ 5,323	\$ 24,541	\$ 12,501
Distributable income per Trust Unit	\$ 0.33	\$ 0.20	\$ 0.92	\$ 0.47

Combined Statements of Cash Flows

(STATED IN THOUSANDS OF DOLLARS)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operating:				
Net income	\$ 9,164	\$ 3,254	\$ 22,311	\$ 3,750
Items not involving cash:				
Depletion and depreciation	5,036	4,473	14,499	13,466
Site restoration	102	40	280	119
Trust Units issued in lieu of management fee	170	120	451	319
Funds generated from operations	14,472	7,887	37,541	17,654
Changes in non-cash operating working capital	(2,053)	(1,576)	(3,592)	(2,110)
	12,419	6,311	33,949	15,544
Financing:				
Bank indebtedness	-	(1,450)	(2,350)	(3,150)
Long-term debt	(1,414)	-	3,712	-
Distributions paid	(8,272)	(4,789)	(23,734)	(11,965)
	(9,686)	(6,239)	(22,372)	(15,115)
Investing:				
Property and royalty acquisitions	(200)	-	(5,326)	-
Development expenditures	(1,214)	(49)	(3,378)	(286)
Site reclamation fund contributions	(60)	(40)	(180)	(119)
	(1,474)	(89)	(8,884)	(405)
Increase (decrease) in cash	1,259	(17)	2,693	24
Cash, beginning of period	1,502	125	68	84
Cash, end of period	\$ 2,761	\$ 108	\$ 2,761	\$ 108

Unitholder Information

Trust Unit Trading Information	Quarter Ended			
	Sept. 30, 2000	June 30, 2000	Mar. 31, 2000	Dec. 31, 1999
High	\$9.50	\$8.00	\$6.70	\$6.40
Low	\$7.25	\$6.00	\$5.60	\$5.25
Close	\$8.50	\$7.95	\$6.10	\$5.95
Volume	1,902,942	1,552,502	1,933,646	1,824,575
Trust Units Outstanding	26,708,000	26,688,000	26,668,000	26,648,000
Market Capitalization (\$MM)	\$227	\$212	\$163	\$159

2000 Distributions Declared		Record Date	Payment Date	Per Trust Unit
January		Jan. 31, 2000	Feb. 15, 2000	\$0.07
February		Feb. 29, 2000	Mar. 15, 2000	\$0.07
February	Extra Distribution	Feb. 29, 2000	Mar. 15, 2000	\$0.06
March		Mar. 31, 2000	Apr. 15, 2000	\$0.07
April		Apr. 30, 2000	May 15, 2000	\$0.07
May		May 31, 2000	June 15, 2000	\$0.08
May	Extra Distribution	May 31, 2000	June 15, 2000	\$0.09
June		June 30, 2000	July 15, 2000	\$0.08
July		July 31, 2000	Aug. 15, 2000	\$0.08
August		Aug. 31, 2000	Sept. 15, 2000	\$0.10
August	Extra Distribution	Aug. 31, 2000	Sept. 15, 2000	\$0.05
September		Sept. 30, 2000	Oct. 15, 2000	\$0.10
October		Oct. 31, 2000	Nov. 15, 2000	\$0.10
November		Nov. 30, 2000	Dec. 15, 2000	\$0.10
November	Extra Distribution	Nov. 30, 2000	Dec. 15, 2000	\$0.10
December		Dec. 31, 2000	Jan. 15, 2001	\$0.10
Total				\$1.32

Income Tax Information

For Canadian income tax purposes, the distributions paid to date are deemed to be a “return of capital”. The Trust is able to distribute cash as a “return of capital” due to its significant tax pools, which are expected to shelter distributions until approximately the year 2001. Distributions designated as “return of capital” by the Trust enable Unitholders who are non-residents of Canada to receive such amounts exempt from Canadian withholding tax. **A more complete tax description and a historical listing of distributions paid since inception of the Trust may be obtained from our website (www.freeholdtrust.com) or by contacting the Trust directly.**

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,
Canadian Equities
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
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Fax: (403) 267-6592
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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

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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
Calgary, Alberta

Auditors

KPMG, LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

Grant Trimble Engineering
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.