

Q1

report

FREEHOLD ROYALTY TRUST

Interim Report for the period ended March 31, 2000

First Quarter Results

- ◆ Strong results reflect significantly higher commodity prices
- ◆ Total revenue increased 102% to \$12.6 million
- ◆ Funds generated from operations increased 149% to \$10.5 million (\$0.39 per Trust Unit)
- ◆ Cash distributions rose 108% to \$7.2 million (\$0.27 per Trust Unit)

	Three Months Ended		
	March 31, 2000	March 31, 1999	%
			Change
Financial			
<i>(\$000s except per Trust Unit)</i>			
Total Revenue	12,616	6,244	+102
Royalty lands income	8,330	3,782	+120
Working interest sales <small>(net of royalties)</small>	4,286	2,462	+74
Less: Operating expenses	932	849	+10
Working interest income	3,354	1,613	+108
Operating income	11,684	5,395	+117
Funds generated from operations	10,518	4,219	+149
Income available for distribution	9,158	4,091	+124
per Trust Unit	0.34	0.15	+127
Distributable income	7,196	3,455	+108
per Trust Unit	0.27	0.13	+108
Operating			
Production			
Crude oil and NGLs (Bbls/d)	3,335	3,324	-
Natural gas (Mmcf/d)	11.1	11.4	-3
Barrels of oil equivalent (Boe/d)	4,443	4,462	-
Potash (Tonnes/d)	15.3	14.4	+6
Average Prices (\$Cdn.)			
Crude oil and NGL's (\$/Bbl)	33.04	13.19	+150
Natural gas (\$/Mcf)	2.86	2.20	+30
Barrels of oil equivalent (\$/Boe)	31.92	15.43	+107
Potash (\$/Tonnes)	144.06	164.67	-13

Report to Unitholders

Freehold distributed \$7.2 million (\$0.27 per Trust Unit) to Unitholders during the first quarter of 2000, up 108% from the \$3.5 million (\$0.13 per Trust Unit) distributed in the first quarter of 1999.

Reconciliation of Distributable Income Change (Q1 2000 vs. Q1 1999)

Distributable income for the three months ended March 31, 1999	\$0.1300
Impact of higher commodity prices	0.2480
Effect of decreased production	(0.0094)
Impact of interest, production and other charges	(0.0027)
Capital expenditures and site reclamation contributions	(0.0462)
Short-term debt re-payment and working capital change	(0.0497)
Distributable income for the three months ended March 31, 2000	\$0.2700

Monthly Distribution Increased and Extra Distribution Declared

Freehold is increasing its monthly distribution rate from \$0.07 to \$0.08 per Trust Unit. The monthly distribution is fixed at \$0.08 until further notice. A distribution for the month of May of \$0.08 per Trust Unit will be paid on June 15, 2000 to Unitholders of record on May 31, 2000. Following a review of first quarter 2000 results, the Board of Directors have declared an extra distribution of \$0.09 per Trust Unit payable on June 15, 2000 to Unitholders of record on May 31, 2000. Combined, the distribution for the month of May (\$0.08) and the extra distribution (\$0.09) to be paid on June 15, 2000 will total \$0.17. Including the above distributions, the trailing 12 month distributions paid is \$1.07 per Trust Unit. The Trust has distributed a total of \$3.17 per Trust Unit since inception in November of 1996. Distributions continue to be 100% tax deferred, considered a return of capital for income tax purposes.

Financial Results

Funds generated from operations rose 149% to \$10.5 million in the first quarter of 2000, as compared to \$4.2 million in 1999. Total revenues for the first quarter of 2000 increased 102% to \$12.6 million from \$6.2 million last year. These strong results reflect the significantly higher commodity prices received during the period. Freehold's average crude oil and natural gas liquids price of \$33.04 per barrel was 150% higher than the first quarter of 1999. Natural gas prices recorded for the quarter at \$2.86 per thousand cubic feet were 30% higher than the first quarter of last year. The Trust's operating netback during the first quarter of 2000 more than doubled to \$28.90, compared to \$13.43 in the first quarter of 1999.

Operating Results

Freehold's daily production for the first quarter averaged 4,443 barrels of oil equivalent, basically unchanged from 4,462 barrels of oil equivalent in the first quarter of 1999. We have seen a moderate increase in royalty production over the last eight months. On a comparative basis, royalty production was up 127 barrels or 5% compared to the first quarter of 1999. This increase was offset by reductions in working interest production which until recently, experienced little drilling activity over the past two years.

Drilling Activity

Drilling activity was strong during the first quarter of 2000 and is expected to continue. The net contribution from first quarter drilling is around the same as 1998's full year total, and is already approximately half of the full year 1999 net contribution. There are currently 49 (2.3 net) locations licensed to be drilled on the royalty lands, with further wells planned on the working interest properties.

Drilling Summary	Q1 2000		Q1 1999	
	Gross	Net	Gross	Net
Royalty lands (includes unitized wells)	167	2.6	16	0.8
Working interest properties	31	2.9	25	0.1
TOTAL	198	5.5	41	0.9

Activity on Royalty Lands – Consistent with industry trends, drilling by lessees on Freehold’s royalty lands increased substantially in the first quarter of 2000 compared to the same period last year. A total of 167 (2.6 net) royalty wells (includes unitized wells) were drilled compared to 16 (0.8 net) during the first quarter of 1999. The royalty wells drilled had a 98% success rate. The production and reserve additions from this new drilling will be reflected in the third quarter of 2000 and is expected to offset normal decline from the royalty properties.

Working Interest Properties – Freehold participated in the drilling of 31 working interest wells (2.9 net) during the quarter, as compared to 25 (0.1 net) in the first quarter of 1999. At Hayter, Alberta, the Operator drilled 10 (2.4 net) of an 11 well program planned for 2000. All of the 10 wells drilled are now on production and the impact of this drilling will be fully reflected by the third quarter of this year. At Pembina Cardium Unit #9 in Alberta (9.9%), a total of five wells (0.5 net) have been drilled to-date in 2000. The production from this drilling will be reflected in the second and third quarters of 2000. At Ribstone, Alberta (16.67%), an 18 well infill drilling program, facility upgrading and waterflood, for a total cost of \$1.5 million net to Freehold, has been approved. The drilling program is planned to begin in the second quarter of 2000.

Approval of Amendment to Trust Indenture

At the Trust’s Annual and Special Meeting of Unitholders held on May 3, 2000, approval was received to amend the Trust Indenture for an increase in the percentage of net cash flow that may be deducted for annual capital expenditure requirements from 5% to a maximum of 15%. The 5% limit had the unintended effect of requiring unnecessary borrowing to fund production enhancement projects during active periods. The Board of Directors feels the new 15% maximum will strike a balance between the use of current revenue and borrowed funds to meet normal development needs. The Trust’s capital expenditure program for 2000 is estimated to be \$5.2 million, all of which will be funded from cash flow.

Outlook

2000 has started out very strong both in terms of commodity prices and drilling activity. According to the Canadian Association of Drilling Contractors, drilling is expected to rise 35% in 2000, which would make it the second most active year in the last seven years. Activity on Freehold’s royalty lands generally mirrors what is happening in the industry. Therefore we are projecting Freehold’s drilling to increase over 1999 levels.

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

David J. Sandmeyer
President & Chief Executive Officer

May 8, 2000

Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	MARCH 31, 2000	DECEMBER 31, 1999
	(Unaudited)	
<i>Assets</i>		
<i>Current assets:</i>		
Cash	\$ 82	\$ 68
Accounts receivable	9,468	8,838
	9,550	8,906
Reclamation fund	623	566
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$75,178 (1999 - \$70,657)	219,199	222,840
	\$ 229,372	\$ 232,312
 <i>Liabilities and Unitholders' Equity</i>		
<i>Current liabilities:</i>		
Distributions payable to unitholders	\$ 1,867	\$ 1,865
Accounts payable and accrued liabilities	2,315	2,305
Bank indebtedness	600	2,350
	4,782	6,520
Provision for future site restoration	648	566
Long-term debt	39,288	39,288
Unitholders' equity	184,654	185,938
	\$ 229,372	\$ 232,312

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	MARCH 31, 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	-	5,790	-	8,783
Distributions to unitholders	-	(7,196)	-	(20,757)
Trust Units issued in lieu of management fee	20,000	122	80,000	438
	26,668,000	\$ 184,654	26,648,000	\$ 185,938

Combined Statements of Income

THREE MONTHS ENDED MARCH 31 (STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)		
	2000	1999
	(Unaudited)	(Unaudited)
Revenues:		
Royalty income	\$ 8,330	\$ 3,782
Working interest sales (net of royalties)	4,286	2,462
Operating expenses	932	849
Working interest income	3,354	1,613
	11,684	5,395
Other expenses:		
Administrative	546	510
Interest on long-term debt	578	548
Other interest	20	94
Capital and Large Corporations Tax	22	24
	1,166	1,176
Funds generated from operations before non-cash expenses	10,518	4,219
Depletion and depreciation	4,521	4,554
Site restoration	85	41
Management fee	122	96
Net income (loss)	\$ 5,790	\$ (472)
Net income (loss) per Trust Unit	\$ 0.22	\$ (0.02)

Combined Statements of Distributable Income

THREE MONTHS ENDED MARCH 31 (STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)		
	2000	1999
	(Unaudited)	(Unaudited)
Funds generated from operations	\$ 10,518	\$ 4,219
Deduct:		
Site restoration fund contributions	(60)	(41)
Provision for capital expenditures	(1,300)	(87)
Income available for distribution	9,158	4,091
Income available for distribution per Trust Unit	0.34	0.15
Short-term debt repayment	(1,750)	(300)
Working capital change	(212)	(336)
Distributable income	\$ 7,196	\$ 3,455
Distributable income per Trust Unit	\$ 0.27	\$ 0.13

Combined Statements of Cash Flows

THREE MONTHS ENDED MARCH 31 (STATED IN THOUSANDS OF DOLLARS)	2000	1999
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ 5,790	\$ (472)
Items not involving cash:		
Depletion and depreciation	4,521	4,554
Site restoration	85	41
Trust Units issued in lieu of management fee	122	96
Funds generated from operations	10,518	4,219
Changes in non-cash operating working capital	(620)	(83)
	9,898	4,136
Financing:		
Bank indebtedness	(1,750)	(300)
Distributions paid	(7,194)	(3,719)
	(8,944)	(4,019)
Investing:		
Development expenditures	(880)	(87)
Site reclamation fund contributions	(60)	(41)
	(940)	(128)
Increase (decrease) in cash	14	(11)
Cash, beginning of period	68	84
Cash, end of period	\$ 82	\$ 73

Unitholder Information

Trust Unit Trading Information	Quarter Ended			
	Mar. 31, 2000	Dec. 31, 1999	Sept. 30, 1999	June 30, 1999
High	\$6.70	\$6.40	\$6.90	\$6.00
Low	\$5.60	\$5.25	\$5.15	\$4.56
Close	\$6.10	\$5.95	\$6.00	\$5.15
Volume (TSE/ME)	1,933,646	1,824,575	1,263,573	1,051,213
Trust Units Outstanding	26,668,000	26,648,000	26,628,000	26,608,000
Market Capitalization (\$MM)	\$163	\$159	\$160	\$137

2000 Distributions	Record Date	Payment Date	Per Trust Unit
January, 2000	Jan. 31, 2000	Feb. 15, 2000	\$0.0700
February, 2000	Feb. 29, 2000	Mar. 15, 2000	\$0.0700
Extra Distribution	Feb. 29, 2000	Mar. 15, 2000	\$0.0600
March, 2000	Mar. 31, 2000	Apr. 15, 2000	\$0.0700
April, 2000	Apr. 30, 2000	May 15, 2000	\$0.0700
May, 2000	May 31, 2000	June 15, 2000	\$0.0800
Extra Distribution	May 31, 2000	June 15, 2000	\$0.0900
2000 Year-To-Date Total			\$0.5100
Year-To-Date Since Inception			\$3.1700

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. Such 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.

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

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: FRU.UN

Trustee and Transfer Agent

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

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

Visit our website at:
www.freeholdtrust.com

¹ Audit Committee

² Corporate Governance &
Nominating Committee

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.