

FREEHOLD ROYALTY TRUST

NEWS RELEASE

TSE/ME: "FRU.UN"

Freehold Announces First Quarter 1999 Results

CALGARY, Alberta /May 4, 1999/CCN/ - Revenues for the first quarter of 1999 reflect a stabilization of commodity prices and production volumes from the last quarter of 1998. Total revenues of \$6.2 million for the first quarter of 1999 were down five percent from the same period last year. Total expenses (excluding non-cash charges) were one percent lower for the comparative periods. Oil and NGL's prices recorded for the first quarter of 1999 at \$13.19 per barrel were 11 percent higher than the first quarter of 1998. Virtually all of this improvement was realized in March of 1999. Natural gas prices recorded for the first quarter of 1999 were seven percent higher than the first quarter of last year.

Income available for distribution for the first quarter of 1999 was \$4.1 million (\$0.15 per Trust Unit) versus \$4.5 million (\$0.17 per Trust Unit) for the corresponding quarter in 1998. Of this amount, the Trust repaid short term borrowings and replaced working capital of \$0.6 million (\$0.02 per Trust Unit), realizing distributable income of \$3.5 million, and resulting in declared distributions for the quarter of thirteen cents (\$0.13) per Trust Unit.

	THREE MONTHS ENDED		
	MARCH 31,	MARCH 31,	%
	1999	1998	Change
<i>Operating</i>			
<i>Production</i>			
Crude oil and NGLs (Bbls/d)	3,324	3,932	-15
Natural gas (Mmcf/d)	11.4	13.6	-16
Barrels of oil equivalent (Boe/d)	4,462	5,296	-16
<i>Average Prices (\$Cdn.)</i>			
Crude oil and NGLs (\$/Bbl)	13.19	11.93	+11
Natural gas (\$/Mcf)	2.20	2.06	+7
Barrels of oil equivalent (\$/Boe)	15.43	14.16	+9
<i>Financial</i>			
<i>(\$000s except per Trust Unit)</i>			
<i>Revenue</i>			
Royalty income	3,782	4,565	-17
Working interest sales <small>(net of royalties)</small>	2,462	2,040	+21
Less: Operating expenses	849	909	-7
Working interest income	1,613	1,131	+43
	5,395	5,696	-5
Income available for distribution	4,091	4,450	-8
per Trust Unit	0.15	0.17	-12
Distributable income	3,455	4,450	-22
per Trust Unit	0.13	0.17	-24

The netback to our investors for the first quarter of 1999 (excluding repayments) was \$10.18 per barrel of oil equivalent, approximately nine percent higher than the netback achieved during both the first and last quarters of 1998. Contributing positively to the improved netback was the dramatic turnaround of heavy oil netbacks (specifically at our Hayter working interest property - which reflected a 90 percent improvement in the realized field price for the first quarter 1999 versus the first quarter 1998). Furthermore, because of the time delay in receiving payments for royalty production, the heavy oil netbacks for the second quarter of 1999 should continue to improve.

Operating Results

Oil and NGL production averaged 3,324 barrels per day for the quarter, down 15 percent compared to the first quarter 1998. Natural gas production averaged 11.4 million cubic feet per day, down 2.2 million cubic feet per day from the same period last year. Production volumes for the period ended March 31, 1998 have not been restated to reflect the accrual adjustment of 260 barrels of oil equivalent per day. Taking the adjustment into account, production for the comparative periods was eleven percent lower. Potash production, which represents a small portion of the Trust's revenue, decreased 29 percent from the same period last year to 14.4 tons per day. Due to continued strong potash prices, the actual revenue of \$0.2 million is only slightly lower than the first quarter last year.

Production volumes continue to be negatively affected by lower oil prices. For example, beginning in the first quarter of 1998, lessees shut-in approximately 150 barrels of oil equivalent per day because of low prices. This oil has not yet been returned to production. At Hayter, deferred drilling because of low oil prices and normal decline resulted in a reduction of 236 barrels of oil equivalent per day when compared to last year. A large portion of the decline in gas volumes (80 barrels of oil equivalent per day) is attributable to the accrual adjustment.

Total Trust operating costs (excluding non-cash items) of \$2.11 per barrel of oil equivalent for the period are up from \$1.91 per barrel of oil equivalent for the first quarter of 1998. The increase is mainly as a result of reduced production volumes. These operating costs are low by industry standards and exemplify the advantage of the royalty lands for which the Trust does not pay operating expenses.

Activity on Royalty Interest Lands - By mid February of this year, lessees had drilled a total of 16 wells on Freehold's royalty lands, as compared to 20 wells during the same period last year. This level of drilling activity is consistent with changes in overall industry activity.

Working Interest Properties - During the first quarter of 1999, Freehold participated in the drilling of 25 working interest gas wells (0.1 net) with a 100 percent success rate. All of the drilling took place at the Ring Border Unit located in northwestern Alberta where the Trust has a minor interest. Freehold incurred capital expenditures of \$0.1 million during the period. This capital was spent on drilling and associated costs for production equipment and re-completions.

Increase in Monthly Distribution

With the recent improvement in oil prices, the Trust has an opportunity to increase monthly distributions. **Effective as of the May 1999 distribution, and in accordance with the Board of Directors' policy, the monthly distribution will be set at five cents (\$0.05) per Trust Unit until further notice.** Including the month of May 1999, the Trust has distributed a total of \$2.10 per Trust Unit since its inception on November 25, 1996. Distributable income is currently 100 percent tax deferred as it is considered a "return of capital" and thus reduces the adjusted cost base of the Trust units for capital gains tax purposes.

Year 2000 Update

Freehold's year 2000 project is proceeding on schedule. In the second quarter, we will complete the testing phase and the majority of the remediation work. Our contingency plans are scheduled for completion in the third quarter.

Outlook

The strengthening in crude oil prices, which began in March of 1999, has gained momentum recently as prices for West Texas Intermediate have exceeded US\$18.00. This improvement has a number of important and welcome results. First, it increases Freehold's income available for distribution to Unitholders. Second, it has resulted in a number of heavy oil producers announcing plans to return to production some of the wells shut-in last year as oil prices fell and discounts for heavy grades of crude were high. This is expected to increase Freehold's royalty production as our shut-in oil is brought back on stream by operators. The stronger oil prices are expected to result in Freehold's operators initiating the development drilling projects that have been shelved for a year. At the same time we are enjoying stronger oil prices, natural gas continues to attract prices higher than last year and the market expectation is for continued higher natural gas prices year over year.

Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	MARCH 31, 1999	DECEMBER 31, 1998
	(Unaudited)	
<i>Assets</i>		
Current assets:		
Cash	\$ 73	\$ 84
Accounts receivable	5,614	5,715
	5,687	5,799
Reclamation fund	450	409
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$57,285 (1998 - \$52,731)	235,359	239,826
	\$ 241,496	\$ 246,034
<i>Liabilities and Unitholders' Equity</i>		
Current liabilities:		
Distributions payable to unitholders	\$ 1,064	\$ 1,328
Accounts payable and accrued liabilities	1,851	2,035
Bank indebtedness	5,200	5,500
	8,115	8,863
Provision for future site restoration	450	409
Long-term debt	39,288	39,288
Unitholders' equity	193,643	197,474
	\$ 241,496	\$ 246,034

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	THREE MONTHS ENDED MARCH 31, 1999		YEAR ENDED DECEMBER 31, 1998	
	Units	Dollars	Units	Dollars
	(Unaudited)			
Unitholders' equity, beginning of period	26,568,000	\$ 197,474	26,488,000	\$ 223,301
Net loss	-	(472)	-	(9,190)
Distributions to unitholders	-	(3,455)	-	(17,186)
Trust Units issued in lieu of management fee	20,000	96	80,000	549
	26,588,000	\$ 193,643	26,568,000	\$ 197,474
	26,588,000	\$ 193,643	26,568,000	\$ 197,474

Combined Statements of Income

THREE MONTHS ENDED MARCH 31

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)

	1999	1998
	(Unaudited)	(Unaudited)
Revenues:		
Royalty income	\$ 3,782	\$ 4,565
Working interest sales (net of royalties)	2,462	2,040
Operating expenses	849	909
Working interest income	1,613	1,131
	5,395	5,696
Other expenses:		
Administrative	510	581
Interest on long-term debt	642	527
Capital and Large Corporations Tax	24	27
	1,176	1,135
Income before depletion, depreciation, site restoration and management fee	4,219	4,561
Depletion and depreciation	4,554	6,405
Site restoration	41	59
Management fee	96	160
Net loss	\$ (472)	\$ (2,063)
Net loss per Trust Unit	\$ (0.02)	\$ (0.08)

Combined Statements of Distributable Income

THREE MONTHS ENDED MARCH 31

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)

	1999	1998
	(Unaudited)	(Unaudited)
Income before depletion, depreciation, site restoration and management fee	\$ 4,219	\$ 4,561
Deduct:		
Site restoration fund contributions	(41)	(59)
Capital expenditures	(87)	(52)
Income available for distribution	4,091	4,450
Income available for distribution per Trust Unit	0.15	0.17
Working capital replacement	(636)	-
Distributable income	\$ 3,455	\$ 4,450
Distributable income per Trust Unit	\$ 0.13	\$ 0.17

Combined Statements of Changes in Financial Position

THREE MONTHS ENDED MARCH 31
(STATED IN THOUSANDS OF DOLLARS)

	1999	1998
	(Unaudited)	(Unaudited)
Cash provided by (used in):		
Operating:		
Net loss	\$ (472)	\$ (2,063)
Item not involving cash:		
Depletion and depreciation	4,554	6,405
Funds generated from operations	4,082	4,342
Changes in non-cash operating working capital	(83)	543
	3,999	4,885
Financing:		
Trust Units issued in lieu of management fee	96	160
Bank indebtedness	(300)	-
Long-term debt	-	1,113
Distributions paid	(3,719)	(6,598)
	(3,923)	(5,325)
Investing:		
Development expenditures	(87)	(552)
Decrease in cash	(11)	(992)
Cash, beginning of period	84	1,127
Cash, end of period	\$ 73	\$ 135

Freehold Royalty Trust receives and distributes royalty income from a diversified asset base of high quality oil and gas properties. The Trust currently has 26.6 million Trust Units outstanding and trades on the Toronto and Montreal stock exchanges under the symbol "FRU.UN".

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