



FREEHOLD ROYALTY TRUST
 + 1998 THIRD QUARTER REPORT +

Third Quarter Results

- Production for the quarter averaged 4,795 barrels of oil equivalent
- Potash production rose 45 percent compared to third quarter last year
- Distributable income for the quarter was \$4.2 million
- Cash distribution for the period of \$0.1575 per Trust Unit

	THREE MONTHS ENDED		NINE MONTHS ENDED		%
	SEPTEMBER 30		SEPTEMBER 30		
	1998	1997	1998	1997	CHANGE
<i>Operating</i>					
Production					
Crude oil and NGLs (Bbls/d)	3,604	3,971	3,721	4,127	-10
Natural gas (Mmcf/d)	11.9	16.1	12.9	15.9	-19
Barrels of oil equivalent (Boe/d)	4,795	5,585	5,014	5,721	-12
Potash (Tons/d)	15.5	14.6	17.0	11.7	+45
Average prices (\$/Bbl)					
Crude oil and NGLs (\$/Bbl)	13.43	18.48	12.02	19.43	-38
Natural gas (\$/Mcf)	1.88	1.61	1.92	1.78	+8
Barrels of oil equivalent (\$/Boe)	14.76	17.80	13.86	18.98	-27
Potash (\$/Ton)	154.22	108.52	143.75	109.47	+31
<i>Financial</i>					
(\$000s except per Trust Unit)					
Revenues					
Royalty income	4,045	5,224	12,272	17,621	-30
Working interest sales (net of royalties)	2,521	3,583	6,650	11,132	-40
Operating expenses	975	1,002	2,674	2,568	+4
Working interest income	1,546	2,581	3,976	8,564	-54
	5,591	7,805	16,248	26,185	-38
Funds generated from operations	4,157	6,720	12,090	22,868	-47
Net income	(1,745)	183	(6,518)	3,228	-302
Distributable income	4,179	6,751	13,203	22,484	-41
per Trust Unit	0.1575	0.25	0.50	0.85	-41

*Report to Unitholders***Financial Results**

Revenues for the third quarter continued to be impacted by significantly lower crude oil prices and lower production volumes. Third quarter revenues of \$5.6 million were 28 percent below the same quarter last year. Average quarterly crude oil prices slumped to their lowest levels since 1986 with West Texas Intermediate (WTI) oil prices averaging \$14.15 U.S. for the quarter, down 29 percent from last year.

Low oil prices had the compounding effect of causing lower royalty and working interest production as operators shut-in some royalty properties producing heavier grades of oil. As well, operators deferred development plans on working interest properties producing heavier oil, pending higher oil prices.

Total expenses for the quarter were 23 percent higher compared to a year ago, primarily due to higher interest payments and increased general and administrative expenses.

Distributions For Nine Months**Total \$0.50 Per Trust Unit**

The Trust distributed \$4.2 million (\$0.1575 per Trust Unit) during the third quarter, bringing the nine month total to \$13.2 million (\$0.50 per Trust Unit). The Trust has declared a cash distribution for the month of November, 1998 in the amount of five cents (\$0.05 Cdn.) per Trust Unit. The payment will be made on December 15, 1998 to Unitholders of record on November 30, 1998. In accordance with the Board of Director's policy, the monthly distribution has been set at five cents (\$0.05 Cdn.) per Trust Unit until further notice. Record dates will be the last day of each month, and payment dates will be the 15th day following month end.

The Trust has approved a new U.S. currency optional payment plan. Unitholders may now receive their distribution cheques in U.S. funds. Contact the Trust for further details.

Operating Results

Overall, production declined by 12 percent in the first nine months of the year, compared to the same period of 1997. The decline in oil volumes is due to reduced production of approximately 225 barrels per day from the Hayter property, and the impact of shut-in heavy oil royalty production of

approximately 250 barrels per day since the first quarter of the year. The Hayter volume reductions were expected to be offset by the additional drilling of new wells which has now been delayed due to low oil prices. The reduction in heavy oil royalty volumes is the direct result of operators shutting in production in response to low prices. A large portion of the decline in gas volumes (175 Boe/day) is attributed to one working interest gas well at Progress in which our working interest was reduced at payout, and a high working interest well at Hatton (75 Boe/day) which has not performed as expected.

The Trust receives a small portion of its revenue from Potash royalties. Potash production rose 45 percent to 17 tons per day, up from 11.7 tons per day last year. Strong potash revenues are expected to continue through the remainder of 1998 due to increases in international demand for the product.

Freehold's operating costs of \$2.21 per Boe for the third quarter were up from \$1.95 per Boe for the third quarter of 1997 due to the timing of routine annual turnarounds of working interest facilities. Year to date costs of \$1.95 per Boe are expected to be more representative of costs for the full year. These operating costs are low by industry standards and exemplify the advantage of the royalty production from which the Trust receives revenue without the obligation for operating expenses.

Less Drilling On Royalty Lands

Lessees drilled 85 non-unit wells and 150 unitized wells (total of 225 wells) on Freehold's royalty lands during the first nine months of the year with a 97 percent success rate. This activity level is down significantly from last year's total as low oil prices have resulted in expenditure reductions and program delays by Lessees. According to publicly available production information to the end of August in Alberta and to the end of June in Saskatchewan, 41 wells have contributed 70 barrels of new production to Freehold during the month of August.

Working Interest Activity

During the third quarter, Freehold participated in the drilling of three successful working interest wells, bringing the total number of wells drilled this year to 27. A number of low-risk development wells at Hayter and Pembina Cardium Unit No. 9 are planned for early 1999. Drilling at the Hayter property has been deferred during 1998 because of low oil prices.

At the Chauvin and LaGlace gas properties, both located in Alberta, additional combined production of approximately 50 barrels per day commenced production late in the quarter and will add to fourth quarter production levels.

Outlook

While the impact of lower world oil prices has affected our cash flow significantly through the second and third quarters of 1998, there is some reason for optimism looking forward. As we enter the winter period the demand for natural gas is strong and prices are at levels well above last year. The lower levels of drilling activity and the capacity limitations in the pipeline delivery system should result in continued strong pricing for gas through the next year. While oil prices continue to languish at long time lows, we have seen relative

strengthening in wellhead prices for heavy grades of crude. The price differential between light and heavy crude has dropped below \$4.00 per barrel in the third quarter, versus a peak of \$8.80 per barrel in December 1997. The combined impact of low oil prices and reduced drilling activity have resulted in lower than forecast production from Freehold's properties. Actual year to date production to the end of the third quarter averaged 5,014 Boe per day. With no price increase for oil, we expect to average 4,935 Boe per day of production for the year, somewhat below our target of 5,200 Boe per day.

We anticipate that acquisition opportunities will increase during the next six to nine months as companies continue to review their assets and divest non-core properties. We continue to focus our acquisition efforts on royalty properties to increase the share of Freehold's revenue from royalty ownership.

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

David J. Sandmeyer (signed)
President & Chief Executive Officer

November 10, 1998

RECONCILIATION OF DISTRIBUTABLE INCOME	Q1 98	Q2 98	Q3 98	TOTAL YTD Q3 1998
Distributable income 1997	\$0.32	\$0.2800	\$0.2500	\$0.8500
Impact of lower commodity prices	(0.13)	(0.1175)	(0.0547)	(0.3022)
Effect of increased (decreased) production	0.02	(0.0550)	(0.0446)	(0.0796)
Impact of interest, production expenses and other charges	(0.04)	0.0100	0.0068	(0.0232)
Use of working capital	-	0.0550	-	0.0550
Distributable income 1998	\$0.17	\$0.1725	\$0.1575	\$0.5000

FREEHOLD ROYALTY TRUST
Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	<i>(Unaudited)</i>	
<i>Assets</i>		
<i>Current assets:</i>		
Cash	\$ 69	\$ 1,127
Accounts receivable	8,121	8,723
	8,190	9,850
Reclamation fund	360	228
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$47,669 (1997 – \$29,061)	244,684	261,706
	\$ 253,234	\$ 271,784
<i>Liabilities and Unitholders' Equity</i>		
<i>Current liabilities:</i>		
Distributions payable to unitholders	\$ 1,327	\$ 6,598
Accounts payable and accrued liabilities	2,719	3,482
Bank indebtedness	5,500	–
	9,546	10,080
Provision for future site restoration	360	228
Long-term debt	39,288	38,175
Unitholders' equity	204,040	223,301
	\$ 253,234	\$ 271,784

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	SEPTEMBER 30, 1998		DECEMBER 31, 1997	
	UNITS	DOLLARS	UNITS	DOLLARS
	<i>(Unaudited)</i>			
Unitholders' equity, beginning of period	26,488,000	\$ 223,301	26,408,000	\$ 248,464
Net income (loss)	–	(6,518)	–	3,085
Distributions to unitholders	–	(13,203)	–	(29,081)
Trust Units issued in lieu of management fee	60,000	460	80,000	833
Unitholders' equity, end of period	26,548,000	\$ 204,040	26,488,000	\$ 223,301

+ FREEHOLD ROYALTY TRUST +
Combined Statements of Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1998	1997	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues:				
Royalty income	\$ 4,045	\$ 5,224	\$ 12,272	\$ 17,621
Working interest sales (net of royalties)	2,521	3,583	6,650	11,132
Operating expenses	975	1,002	2,674	2,568
Working interest income	1,546	2,581	3,976	8,564
	5,591	7,805	16,248	26,185
Other expenses:				
Administrative	540	431	1,674	1,365
Interest	679	364	1,790	1,139
Capital and Large Corporations Tax	20	-	65	-
	1,239	795	3,529	2,504
Income before depletion, depreciation, site restoration and management fee	4,352	7,010	12,719	23,681
Depletion and depreciation	5,902	6,537	18,608	19,640
Site restoration	55	54	169	162
Management fee	140	236	460	651
Net income (loss)	\$ (1,745)	\$ 183	\$ (6,518)	\$ 3,228
Net income (loss) per Trust Unit	\$ (0.07)	\$ 0.01	\$ (0.25)	\$ 0.12

Combined Statements of Distributable Income

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1998	1997	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income before depletion, depreciation, site restoration and management fee	\$ 4,352	\$ 7,010	\$ 12,719	\$ 23,681
Add (deduct):				
Site restoration fund contributions	(55)	(54)	(169)	(162)
Capital expenditures	(118)	(205)	(170)	(1,035)
Use of working capital	-	-	823	-
Distributable income	\$ 4,179	\$ 6,751	\$ 13,203	\$ 22,484
Distributable income per Trust Unit	\$ 0.16	\$ 0.25	\$ 0.50	\$ 0.85

Combined Statements of Changes in Financial Position

(STATED IN THOUSANDS OF DOLLARS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1998	1997	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash provided by (used in):				
Operating:				
Net income (loss)	\$ (1,745)	\$ 183	\$ (6,518)	\$ 3,228
Item not involving cash:				
Depletion and depreciation	5,902	6,537	18,608	19,640
Funds generated from operations	4,157	6,720	12,090	22,868
Changes in non-cash operating working capital	323	(1,532)	(161)	(3,238)
	4,480	5,188	11,929	19,630
Financing:				
Trust Units issued in lieu of management fee	140	236	460	651
Bank indebtedness	225	-	5,500	-
Long-term debt	-	-	1,113	22,380
Distributions paid	(4,377)	(7,405)	(18,474)	(19,295)
	(4,012)	(7,169)	(11,401)	3,736
Investing:				
Property and royalty acquisitions	-	-	-	(22,330)
Development expenditures	(474)	(205)	(1,586)	(1,035)
	(474)	(205)	(1,586)	(23,365)
Increase (decrease) in cash	(6)	(2,186)	(1,058)	1
Cash, beginning of period	75	2,498	1,127	311
Cash, end of period	\$ 69	\$ 312	\$ 69	\$ 312

Unitholder Information

TRUST UNIT TRADING INFORMATION	QUARTER ENDED SEPTEMBER 30, 1998	QUARTER ENDED JUNE 30, 1998	QUARTER ENDED MARCH 31, 1998
November 25, 1996 Issue Price	\$10.00		
High	\$8.20	\$8.40	\$9.80
Low	\$4.55	\$6.00	\$7.30
Close	\$7.00	\$8.00	\$8.00
Volume (TSE/ME)	2,411,327	2,589,283	1,465,642
Trust Units Outstanding	26,548,000	26,528,000	26,508,000
Market Capitalization	\$185,836,000	\$212,224,000	\$212,064,000

HISTORICAL DISTRIBUTIONS	RECORD DATE	PAYMENT DATE	PER TRUST UNIT
Quarterly			
December 31, 1996 (37-day period)	Jan. 31, 1997	Feb. 28, 1997	\$0.1300
March 31, 1997	Apr. 30, 1997	May 15, 1997	\$0.3200
June 30, 1997	July 31, 1997	Aug. 15, 1997	\$0.2800
September 30, 1997	Oct. 31, 1997	Nov. 15, 1997	\$0.2500
December 31, 1997	Jan. 31, 1998	Feb. 15, 1998	\$0.2500
March 31, 1998	Apr. 30, 1998	May 15, 1998	\$0.1700
Monthly			
April, 1998	Apr. 30, 1998	May 15, 1998	\$0.0575
May, 1998	May 31, 1998	June 15, 1998	\$0.0575
June, 1998	June 30, 1998	July 15, 1998	\$0.0575
July, 1998	July 31, 1998	Aug. 15, 1998	\$0.0575
August, 1998	Aug. 31, 1998	Sept. 15, 1998	\$0.0500
September, 1998	Sept. 30, 1998	Oct. 15, 1998	\$0.0500
October, 1998	Oct. 31, 1998	Nov. 15, 1998	\$0.0500
November, 1998	Nov. 30, 1998	Dec. 15, 1998	\$0.0500
Total distributions to date			\$1.8300

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" distributions by the Trust enable Unitholders who are non-residents of Canada to receive such amounts exempt from Canadian withholding tax.

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}

*President & C.E.O.
Pursuit Resources Corp.*

Harry S. Campbell

*Partner
Burnet, Duckworth & Palmer*

Tullio Cedraschi

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

Peter T. Harrison¹

*Director and Vice-President,
Canadian Equities
Montrustco Associates Inc.*

P. Michael Maher^{1,2}

*Dean, 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

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Stock Exchange Listings

The Toronto Stock Exchange
The Montreal Exchange
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Trustee and Transfer Agent Information

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¹ Audit Committee

² Corporate Governance &
Nominating Committee