



FREEHOLD ROYALTY TRUST

+ 1998 FIRST QUARTER REPORT +

First Quarter Results

- Crude oil and NGL production for the quarter averaged 3,932 barrels per day, up seven percent from the same period last year
- During the quarter, natural gas production averaged 13.6 million cubic feet per day, up slightly over last year
- Potash production rose 87 percent compared to first quarter last year
- Distributable income of \$4.5 million, was down 47 percent from the same period last year
- Cash distribution for the period of \$0.17 per Trust Unit

	THREE MONTHS ENDED		% CHANGE
	MARCH 31, 1998	MARCH 31, 1997	
<i>Operating</i>			
Production			
Crude oil (Bbls/d)	3,619	3,412	+6
NGLs (Bbls/d)	313	262	+19
Natural gas (Mmcf/d)	13.6	13.4	+1
Barrels of oil equivalent (Boe/d)	5,296	5,010	+6
Potash (Tons/d)	20.4	10.9	+87
<i>Average prices (\$ Cdn.)</i>			
Crude oil and NGLs (\$/Bbl)	11.93	21.70	-45
Natural gas (\$/Mcf)	2.06	2.15	-4
Barrels of oil equivalent (\$/Boe)	14.16	21.66	-35
Potash (\$/Ton)	132.31	105.78	+25
<i>Financial</i>			
<i>(\$000s except per Trust Unit)</i>			
Revenue			
Royalty income	4,551	6,357	-28
Working interest sales (net of royalties)	2,054	3,201	-36
Total revenue	6,605	9,558	-31
Funds generated from operations	4,342	8,325	-48
Net income	(2,063)	2,577	-180
Distributable income	4,450	8,382	-47
per Trust Unit	0.17	0.32	-47

Report to Unitholders

Against a backdrop of significantly lower crude oil prices, the Trust realized distributable income of \$4.5 million, translating to 17 cents (\$0.17) per Trust Unit. The cash distribution is payable May 15, 1998 to Unitholders of record on April 30, 1998. This financial result is lower than a year ago, in direct proportion to crude oil price declines.

During the first quarter of 1998, Freehold increased production by six percent versus the first quarter of 1997. Revenue for the period was \$6.6 million, representing a 31 percent decline from the same period of 1997. Even in this difficult pricing environment, the netback to investors from Freehold's royalty income was strong at \$14.08 per barrel of oil equivalent. Freehold nets greater than two thirds of its revenue through its royalty land holdings, which do not require any capital investment. This source of royalty income is key to Freehold's strength and will serve Unitholders well throughout this period of soft commodity prices.

Change to Monthly Distributions

Beginning April 1, 1998, the Trust has moved from quarterly to monthly distributions. The monthly distribution will be set initially at five and three quarters cents (\$0.0575), with the first monthly payment being made on May 15, 1998 to Unitholders of record on April 30, 1998. The monthly distribution is being set based on expected distributions at current commodity prices of US\$16.00 West Texas Intermediate ("WTI") per barrel for oil and \$2.00 per thousand cubic feet for natural gas. The monthly

distribution will ensure Freehold Unitholders receive cash regularly and frequently. In addition, as commodity prices improve, management has an opportunity to increase distributions to ensure any price increase is realized by our investors. Including the first-quarter and the month of April 1998, the Trust has distributed a total of \$1.4575 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.

Operating Results On Target

Oil and NGL production averaged 3,932 barrels per day for the quarter, up seven percent compared to the first quarter 1997 level of 3,674 barrels per day. Natural gas production averaged 13.6 million cubic feet per day, up slightly from the same period last year of 13.4 million cubic feet per day. Potash production, which represents a small portion of the Trust's revenue, rose substantially from the same period last year.

Total Trust operating costs of \$1.91 per barrel of oil equivalent for the period are up from \$1.06 per barrel of oil equivalent for the first quarter of 1997. The increase is mainly as a result of incremental operating costs for working interest properties acquired during 1997. 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.

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
Total distributions to date			\$1.4575

Activity on Royalty Interest Lands Continues

Activity levels are steady on lands where the Trust receives a royalty percentage of the production. By mid February of this year, lessees had drilled a total of 20 wells on Freehold's royalty lands, as compared to 16 wells at the same time last year.

Working Interest Properties

During the first quarter of 1998, Freehold participated in the drilling of 21 working interest wells (0.5 net) with a 95 percent success rate. Freehold incurred capital expenditures of \$552,000 during the period. This capital was spent on drilling and associated costs for production equipment and re-completions.

1998 Outlook

Freehold was adversely affected by the decline in the price of crude oil on North American markets. The benchmark WTI crude posting of US\$15.95 for the first quarter of 1998 was down 30 percent from the first quarter of 1997. This price represents the fourth lowest quarterly average oil price over

the past 10 years. This price reduction, along with even lower prices for heavy oil further hindered by higher costs for transporting heavy oil, combined to reduce crude oil netbacks. The change in distributable income per Trust Unit from the first quarter of 1997 to the first quarter of 1998 is reconciled in the table below.

As a result of its prudent financial management, Freehold is well positioned to withstand these low commodity price cycles and to take advantage of the opportunities that may arise to acquire additional high quality properties.

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

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

April 21, 1998

RECONCILIATION OF DISTRIBUTABLE INCOME	PER TRUST UNIT
Distributable income for the three months ended March 31, 1997	\$0.32
Effect of increased production	0.02
Impact of lower commodity prices	(0.13)
Increased interest, production and other charges	(0.04)
<u>Distributable income for the three months ended March 31, 1998</u>	<u>\$0.17</u>

— FREEHOLD ROYALTY TRUST —
Combined Balance Sheets

(STATED IN THOUSANDS OF DOLLARS)	MARCH 31, 1998	DECEMBER 31, 1997
	<i>(Unaudited)</i>	
<i>Assets</i>		
Current assets:		
Cash	\$ 135	\$ 1,127
Accounts receivable	8,068	8,723
	8,203	9,850
Reclamation fund	267	228
Petroleum and natural gas interests, net of accumulated depletion and depreciation of \$35,466 (1997 – \$29,061)	255,854	261,706
	\$ 264,324	\$ 271,784
 <i>Liabilities and Unitholders' Equity</i>		
Current liabilities:		
Distributions payable to unitholders	\$ 4,450	\$ 6,598
Accounts payable and accrued liabilities	3,371	3,482
	7,821	10,080
Provision for future site restoration	267	228
Long-term debt	39,288	38,175
Unitholders' equity	216,948	223,301
	\$ 264,324	\$ 271,784

— FREEHOLD ROYALTY TRUST —
Combined Statements of Income

THREE MONTHS ENDED MARCH 31

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

	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues:		
Royalty income	\$ 4,551	\$ 6,357
Working interest sales (net of royalties)	2,040	3,196
Interest income	14	5
	<hr/> 6,605	<hr/> 9,558
Expenses:		
Operating	909	477
Administrative	581	443
Interest	527	85
Capital taxes	27	-
	<hr/> 2,044	<hr/> 1,005
Income before depletion, depreciation, site restoration and management fee	4,561	8,553
Depletion and depreciation	6,405	5,748
Site restoration	59	31
Management fee	160	197
Net income (loss)	<hr/> \$ (2,063)	<hr/> \$ 2,577
Net income (loss) per Trust Unit	<hr/> \$ (0.08)	<hr/> \$ 0.10

Combined Statements of Distributable Income

THREE MONTHS ENDED MARCH 31

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

	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income before depletion, depreciation, site restoration and management fee	\$ 4,561	\$ 8,553
Less:		
Site restoration fund contributions	59	31
Capital expenditures	52	140
Distributable income	\$ 4,450	\$ 8,382
Distributable income per Trust Unit	\$ 0.17	\$ 0.32

Combined Statements of Unitholders' Equity

(STATED IN THOUSANDS OF DOLLARS, EXCEPT UNIT DATA)	MARCH 31, 1998		DECEMBER 31, 1997	
	UNITS	DOLLARS	UNITS	DOLLARS
	<i>(Unaudited)</i>			
Unitholders' equity, beginning of period	24,488,000	\$ 223,301	26,408,000	\$ 248,464
Net income (loss)	-	(2,063)	-	3,085
Distributions to unitholders	-	(4,450)	-	(29,081)
Trust Units issued in lieu of management fee	20,000	160	80,000	833
Unitholders' equity, end of period	26,508,000	\$ 216,948	26,488,000	\$ 223,301

Combined Statements of Changes in Financial Position

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

	1998	1997
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ (2,063)	\$ 2,577
Item not involving cash:		
Depletion and depreciation	6,405	5,748
Funds generated from operations	4,342	8,325
Changes in non-cash operating working capital	543	(1,244)
	4,885	7,081
Financing:		
Trust Units issued in lieu of management fee	160	197
Long-term debt	1,113	200
Distributions paid	(6,598)	(3,433)
	(5,325)	(3,036)
Investing:		
Development expenditures	(552)	(140)
Increase (decrease) in cash	(992)	3,905
Cash, beginning of period	1,127	311
Cash, end of period	\$ 135	\$ 4,216

FREEHOLD ROYALTY TRUST
Corporate and Unitholder Information

TRUST UNIT TRADING INFORMATION

QUARTER ENDED
 MARCH 31, 1998

November 25, 1996 Issue Price	\$10.00
High	\$9.80
Low	\$7.30
Close	\$8.00
Volume (TSE/ME)	1,465,642
Trust Units Outstanding	26,508,000
Market Capitalization	\$212,064,000

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.
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 University of Calgary*

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*President & C.E.O.
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Officers

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President & C.E.O.

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Stock Exchange Listings

The Toronto Stock Exchange
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 Nominating Committee